



# Strong ambition, low growth

**2019 KPMG New Zealand CEO Outlook Report**

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#CEOoutlook

# Confident but cautious



**Godfrey  
Boyce**

KPMG New Zealand  
Chief Executive

In an increasingly turbulent world, it's more important than ever for New Zealand businesses to look to the future and challenge ourselves to grow.

We're in a great space for this; our organisations are renowned for innovation, we have an entrepreneurial culture, and we're small enough to act quickly and effectively.

The insights from our survey of 50 New Zealand CEOs is heartening; the majority are confident in the growth prospects for their organisation (almost 90% of CEOs), and industry and country (78% of CEOs) over the next three years. In fact, this confidence in our country has returned to 2017 levels.

However, the survey has highlighted a real disconnect. Despite high levels of confidence, the vast majority of our CEOs are expecting revenue growth of less than 2% over the next three years, and plan to increase employee numbers by less than 5% over the same period. What's behind this view and hesitancy to invest?

## **The global economy**

Being export driven, New Zealand is exposed to turbulence in the global economy. Current developments with our two largest trading partners (the worsening China/US trade relationship and a slowing economy in Australia) pose very real risks to our economy, and the international trend to territorialism, the ever increasing threat of climate change and the increasing importance of cyber security cannot be underestimated. In particular, our primary sector and other exporters are exposed.

## **Short term results at the expense of long term value**

For our listed companies, the share market appears to put more weight on delivering EBITDA (earnings before interest, tax, depreciation and amortisation) than a revenue growth story. As such, these organisations are generally not rewarded for a bold strategy that prioritises revenue growth but acknowledges profit may be delayed. This paradigm constrains the investment and innovation that's at the heart of long term, sustainable growth.

## **A slowing domestic economy**

Since the survey was completed in February 2019, we have seen more evidence of a slowdown in the domestic economy. Notably, growth in the services sector (which makes up around 70% of the New Zealand economy) has slowed this year, with April seeing activity at the lowest level in more than six years.

These are very real concerns, and all leaders need to consider these issues in the context of their organisation. But we have to challenge our low revenue growth expectations, not just for our own organisations, but for the benefit of New Zealand as a whole.

The first aspect to address is the growth mind-set; belief in the need for growth is an imperative, along with the confidence to go into the marketplace and get it.

The second aspect is the willingness to disrupt your own business. This needs to be customer driven – looking at what they need now and in the future. We need to think boldly and broadly, considering investment in new technology, digital transformation, and the forging of new partnerships and collaborations that can transform the way we operate and deliver value to our customers and stakeholders.

As leaders, we need to acknowledge and embrace our responsibility to support New Zealand's growth and the long term prosperity of our country. The uncertainty in the global environment presents a real opportunity for growth; we need to back ourselves and take decisive action.

Note\* As part of KPMG's survey of 1,300 Global CEOs we also surveyed 50 New Zealand CEOs.



**Murray Holdaway**  
Vista Group International

Murray is the co-founder and director of Vista Group International. He was the Group CEO until April 2018 and under his leadership, the company listed in 2014 and has delivered a compound annual growth rate of 29%. He is now the Chief Product Officer.

Murray notes that public listing can sometimes be a double-edged sword. While it provides access to capital for Vista's acquisitions and diversification, he has found the New Zealand share market sometimes constraining due to its focus on EBITDA. He compares this to the US, where analysts focus on revenue growth in their company valuations. "Vista has continued to achieve impressive growth since listing, but at times we haven't been able to take the same steps we did as a private company when short term earnings could be sacrificed for bigger growth" Murray said.

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## Murray puts Vista's growth down to two critical things; culture and people.

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"Our culture starts with being truly dedicated to customer happiness, and doing the right things to follow through with this dedication. The customer experience is very personal with lots of contact with our team and quick response times regardless of time differences." Simple philosophies of doing what you say you will do and fixing issues quickly have served the company well.

Vista's team is made up of over 800 staff, with half based offshore. The company's commitment to its people is evidenced by the fact that many of the developers and those who joined as interns and graduates have stayed for long periods of employment, attracted by the culture and encouraged by the company's excellent market position.

Murray notes the offshore growth has been borne out of necessity, as the New Zealand film industry would never have enabled Vista to achieve scale and value creation. Interestingly, he says Vista doesn't see itself as an exporter; "we just have customers in other countries". Vista backs itself to understand and deliver what a customer needs, regardless of which country they're in.

Enterprise Resource Planning solutions in most industries have an average life of 5-7 years, however in the case of Vista, nearly 100 customers have relationships longer than 10 years. Murray puts this down to Vista's continuous focus on innovation. "We need to look at the available technologies and constantly ask ourselves "do our customers want this?" To ensure they're always investing in the future, Vista looks not only where there is client demand now, but also where they can see it will be in 2-3 years' time."

Murray believes a growth mindset is fundamentally important to technology companies; "Tech companies need to grow, they are not good at 'gliding'. There are big value differences between being number one in a market and being second (as much as 10-1); meaning having a growth mindset to go after the number one position is critical."

# Insights to action

We need to be ambitious in our growth aspirations. This will require each of us to face into the future and turn up the dial on how we view and operate our organisations.

## It's all about trust

- CEO digital leadership
- Digital transformation programme
- Digital capability

## Driving customer experience excellence

- Put the customer at the heart of your DNA and culture
  - Combine trust with science and discipline
- Understand the importance of the customer experience

## Pressure to disrupt

- Don't wait
- Create the environment and culture to constantly change
  - Learn fast
- CEO must be the leader

## Confident but cautious

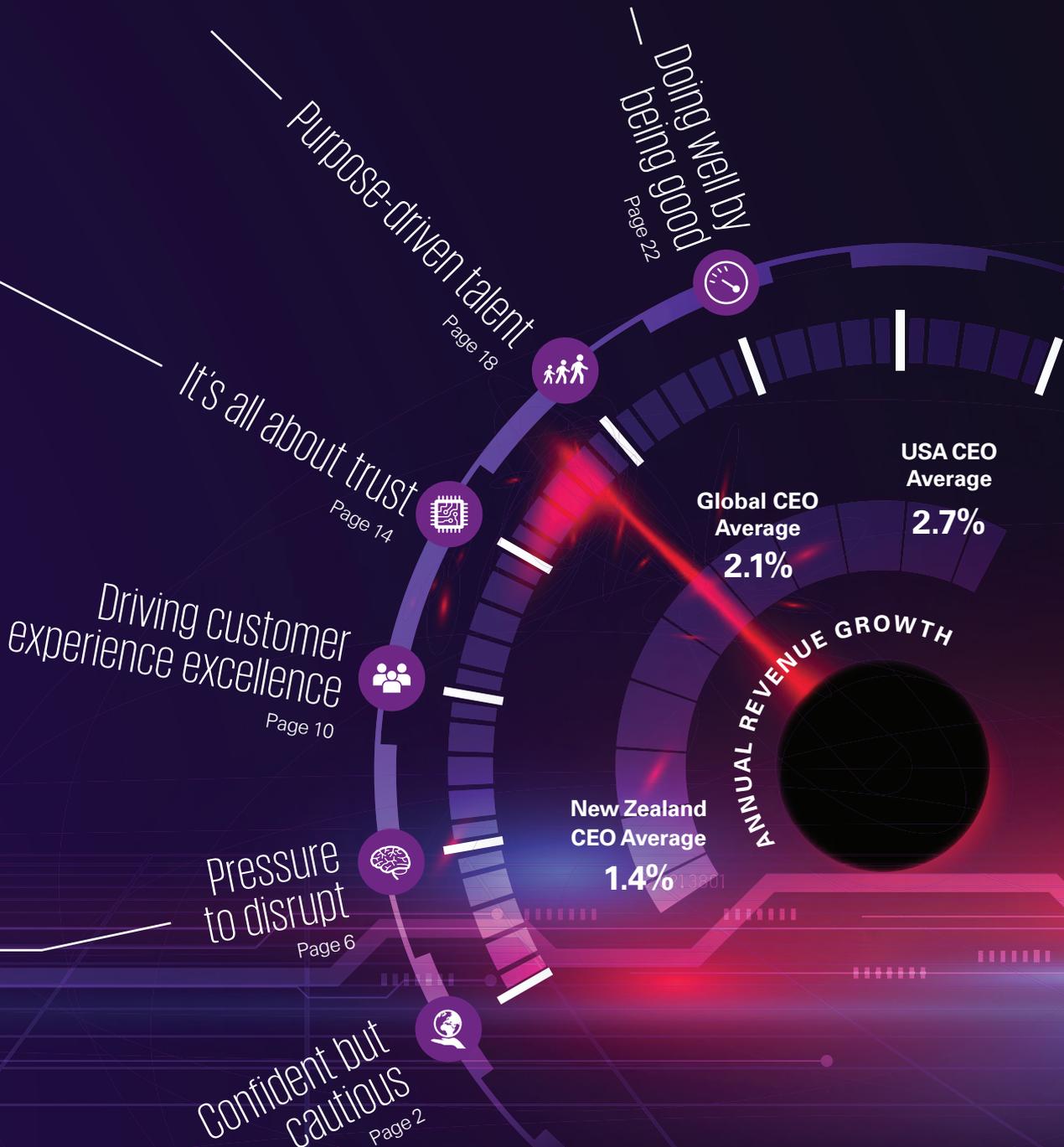
- Relying on small groups of organisations for the future of all our kids
  - Mind-set we have is not the mind-set we admire

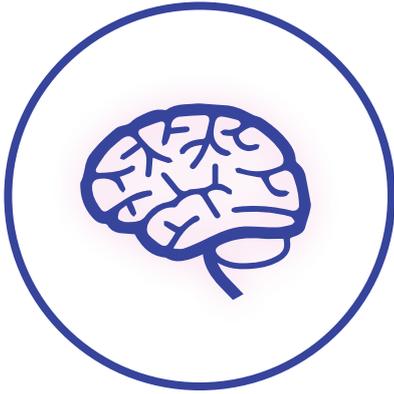
## Purpose-driven talent

- People-focus at the top table
- Build a magnet for talent
- Invest in education

## Doing well by being good

- Turn sustainability into strategy
- Apply ESG thinking
- Adjust business and operating models





# Pressure to disrupt

New Zealand appears to be letting anxiety about external threats dictate ambition... but some of our CEOs are playing by the new rules.

In New Zealand, this appears in our tech companies like Vista, and compares with new models for growth like a2 Milk and Zespri. It's also the story behind Spark. Nearly three quarters of CEOs believe their organisation's growth depends on their ability to be agile, innovative and disruptive in their market.

However, digging deeper into the data highlighted some interesting points of difference. Globally, there has been an increase in the number of CEOs who believe that acting with agility is critical to the success of their business. Locally we saw the opposite – significantly fewer (18%) of New Zealand CEOs believe this in 2019, compared to 2018.

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**In 2019 60% of New Zealand CEOs agree that acting with agility is the new currency of business, compared to 78% in 2018.**

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**Simon Moutter**

Former Managing Director of Spark New Zealand

“Spark is a company that has been in the gunshots of disruption for a decade – the technical pace of change is incredible, and flexibility and speed in decision making is key to our ongoing success. The implementation of an agile culture is a way for us to match the rate of our internal change with what is happening externally. Agile provides our people with an empowerment framework to enable speed – speed in decision making, speed to product, speed to correct.”

Spark is one New Zealand organisation that has embraced the concept of agility.

Simon Moutter, former Managing Director of Spark New Zealand, believes the recent adoption of agile throughout the whole of the business was a critical decision.

Simon believes in the concept of minimum viable product and Spark Sport is a great example – “We were able to take the product to market in five months, something we would never have achieved previously, and the agile model means the feedback loop with our customers closes really fast.”

Reflecting on the potential reasons behind CEOs' declining belief in the

urgency of agility, Simon notes there are many interpretations of agility and everyone starts at different points.

Spark's leadership were committed to adopting agile ways of working, and while the staff engaged strongly and early with the initiative, it represented significant change. “People liked the sound of it but there was a degree of concern – ‘can I actually do it?’”

Interestingly, Simon regards Spark's Blue Heart (Diversity & Inclusion) initiative as a key pillar in agile's success. Bringing Spark's people together was everything, “Blue Heart has created a culture of success; one of inclusivity, loyalty, trust and collaboration.”

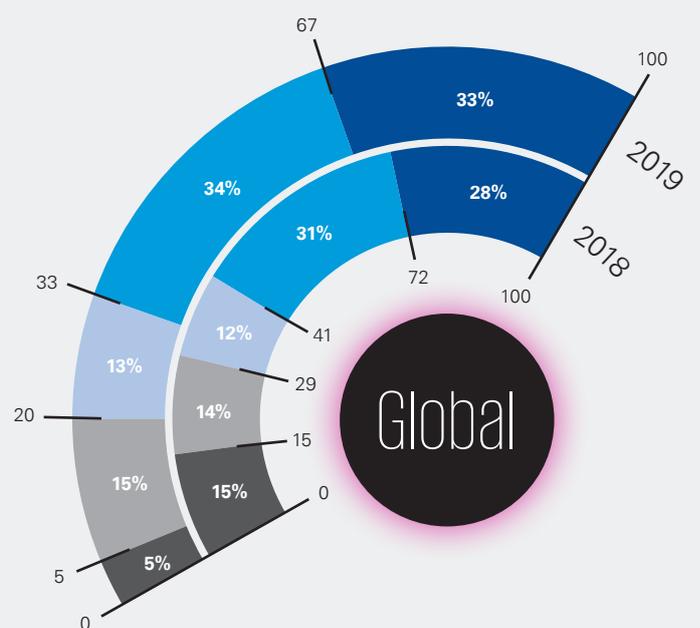
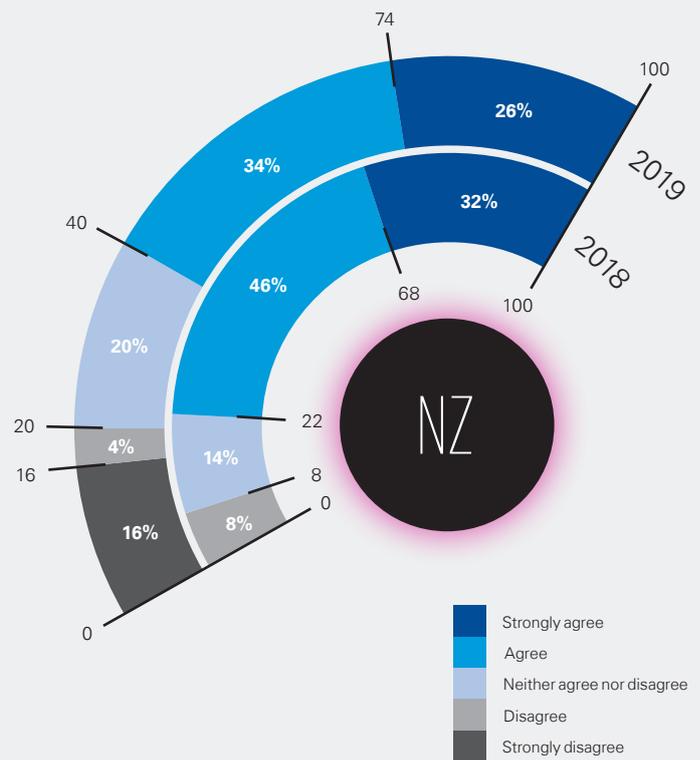
## ORGANISATION GROWTH

**“Acting with agility is the new currency of business; if we’re too slow, we will be bankrupt.”**

Simon thinks it’s really important to define what innovation means in the context of a particular organisation. “At Spark, we didn’t talk about innovation at the micro level; our focus was on continuous improvement to a product or a service.” He contrasts this with big innovation – which he regards as the game changing, strategic decisions. “Doing big innovation is hard and a high stakes game – it’s expensive, there’s a big wall of resistance and you have to be prepared to stare down the opposition.”

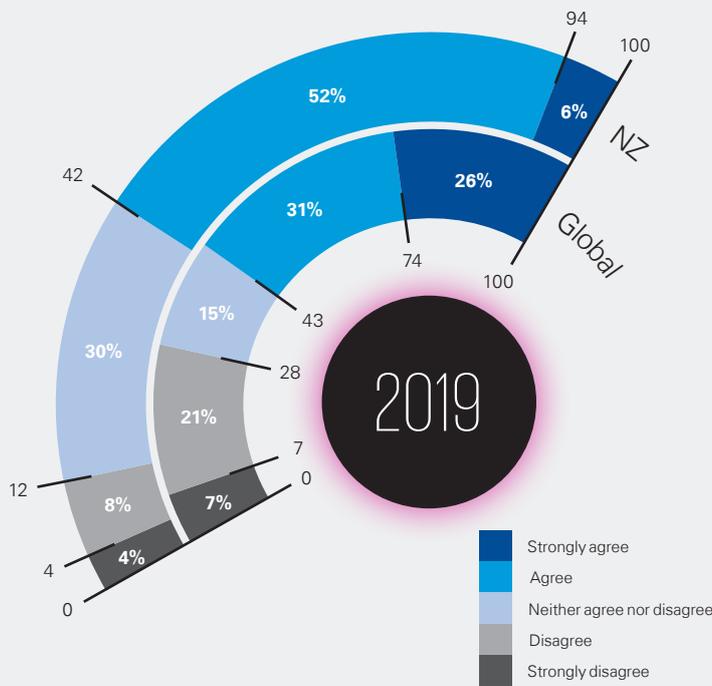
This leads to the concept of fail fast. Over 50% of New Zealand CEOs feel confident their organisation accepts and celebrates a culture of fail fast. But when it comes to employees feeling empowered to attempt innovation, even if it fails, New Zealand lags behind its global counterparts (62% vs. 84%).

So what’s behind this hesitation? Simon thinks New Zealand businesses, and New Zealanders as a whole, are not fully comfortable with failure in general – “Fear of failure is embedded in our DNA” - and contrasts this with his experience offshore where stakeholders are more comfortable talking about success and failure in the same sentence, and failures can be seen as a real strength for the future. “In the past, Spark did not have a culture of fail fast. We made mistakes and took too long to correct them. Agile has had a big impact in changing people’s thinking – it flushes out problems quicker and enables continuous corrective action. Our people see it as a normal part of the daily process.”

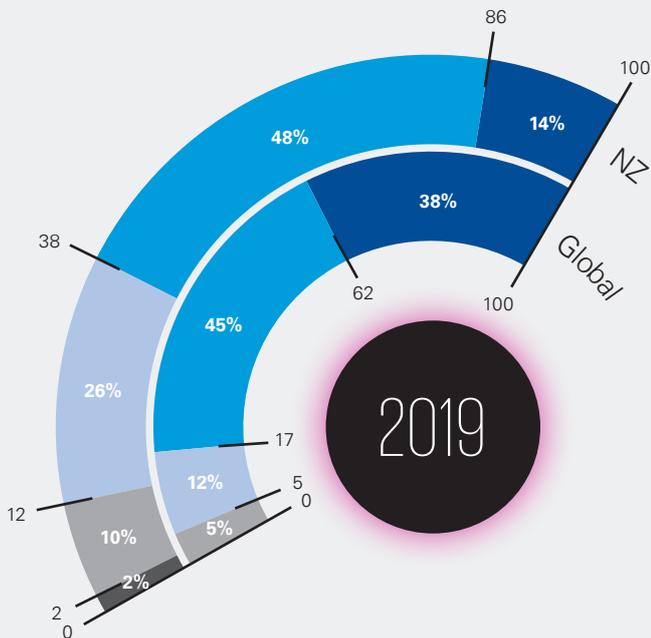


**PRESSURE TO DISRUPT**

**“Our organisation has a culture in which fast-failing unsuccessful innovation initiatives are celebrated.”**



**“I want my employees to feel empowered to innovate, without worrying about negative consequences for them if the initiative fails.”**



In 2019 66% of New Zealand CEOs recognise the need to improve innovation processes. This is a significant increase compared to 30% in 2018.

KPMG’s view is that New Zealand CEOs need to think differently about what agility and innovation mean in their business.

Innovation should be considered a daily occurrence and doesn’t have to be a formal programme requiring significant investment. Nor should the consequence of failure be heavy.

To compete and succeed, organisations must respond to their customers’ changing expectations and requirements quickly. Creating a culture where people are empowered and view innovation as something that happens every minute of the day is critical – it’s in everyone’s hands.

# Pressure to disrupt

## Call to action

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1

Don't wait to be disrupted; it'll be too late.  
Create a sense of urgency and drive relentless pace.

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2

Build an environment and culture of constant challenge,  
but make it fit for your organisation.

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3

'Learn fast' is more helpful in New Zealand than 'fail fast.'

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4

The change must be CEO-led.

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# Driving customer experience excellence

In the pursuit of growth and organisational resilience, CEOs agree that the customer needs to be at the heart of everything. Getting this right has many benefits; it informs successful investment in digital strategy, drives true innovation and disruption, and critically, negates risk. More than half (60%) of New Zealand CEOs believe their investment in customer experience has delivered results.

In reality, however, it's a significant challenge to build the necessary customer focus and organisational capability at the required pace to be successful. In New Zealand, 60% of CEOs acknowledge they need to improve their understanding of their customers, compared to 65% of their global peers. But this appears to be more difficult in New Zealand and could be attributed to a skills shortage in the necessary digital transformation and data science space. Our CEO survey also highlighted an interesting contradiction. Just 18% of New Zealand CEOs regard how they engage with customers as their key strategy to future proof their organisation (compared to 28% globally).

Complementing KPMG's CEO Outlook Report, for the second year in New Zealand and 10th year globally, we conducted our 2019 Customer Experience Excellence Report (CEER). The study assessed nearly 3,000

individual consumer evaluations on 130 New Zealand organisations. It evaluates consumers' experience across the Six Pillars of Customer Experience Excellence, which ten years of research have shown to be the fundamental drivers of customer loyalty, advocacy and satisfaction.

This year's results highlighted the significant financial rewards of consistently delivering exceptional customer experiences; the leaders realised nearly double the revenue growth and 13 times the profitability growth when compared with the organisations at the bottom of the study (based on four years of financial results). This evidence is critically important in an environment where growth is hard to realise.

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The data clearly links outstanding customer experience with significantly greater financial returns.

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So what should our New Zealand CEOs focus on when it comes to transforming their customers' experience? Our 2019 research focused on five key areas:

## 1. Incorporate customer experience economics

Utilise objective customer insights (internal and external) to understand the financial value of improving customer experience within your organisation. We found that great organisations factor customer insight into all of their investment decisions. While the leaders are skilled at understanding where they *should invest*, they are often even better at knowing when *not to invest* in things that will not move the needle with their customers.

## 2. Long-term commitment is required

The leaders in customer experience, both in New Zealand and in the 19 other countries included in the study, do not expect customer experience to be solved in a day, a month or a year. They understand true differentiation may require sacrifices in the short term, but will carry outsized rewards in the long-term.

## KPMG 'Six Pillars of Customer Experience Excellence'

The DNA of every outstanding customer experience



**Personalisation**  
Using individualised attention to drive emotional connection



**Resolution**  
Turning a poor experience into a great one



**Integrity**  
Being trustworthy and engendering trust



**Time and Effort**  
Minimising customer effort and creating frictionless processes



**Expectations**  
Managing, meeting and exceeding customer expectations



**Empathy**  
Achieving an understanding of the customer's circumstances to drive deep rapport

### 3. Recognise and embrace the speed of change

Our insights highlight that organisations who deliver outstanding customer experience consistently look to the future and design for it; what sets the benchmark for excellence today, becomes standard practice tomorrow. Leaders need to create a sense of urgency and a framework for acting at pace.

### 4. Use data to support your decision making

Our data rich world presents an invaluable opportunity to connect intimately with your customer and drive growth. The most successful organisations proactively respond to and shape customer needs by using research, data and analytics to inform customer centric decision-making at every level of their business. Organisations that can gather, manage and react to customer insight in real time are at a distinct advantage to their less agile peers.

### 5. Embed the culture of Customer throughout your organisation

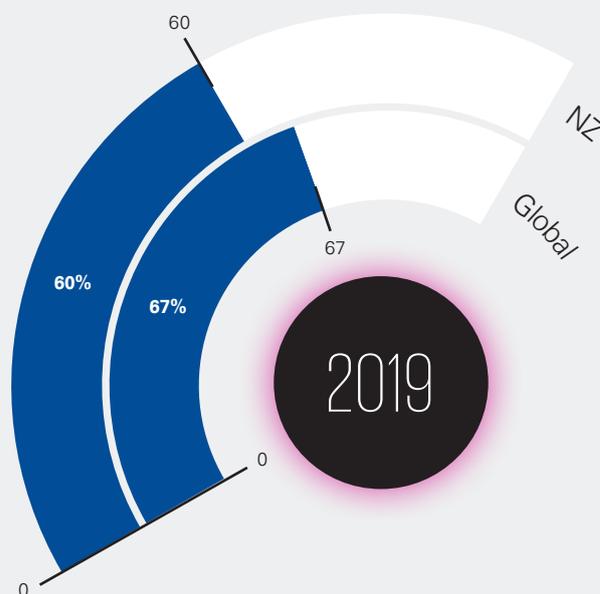
Nearly every organisation in our research publicly states that customer experience is a priority. However, our objective view of customer experience based on actual customer data tells a different story; despite professing to be customer-centric, many organisations struggle to create a culture that puts the customer first and consistently delivers exceptional experiences. For organisations to achieve a true customer first culture, CEOs must take the lead to ensure customer-centricity is embodied at every level of the organisation, from recruitment and performance management to employee empowerment.

The New Zealand customer landscape is changing rapidly, and expectations are higher than ever before; the bar for excellence is no longer industry or country-specific.

We need to draw on our innate ability to act quickly, do things differently and continuously challenge ourselves as to whether it's enough.

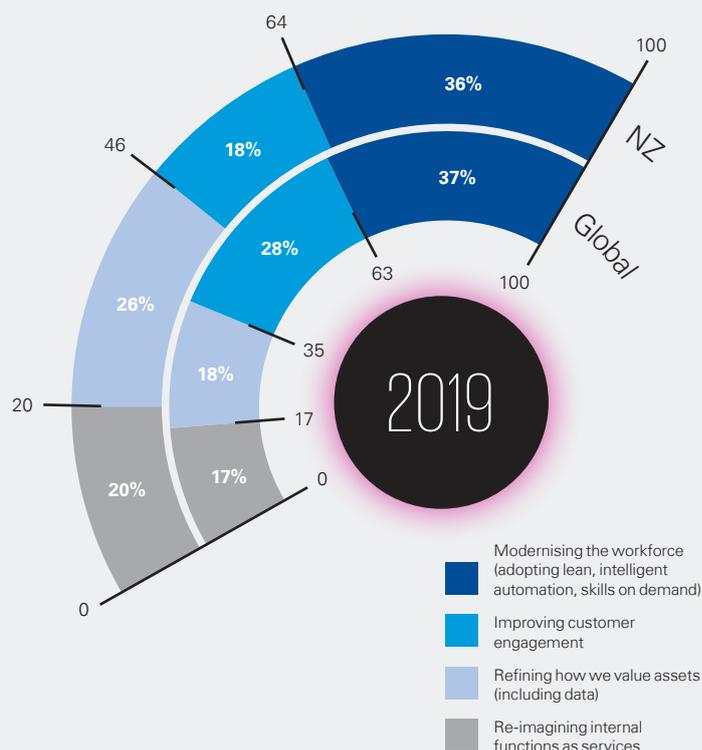
## CUSTOMER

**“We could significantly improve our understanding of our customers.”**



## CUSTOMER

**“Which strategy are you most relying on to ensure your organisation is future ready?”**



## Lessons from a giant's playbook



### Lovina McMurchy

Global Tech Executive

We were privileged to host New Zealander and Global Tech Executive and Advisor, Lovina McMurchy, as the keynote speaker at our 2019 Customer Experience Excellence Awards. Lovina spent the last four years at Amazon, one of the leading customer experience companies globally. She shared her insights on the customer experience success factors critical to Amazon's phenomenal growth over the years:

#### At the core of DNA

Customer experience is at the core of Amazon's DNA and has been since the beginnings of the company. One of the most important pieces of Amazon folklore is the original back-of-napkin diagram Jeff Bezos drew in 2001 that described the flywheel driving the business, with growth powered by a good customer experience. This is literally painted on the walls inside buildings as a reminder that everything starts with a great customer experience.

#### Ingrained in culture and ethos

Customer experience has to be built into the company's culture and processes in a really systematic way. At Amazon, it's built into hiring, decision making and performance management processes.

#### Locked into disciplines and decision making

Great customer experience starts with hiring, with one of the most important principles at Amazon being 'customer obsession.' A candidate can do well throughout the interview but if they fail the customer obsession questions, then that's an instant no-hire decision. The customer is systematically brought into the start and end of all big decisions and customer obsession is a critical input into all decisions on performance. To say someone is "not customer obsessed" is about the worst insult you can possibly level at an Amazon employee.

#### An empowered frontline

Amazon's front line people are empowered to resolve customer issues. This goes further than just dealing with complaints and credits; the team can freeze any product for sale if they believe it is not meeting customer expectations in a substantial way.

#### Owned by the CEO

Jeff Bezos in particular is famous for this. He believes in the power of customer anecdotes to reveal when things are broken. Any customer can send him an email about a poor service experience, and he does respond.

#### Trust maintained, reputation protected

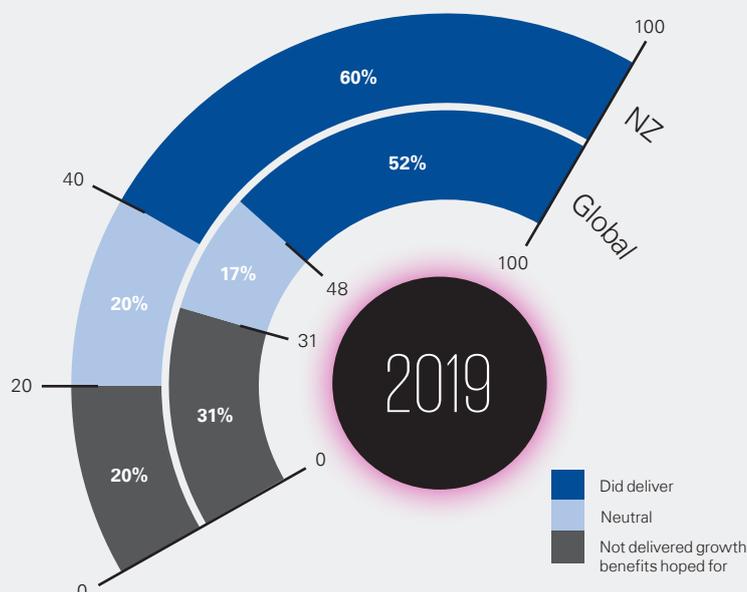
If you have a reputation for good customer experience it's important to always hold a high bar on everything you do in order to maintain that customer trust. That may include making decisions on profitable activities.

#### Investor willingness to wait

A factor which helps Amazon focus on customers is their investors' willingness to focus on long term shareholder value. This is an expectation that Bezos set with his investors back in the late 1990s which has allowed Amazon to make decisions that prioritise customer experience even if they are dilutive to profits in the short term.

## CUSTOMER

**"The investments we have made in trying to personalise the customer experience has delivered results."**



# Driving customer experience excellence

## Call to action

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1

Put the customer at the heart of your DNA and culture.

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2

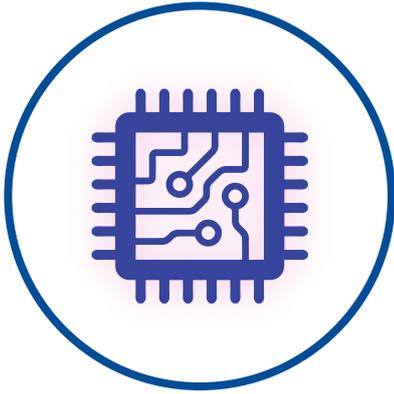
Customers value truth and integrity, and will seek out organisations that invest in building and maintaining trust.

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3

Customer experience matters. Organisations need to understand the importance of this.

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# It's all about trust

In today's world, every CEO should truly understand how digital technology impacts their organisation.

The impact of technology is everywhere; it's increasingly the primary way customers, stakeholders and suppliers interact with businesses, and it has transformed the way many, if not most, organisations operate.

Organisations looking to drive significant growth are all considering digital transformation as a key pillar in their strategy, and the vast majority (70% of New Zealand CEOs and 77% of their global peers) see it as their personal responsibility to lead the strategy for their organisation.

The value of an effective transformation programme is clear; a deeper understanding of what your customers want and need from you, optimised internal performance to meet these needs, and the potential for a bigger share of the market and profits. In fact, 86% of New Zealand CEOs see technological disruption as a real opportunity. Going a step further, for many organisations, digital transformation is no longer a source of advantage, it's an essential element to stay competitive.

Sustainable growth depends on many things. A successful digital strategy can't stand alone, solely focused on technology. Organisations that are seeing real growth, are those which recognise that ultimately the customer's



**Richard Tims**

Partner – Consulting  
KPMG New Zealand

experience is at the heart of everything. The companies that ranked highest in our recent Customer Experience Excellence survey, were those that prioritised customer service and protection of trust.

Our data also showed an interesting disconnect. While CEOs are generally in agreement about the strategic importance of digital transformation, New Zealand CEOs seem to be more conservative in their expectations about when they'll realise the benefits of the transformation.

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For digital transformation we see a significant drop in expectations around return on investment and lead times for achieving progress.

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We need to think about why the change is so stark. Are there enough specialists experienced in leading and delivering this type of transformation? Are the reasons and outcomes for doing this clear? The data for New Zealand shows

our confidence in the capability required for success is well behind our global peers (40% of New Zealand CEOs have confidence in their digital transformation leaders compared to 58% globally).

There's something else to consider too. Customers choose to engage with organisations they trust; the risk of breaching this trust can be devastating. Protecting customer data and securing the organisation's operations against attack is a constant challenge for every organisation.

As digitisation changes an organisation's footprint, the vulnerability to attack increases. According to the World Economic Forum, cyber attacks have consistently rated in the top five global risks in terms of likelihood since 2012.

Worryingly, our survey shows we're not proactively dealing with this challenge as well as our global counterparts.

Only 44% of New Zealand CEOs regard a strong cyber strategy as critical to building and maintaining trust with key stakeholders (compared to 64% globally). We also rank lowest globally in our preparedness for a cyber attack, with only 48% of New Zealand CEOs viewing their organisation as well-prepared.

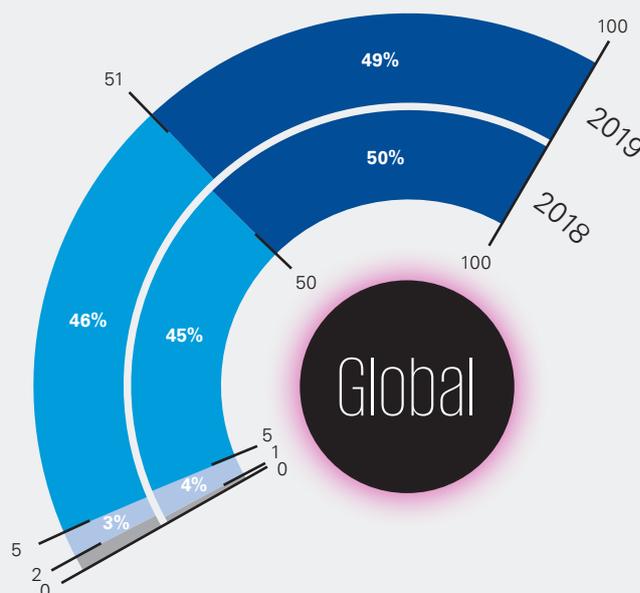
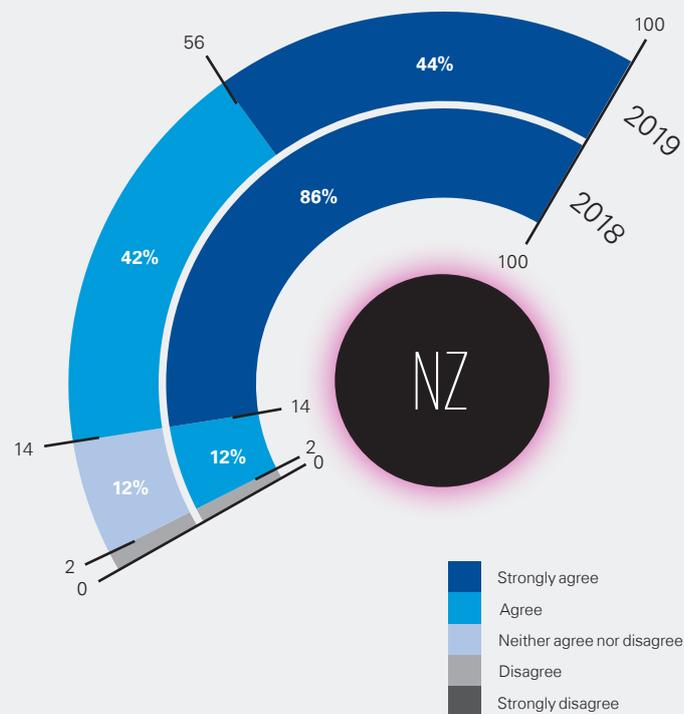
## PRESSURE TO DISRUPT

**“We see technological disruption as more of an opportunity than a threat.”**

While this could be explained by a shortage in security skills, do we regard improving this capability as a high enough priority? History has repeatedly shown that a security breach can have far reaching and enduring consequences, with very real impacts on an organisation’s relationship with its customers and stakeholders, and its ability to remain relevant and competitive. We can’t afford to be complacent.

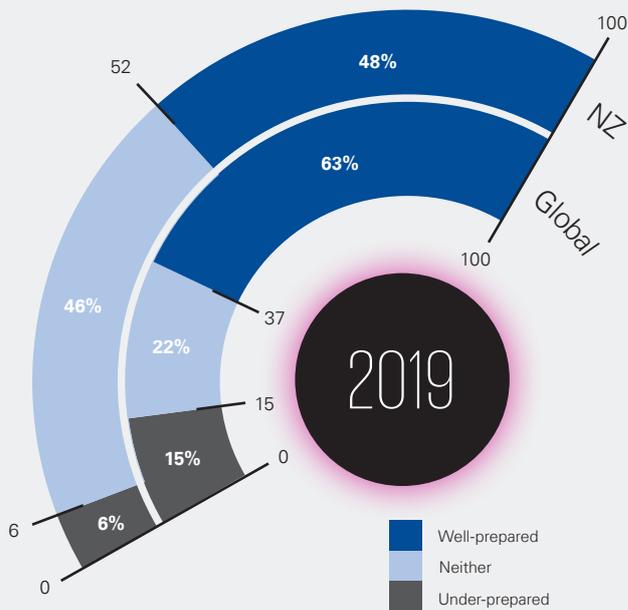
While the stakes in an increasingly digital world are undeniably high, so are the rewards in terms of growth and resilience. CEOs need to find the balance in protection and transformation. How?

By developing a clear plan for transformation (including what needs to change and why), identifying success measures and business outcomes for your digital transformation and having the courage to continually pivot. By prioritising cyber security and investing accordingly. And ultimately, by keeping the customer as the fundamental reason for doing what you’re doing.



IT'S ALL ABOUT TRUST

“How well prepared is your organisation for a future cyber attack?”



As digitisation changes an organisation’s footprint, the vulnerability to attack increases. According to the World Economic Forum, cyber attacks have consistently rated in the top five global risks in terms of likelihood since 2012.

# It's all about trust

## Call to action

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1

CEOs must own digital transformation and magnify that with digital leadership at the executive and board table.

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2

Get on top of digital risks and execute the digital transformation plan at speed.

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3

Contribute to initiatives that enable New Zealand to close the digital capability divide.

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# Purpose driven talent

Across industries, both nationally and globally, organisations are dealing with pressures to perform and deliver on an unprecedented scale.

Technology is rapidly and exponentially changing the way organisations work and provide value to customers, the

rising spectre of cyber security can no longer be ignored, and there are overarching economic headwinds which CEOs must be braced to face into.

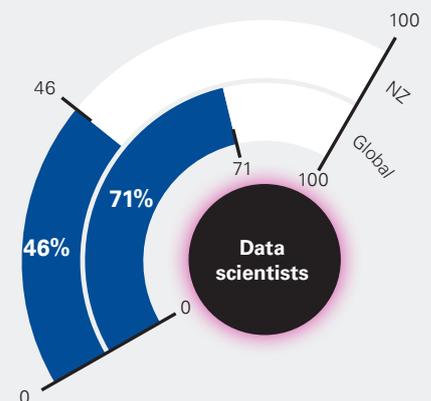
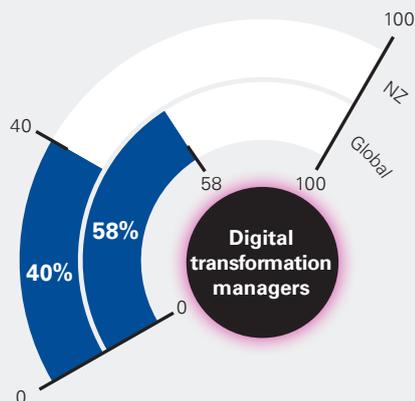
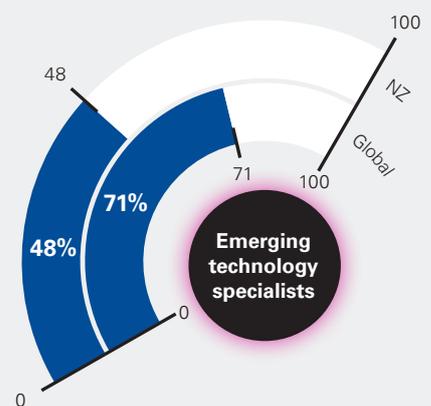
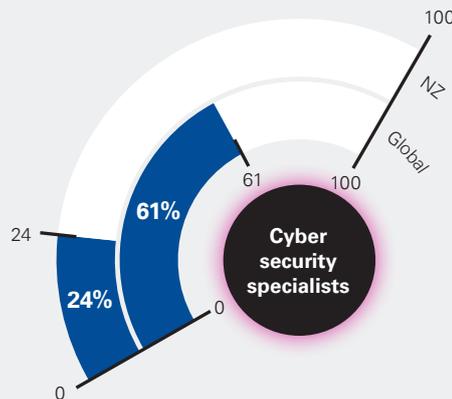
Our survey shows that CEOs across the board recognise the need to transform their core executive teams to enhance their resilience (78% of New Zealand CEOs and 77% of global CEOs). New Zealand CEOs attention to leadership transformation is on a par with

that of global CEOs at 78% compared to a global average of 77%.

But we can't afford to be complacent; our ability to respond to critical changes in the local and global markets relies heavily on the capabilities of our people. Our survey shows that compared to our global peers, New Zealand CEOs have significantly less confidence in the availability of critical skills in digital transformation (40%), sustainability (36%) and cyber security (24%).

**“How effective is your company’s existing workforce in these areas?”**

■ Effective  
■ Not effective



As Warren Buffet said, “Someone’s sitting in the shade today because someone planted a tree a long time ago.” Few CEOs are currently sitting in the shade of a talent tree. In order for New Zealand businesses to be armed for the necessary fundamental shift in approach to talent, there needs to be a focus on building deep talent and bench strength for the future organisation.

Despite broad recognition of the skills shortage in these critical business areas, our survey shows New Zealand CEOs are adopting a cautious approach to resolving these issues. There has been a significant shift in strategic recruitment of new skills into an organisation with 52% of New Zealand CEOs requiring the achievement of pre-defined growth targets before actively recruiting for new skills, compared to 22% last year (although this is on a par with global levels).

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**Expected headcount growth over the next three years is substantially behind that of our closest trading partners. Just 2% of New Zealand CEOs expect greater than 5% growth compared to 36% globally, putting New Zealand organisations at risk of falling behind.**

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### **Deborah Capill**

Managing Director People and Culture,  
Fonterra Co-operative Group

“Planning for leadership succession and developing bench strength to execute on strategy are critical to future-proofing the organisation for generations to come.”

Based on these quantitative findings and qualitative experience, the war for talent (a term coined by Steven Hankin) appears to be a battle that not many New Zealand organisations are prepared for. The risk is that, without an assertive, long term strategic approach to the management of talent, our business development and innovation will lag behind that of our competitors.

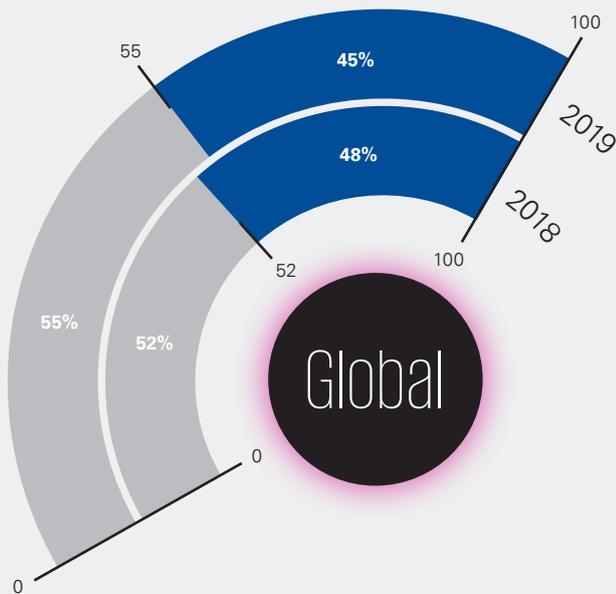
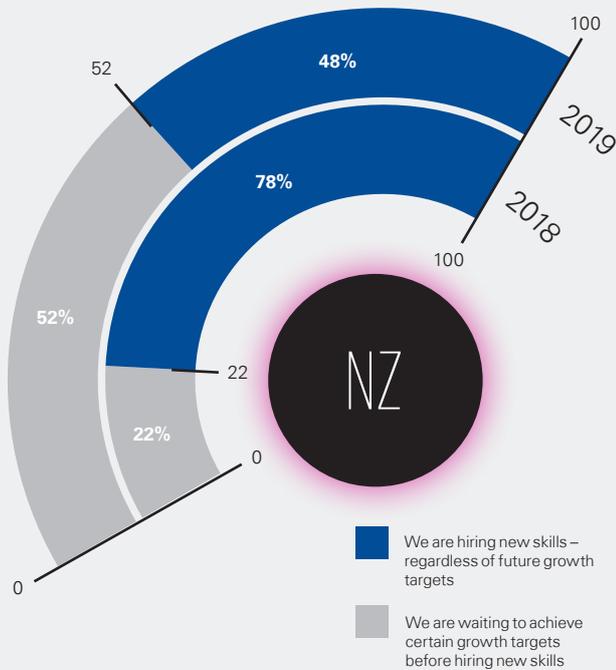
In a more positive frame, the solution to the capabilities shortage may be concentrated on an internal education focus. New Zealand CEOs indicated there are active programmes to upskill the digital capabilities of employees during the next three years, with an average of 44% of staff expected to have enhanced technical proficiencies. Looking internationally however, 28% of global CEOs are expecting to upskill more than 50% of employees (with the UK and India pushing the average up) compared to just 10% of New Zealand CEOs.

Transformation for businesses is not limited to industry; the way we work is undergoing fundamental shifts as well. Changes in demographics, an increase in workers’ economically active life, focuses on inclusion, employee wellbeing, new ways of working and the introduction of automation all profoundly impact the ability to apply strategic workforce planning.

While all organisations are facing the same headwinds, the survey confirms that New Zealand organisations are less prepared. It is clear that for New Zealand businesses to be in a position to address issues of disruption and the chronic shortage of capability in critical digital development areas, timidity in respect of an organisation’s talent strategy will not deliver results.

**PURPOSE DRIVEN TALENT**

**“Growth targets connected to recruiting new skill sets.”**



The first opportunity must be to embrace the global talent pool and plug the immediate gaps. Mobility is an effective tool for attracting the right capabilities on a short term basis.

For Deborah Capill, Managing Director People and Culture at Fonterra, preparing the Co-operative for new ways of working and operating is a key priority as the organisation undergoes a fundamental shift in direction.

“Planning for leadership succession and developing bench strength to execute on strategy are critical to future-proofing the organisation for generations to come.”

To achieve this, Deborah says Fonterra is linking leadership behaviours with its purpose and values and focusing on accountability for outcomes.

“We’ve also recognised the impact of the Future of Work on businesses like ours, and are targeting investment in our people to develop future-ready skills. We’ve committed to doubling our training hours by 2025 to ensure our people are equipped with the right skills to meet the business challenges ahead of us.”

Organisations need to be clear on their current business context and future aspirations. This will enable opportunities and ambitions to be addressed and the critical talent and capability requirements for the future, identified; a purposeful and aligned people strategy focused on shaping a workforce to deliver on ambitions.

# Purpose driven talent

## Call to action

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1

Make an immediate shift in the enterprise to bring people and talent back to the top table.

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2

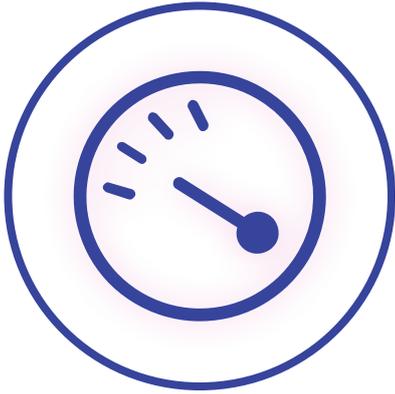
Build the magnet for talent. Have a culture that creates a point of difference that is globally attractive to retain talent and attract talent to New Zealand. Build your talent management capability internally to take the ideas through to action.

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3

Support initiatives to address the long term talent gap in New Zealand.

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# Doing well by being good

Climate change has become a climate crisis, with sustainability issues firmly mainstream. Even our kids are striking over it. Yet, a substantial response from New Zealand business is lacking.

Sustainable thinking needs to become strategic and embedded into how New Zealand businesses plan to create value while responding to societal demands. New sources of capital and green enabled growth await those who rise to the challenge. The time is now.

The majority (70%) of New Zealand CEOs understand this and feel personally responsible for ensuring their organisations have a positive impact on their customers and the wider community as a whole. Neal Barclay, CEO of Meridian Energy, epitomises this view.

He gives the example of Meridian's decision to abolish the practice of clawing back prompt payment discounts (PPDs) from customers who were late paying their bill. "This was the result of a great deal of work around fairness in



**Neal Barclay**  
CEO, Meridian Energy

"The private sector has a moral and economic imperative to lead by example on climate change, on inequality and making a concrete difference to New Zealanders' wellbeing. This means being open and honest about the impacts your business has on the environment and people's livelihoods, answering difficult questions, being better than 'neutral' and making a measurable, positive contribution."

pricing and working on how to support our most vulnerable customers. The industry was making around \$40 million a year from PPDs before we made our call – it came down to putting fairness at the core of our pricing strategy, which meant not unfairly disadvantaging those with the least ability to pay their energy costs on time."

Neal is not alone in this view of broader expectations of business. More than 100 New Zealand organisations have joined together to show leadership and take collective action on climate change issues through the Climate Leaders Coalition while support for the Government's goal of a net zero carbon economy by 2050 is strong. At the same time, a growing membership of the Sustainable Business Council is engaging with the Government to achieve the United Nations Sustainable Development Goals.

Neal believes that a low-emissions economy presents a great opportunity for New Zealand to prosper and grow, but notes that "as a country we need to think more strategically about how to position our economy, and in particular, our export earnings capability in a world that can no longer ignore the environmental cost of growth."

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**New Zealand CEOs understand the business imperative of rising to the challenge as 64% believe their organisation's growth will depend on their ability to transition to a low carbon, clean technology economy.**

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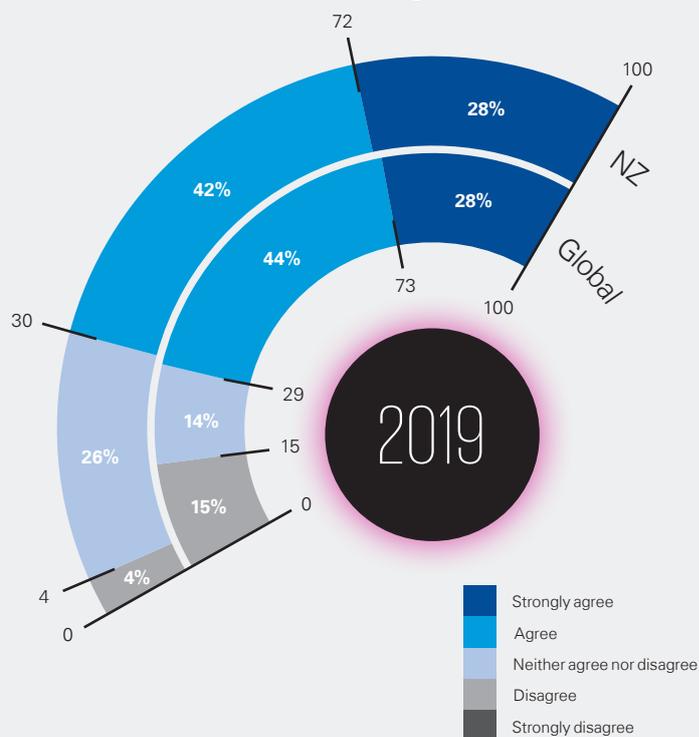
Neal has a strong view on this. "Climate change is going to change everything for business; either we do too little and the impacts of climate change significantly undermine our ability to continue with business as usual, or we rise to this challenge and transform our economy and society in order to meet the Paris Agreement aspirations in a just and fair way. All of us, whether in a personal or professional capacity, need to decide (very soon) which side we want to be on."

New Zealand cannot afford to be complacent or procrastinate on this issue. The distance to market for many of our products and services renders us especially vulnerable, as does our heavy reliance on the primary sector and fast-approaching land-use dilemmas. Symbolic gestures such as banning plastic bags is not enough; there is an urgent need for strategic shifts to business models that are repositioned to create broad based enduring value and circularity. Neal agrees – "Transition due to climate change is going to happen regardless of the actions we take, so we get to choose if that change is abrupt and disruptive, or creatively and justly managed."

But the pathway is unmapped, and unclear. Only 20% of CEOs are not struggling to link strategic growth and societal purpose.

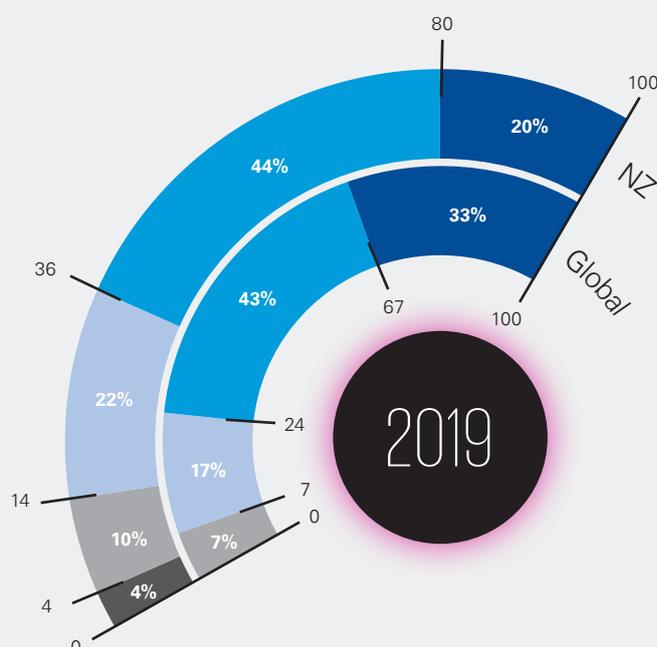
## CUSTOMERS

**"I feel it is my personal responsibility to ensure my organisation's environmental, social and governance (ESG) policies reflect the values of my customers."**



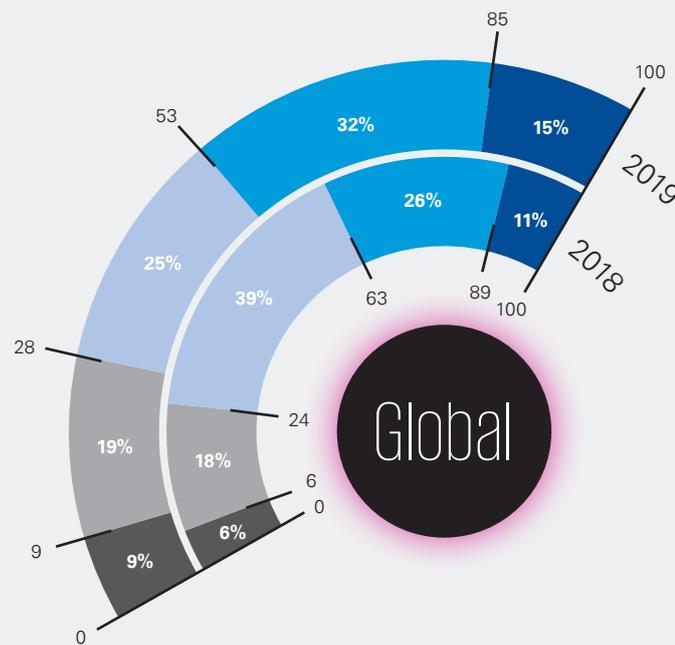
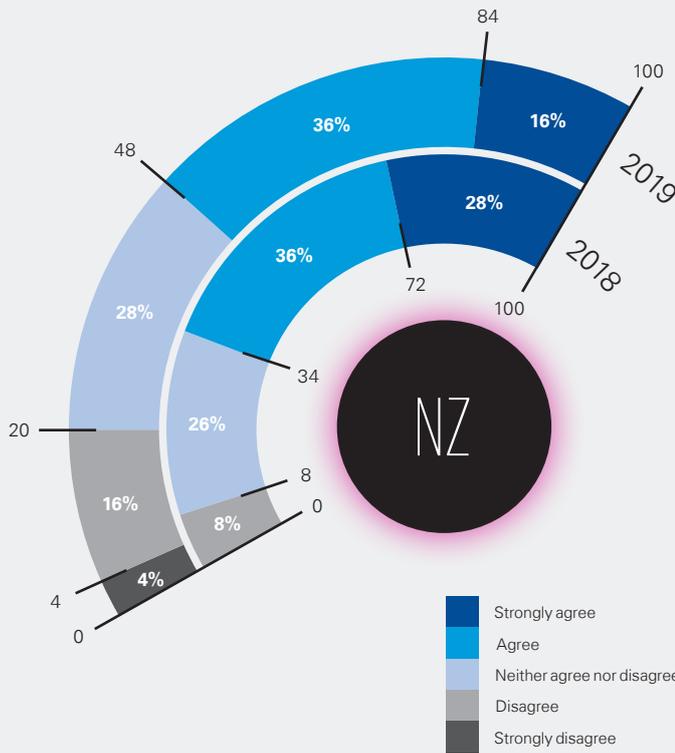
## SUSTAINABLE BUSINESS

**"My organisation's growth will be determined by our ability to anticipate and navigate the global shift to a low-carbon, clean technology economy."**



**ORGANISATION GROWTH**

**“We are struggling to link our growth strategy with a wider societal purpose for the organisation.”**



This isn't surprising; we are facing an enormous challenge - perhaps the greatest of our lifetimes. Leadership is needed with CEOs able to create urgency by challenging their businesses to rethink established practices. Specifically sustainability needs to be fully integrated into the development of core business strategy, investment decisions need to be made more holistically and the potential disruption arising from climate change needs to be addressed.

New Zealand is well positioned to take on this profound challenge. Using our small size and renowned ability to innovate and adapt, New Zealand business can address our inherent vulnerability to climate change, maintain a social license to operate and become ready for the new conscious investor. The threat of irrelevance lurks for those who lag behind. New sources of sustainable capital and green-enabled growth await the most agile.

# Doing well by being good

## Call to action

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1

Turn sustainability into strategy.  
This is core to long-term value creation.

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2

Apply ESG thinking into investment decisions  
using new business case tools.

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3

Embed climate change mitigation and adaptation plans into  
business and operating models to improve resilience.

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# About the report

## Methodology

The data published in the '2019 KPMG Global CEO Outlook' is based on a survey of 1,300 CEOs in 11 of the world's largest economies: Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. The survey was conducted between 8 January and 20 February 2019.

The CEOs operate in 11 key industries: asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications.

Of the 1,300 CEOs, 310 came from companies with revenues between US\$500 million and US\$999 million; 543 from companies with revenues between US\$1 billion and US\$9.9 billion; and 447 from companies with revenues of US\$10 billion or more.

50 leading New Zealand CEOs provided their perspectives as part of the global report and the split of their responses forms this report.

## New Zealand CEOs

All 11 sectors from the global report were represented by the New Zealand CEOs surveyed, with the highest concentration in energy, technology, banking and consumer and retail. Despite our global orientation, our size and local market does appear to play a part in our proactivity in partnering with third parties and our responsiveness to regulation change and territorialism.

The mean of years served within their current organisation as CEO was five years. The 50 New Zealand CEOs surveyed included two female CEOs.

KPMG would like to thank the following for their contributions:

- Murray Holdaway, Co-founder, Vista Group International
- Simon Moutter, Former Managing Director of Spark New Zealand
- Lovina McMurchy, Global Tech Executive
- Deborah Capill, Managing Director People and Culture, Fonterra Co-operative Group
- Neal Barclay, CEO, Meridian Energy.

## Godfrey Boyce

KPMG New Zealand Chief Executive

As Chief Executive of KPMG, I want my legacy to be a strong and resilient firm that is continually evolving to be consistently relevant to our clients. The foundations of that legacy are our culture and our people – the DNA that needs to be nurtured and maintained and the new capability and aspiration that is introduced and developed.

Part of our DNA is about being New Zealanders and having a strong sense of place and responsibility, where aspirations for our firm, our clients and our country are intertwined. A growth mind-set is essential – without it we don't create opportunities, embrace change and contribute to New Zealand's prosperity.

I sense my CEO peers have similar aspirations and strong ambition for their companies and New Zealand.

Are we prepared to back our strong ambition and continue to invest in the key enablers for growth and change in our organisations? We have to if we are to achieve our potential and our legacy.





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**PROSPERITY**

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