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## PERFORMANCE IMPROVEMENT FRAMEWORK

# **Formal Review of New Zealand Trade and Enterprise (NZTE)**

**MAY 2011**

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State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

## **Lead Reviewers' Acknowledgement**

As Lead Reviewers for this Performance Improvement Framework Review for the New Zealand Trade and Enterprise (NZTE) we would like to acknowledge the thoughtful and generous input made by NZTE staff, Board members and the Senior Executive Team. In addition, we had considerable input from a cross section of NZTE's external partners and stakeholders, who were equally committed to building stronger collaboration in the future. We also had the benefit of input from officials from the Ministry of Economic Development, the Ministry of Foreign Affairs and Trade, and the Treasury, which proved to be insightful.

The new CEO sought this review as an opportunity to identify and make performance improvements. There was open and robust engagement in the process.

We would also like to record our thanks to Professor Michael Pratt who participated in and supported our review in the capacity of Technical Expert appointed by NZTE.

**Performance Improvement Framework  
Formal Review: New Zealand Trade and Enterprise**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet  
Wellington, New Zealand**

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## AGENCY'S RESPONSE

The PIF review confirms that NZTE needs to make changes to how it operates to deliver more effectively.

The Review outlines that the current organisation has a good platform to work from: we have a global network of capable staff, and enthusiasm for change to drive efficacy and impact. We are united in our goal to build the capability, connections and market share of individual businesses to help grow the New Zealand economy.

It is clear, however, that more impact is required to support export-led growth and deliver on the Government's goals.

Key themes in the Review highlight areas for improvement and focus on turning NZTE's weaknesses into strengths:

- stronger leadership
- greater clarity around purpose and role
- improved relationships with other agencies
- culture, roles and measurement aligned with mission
- a stronger customer focus across the organisation – resulting in integrated services for business and consistent service delivery
- well managed risk-taking and innovation.

The PIF Review was carried out at our request. At the same time, we undertook the private sector review, which we put customers through as part of the 'Better by Design' programme; and ran a culture survey with our staff. The themes across all three were consistent and have provided us with a clear mandate for change. Critical to this is a new structure and leadership style; and remapping our vision, direction and mandate.

The redesign of the leadership structure is under way and will be completed by early April. This will be followed by strategy workshops, in consultation with policy agencies and other key stakeholders, to clarify focus and set priorities.

Changes to our operations internally are also a priority. These have been outlined at a high level with staff and will be implemented by the new leadership structure over the following months.

The Government's focus on export-led growth raises the bar for NZTE. The PIF Review has helped to highlight how we can change to deliver more effectively on our goals, and we are totally committed to these changes.

Impact Measures	Milestones	Timing
<b>Clarity of NZTE purpose, mandate, strategy and direction</b>		
<p>NZTE works with those firms, industries and markets where it can add the greatest value for New Zealand.</p> <p>NZTE is effectively implementing its strategy, and prioritises resources and activity across all areas of the organisation.</p> <p>The NZTE Board and Senior Leadership Team are clear about their respective roles, are operating effectively and are seen by staff as strong leaders who model the 'NZTE Way'.</p> <p>NZTE staff have the right skills and experience and are seen as relevant and credible by customers and government.</p>	<ul style="list-style-type: none"> <li>• NZTE's intervention logic is agreed by Ministers and supported by key government agencies</li> <li>• NZTE's purpose and strategy is agreed, with stakeholder involvement</li> <li>• NZTE's Board is refocused on governance and strategy</li> <li>• Board and management roles and responsibilities are clearly defined</li> <li>• A clear and transparent framework is in place to delegate operational issues to management</li> <li>• Management performance is being effectively monitored</li> <li>• A redesign of NZTE's senior leadership portfolios is completed and a new leadership team appointed</li> <li>• A new approach for coordinating activity and prioritisation across areas of responsibility has been agreed</li> <li>• A comprehensive NZTE leadership development programme is in place</li> <li>• NZTE can articulate a clear 'NZTE Way', which defines the culture, values and behaviours necessary to support its purpose</li> <li>• NZTE managers use a consistent and transparent performance development system to recruit, develop and monitor the performance and capability of their staff</li> <li>• NZTE staff have the appropriate skills and cultural understanding to work within markets (including the Māori Economy) and are seen as credible both by customers and critical government stakeholders</li> </ul>	<p>June 2011</p> <p>June 2011</p> <p>Aug 2011</p> <p>Aug 2011</p> <p>Aug 2011</p> <p>Aug 2011</p> <p>May 2011</p> <p>May 2011</p> <p>June 2012</p> <p>June 2012</p> <p>June 2012</p> <p>June 2013</p>

<b>Transform and support New Zealand businesses to lift export revenue</b>		
<p>NZTE's programmes and services are effective and valued because they are integrated, client focused and designed to meet the current and future market needs of New Zealand businesses.</p> <p>NZTE is seen by businesses as responsive and adding value, with low compliance costs for businesses to access services and fast decision-making processes.</p> <p>NZTE is seen by the Government as an efficient and effective organisation that is making a difference to the New Zealand economy.</p>	<ul style="list-style-type: none"> <li>NZTE has designed a refreshed and integrated product and services suite that covers all stages of its customers' internationalisation journey</li> </ul>	June 2012
	<ul style="list-style-type: none"> <li>NZTE can clearly articulate the value proposition for its products and services</li> </ul>	June 2012
	<ul style="list-style-type: none"> <li>NZTE uses external service providers appropriately to provide more effective and cost-efficient services to its customers</li> </ul>	June 2012
	<ul style="list-style-type: none"> <li>NZTE can measure the value it delivers to its customers</li> </ul>	June 2012
	<ul style="list-style-type: none"> <li>The roles of Board and management are clearly defined for the effective monitoring and delivery of the International Growth Fund</li> </ul>	December 2011
	<ul style="list-style-type: none"> <li>A timely, predictable, flexible, simple and cost-effective application and approval process for IGF is in place</li> </ul>	December 2011
	<ul style="list-style-type: none"> <li>A robust grant assessment is in place that ensures approvals are consistent with NZTE's intervention logic</li> </ul>	December 2011
	<ul style="list-style-type: none"> <li>NZTE's support functions provide timely and accurate information and services that inform management decision-making and help support NZTE's strategy</li> </ul>	June 2013
	<ul style="list-style-type: none"> <li>NZTE leverages technology to improve support services for both internal and external customers</li> </ul>	June 2013
	<ul style="list-style-type: none"> <li>NZTE's internal and external processes are customer focused and deliver value for government investment</li> </ul>	June 2013
<ul style="list-style-type: none"> <li>NZTE has become more productive by improving process flows and eliminating waste</li> </ul>	June 2013	
<ul style="list-style-type: none"> <li>NZTE has reduced its cost of service delivery</li> </ul>	June 2013	
<b>Major contributor to NZ Inc.</b>		
<p>NZTE is seen by Ministers and other agencies as being well informed, capable, a team player, delivering results and making valuable contribution to government policy development and implementation.</p>	<ul style="list-style-type: none"> <li>Improved working relationships developed with partner agencies</li> </ul>	June 2012
	<ul style="list-style-type: none"> <li>A process is in place for NZTE to feedback market and business intelligence to its partner agencies</li> </ul>	June 2012

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## LEAD REVIEWERS' SUMMARY

### 1) The changing environment 'raises the bar' for NZTE ...

- a) Government wants a significant rebalancing of the economy in favour of exports. It has concluded that macro-policy levers are necessary but not sufficient and that it wants NZTE to focus increasingly on activity where it can add most value to those firms, and in those markets, where the lift in export revenue is likely to be greatest.
- b) The magnitude of the lift needed will require a well coordinated effort across government agencies that addresses regulatory barriers and properly targets intervention to assist development of new businesses and business models (including internationalisation of exporting firms), as well as new products and new markets. Given the sheer size of the public sector it is hard to imagine the Government's ambitious goals will be met without that sector being more directly involved (eg, health and education). This will require some leadership from NZTE.
- c) Rapid growth in the 'emerging economies' has seen a major shift in the pattern of global demand that is likely to continue to gain momentum. NZTE is likely to deliver more value in economies and markets that have a high degree of foreign government involvement, including in these relatively difficult markets, and will need to give priority to building its capability and capacity to realise that value.
- d) Government is also focused on increasing value for money, which will require a stronger emphasis on setting priorities, reallocating resources and deciding what NZTE will not do.
- e) These changes in NZTE's environment require an urgent response.

### 2) ... requiring the organisation to leverage existing strengths ...

- a) People are intrinsically motivated by the organisation's purpose.
- b) Compared to private sector providers, NZTE has the Government's imprimatur and does not need to exclude non-paying firms from access to valuable information it has acquired.
- c) The organisation spans the functions necessary to discover what firms need, help firms develop their capacity to internationalise and then provide in-market support offshore.
- d) Many of the important building blocks for success have been put in place over recent years: client segmentation that better matches effort to client export potential and is better able to identify and address client readiness for export; a client engagement plan and CRM software that offers the potential to better coordinate and target the activities of NZTE on client needs; and a closer coordination of effort with other agencies with a complementary mission (especially Ministry of Science and Innovation (MSI)).
- e) Staff and external stakeholders want to see NZTE leverage these strengths and are optimistic that the new CEO has the ability and opportunity to drive the necessary changes.

3) ... as well as turning current weaknesses into future strengths ...

- a) A clear and agreed articulation of the intervention logic by Ministry of Economic Development (MED), Treasury and Ministry of Foreign Affairs and Trade (MFAT) is fundamental and needs to be operationalised by NZTE to:
  - i) Provide much needed clarity on its role and purpose
  - ii) Develop and sustain a more disciplined approach to setting priorities and targeting assistance and effort where it will add most value
  - iii) Simplify monitoring by MED and allow meaningful evaluation of success, which in turn, will help build credibility within government and increase NZTE's freedom to manage and deliver effectively.
- b) The role of the Board needs to be focused on NZTE's own strategy decisions that require some independence from ministers, with greater emphasis on assurance that allows for more delegation to management. Leadership needs to be strengthened and to operate as one team, setting collective priorities and reallocating resources across areas of responsibility.
- c) Culture and values, incentives and performance measurement and, to a certain extent, structure, roles and responsibilities need to be better aligned to NZTE's core purpose. For example, the organisation needs to be less defensive and risk averse and more innovative and focused on fixing problems, rather than working around them.
- d) A stronger client focus supported by well designed and integrated services delivered across the business, without 'silos' undermining internal synergies (and with a stronger internal challenge process before assistance is approved).
- e) Consistency in the quality of – and ongoing improvement in – service delivery supported by strong culture, processes and systems, with less dependence on exceptional individual performance (ie, a strong 'NZTE way' that ensures consistent performance and performance improvement).
- f) Strong people management with more emphasis on consequences (eg, better at recognising success and dealing with under-performance).
- g) Corporate functions acting as business partners that add value, with effective CRM and knowledge management to leverage collective experience and 'Lean' systems generating a significant lift in productivity.

Our views on these weaknesses have been shaped by recent evidence that had been collected during an extended period without a permanent CEO. Some of the areas identified for improvement – like those around the International Growth Fund (IGF) and Māori engagement – have been recognised by management. The new CEO is using the PIF and other tools to identify and construct a comprehensive action plan to drive the response to NZTE's performance challenges.

contd...

4) ... whilst managing the associated risks.

- a) Delivering across different agencies is often slow and difficult and NZTE will need a clear view of its own role in this process, as well as building the proactive, open and mature relationships with those agencies it will depend on for success (as it has done with MSI).
- b) An innovative organisation that manages rather than avoids risk – and is undergoing transformational change – requires an ability to manage the consequences of the inevitable mistakes, without undermining confidence.

**Murray Horn**  
Lead Reviewer

**Sue Suckling**  
Lead Reviewer

## CENTRAL AGENCIES' OVERVIEW

This report is one of five comprising the 2nd tranche of Performance Improvement Framework reviews<sup>1</sup>. In September last year we released the findings and responses to the Pilot and 1st tranche reviews<sup>2</sup>. We want to thank the leaders, staff and stakeholders of the agencies that have been reviewed for being open to external review to provide both assurance and constructive criticism.

### **What is the Performance Improvement Framework and what are we trying to achieve?**

The Performance Improvement Framework is a framework applied by a small group of respected organisational leaders to provide insights into agency performance, identifying where agencies are strong or performing well and where they are weak or need to improve. The framework covers both results (in terms of effectiveness and efficiency) and the organisational management factors that underpin sustainable superior performance.

Because a common framework is used, the reviews not only inform agency performance improvement plans, but also help us build a body of knowledge that provides us with a better picture of cross-system performance and identifies issues which we need to address at sector or system level.

The Performance Improvement Framework is an initiative developed by central agency and State services chief executives to respond to the need for improved effectiveness and efficiency in the State services. It is also important to acknowledge that the New Zealand State services operates from a position of strength and continues to be recognised internationally as among the top performers. However, we recognise that we must meet the ever-increasing and reasonable expectations of Ministers and the public generally, especially in these times of economic and fiscal stress.

### **What are we learning?**

We now have 11 reviews completed.

In general, the reviews confirm that we have a 'can do' service, which is strong on delivering the results government wants now. We have a service that values probity and the systems and processes that support transparency and ensure accountability for the expenditure of taxpayers' funds. We have a service that recognises that its people, and their combined knowledge, experience and commitment, are our greatest assets. We are relatively good at putting in place the systems and processes (in particular human resources (HR) and financial management systems) that should support them to make their best contribution.

At the other end of the spectrum, we are not as good as we should be at working across internal and external silos, progressing the medium- to long-term work programmes that will position us to meet the future needs of governments and taxpayers and reviewing the ongoing need for, or methods of delivery of, the services we currently provide.

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1. Ministry of Social Development, the Treasury, New Zealand Transport Agency (NZTA), New Zealand Trade and Enterprise (NZTE) and Inland Revenue.

2. Ministry of Agriculture and Forestry, Department of Internal Affairs, Department of Conservation, Ministry of Foreign Affairs and Trade, Te Puni Kōkiri and Land Information New Zealand.

We need to be better at measuring the results of what we do and comparing them to the results government was seeking to achieve. We need to bring together the information we have to make better decisions about what we do and how we do it. For example, we need to use our financial management systems to understand and manage the costs of the services we provide, rather than simply to develop and monitor budgets.

## **Next steps?**

We have 11 agencies at various stages of implementation of their responses to their reviews. We will work with them to support and monitor their implementation of those responses and to evaluate whether their actions are having the improvement results anticipated.

As indicated above, we are looking across the Performance Improvement Framework review results to identify both the agencies that others can learn from and the areas of systemic weakness that we need to tackle as a service rather than on an agency by agency basis. Key to these will be our ability to monitor long-term effectiveness (are we actually achieving the outcomes as opposed to merely delivering the outputs?) and our ability to review the effectiveness and efficiency of what we do (are we providing services the best way we can or indeed can the services be better provided by someone else?).

**Iain Rennie**  
State Services Commissioner

**John Whitehead**  
Secretary to the Treasury

**Maarten Wevers**  
Chief Executive  
Department of the  
Prime Minister and Cabinet

# SUMMARY OF RATINGS

## Results

GOVERNMENT PRIORITIES	RATING
1. Implementation of the International Growth Fund	
2. Implementation of changes to standardised training and advisory services resulting from evaluation report	
3. Implementation of the results of the evaluation of regional and sector development services	
4. Work with the merged MoRST and FoRST agency (Ministry of Science and Innovation) to provide well integrated support for companies at minimum transaction costs	
5. Work with agencies and firms to maximise opportunities for New Zealand businesses arising from the Shanghai EXPO 2010 and the Rugby World Cup (RWC) in 2011	
6. Work with MED and regional agencies to ensure integration with, and avoid duplication of, priorities and programmes of the single Auckland Economic Development Agency (EDA)	?

CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
1. Business Capability Services		?
2. Firm Internationalisation Services/ International Business Growth Services		?
3. Services to support sector development and special events		?

## Rating System

 Strong	 Well placed	 Needing development	 Weak	 Unable to Rate
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## Organisational Management

LEADERSHIP, DIRECTION AND DELIVERY	RATING
Vision, Strategy & Purpose	
Leadership & Governance	
Culture & Values	
Structure, Roles and Responsibilities	
Review	

EXTERNAL RELATIONSHIPS	RATING
Engagement with the Minister(s)	
Sector Contribution	
Collaboration & Partnerships with Stakeholders	
Experiences of the Public	?

PEOPLE DEVELOPMENT	RATING
Leadership & Workforce Development	
Management of People Performance	
Engagement with Staff	

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Efficiency	
Financial Management	
Risk Management	

## Rating System

 Strong	 Well placed	 Needing development	 Weak	? Unable to Rate
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## AGENCY CONTEXT

NZTE is a Crown agency established under the New Zealand Trade and Enterprise Act 2003. It was formed by merging Trade New Zealand, Industry New Zealand and Investment New Zealand. Its statutory purpose is to “... support the development of internationally competitive New Zealand business ...”

It is governed by a Board appointed by the Ministers of Economic Development and Trade. The chief executives of the Ministries of Economic Development and Foreign Affairs and Trade attend Board meetings as advisors to the Board. The Ministry of Economic Development undertakes the monitoring and evaluation role for the agency.

NZTE has a budget of some \$194 million (2010/11 Financial Year) of which some \$38 million is available to fund grants to businesses. It employs approximately 600 staff in New Zealand and offshore. About 40% of staff are located offshore and most of these are locally recruited. Onshore it has offices in Wellington, Auckland, Christchurch and Hamilton and various smaller provincial centres. Offshore it has hub offices in Sydney, Singapore, Los Angeles, Hamburg and Hong Kong with sub-offices in various other areas.

As a delivery agency, NZTE operates within the policy framework established by the Government on the basis of advice provided by the policy agencies (in particular MED, MFAT and the Treasury).

Recently, Output Class reviews conducted by MED have resulted in a review of the functions NZTE undertakes. This has coincided with the development of the Government’s Economic Growth Agenda (EGA) and, in particular, the identification of innovation, science and trade as one of the key drivers of growth for New Zealand. The result has seen the de-emphasising of the regional and industry development aspects of its role, a focus on the internationalisation of high potential firms, a limited number of sectoral and strategic initiatives (where it works with others within and outside Government) and a shift to third party provision and management of capability development services to small and start-up businesses.

NZTE is in the process of completing (with its monitoring agencies and the Treasury) a review of its Output Class structure (the reviewed structure has been used for this evaluation). This will include the development of appropriate performance measures.

In late 2010 NZTE appointed a new CEO (Peter Chrisp), following the departure of its foundation CEO. The Board and the new CEO have embarked on a process of refreshing the purpose, vision and strategy for NZTE. This has involved seeking this review, undertaking a D360 Review (a diagnostic tool that NZTE uses with the businesses it works with), a customer survey and the use of both a culture survey and a review of its administrative support services (BASS).

## RESULTS SECTION

### Part One: Delivery of Government Priorities

This section reviews NZTE’s current ability to deliver on its strategic priorities agreed with the Government. It is based on the completeness of the agency’s plans, the stage at which the priority is at and the capability and capacity of NZTE to deliver on the priority. The report is also informed by consideration of identified risks.

The letter of expectations between the Ministers and the Board describes the context of NZTE providing high quality support for internationally competitive firms. In particular, Ministers expected that NZTE would align its activities to the Government’s Economic Growth Agenda, especially that element of the agenda relating to science, innovation and trade. The EGA recognises the need to make transformational change – an internationalised company does more than export products and services.

All six of the specific priorities identified by the Government have this focus and are about repositioning NZTE to focus more effectively on that over-riding expectation. In all but the case of GP 5 (Shanghai EXPO and RWC) the priorities are about NZTE responding to changing Government requirements and positioning itself to respond more effectively.

1. Implementation of the International Growth Fund	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>The International Growth Fund (IGF) was introduced in 2009 to support NZTE’s more focused approach. The IGF is the only remaining NZTE grant of scale. It is targeted at Key Account and Pipeline companies and it is conditional on them agreeing a client plan that clearly identifies activities which will significantly improve performance and contribute spillover benefits to New Zealand.</p> <p>Some areas for significant refinement have been identified by NZTE and more could be done. The following areas should guide NZTE in the further development of the IGF:</p> <ul style="list-style-type: none"> <li>• up-skilling client managers to ensure they can all undertake a consistently robust diagnostic to underpin the client engagement plan and have sufficient knowledge of the full suite of on and offshore services available to be included in the IGF plan</li> <li>• improving linkages and functionality between the NZTE products and services, offshore capability, and the client management structure to ensure seamless client-centric delivery and that clients are introduced to and can access the right products and services for their companies</li> <li>• moving the responsibility for completion and presentation of the IGF plan for consideration from the NZTE client managers to the company</li> </ul> <p style="text-align: right;">contd...</p>

	<ul style="list-style-type: none"> <li>• reviewing the Board Programme Review Committee (PRC) process to move the focus onto process assurance versus review of the merits of the application itself. This in turn will require increased robustness and definition regarding selection criteria and the approval due diligence process (see also commentary under Core Business 2)</li> <li>• enhancing the approval process to improve speed, predictability and cost effectiveness</li> <li>• enhancing flexibility post approval to accommodate market or company changes consistent with the approval rationale</li> <li>• introducing accountability and consequences for non- performance of firms regarding the agreed plan objective</li> <li>• ensuring key performance indicator (KPI) drivers reward the development of robust plans, rather than number of plans approved.</li> </ul>
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**2. Implementation of changes to standardised training and advisory services resulting from evaluation report**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>NZTE has coordinated the development of the new training and advisory services model nationally and has operational plans in place to maximise the chances of success. A number of risks and opportunities have been identified and discussed by key stakeholders throughout the implementation process and are now being actively managed.</p> <p>There was a hiatus between the end of the previous scheme and the roll-out of the new one, which caused frustration for some regional partners.</p> <p>There is evidence that the fundamentals are now in place for stimulating local business growth through a nationally managed regional network. However, there is still much to be done, especially in systems development and in implementing consistent practice and standards across regions.</p>
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**3. Implementation of the results of the evaluation of regional and sector development services**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p>
	<p>In June 2010 MED completed a review of Output Class 2, which has an annual budget ranging between \$31 and \$47 million and consists of a number of heterogeneous programmes, including strategic initiatives, sector projects, products and whole-of-Government initiatives, such as the Food and Beverage taskforce.</p> <p>The review confirmed NZTE’s activities and programmes generally reflect areas of economic priority to Government and are aligned with targeted sectors of interest. NZTE has received guidance from ministers on sectors to target and has aligned its activities with these areas. Client feedback on NZTE offshore assistance has been predominantly positive.</p> <p>NZTE also participated in the review of the existing output classes and has agreed with MED officials a new, more relevant and straight forward output class construct, which will better support the organisation. This framework will be introduced for the 2011/12 year. Realignment of the client relationships structure will provide a good delivery framework for the new output class. Internal structural alignment and KPI alignment will be required to support the new output class structure.</p>

**4. Work with the merged MoRST and FoRST agency (Ministry of Science and Innovation) to provide well integrated support for companies at minimum transaction costs**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p>
	<p>NZTE and MSI have a positive functional working relationship and through the implementation of the Regional Partnership and voucher programme have demonstrated an ability to put in place initiatives that are client-centric and efficient.</p> <p>During 2010 a number of new research and development/innovation support initiatives were introduced by the Crown under the responsibility of MSI and many of these impact clients who are also clients of NZTE. The organisations now have a modus operandi to identify these shared clients. To date there are 120 clients and all have joint engagement plans and identified client managers, with relevant information being shared between MSI and NZTE, and many of the client interactions appropriately coordinated.</p> <p style="text-align: right;">contd...</p>

	<p>Further opportunities exist to improve the effectiveness of the relationship and to further minimise transaction costs. These opportunities include:</p> <ul style="list-style-type: none"> <li>• the two new CEOs of MSI and NZTE working together to agree a joint agency strategy and associated resourcing</li> <li>• jointly monitoring and reviewing progress towards the shared strategy</li> <li>• sharing functional access to each other’s CRM (and possibly sharing the same system)</li> <li>• sharing methodologies for grant/funding management and considering opportunities to share resource/systems in this area</li> <li>• clarifying the critical communication/interaction points between the two agencies to enhance functionality and avoid duplication</li> <li>• improving the understanding at the client relationship interface with each agency of the products/services/grants offered by the other.</li> </ul>
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**5. Work with agencies and firms to maximise opportunities for New Zealand businesses arising from the Shanghai EXPO 2010 and the Rugby World Cup (RWC) in 2011**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>NZTE has met expectations regarding the design and delivery of the Shanghai EXPO – both in terms of areas it was responsible for, and areas of shared responsibility with other agencies. Targets were achieved and the quality of the EXPO itself was applauded. There are follow-up actions in place with targeted companies who participated in EXPO, and measurable steps forward can be demonstrated for a number of the companies who participated in the EXPO trades missions and activities.</p> <p>NZTE’s involvement with the RWC was not considered satisfactory through the start up period but is now acknowledged to be progressing well. Tangible trade-related events have been organised during the RWC ‘window’. Pressure must be maintained on the targeted activities for individual networking opportunities as there is now limited time to lock these in.</p>
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6. Work with MED and regional agencies to ensure integration with, and avoid duplication of, priorities and programmes of the single Auckland Economic Development Agency (EDA)	
<b>PERFORMANCE RATING</b>	Performance Rating: <b>Not rated</b>
?	<p>The Auckland supercity was established on 1 November 2010 and the new EDA was established as a result of merging Auckland’s four EDAs into a single agency.</p> <p>Interaction between the new EDA and NZTE is owned and driven by both CEOs. Both parties are looking to develop a deep, effective and enduring operating partnership.</p> <p>To date NZTE has focused on establishing the relationship at a senior level (as positions in the new body have been filled) and at the many functional points that will be required to enable NZTE to work to support EDA in Auckland.</p> <p>A focus is now needed to formalise a strategic partnership between NZTE and the new body, and to identify and agree priorities to underpin this relationship, in conjunction with other agencies, such as MSI.</p> <p>The lack of rating reflects the early stage of development of the relationship.</p>

## RESULTS SECTION

### Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. The report is based on a judgement about the current performance of the agency and the trend demonstrated over the last three to four years.

<p><b>1. Business Capability Services</b></p> <p>Policy advice on New Zealand’s foreign affairs and trade relations with other countries and interests in international institutions, and policy advice on New Zealand’s contribution to international development.</p>	
<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> <p>?</p>	<p>Performance Rating (Effectiveness): <b>Well placed</b></p> <p>Performance Rating (Efficiency): <b>Not rated</b></p> <p>Working with FoRST and MoRST (now MSI), NZTE coordinates and funds standardised business development training and advisory services, provided by third parties, to firms to build capability.</p> <p>The 2008 Output Class 1 evaluation report led to the decision to close the Enterprise Training Programme and introduce a new modus operandi to support firm capability development. The Review of Business Assistance resulted in the establishment of a network of 14 EDA-focused regional partners. The new capability development vouchers scheme will be provided through this network.</p> <p>Twelve of the 14 regional partners have been established with Auckland and Christchurch in final negotiations. NZTE worked with MSI on this initiative. The Regional Partner model has reduced fragmentation of EDA delivery and has created a platform to provide services efficiently to firms from a variety of agencies.</p> <p>Sixty registered training providers have been contracted to support the commencement of the voucher capability development programme, although more are needed. In some regions a lack of local training providers, coupled with high travel costs, limits opportunities for firms.</p> <p>Disciplines and frameworks are in place to support the administration, quality promotion and management of both the Regional Partner and voucher programmes.</p> <p>NZTE has supported Capability New Zealand to develop and implement an improved web-based navigation service and electronic interface for firms to participate in the programmes offered by Regional Partners. This will also link NZTE’s CRM to regional partners. This is scheduled to be fully functional by the end of 2011.</p> <p>The work to date has established a platform for multi-advisory services to be readily visible and accessible to firms.</p>

<p><b>2. Firm Internationalisation Services/International Business Growth Services</b></p> <p>This core business is limited to helping New Zealand firms innovate, export, internationalise, and gain access to capital by enhancing the business and management capability required for successful internationalisation; identifying and exploiting market and investment opportunities; overcoming internationalisation barriers; providing customised advice and support; and enabling access to international business networks.</p>	
<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> <p>?</p>	<p>Performance Rating (Effectiveness): <b>Needing development</b></p> <p>Performance Rating (Efficiency): <b>Not rated</b></p>
	<p>This core business represents the primary focus of NZTE. Most programmes, services and grants are focused on direct engagement with clients, which occurs here. It encompasses much of the activity onshore and offshore and includes the investment team.</p> <p>Many of the essential building blocks for an effective and efficient service are in place: eg, client segmentation that better matches effort to client export/internationalisation potential; the Client Engagement Plans (CEPs) and CRM software have the potential to better coordinate and target NZTE-wide activities on client needs; a more flexible grant programme (IGF) and a closer coordination with MSI's effort on research and innovation. Moreover, the specific services on offer (eg, Better By Design (BBD), Lean, Beachheads) are typically very highly rated, have a solid intervention logic and appear both very effective and efficient. NZTE's offshore network also has a solid logic and is typically highly rated by the firms who use it. These building blocks now need to be made fully effective and better integrated around a fuller and more consistent offering to help firms on their journey to internationalisation.</p> <p>Key areas for improvement (including some already under action by NZTE) are:</p> <ol style="list-style-type: none"> <li>a. While NZTE offers some excellent products and services, they are not well integrated, with different processes, systems and criteria for access. There is a need to develop a more integrated service offering with a clear value proposition designed to meet client needs, aligned with the emerging needs of markets. This will necessitate the development of a research and new product development capability and system. The brand promise, communication and collateral should be aligned with the service offering and value proposition.</li> <li>b. Better integration of the offering will also require robust information sharing (eg, offshore and product staff more actively engaged in CEPs and the CRM) and more effective engagement between client, product and offshore units.</li> </ol> <p style="text-align: right;">contd...</p>

	<p>c. The effectiveness of NZTE will be enhanced if there is a clearer link between the intervention logic and the key decisions around assistance and resource allocation (from customer segmentation and assessing customer readiness to access the international network through to grant allocation). The Board should seek assurance from a group, independent of client facing staff that these decisions are consistent with criteria they provide.</p> <p>d. Efficiency would be enhanced if the approach suggested in (c) above was robust enough to allow far more to be delegated to management, applying a more streamlined decision-making process (eg, delivering more speed and certainty around the grant decision).</p> <p>e. Support for the D360 conclusion that NZTE’s offering should be more focused on what the client will need on their journey to internationalisation, and that gaps in that offering should be addressed.</p> <p>f. Looking at the unique contribution that NZTE can play, it is likely that effectiveness will be enhanced if NZTE can strengthen the product and service offering and increase the weight given to these products and services (relative to grants) over time.</p>
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**3. Services to support sector development and special events**  
 This core business is limited to securing and capitalising on significant economic development opportunities for New Zealand, with a focus on sectors and special events.

<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> <p>?</p>	<p>Performance Rating (Effectiveness): <b>Well placed</b>                  Performance Rating (Efficiency): <b>Not rated</b></p> <p>This category covers strategic initiatives, major events addressed in Government Priority 5 (ie, Expo and RWC) and marketing (supporting New Zealand branding focusing on the use of online tools).</p> <p>Strategic initiatives include the legacy of the Growth and Innovation Framework 2002-06, which identified biotech, ICT and creative as three ‘transformational sectors’ and the ‘six areas of focus’ from 2007 (around the bio-economy and high-tech capabilities). By 2008/09 NZTE had seven strategic initiatives, although reviews initiated in 2009 trimmed the number to three: health, emerging technologies and food, fibre and agribusiness (FFA).</p> <p>These are essentially long-term, multi-firm and cross-agency initiatives that explore the ability to create new international business opportunities at scale: something that could prove important in meeting the Government’s ambitious export targets. There is an unavoidable speculative element to this sort of activity, and success is difficult to measure, although it has spun off some valuable products.</p> <p style="text-align: right;">contd...</p>
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That suggests a great deal of thought needs to be given to the selection and management of these initiatives:

- a. The extent of change in focus since 2002 suggests more could be done to improve initial selections. In particular, there needs to be a strong intervention logic motivating each initiative. For example, the current health-based initiative is likely to be a good choice because of the dominant involvement of Government in the health sector already and the huge potential to increase health-related exports in areas like IT, health technology, research, consulting and the like.
- b. A more systematic process for the identification, screening, stage-gating, prioritising and de-selection of these initiatives is also likely to help.
- c. And while it makes sense to project manage these initiatives, stronger linkages to the rest of NZTE's business would help with a speedier leveraging of early benefits. For example, synergies between Government's delivery of health and existing private firms who export health-related products (eg, in IT and health technology). NZTE may also benefit from managing the actual and potential opportunities in this area as a portfolio.

## ORGANISATIONAL MANAGEMENT SECTION

### Part One: Leadership, Direction and Delivery

**Vision, Strategy & Purpose**  
 How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders?  
 How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?

<b>PERFORMANCE RATING</b>  	Performance Rating: <b>Weak</b>
	<p>NZTE is a delivery agency whose vision, strategy and purpose can only be derived from the intervention logic for its activities that is formulated by the relevant policy agencies and agreed by ministers.</p> <p>Insufficient agreement and clarity around that intervention logic undermines NZTE’s ability to articulate its vision, purpose and strategy in a way that is:</p> <ul style="list-style-type: none"> <li>• enthusiastically supported by all stakeholders</li> <li>• provides sufficient guidance to NZTE operations (and so enough ‘clear air’ for the Board and management to operate within)</li> <li>• allows effective monitoring of NZTE operations by MED</li> <li>• provides a common motivating basis for its staff to move out of a defensive stance and onto the front foot.</li> </ul> <p>People are highly motivated by their individual sense of NZTE’s purpose but rate the organisation poorly on shared vision and common purpose; ie, staff say they believe in what the organisation is trying to accomplish but do not believe it has a clear vision of where it’s going and how it’s going to get there.</p>

**Leadership & Governance**  
 How well does the senior team provide collective leadership and direction to the agency?  
 How well does the Board lead the Crown Entity?

<b>PERFORMANCE RATING</b>  	Performance Rating: <b>Needing development</b>
	<p>The Board needs to focus on NZTE’s own strategic decisions that require independence from ministers, in particular, criteria for setting priorities and allocating assistance derived from the intervention logic agreed by ministers and the appointment, assessment and remuneration of the CEO. In executing these functions, the Board needs to delegate far more and focus on providing a clear and transparent framework for management – monitoring the performance of management in the exercise of their delegations and refining that framework where the delegations are difficult to apply or individual cases raise wider policy implications.</p> <p style="text-align: right;">contd...</p>

	<p>The ability of the senior management team to provide the necessary collective direction has been hampered by lack of clarity provided to NZTE by policy agencies, and by the extended period of transition between permanent CEOs. However, the effectiveness of NZTE is also compromised by strong internal silos and weak collective behaviour at senior management level. NZTE needs to be much better at coordinating activity across the organisation in support of a well articulated engagement plan for its clients. Senior managers need to be better at prioritising across each area of responsibility (not just within each area). And there needs to be less reliance on individuals and more on common processes, systems and culture – an ‘NZTE way’ – that ensures a consistently high level of service to its clients.</p> <p>During the review the new CEO commenced a process aimed at addressing some of these issues.</p>
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<p><b>Culture &amp; Values</b> How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?</p>	
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<p><b>PERFORMANCE RATING</b></p> <p></p>	<p>Performance Rating: <b>Weak</b></p> <p>NZTE benefits from having a mission that its employees find inherently motivating but does not do well in employing the usual leadership approaches and disciplines to develop and promote the culture, values and behaviours that support that mission.</p> <p>The culture needs to be less defensive and risk averse, more encouraging of innovation and more confident in its ability and its role. There is too much emphasis on people’s ability to ‘work around’ weaknesses in the system, rather than fix the problems. People need to see beyond their immediate teams and work together to deliver for the organisation’s clients. There also needs to be a much stronger sense of consequence; for example, that success will be recognised, outstanding performance rewarded and poor performance dealt with effectively. All of these areas scored poorly in the 2010 Culture Survey.</p>
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**Structure, Roles and Responsibilities**  
 How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of Government priorities and core business?  
 How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>The current structure is under consideration by the CEO, who has recognised that he needs to encourage greater integration and collaboration (with fewer silos) as well as strengthening client and market linkages and focusing on results. There is scope for clarifying accountabilities in some areas and reducing management layers, which should speed up decision-making (the ratio of managers to staff is about 1:5 compared to 1:12 in 2004). There is also a need for greater flexibility in the structure to adapt to manage special events and changes in Government priorities.</p> <p>NZTE has appropriate planning systems, from SOI through corporate plans and objectives cascading through individual performance agreements, although the effectiveness of these systems is hampered by shortcomings in the role definitions and purpose noted above. Organisational planning has been compliance- and reporting-focused. The business planning and budgeting process have not been used as a means of setting priorities, reallocating resources or deciding what NZTE will not do. The new 'Plan to Win' process is being implemented, which should help address these issues.</p> <p>The organisation has a comprehensive set of corporate policies and practices that appear to be followed. We have noted the desirability of greater delegation to senior management and this could be cascaded further through the organisation.</p>
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**Review**  
 How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>NZTE has a variety of internal monitoring, measurement and review mechanisms, operated out of a range of business units. These include SOI/ Output agreement monitoring processes, programme evaluations, Audit and Assurance team reviews, Business Improvement team reviews and one-off special reviews. External reviews and monitoring by MED and Audit New Zealand add to the internal processes. However, the outcomes of the review processes historically have not been well integrated or translated into coherent action. There could be an excess of review processes and insufficient action arising.</p> <p style="text-align: right;">contd...</p>
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	<p>This situation has significantly changed following the arrival of the new CEO. Three significant reviews have been completed in the last four months – D360 design integration review (one of NZTE’s own products), Culture Survey, and Better Administration and Support Services programme (a benchmarking review). These have been integrated into the ‘Plan to Win’ organisation development process and aligned with the current Performance Improvement Framework review.</p> <p>The CEO requested that the PIF review be brought forward so that he is able to use the outputs as part of the change process. ‘Plan to Win’ involves taking the findings from recent reviews and the PIF, developing an action plan and implementing it with urgency. The review process leading to plan and action is tightly defined and has the potential to make a dramatic improvement in the organisation’s performance.</p>
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## ORGANISATIONAL MANAGEMENT SECTION

### Part Two: External Relationships

Engagement with the Minister(s)	
How well does the agency provide advice and services to its Minister(s)?	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>NZTE has two responsible ministers – the Minister for Economic Development (Vote Minister) and the Minister of Trade.</p> <p>Relations with ministers are improving and have the potential to be more effective now that the new CEO is in place and if the following are addressed:</p> <ul style="list-style-type: none"> <li>• clarification and agreement by officials of the intervention logic for NZTE</li> <li>• improved credibility with policy agencies</li> <li>• clarification of the role and functions of the Board</li> <li>• the development of clear organisational strategy and KPIs to support the agreed intervention logic</li> <li>• consistent delivery of what is agreed with ministers.</li> </ul> <p>Continuing the now regular and proactive communications with ministers will support effective engagement.</p>

Sector Contribution	
How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>NZTE’s performance is inextricably linked with MED, MSI, MFAT and the Treasury.</p> <p>The new CEO is developing positive and proactive relationships with counterparts in MED, MFAT, Treasury and MSI. This is already helping to overcome a legacy of a more closed and defensive approach to these relationships.</p> <p>The relationship with MED and NZTE is critical and until recently had been underperforming and frustrating for both parties. The intervention logic for NZTE and respective roles for both parties need to be agreed. The economic development policy and strategy role (which rests with MED) needs to be clearly distinguished from the operational strategy role (which rests with NZTE).</p>

<b>Collaboration &amp; Partnerships with Stakeholders</b>	
How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?	
<b>PERFORMANCE RATING</b>  	<p>Performance Rating: <b>Needing development</b></p> <p>NZTE has two sets of stakeholders:</p> <ul style="list-style-type: none"> <li>• firms and organisations working in the commercial sector</li> <li>• Government agencies involved in policy work, and/or implementation in areas aligned with NZTE.</li> </ul> <p>NZTE currently has expertise heavily skewed to understanding and relationship management with the commercial sector. There is a need to bring the same focus and capability in the Government sector. This is at all levels in the organisation, including the Board and executive team.</p> <p>Key Account and Pipeline firms are the priority delivery stakeholders for NZTE. The restructure in 2008 and the development of the account management focus means NZTE is well positioned to support effective relationships with firms.</p> <p>The client engagement plans provide an effective framework to facilitate external stakeholder relationships. However, the performance of client engagement management personnel is still patchy in this area because of weaknesses in the following areas:</p> <ul style="list-style-type: none"> <li>• knowledge and understanding about the range of onshore and offshore products and services available to clients from NZTE</li> <li>• capability in effective client relationship management</li> <li>• lack of separation between client relationship management and the internal grant review function (akin to credit control) within NZTE.</li> </ul> <p>It is only recently that NZTE has fully recognised the role it must play in an integrated NZ EDA ecosystem and that it must form strategic partnerships with a wide number of key organisations, including those not directly funded by Government. To date NZTE has managed these relationships if they have a funding connection, if it has been directed to by the Crown and/or it has been approached to help. This is in contrast to proactively identifying organisations as strategic partners and working with them to identify and implement strategy to benefit the ecosystem.</p> <p>On an interpersonal basis stakeholders in the commercial sector generally find NZTE people are 'easy' and 'nice' to deal with.</p>

## External Relationships

<b>Experiences of the Public</b> How well does the agency meet the public's expectations of service quality and trust?	
<b>PERFORMANCE RATING</b>  ?	Performance Rating: <b>Unable to rate</b>
	Not Applicable to this review

## ORGANISATIONAL MANAGEMENT SECTION

### Part Three: People Development

<b>Leadership &amp; Workforce Development</b> How well does the agency develop its workforce (including its leadership)? How well does the agency anticipate and respond to future capability requirements?	
<p><b>PERFORMANCE RATING</b></p> <div style="text-align: center; color: red; font-weight: bold; font-size: 2em;">■</div>	<p>Performance Rating: <b>Weak</b></p> <p>Strong organisational leadership has been identified as a key area for development by both internal and external stakeholders. This need has been exacerbated as a result of the organisation having four CEOs over the past year. The 2010 Culture Survey scored staff confidence in the leadership of the organisation significantly below the median for both public and private sector organisations. The new CEO is in place and there is positive support both internally and externally for his leadership. The CEO announced a review of senior leadership during this PIF process.</p> <p>NZTE has no integrated leadership development programme and the implementation of the formal process used to establish development plans for individual employees (PERCAPITA) is variable in quality. Significant opportunity exists to leverage PERCAPITA better to support the development of the organisation’s capability.</p> <p>There are separate databases for succession planning, rating employee potential and performance management and this fragmentation leads to this valuable information not being considered “in totality” when development plans are set for individual employees. Further, there is a lack of consistency, transparency and openness in sharing this information with employees. For example, formal mapping of all employees onto a 3x3 matrix rating their potential and performance is undertaken. However, relevant aspects of this assessment are not shared with each employee to enable them to readily understand where they stand and to know what they should do to improve their own performance.</p> <p>Employees consider NZTE is an organisation where “you are responsible for your own career path” with little effective career guidance or mapping provided. The ‘patchy’ implementation of PERCAPITA in development plans can result in individual development plans sometimes not existing, or being brief and/or non specific, and sometimes plans become redundant during the year.</p> <p style="text-align: right;">contd...</p>

	<p>Individual development plans are put in place between the employee and their manager. However, these plans reflect the development needs of the individual in relation to how they see their role in the organisation, rather than being linked to a formal development needs framework for the organisation. Individuals are not always aware of what training and development is available and development plans set annually are not always followed through.</p> <p>The organisation does not have a culture of ‘taking advantage of learning opportunities’.</p> <p>A Request for Proposal for an organisational leadership development programme was put on hold, as was the implementation of the internal managers’ ‘toolkit’ programme, while the organisation went through the period of recruiting the new CEO.</p> <p>In the Culture Survey 2010, NZTE scored significantly below the benchmark norm in all areas relating to learning and development.</p> <p>In the absence of a clear strategic plan for the organisation there is no systemised approach to future capability management requirements.</p> <p>NZTE is aware of some priority generic capability needs (such as foreign language skills) and during candidate identification and selection these attributes are taken into consideration as appropriate. However, no central database is kept of potential candidates for future positions.</p> <p>The existing succession planning tool, which includes all positions level 3 and above, identifies internal succession candidates. This tool could be enhanced to include a ‘readiness’ rating for each candidate, along with timely updating.</p>
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**Management of People Performance**  
 How well does the agency encourage high performance and continuous improvement among its workforce?  
 How well does the agency deal with poor or inadequate performance?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>In the 2010 Culture Survey NZTE scored poorly in all areas of ‘performance and feedback’ and ‘reward and recognition’ when compared to the median for both public and private sector organisations.</p> <p>NZTE has a comprehensive system to support performance management (PERCAPITA), which has clear links to remuneration and the supporting competency framework. However, the system is implemented mechanically rather than as a tool to leverage performance and drive continuous improvement. There are no obvious incentives for high performance or clear consequences for under-performance.</p> <p style="text-align: right;">contd...</p>
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	<p>The organisation has had a culture of discouraging challenge and dissenting points of view rather than embracing opportunities for learning and innovation. This has had the effect of forcing innovators to insulate themselves from the organisation.</p> <p>In the 2010 Culture Survey, the organisation scored poorly and significantly below the median for both public sector and private sector organisations for staff perception of the organisation’s effective management of poor performance.</p> <p>Under-performance is not managed well. The organisational culture does not support open, honest debate. This debate is a pre-requisite to strong effective performance management, and to enable constructive criticism on performance as well as to develop strategies with individual employees to address areas identified. There do not appear to be meaningful consequences for under-performance.</p> <p>NZTE manages serious unacceptable performance well, with the recognised appropriate processes in place. This would include such things as employees not meeting the organisation’s Code of Practice.</p>
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**Engagement with Staff**  
 How well does the agency manage its employee relations?  
 How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>In the 2010 Culture Survey, NZTE had an employee engagement index of 68.8%. This is below that of the private sector benchmarks as well as the Public Sector benchmark, and the differences are considered statistically significant. Staff do not feel well informed about the organisation (Culture Survey 2010) with significant opportunity for improvement. Communications within teams, including within overseas offices score more highly.</p> <p>Employment, safety, wellbeing and employee personnel management are fair and appropriate.</p> <p>The geographic spread of employees is supported by video and teleconferencing facilities and regular communications via the intranet and through managers.</p> <p>A structured induction programme is in place, with supporting systems to ensure new employees participate. Further, there is systematic follow up with all employees approximately three months after they join, to support their introduction into the organisation.</p> <p style="text-align: right;">contd...</p>
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## People Development

	<p>NZTE scored poorly for open and honest communication in the 2010 Culture Survey and there appears to be a strong cultural theme of compliance, defensiveness, and risk aversion.</p> <p>NZTE has a highly committed workforce but this relates more to people's wishes to make a difference to New Zealand and New Zealand enterprises, rather than the organisation's culture, values and leadership.</p> <p>Opportunity exists to leverage the goodwill and capability of existing staff.</p> <p>NZTE has recognised the need to employ people with proven commercial experience; foreign language, and cultural understanding within the markets where it has offshore offices. However, it is only over the last 12 months NZTE has acknowledged and invested in addressing the diversity, skills and experience needed to effectively work with the Māori economy and its critical Government stakeholders.</p>
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## ORGANISATIONAL MANAGEMENT SECTION

### Part Four: Financial and Resource Management

**Asset Management**  
 How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>The major physical asset groups in NZTE are computer hardware, software and leasehold improvements. Some of the offshore leasehold decisions and improvements are linked to MFAT where NZTE has limited control over the actual costs.</p> <p>Robust asset management systems exist, including timely management of asset procurement registration and disposal. Internal audit has confirmed this.</p> <p>An annual capital plan is prepared and implementation is managed through an agreed delegation framework with the Board and funded within depreciation.</p> <p>The development question is: does investment support the future strategy versus replace existing practices and identified needs? Once the new organisational strategic plan is developed, the balance sheet and asset management needs to be fully aligned and supportive of the plan.</p>
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**Information Management**  
 How well does the agency utilise information & communications technologies to improve service delivery?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>A robust, up-to-date IT platform is in place, supported by appropriate capability.</p> <p>Knowledge management is critical to NZTE’s ability to leverage collective experience. A well functioning CRM system is fundamental to effective information sharing and helping to deliver an integrated suite of products and services to individual clients. Electronic delivery of information and assistance is also key to reducing the cost to serve, especially in the ‘client’ group where the relationship is largely reactive. There is also considerable scope for increased efficiencies by optimising and then automating workflow across many business processes.</p> <p style="text-align: right;">contd...</p>
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	<p>All these areas need development to improve NZTE’s efficiency and effectiveness (eg, to reduce the need to respond to each enquiry from scratch and to ensure people taking over new roles can build on the information and knowledge of the person they have succeeded). The IT function needs to be seen less as a cost centre reacting to business requests and more like a business partner that can add real value. The existing personnel in the area would welcome this challenge.</p>
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**Efficiency**  
 How robust are the processes in place to test for efficiency and make efficiency improvements?  
 How well does the agency balance cost and quality when considering service delivery options?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <hr/> <p>NZTE leverages external resources well, including voluntary input and contracted outsourced expertise.</p> <p>However, NZTE does not have a consistent, organisation-wide system for testing efficiency, which would allow NZTE to make decisions on the allocation of resources between programmes and services.</p> <p>There is potential for significant efficiency gains through process flow improvements once the purpose and objectives are resolved.</p>
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**Financial Management**  
 How well does the agency manage its financial information and ensure financial probity across the business?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <hr/> <p>Financial integrity and probity within NZTE is robust and sound and would be rated ‘good’. Financial management ‘needs development’ in order to enhance the organisation’s financial performance and better inform resource allocation.</p> <p>The agency successfully implemented a new FMIS in 2009 which is well placed to service its 37 offices worldwide and work with 22 reporting currencies. Monthly management reporting is thorough to both the Senior Executive Team and the Board, with variations against budget clearly identified. The management control environment is underpinned by a sound set of financial/probity policies. An internal audit plan regularly tests compliance. This is reported through to the Board Audit and Risk Committee.</p> <p style="text-align: right;">contd...</p>
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	<p>The budgeting process is completed in a timely manner; however, this has been done on an historic basis, with budgets allocated to existing ‘operational silos’ rather than the strategic imperatives for the organisation going forward. For the 2011 year, there will be a transitional approach, which includes an interim historical-based budget being agreed for the first quarter. Then the budget will be re-forecast to support the new strategic plan. This process approach is detailed in ‘Plan to Win’. The new budgeting process should also address NZTE’s ongoing propensity to underspend owing to the current siloed management of the budget.</p> <p>NZTE recently completed the BASS review and opportunities to improve competitiveness were identified. The organisation has identified five opportunities to investigate to improve this position. This includes better use of its own efficiency tools (Lean), and considering more outsourcing.</p> <p>The organisation will return \$26 million in operating expenditure to the Crown over the period 2008 to 2014. Opportunity exists to further reduce costs and increase effectiveness.</p>
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<p><b>Risk Management</b> How well does the agency manage agency risks and risks to the Crown?</p>
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<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>The organisation has a robust and appropriate approach to risk management regarding internal controls and probity, including:</p> <ul style="list-style-type: none"> <li>• internal audit manager having accountability both to the CEO and dotted line to the Chair of the Board’s Audit and Risk Committee</li> <li>• a comprehensive and well resourced rolling three-year audit plan</li> <li>• sound audit and risk governance through the Board’s committee</li> <li>• frank and open dialogue between external auditors and the organisation at both a governance and executive level.</li> </ul> <p>The organisation is supported by a good set of principle-based policies, which are regularly reviewed and signed off by the Board.</p> <p>The future risk management focus must be based on identifying and mitigating organisational risks, which impact outcomes, rather than compliance or actual directed audits. This change of emphasis is because the organisation is now structured around programmes and development plans, rather than grant administration. The former has a greater dependency on skills, capabilities and staff judgement rather than just adherence to systems.</p> <p>The current volume of audit projects does not give a sense of clear prioritisation and focus on key risk areas.</p>
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## SUMMARY OF PRIORITY AREAS FOR ACTION

The summary of identified performance improvement recommendations below is designed to prompt conversation with the senior executive team.

	<b>Recommendation</b>
1	MED lead a process with MFAT, Treasury and NZTE to clarify and agree the intervention logic with ministers, enabling NZTE to implement its purpose and key objectives.
2	Re-focus the Board's role on NZTE strategy, CEO appraisal and operational assurance and identify the conditions necessary to delegate operational issues to management.
3	Review the governance of the IGF to ensure that the Board's role is to ensure management establishes a robust process for grant assessment (especially including a process for assessment of proposals against the intervention logic that is independent of the client engagement teams) and then monitor management's application of this process to individual grant applications.
4	Further develop the organisation design in light of the revised purpose.
5	Develop and implement a comprehensive organisational leadership development programme and a culture of high performance.
6	Implement an effective performance development system and improve management capability.
7	Design, develop and communicate an integrated customer-focused service offering, aligned to future market needs.
8	Develop capacity and capability throughout the organisation to deliver the new service model.
9	Significantly enhance organisational capability and capacity to engage effectively with ministers, policy agencies and other related Government entities.
10	Transform the support services function to performance enablement and business partnering, including the implementation of an excellent knowledge management system, and a financial management process that supports the organisation's strategy.
11	Transform the efficiency of the organisation through process flow improvement and information communications technology.

# APPENDIX A

## Overview of the Model



## Lead Questions

### Results

Critical Area	Lead Questions
Government Priorities	1. How well has the agency identified and responded to current government priorities?
Core Business	2. How <b>effectively</b> is the agency delivering this core business area? 3. How <b>efficiently</b> is the agency delivering this core business area? 4. How well does the agency's regulatory work achieve its required impact?

### Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Vision, Strategy & Purpose	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership & Governance	7. How well does the senior team provide collective leadership and direction to the agency? 8. How well does the board lead the Crown Entity? <i>(For Crown Entities only)</i>
	Culture & Values	9. How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?
	Structure, Roles & Responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?
External Relationships	Engagement with the Minister(s)	13. How well does the agency provide advice and services to its Minister(s)?
	Sector Contribution	14. How well does the agency provide leadership to, and / or support the leadership of other agencies in the sector?
	Collaboration & Partnerships with Stakeholders	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the Public	16. How well does the agency meet the public's expectations of service quality and trust?
People Development	Leadership & Workforce Development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	19. How well does the agency encourage high performance and continuous improvement among its workforce? 20. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?
	Information Management	24. How well does the agency utilise information & communications technologies to improve service delivery?
	Efficiency	25. How robust are the processes in place to test for efficiency and make efficiency improvements? 26. How well does the agency balance cost and quality when considering service delivery options?
	Financial Management	27. How well does the agency manage its financial information and ensure financial probity across the business?
	Risk Management	28. How well does the agency manage agency risks and risks to the Crown?

## APPENDIX B

### List of Interviews

This review was informed by input provided by a number of NZTE staff, relevant ministers, and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
Audit New Zealand
Austrade
Auckland Plus
Business New Zealand
Canary Butter
Douglas Pharmaceuticals
Endeavour Capital
Enterprise Ireland
Icebreaker
Icehouse Incubator
International Enterprise (IE) Singapore
Ministry of Economic Development
Ministry of Foreign Affairs and Trade
Ministry of Science and Innovation
Orion Health
Office of the Auditor General
The Treasury
Venture Taranaki





