20th CEO Survey

Key findings for New Zealand, February 2017

20 years inside the mind of the CEO... What's next?

A New Zealand perspective

pwc

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Executive summary

Every day, New Zealand's CEOs make important decisions about the future. They choose where to invest, they determine where they will export to and they make tough choices about how to navigate an increasingly turbulent world. It's this turbulence, from Trump and Brexit to fluctuating dairy prices and a new Prime Minister, that is weighing heavily on the decisions our CEOs are making.

Every year we track these tough choices through our CEO Survey, now in its 20th year. Through a series of in-depth interviews and online surveys, we start a conversation with today's CEOs about what's important to them, where they see the world heading and what they are doing to keep their company, and the country, in good health.

Since we started having these conversations, we've seen the role of the CEO change massively. Today's leaders are more connected, more digitally savvy and more internationally minded than ever before.

We also have a clear picture of where CEOs see growth coming from within organisations: people, technology and businesses working together. CEOs are working hard to get the right talent and support them with the right technology so they can create the next generation of great local products and services.

A standout from this year's findings was where New Zealand CEOs see growth coming from. Almost three-quarters said they see new opportunities in partnering with other organisations, a point where local CEOs are well ahead of their overseas counterparts. It's a hugely positive sign for the country that our business leaders are thinking collaboratively about growth.

I'd like to thank all our participants for getting involved this year, particularly those who took part in an in-depth interview. Your thoughts and feedback are at the core of this report and they've given us some great insights into our country's future.

I'm also keen to hear what you think. The CEO Survey is the start of a conversation, one that my colleagues and I will keep having with business leaders throughout the next 12 months.

I hope you enjoy this year's survey findings.

Mark Averill
CEO and Senior Partner
PwC New Zealand

What's on the minds of C

We asked a wide range of questions in our CEO Survey, on everything from diversity and in

Top markets for overseas growth are:

- ***72%*** Australia
- ***72%*** USA
- ***63%*** China

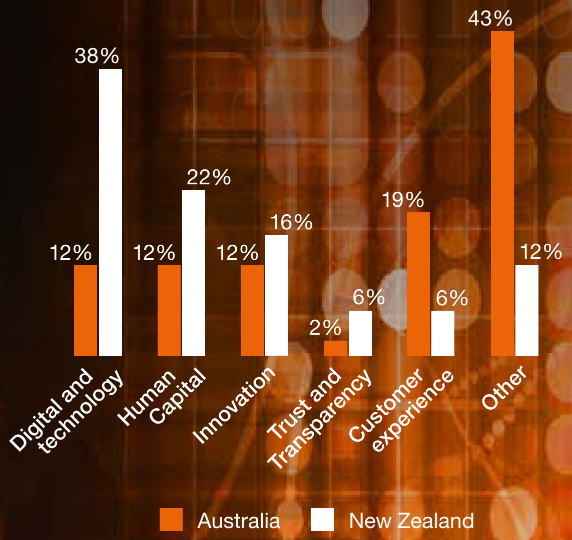
91% are ***concerned about cyber attacks***, compared to 61% globally

88% are ***promoting Diversity and Inclusion***, compared to 96% in Australia

44% are concerned about their ***ability to respond to a crisis***, compared to 59% globally

41% are ***concerned about a lack of trust*** in business

Q: Which of the following do you want to strengthen to capitalise on new opportunities?



CEOs in New Zealand?

nclusion to changing consumer preferences. Here are some of the highlights.

72% see growth ***coming from joint ventures or a strategic alliance***, compared to 48% globally

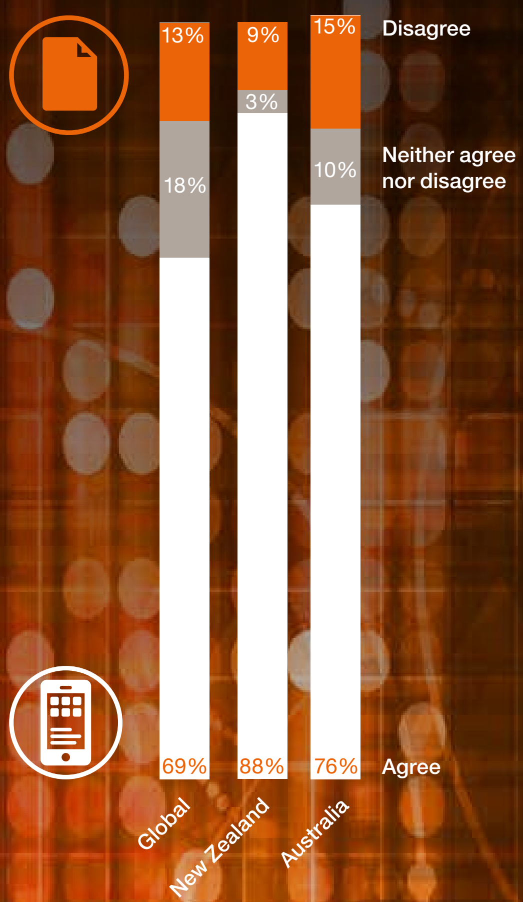
66% are worried about ***changing consumer preferences***

53% will ***increase headcount***

Almost half, ***41%*** will ***collaborate with entrepreneurs and start-ups***

38% say ***technology will completely reshape their industry in five years***, compared to 23% globally

Q: Do you consume more digital media than print?



The New Zealand setting
Big bets for growth…

91%
believe they will hit their growth targets for the next 12 months

"In a world where it is difficult to predict where technology is heading within the next five years, companies have to move away from a model where they do everything themselves. The ability to utilise strategic partnering and leverage third party relationships is key to advance and relevant."

Myles Ward
healthAlliance

The bottom line is certainly top of mind for our New Zealand CEOs. Almost all (97 per cent) are confident about their growth prospects for the next three years. That's compared 94 per cent in Australia. A further 91 per cent of New Zealand CEOs believe they will hit their growth targets for the next 12 months.

There are many other positive tailwinds that New Zealand CEOs are seeing for their organisations. Access to capital was much easier than the global average, with only 22 per cent worried about this issue.

Another real standout from the survey was the positivity about the New Zealand tax system. Only 19 per cent of our CEOs reported they were concerned about an increasing tax burden. That's compared to 68 per cent globally and more than 50 per cent in all of our major trading partners.

When we asked CEOs where they saw new growth coming from, local leaders were less likely than their global counterparts to rely on organic growth. Exactly three-quarters of the New Zealand CEOs we surveyed will rely on organic growth in the coming year, while the UK, Australia and the USA were all over 90 per cent.

Instead, CEOs in New Zealand are taking a different tack: they are looking to work with other organisations to help them achieve their growth targets. Of our local CEOs, 72 per cent stated they are seeking a new strategic alliance or joint venture to drive growth, compared to 48 per cent globally.

The implications here are huge for both incumbents and start-ups in New Zealand. One of the big trends we've seen among banks and insurers has been for established firms to partner with FinTechs, rather than develop everything in-house.[1] Clearly this approach isn't limited to financial services though – it's taking off across New Zealand. It's also a trend we've seen in other areas like scientific research papers, where there's been a distinct shift from individuals having breakthroughs to research coming from groups of academics working together.[2] We're now seeing the New Zealand business world going the same way, with growth coming from resources, staff and knowledge that are shared between companies, rather than lone efforts from single firms.

Figure 1 A taxing concern?

Q: How concerned are you about an increasing tax burden?

…but risks on the horizon

Global economic growth was certainly a major concern for our CEOs. Only 22 per cent felt global economic growth will improve, behind both the global average of 29 per cent and their counterparts in Australia (36 per cent).

The big risks to growth were mostly international, although a few are local. One area that ranked highly was over-regulation – something of a surprise when New Zealand is now the easiest country in the world to do business.[3] More than two-thirds (69 per cent) of our respondents said that over-regulation was keeping them up at night. It's a high figure, although still below the global average of 80 per cent.

"Some of the things that are propelling our economy are not stable, so record levels of tourism and immigration won't last because we have infrastructure constraints around accommodation and airports that probably means it will plateau."

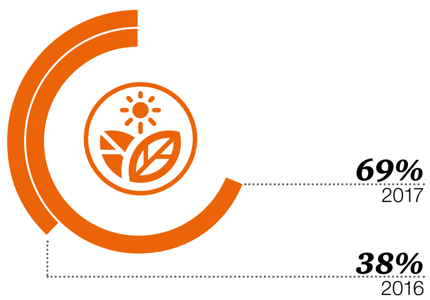
Anthony Healy
BNZ

Another key risk – that came through in the survey data and our interviews – was infrastructure. There was a feeling among our interviewees that our strong primary export and tourism sectors were at risk from a lack of basic infrastructure that could act as a handbrake on growth.

Lastly, CEOs in New Zealand appear to have a green streak, with many reporting that climate change and environmental damage is a serious business concern. Sixty-nine per cent stated they are concerned about the risks these pose to their organisation, compared to just 50 per cent internationally and 52 per cent in Australia. With many of our neighbours in the Pacific already dealing with the social and financial cost of climate change, it's not surprising that CEOs in New Zealand are seriously considering the business consequences of a warming planet.

Figure 2 Climate change

Q: How concerned are you about climate change and resource scarcity?



Note: Total percentage of respondents who said they are "somewhat concerned" or "very concerned"

"I think talent is the main risk for New Zealand businesses. If the technology sector is going to keep growing we have to get that talent pipeline working now, and other sectors like tourism and construction are also under severe pressure for workers."

Brett O'Riley
ATEED

New Zealand's got talent?
Finding, training and retaining a highly skilled workforce

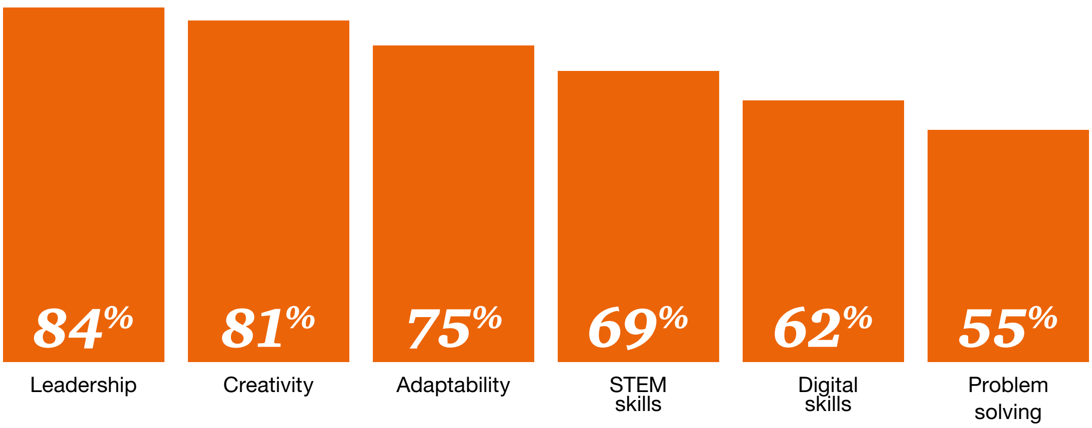
When it comes to their people, CEOs in New Zealand are keenly aware of the skills they are lacking and the areas they need to improve on if they want to grow their organisations.

Riding on the back of a strong economy and a growing population, just over half of our CEOs (53 per cent) reported that they will be increasing headcount, while just 16 per cent will be cutting positions. It's a trend that's in line with our global pool of CEOs and slightly ahead of the results from Australia. Interestingly, all of our CEOs who reported they will decrease headcount said it was at least partly due to the use of automation and other technologies.

While the workforce is growing, it is also changing shape in response to the new pressures that businesses are facing. Having access to a highly flexible pool of employees is now becoming paramount, with New Zealand firms leading the rest of the world in their use of contractors, freelancers and outsourcing arrangements. Almost half (44 per cent) of New Zealand CEOs reported they are relying more on these solutions, compared to 28 per cent globally and just 9 per cent in mainland China. New Zealand's market size is likely to be playing a part here, making it attractive to contract in key skills for short-term projects, rather than adding full-time roles.

Figure 3 Finding the right skills for growth

Q: How difficult is it to find these different skills?



Note: Percentage of New Zealand respondents who indicated very or somewhat difficult

Just over half of our CEOs (53 per cent) reported that they will be increasing headcount

"For me, diversity of thought is all about ensuring we remain relevant for the future. We have to be recruiting people who think differently if our companies are going to be ready for what's coming next. It's about embracing all aspects of diversity as an everyday business matter."

Mark Averill

PwC New Zealand

56%
said they move talent to where it is most needed

However, there are limits to this adaptability. While New Zealand companies are more likely to rely on contractors and freelancers, they are less likely to move talent internally to where it is required. Just 56 per cent stated they can move talent to where it is needed most, well below the 80 per cent recorded in Australia. It's a unique quirk of the New Zealand market that companies are so strong in relying on external labour arrangements, but struggle to create the same adaptability within their companies. This also represents a huge opportunity for companies to invest in a workforce that can shift quickly as new opportunities emerge and still be complemented by an extended pool of outsourcing partners, freelancers and contractors.

"New Zealand's cultural and ethnic diversity should be a competitive advantage for us. It brings new ideas, new thinking, new ways of doing business and connectivity to offshore markets - all of those will bring huge competitive advantage."

Anthony Healy
BNZ

Of course, the challenge of finding and cultivating talented staff isn't just reliant on being able to move staff within the organisation, it's a broader human resources challenge. Perhaps it's not surprising then that a very large number of our CEOs (53 per cent) are rethinking their HR function, while 81 per cent are changing their people strategy to reflect emerging skills and employment structures they will need in the future.

When we asked which skills are going to be priorities in the coming months, there were a few key standouts. Digital skills were a real strong point (see Figure 3) where New Zealand CEOs are investing above the global average, as were creativity and innovation. Interestingly Science, Technology, Engineering and Mathematics (STEM) skills were in lower demand in New Zealand than in Australia. Among Australian CEOs, 83 per cent saw these skills as important to their organisation.

"We've seen that staff are looking for more out of their jobs. They aren't as focused on money or influence, they are more motivated by a feeling that they are part of something worthwhile, that they are making a difference, that they are heard and respected."

James Robinson
My Food Bag

Tech-tonic shifts
20 years of change, with plenty more to come

When we asked our CEOs what's the biggest change they've seen over the last 20 years, the answer was just one word: technology. Forty-one per cent of our CEOs felt their industry has been completely reshaped by technology in the last five years alone and 38 per cent think their industry will be completely reshaped again in the next five years. None of our CEOs thought their industry would emerge from the next five years unchanged by technology.

New Zealand's CEOs are also aware that this change won't be slowing any time soon. When we asked how worried our CEOs were about the speed of technological change, 44 per cent said they were extremely concerned, while 41 per cent were somewhat worried. That's a marked difference with the UK, USA and Australia, where leaders were much less concerned about this pace of change. Only in China were the numbers similar to those we recorded in New Zealand.

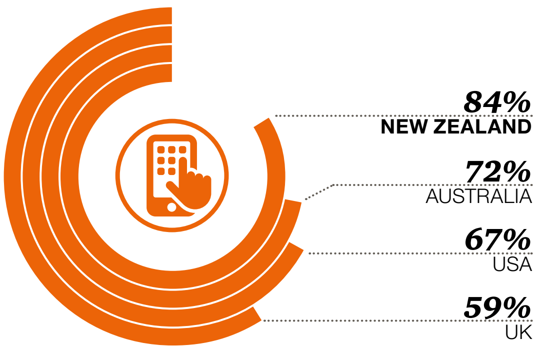
41%
of CEOs think their industry has been completely reshaped by technology over the last five years

It's not surprising that local CEOs are increasingly sensitive to the pace of change and the impact it's having on their businesses. One of the key themes that came through from our in-depth interviews was that CEOs are facing new, technology-enabled competitors from overseas who would previously have overlooked entering the New Zealand market.

So how are business leaders responding? We asked CEOs which areas they most want to strengthen and three shone through: innovation, digital and human capital. The path that our CEOs are taking is to pursue new thinking, with the right staff and the right technology to back it up. We've already explored the impact of human capital in the previous section, but innovation and digital capabilities are equally important.

Figure 4 Speed bumps

Q: How concerned are you about the speed of technological change?



Note: Percentage of respondents stating they are extremely or somewhat concerned

Our survey also revealed just how interwoven innovation, technology and people are for our CEOs. Three-quarters are using technology to improve the wellbeing of their staff, underscoring how technology is helping workplaces to become more human-centric, not less. A further 47 per cent are exploring the benefits of humans and machines working together, while 53 per cent are considering how artificial intelligence could change their workforce.

"We shouldn't underestimate how hard transformation is for established organisations who have always operated in a pre-digital world. Technology has had a massive impact, and the reality is it's bringing new risks that affect how we are perceived and the expectations our clients have of us."

Mark Averill

PwC New Zealand

"Much of the manual work we currently do is only manual because we haven't had time yet to automate the system. We want our people to be designing the systems and building the machines, not doing manual work."

Rod Drury

Xero

The result is that, for all the talk of workforces being replaced by machines, humans are more central than ever for CEOs. Rather than replacing staff, technology is a way to complement workers and help them focus on value-adding tasks that can't be automated.

Where New Zealand CEOs are lagging their global counterparts is in the emerging technology space. Artificial intelligence and blockchain were two examples of technologies that our CEOs didn't see as a priority. Likewise, genetically modified crops and synthetic biology were some of the possible business risks that our CEOs saw as a lower priority, compared to more immediate areas like cyber security.

It's easy to see why: technology like blockchain is only now seeing its first practical applications, while synthetic biology feels more science fiction than business fact. However, it's these emerging technologies that will drive the next generation of business growth. While our CEOs seem happy to focus on those applications of technology that have the most immediate impact on their bottom line, planning ahead for these horizon technologies also has to be a priority.

The Digital CEO
Technology's march into our daily lives

CEOs aren't just leading digital companies, they are leading digital lives. The changes that have transformed the workplace have also made their mark in our homes, something New Zealand CEOs are aware of.

Interestingly, CEOs have mixed views on their own digital skills – only 47 per cent felt they have strong or very strong digital skills. There are some areas where CEOs are more comfortable than others. Digital communication channels have made their mark on our business leaders with two-thirds reported being active on social media. A similar number (63 per cent) said they make more purchases online than in physical stores.

Another area that has truly gone digital for our New Zealand CEOs is the news. Gone are the days of CEOs treating a physical newspaper as their main source of information, with 88 per cent reporting they consume more digital than print news. Given the double-digit growth that digital media is seeing in New Zealand (according to our latest Global Entertainment and Media Outlook[4]) it's not surprising that CEOs are making the most of these avenues for receiving the news.

These digital areas where CEOs are most confident all share one thing in common: they are channels for tasks that CEOs have always done, from communicating to making purchases and keep up with current affairs. Where our CEOs reported lower levels of uptake were in those newer digital services that don't have an analogue equivalent. For example, only 28 per cent reported they use robotics in their homes, while a mere 6 per cent are active gamers. Home automation fared better, with 53 per cent having some form of automation in place, however it still trails the adoption rates for social media.

The rise of the digital CEO isn't just a phenomenon here in New Zealand either, it's being felt across the world. The truly global nature of new digital tools was reflected in our findings, with New Zealand CEOs either in line with, or ahead of, their global counterparts. For example, 43 per cent of global CEOs are active on social media, compared to the 66 per cent in New Zealand. Whether CEOs locally can translate this passion for digital in their personal lives into change within their organisations is yet to be seen, but it's certainly an area where New Zealand CEOs are punching above their weight.

Only

47%

felt they have strong or very strong digital skills

"Thanks to digital, content is always in our lives... Both now and in the future, I do believe people will want to be both informed and entertained. Our role as storytellers will continue to be relevant but the format of that delivery will likely be very different in five years to what it is today."

Michael Boggs
NZME

Trade, globalisation, and the double-edged sword of open markets

How international events are weighing on our CEOs' minds

"We have a much more diverse range of trading partners than we did 20 years ago. We are selling more products and services into more markets than we have ever done before."

Mark Ratcliffe
Chorus

While our local CEOs are confident in their own growth, there was still a degree of pessimism about the global economy. When we asked whether or not the global economic landscape was going to improve or not, New Zealand respondents were more cautious than those overseas, with only 22 per cent expecting increased growth over the next 12 months.

Despite this pessimism, few CEOs expect weak global growth to impact their own performance. As mentioned earlier, an overwhelming majority of local CEOs plan to grow in the next 12 months. What's more, the number who are concerned about risks like the exchange rate was much lower than internationally. Protectionism and geopolitical uncertainty – such as the Trump administration's decision to withdraw from the Trans-Pacific Partnership Agreement – are certainly weighing on New Zealand CEOs' minds, but no more than they are for CEOs around the world.

When we asked our New Zealand business leaders which overseas markets they will be focusing on, the answer was the Pacific Rim. Australia and the United States were the two most popular markets, with both appealing to 72 per cent of our CEOs. China rounded out the top three on 63 per cent, while the UK and Germany lagged on 13 and 9 per cent respectively. Unsurprisingly, Sydney also topped the list for overseas cities that will drive growth, with 25 per cent of our CEOs feeling the New South Wales capital is a priority for them, second only to Auckland on 59 per cent.

Protectionism and geopolitical uncertainty are certainly weighing on New Zealand CEOs' minds, but no more than they are for CEOs around the world

After more than 20 years of globalisation, CEOs have also had plenty of time to see its benefits. Particularly in New Zealand, where the economy has been highly open since the mid-1980s, our group of CEOs have now spent most (if not all) of their careers in a business world that has become more interconnected with each passing year.

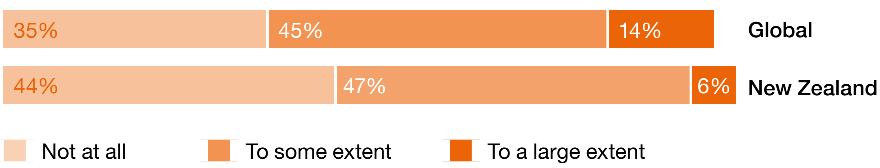
> *"I think we will certainly continue to see strong growth from China, and the One Belt, One Road trade strategy is driving a lot of Chinese companies to start looking offshore for investment opportunities. So I think we'll see plenty of inbound activity from China which will stimulate trade to China and other markets."*
>
> Brett O'Riley
> ATEED

Despite this, our CEOs were split on the perceived benefits of globalisation. The areas where CEOs were the most positive were around enabling universal connectivity, improving the ease of moving capital, people and goods, and creating a skilled and educated workforce, with each seen as a having benefited from the trend towards a globalised world.

On the other hand, there were a number of areas where our CEOs felt globalisation had not delivered any benefits. Harmonising regulations was one area in particular where CEOs were divided on whether or not globalisation had a positive influence. A number of CEOs may be expressing frustration at increased regulatory costs in many industries as New Zealand has been required to catch up to global standards. Likewise, many felt that globalisation hadn't had a major influence on the fairness and integrity of global tax systems (44 per cent reported globalisation hadn't helped at all).

Figure 5 The global tax challenge

Q: Has globalisation helped with the fairness and integrity of global tax systems?



What's trust got to do with it?
The new risks from emerging technologies and business practices

72%

of CEOs reported that it is harder to gain and keep trust in an increasingly digitised world.

While new technologies, business practices and international opportunities have reshaped what it means to be a CEO, for many of our respondents the changing times have brought a new set of risks to manage. Trust is now more important than ever, with 72 per cent of CEOs reporting that it is harder to gain and keep trust in an increasingly digitised world.

Social media is a great example. While a majority of our CEOs are active on social media platforms, 87 per cent identified social media as a risk that could harm how people perceive their industry. Equally concerning was cyber security, with 94 per cent feeling that cyber breaches will negatively impact trust in their industry and half of these saying it will be 'to a large extent'.

It's important to note these risks aren't just limited to a single company, they are industry-wide. In a landscape of new reputational and operational risks, a cyber attack or a data breach on a competitor weakens the perception of a CEO's own company, even if they are unaffected by the attack themselves.

The good news is that organisations are responding to these new threats and investing more in risk management tools. In the case of cyber security, 97 per cent of respondents said they are addressing these risks within their businesses. For social media, 81 per cent of our surveyed CEOs stated they are managing these risks to some extent.

"Like all the banks, we get many cyber attacks a week so we have to keep investing in our resilience. The level of collaboration between the banks is increasing dramatically because the government sees cyber as a systemic risk – if an attack shuts down the financial and payment systems it would impact the whole economy."

Anthony Healy
BNZ

Besides risk management, many of our CEOs saw these efforts as a way to differentiate themselves in a competitive market. In fact, 75 per cent felt that the way they handle data will be a key competitive advantage. CEOs aren't the only ones who have become more digitally savvy, and it won't be long before every supplier, customer and business partner is forming opinions about New Zealand companies based on how they are managing data and information.

The bigger picture here is that emerging technologies are placing renewed focus on many of the qualities that have always made businesses successful. Trust has always been crucial. New Zealand in particular is a high-trust environment, with businesses relationships built on good faith towards customers, shareholders and the general public alike. Social media might represent a new channel for trust to be earned or lost, but it doesn't change how central trust is to a successful business.

Building trust relies on more than just a strong social media policy or effective cyber security controls, it's also about the company's purpose, values and culture – not to mention staff. Again, these have always been important, but with the rise in digital technologies they are now more visible and more likely to affect how a company is perceived. Almost all of our CEOs (94 per cent) felt that the increasingly digitised world is making a strong corporate purpose more important, with 63 per cent agreeing strongly.

"Transparency really is the start of trust, so when we are talking to customers we are being absolutely transparent about what we do and how we work. Through being transparent with them, they form a strong trusting relationship with us."

Cecilia Robinson
My Food Bag

Figure 6 Cyber's impact on trust

Q: How concerned are you about cyber attacks?

Note: Percentage of New Zealand respondents stating they are "somewhat" or "very concerned"

Conversations with New Zealand CEOs

Mark Averill
PwC New Zealand

Technology has had a massive impact on the speed we're all expected to operate at. From our perspective at PwC, our clients want us to be instantly available and have the ability to access both people and information globally. It is transforming the way we work.

I think that every CEO has a natural desire to project growth in their own business. However the environment is going to provide challenges on people to execute those growth plans. We are facing many more threats, more than we have in the past. A lot of them stem out from more uncertain economic and political times, coupled with the impacts of technology.

Trust is absolutely critical here. The reality is that there are also some massive risks around new technology that will affect how we are perceived. We shouldn't underestimate how hard transformation is for established organisations who have always operated in a pre-digital world.

Flexible working is also a great example of that trust you have to have in your staff. We need to trust our staff that working at home means genuinely working at home and not another day at the beach. Being flexible means trusting that the outputs change, regardless of how staff are working or where they are working from.

There is an increasing appetite for people to partner with other companies to work together. You've got to be willing to work with other people and other companies if they have the complementary skills your organisation needs.

That may also mean working alongside your competitors, if they have those complementary skills to help your business. It's something we're seeing locally, like our big banks working together on cyber security. We're seeing it more and more and that is where the world will keep moving to in the future.

Technology has also been a huge benefit to younger generations of employees. Young people, who are able to embrace technology and can identify opportunities using critical thinking, are able to stand out much earlier in their careers. The confidence that many young people have around technology is certainly giving them an advantage in the workplace and gives them a seat at the table, because they can show that they are making a difference.

Anthony Healy
BNZ

The digital revolution is enabling us to transform the customer experience. It's made that experience more intuitive, simpler, more personal, and means you can do mass personalisation very easily. You can use data and insights to deliver much more immediate and real-time benefits for customers based on their behaviour across every channel they interact with. It's increasing reach dramatically, so you can reach a much bigger audience domestically or globally. Now that has opportunities for us but also threats for us because our competitors don't have to be domestic.

The nature of everyone's roles is changing: some roles won't exist so you will have to reskill or you'll be in a role that becomes more and more value-add and involve less of those less value-add tasks. The skills that will become really crucial are digital skills, people who are really adaptable and agile. You don't get trained in one thing and keep doing that for the rest of your life, you've got to keep adapting.

For people inside our company, and I suppose it's the same across the economy, this will mean moving to different-skilled jobs – some will be higher skilled, some will be similar skilled. That means the roles our people occupy will be more value-add to our customers because they won't be doing repeatable tasks. Instead they will be having a conversation with you about providing advice on wealth or advice on how to grow your business or on what markets to enter or how can we optimise what we can do with you today and help you do things better.

Like all the banks, we get many attempted cyber attacks a week so we have to keep investing in our resilience. The level of collaboration between the banks is increasing dramatically because the government sees cyber as a systemic risk – if an attack shuts down the financial and payment systems it would impact the whole economy.

I think you've got to find the sweet spot where profitability and social responsibility intersect. You could spend all of your discretionary expenditure on good things that are not necessarily for profit but benefit communities. But that's not efficient either, so that's the tension: you have to find the sweet spots where you can deliver real benefit to communities which is aligned with your core capabilities that will generate reputational benefit for you as well.

Brett O'Riley

ATEED

The world isn't linear anymore, it's changing in non-linear exponential ways. So how do you plan for that and develop services that can maximise that? It's a challenge for the public sector because everyone is conditioned to think in linear cycles and growth plans. It's something we've seen in housing – so far we've taken a very linear approach to solving the housing crisis. It's also something that is happening with transport. There are some very fundamental questions around driverless cars, and changing work hours and patterns, that aren't linear, but we are still coming up with linear solutions.

The numbers have been saying for a long time that the lack of innovation, and commercialisation in particular, has been a handbrake on the New Zealand economy but what we are seeing now is a recognition that corporate New Zealand has to step up. We've often confused innovation with 'start-ups' but if you want to change the economy to be more innovative, one of the best places to start is with those companies that already have capital and skills in place.

I do think there is a real danger in seeing Auckland as New Zealand's only international city. In Auckland we have a similar risk profile to any other part of New Zealand, just for different reasons. The threat of volcanic activity here is just as great as the risk of earthquakes in other parts of the country. So I think there is a national conversation we have to have about how to build a contingency plan and build resilience into the New Zealand economy, infrastructure like ultra fast broadband enables you to think differently.

Now that contingency and that resilience doesn't have to be just in case of natural disasters, it could equally be around the housing crisis. But we need a plan to build that resilience into the New Zealand economy so that when these shocks come, we have a plan to respond. At the moment most of our responses are tactical, there's not a lot of long-term strategy behind it.

There has been a real missed opportunity around the Christchurch earthquake to talk about building a new economic driver for the country. We had a lot of conversations in the early days of the rebuild about building something special economically, but what we've come to so far is rebuilding the old Christchurch in a new way, rather than taking a new bold economic direction.

I think talent is the main risk for New Zealand businesses. We're in a position where most developed countries in the world will say they are short on talent. The housing situation in Auckland is certainly exacerbating that, because workers are very aware of housing costs. We know housing and transport are the things that are holding back economic growth in Auckland, and anything that impacts on the quality of life has a net effect on talent attraction and retention.

Another piece that's missing from the conversation about talent is that we only really talk about young people, but this question of future ways of working really cuts across all age groups. I'm 54 and, if I listen to the experts, I should be aiming to live until I'm at least 100. So what other careers could I have between now and then? There's no reason to believe I couldn't be an active workforce participant for the next 30 or 40 years. So how do we retool the workforce to accommodate older workers with different requirements?


Cecilia and James Robinson
My Food Bag

If you look at the definition of success for a business, it has changed in the last few years. You only have to look at those businesses that were publically listed in the 70s and how many of them are still around to see that change – less than 20 per cent are still left. A lot of the fast-moving companies are now taking up the oxygen in the business world, it's not those old-school firms that are leading the way.

A big part of automation's potential for us is around scale. Our Customer Love team is around 30 people now, and that team has so far grown in tandem with our client base. But now we are looking at ways to make sure those people are able to do more. That means automating systems and putting better processes in place so that the team doesn't have to just keep growing exponentially.

Where we are automating is in areas like marketing. We are still getting those processes right, but we're really getting a lot better at them – whether that's A/B testing our emails or setting up rules around the frequency of our communications.

Social media is about listening to our customers and then taking those learnings to act and approach our customers accordingly. It's not that different to 10 years ago. It's just that now when customers have a conversation about your business they aren't doing it over a coffee with a friend, they are doing it through social media. They absolutely have the right to do that, and what's fantastic about it is that it gives us the opportunity to respond. Ten years ago when you were having the coffee with a friend, we weren't able to take part in that conversation. Now, we have an opportunity to be in the room, listen to our customers and take part in the conversation.

We've seen that staff are looking for more out of their jobs. They aren't as focused on money or influence, they are more motivated by a feeling that they are part of something worthwhile, that they are making a difference, that they are heard and respected. Those things are all really important. The modern business environment has evolved and is less focused on telling people what to do and more focused on helping them grow. I think business is now better meeting what people want from their employer. So now you don't have to be the highest wage payer in your industry if you're providing your team with a sense of belonging and purpose that you can't find anywhere else.

The cyber security world is moving so fast that you have to be constantly improving because the next threat is just around the corner. We have a lot of different security layers and different mechanisms that we use to keep our services secure. Ultimately though, it's about taking a good look at yourself in the mirror, looking at what you do, getting an external review and continuing to improve. Cyber security is a bit like the wicketkeeper in a game of cricket. No one notices when they are doing their role well – but they certainly notice if they make a mistake. It's that same risk that you face when protecting your customer data.

Mark Ratcliffe
Chorus

At the moment, there's not a lot of automation happening in New Zealand. In our industry, we went through a period of major automation back in about 1994, in what was then Telecom. The computer-based process that was put into the business replaced 1,300 people in one day by automating the dispatch of work to technicians and we are still using that system today.

What that means is the really big savings in our industry were made 20-odd years ago. Now when we invest in technology, we aren't looking at a major cost saving. After 20 years of automation, all that low-hanging fruit has already been picked. Nearly every one of the technology investments I've seen over the last 20 years doesn't have a payback, they are justified on "avoided cost". We might need to make an investment in order to support the brand or to improve the customer experience or to maintain revenue, but we haven't really saved any money.

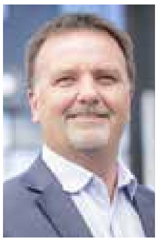
I think the threat we are facing at Chorus is that there are substitute technologies that can compete with the technology we've got. Principally fixed wireless and mobile technology that can't perform at the premium level of our services but that are a substitute.

An equivalent might be that we are the butcher who has a great product, but now we have the supermarket moving in next door offering cheaper cuts. Now I can't compete with those cheap cuts and not everyone wants to buy the premium product. So we've got these high-quality fibre products and we've got these inferior mobile products that provide a similar experience at a price that means people are prepared to compromise. Interestingly, those competitors are also our customers - they're the companies that use our services but they also have the capacity to offer an alternative service to the end user.

The internet is designed to put the power in the hands of the end users. We're moving towards an increasingly internet-aware generation who don't need intermediaries to help them make choices. It then becomes really difficult for traditional businesses that pride themselves on owning those relationships with customers.

One thing I think that's something that's going to stay the same is we will still need people who have a good education, are willing to take chances in their work, have open minds and are good at collaborating – those are going to be just as important in the future. The technical requirements might change but those core skills you look for in people are going to stay the same.

As a country I think we have a much more diverse range of trading partners than we did say 20 or 30 years ago. We are selling more products and services into more markets than we have ever done before. That means we could be impact by individual markets changing conditions in the next two to three years. We now have a much more sophisticated range of exports and some very savvy operators that are selling products in a whole range of different markets. New Zealand is much more sophisticated and we have much more scope to see when the wind is changing.



Michael Boggs
NZME

The way people consume content is changing, and, thanks to digital, it's always in our lives. That means the way we share content as a company is changing. We still do print, digital, radio and events but we also have to go out to other platforms – Facebook and Google specifically – to help share our content. That's the first time we're having to use other people's platforms to share content rather than our own and it's something we've had to grapple with as a business. We're now looking at how we can cohabitate with these new players in our industry to ensure that our content is available to our audiences when and where they are.

The amount of back-office automation we've seen is just amazing. If you go out to our print plant, we have automated robots that will take stacks of paper to the printing machine because they know when it's out of paper. We have journalists out in the field filming videos on iPhones and publishing directly to our websites and social media without it being touched by others on the way through. These have made us more responsive and more efficient.

I still look around the business and think there's more to be automated. However we are a content business and for us it is all about storytelling and engaging with people. So we are going to have more and more content production resources and fewer back-end resources – it's all about having the right investment mix.

Talent is an interesting word for us because it has many facets. People immediately think it's about our radio and broadcasting personalities. At NZME our talent is everyone in the business who contributes to our strategic imperatives and business priorities. So it's an interesting conversation I've been having around how this business actually defines talent.

There are key areas around technology where we find it hard to attract the right people and part of the solution is bringing in younger people and getting them to show us what we should be doing. What we're now doing is we're looking to partner with people who can bring technology, talent and intellectual property into our business.

In 20 years I think we'll still be talking about automation and how technology is changing us. We're also going to have a lot of people doing jobs we don't see yet. But we're still going to need bright people and great talent. We all talk about the jobs that are going to disappear, but we have to be focused on where the new jobs are going to come from.

Myles Ward
healthAlliance

The expectations of customers, people, and the real benefits associated in deploying digital technologies mean that you can't afford to slow down. However, introducing the right pace for change within the health environment safely is key, as too is the need to leverage third party technology partners to source those innovations and digital technologies; NZ Inc. plays a key role in this. These expectations present an exciting future for health and one which will see digital technologies being utilised more and more. Like any industry, the Board and CEO have a huge part to play to bring these opportunities to life and deliver those benefits.

While we use words like 'transformation' quite freely, it's important to be clear about what that means and the pace at which you will be pursuing it. A lot of the change I see at times starts with the technology. Transformations, like any change, need to start with the business outcomes being clearly defined with technology then being utilised as the key enabler. The benefits can then be better realised through the use of technology. Within health, there is advanced change being undertaken to provide better patient outcomes in primary, secondary, community and tertiary care with technology being one of the key enablers.

The roles of the Board and the CEO are evolving and there is a need to become more technology savvy. Digital technologies and social media are an important aspect of everyone's life and are a critical part of an organisation's future to connect up. It is critical that CEOs and Boards have a good appreciation of these as part of their wider repertoire of skills.

In terms of the NZ economy, while having a strong service sector, the primary sector continues to dominate. NZ does have an opportunity in terms of value adding. There is real opportunity in sectors such as technology. There's a greater focus on technology hubs and we're also seeing the universities taking a strong lead in cyber and fraud. So there's some great investments that are taking us up from that base and towards those value-added services.

In the last 20 years, risk has certainly become more sophisticated. While CEOs 20 years ago still had a lot of risk to consider, the introduction of digital and borderless economies provides a far greater reach which introduces a different series of risks. Becoming more and more online, while ensuring data remains private, introduces that cyber dimension. There is a level of sophistication that is required to run a company within a borderless economy.

In a world where it is difficult to predict where technology is heading within the next five years, companies are having to move away from a model where they have to do everything themselves. The ability to utilise strategic partnering and leverage third-party relationships is key to advance and remain relevant. Focusing on what you should be good at is key and it's a win for the likes of NZ Inc. and other partners because it means accessing a greater diversity in product offerings while investing in the economy.

In the next 20 years, while digital advancements are unquestionably going to drive enormous benefits, I think it is also going to test us all to new limits. The sheer pace and advancement that technology is offering us is one that we all have to harness as CEOs and consider wisely. The International Organisation for Standardisation (ISO) is already highlighting the moral and social dilemmas in automation and the tough questions that have to be tackled.

Rod Drury
Xero

Nowadays, everyone's connected: you can now talk to anyone in the world. Certainly in New Zealand where we are the furthest country in the world from everyone else, that's completely flipped our outlook. Everything is globally connected and you have to go out and be a part of it.

There's a big contradiction going on as the world becomes more tribal – you only have to look at the Brexit results to see the world becoming more nationalistic. At the same time though, technology is very global. So there's a sweet spot if you can walk around with a light touch, as New Zealanders do, that will leave you incredibly well positioned for this.

I think it's hard to predict the future on a linear basis. It's really interesting how a combination of parallel innovations can come together to make a change. You look at TVs and you might predict that innovation means having more and more pixels. But then you look at a parallel trend like increasing bandwidth. That, combined with the consolidation of entertainment companies and a whole bunch of other trends, suddenly means you're watching TV on your iPad. When I look forward, I'm trying to pick those little things that absolutely come together.

Security is a major, major issue that most boards and companies don't understand. Anyone who thinks they are trying to keep the baddies out is living in dreamland – the baddies are in your system, they have been for a while, and you now have to look at controls. So we have to rethink everything we do. All those internal audit controls are now fascinating because you're looking to build those audit controls into your products as you develop them. It's what you have to do now, you can't do it after the product is built, and that's true for every business.

Training is a major focus for us. You can't just train people once and expect they will use that knowledge for the next 20 years, you have to be constantly retraining your people. Our business is a good case study of that because we've seen technology driving that change. So the purpose of retraining isn't just broadening the skills of people when they first join but making sure they are constantly learning.

Sources

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About the New Zealand report

- The New Zealand findings from the 20th annual Global CEO Survey focuses on the challenges, opportunities, global trends and technology changes that are shaping the New Zealand business landscape.
- Thirty-two New Zealand CEOs contributed to this year's quantitative findings, completing an online survey between September and December 2016. A further eight CEOs participated through in-depth interviews.
- The global survey was released at the World Economic Forum held in Switzerland on 16 January 2016. It provides a unique snapshot of what's on the minds of prominent business leaders across New Zealand and around the world.