

New Zealand *Business First*:
Collaboratively identifying business dilemmas
through engagement with business, for business

Facilitated by

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ExportNZ

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MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA
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Executive Summary

This *Business First* initiative has been undertaken by the Massey Business School to flip the dominant model and put business first; to learn from businesses their problems and dilemmas, from which a more effective response may be invoked.

The output presented here results from a first workshop held at the Palmerston North Campus on the evening of 18 September, 2019.

Steph Gundersen-Reid from ExportNZ (a division of BusinessNZ) facilitated engagement with and attendance of the businesses. The workshop was attended by 13 business owners and/or business managers, i.e., decision makers from the Manawatu, Wanganui and Wairarapa. Accompanied by Steph, eleven people attended in person, and two by digital video link. The faculty (academics) in attendance were Dirk Boehe, James Lockhart, Wayne Macpherson and Jennifer Scott.

Businesses in Attendance

The following business were represented by either owners or employees, either in person or online:

- Ali Arc Industries – Structural Metal Fabrication
- Avatar Honey – Honey Production
- Betacraft NZ – Workwear
- Carousel Confectionary – Confectionery Manufacturing
- Dowdeswell's Derlphiniums – Horticulture
- Gallagher Fuel Systems – Fuel Dispensing Systems
- Gropak – Agricultural Services
- Henergy – Poultry Products
- Prepack – Packaging
- Speirs Foods – Food Preparation
- Steelfort – Machinery and Equipment
- Tasman Tanning – Leather Products

Pre-Workshop Feedback from Business in Attendance

ExportNZ polled the attendees in advance of the workshop using the following questions:

1. How are you anticipating the bigger challenges?
2. What is your fundamental motivation/value orientation?
3. How do you make major decisions?
4. Do you use empirical evidence for problem-solving and strategic decision making?
5. What are your biggest issues in business at this time?
6. What challenges do you see yourself having to deal with in the near future?

The themes generated from the feedback follow:

1. How are you anticipating the bigger challenges?

- Use of logic and empirical evidence
- Methodical decision making
- Engagement, communication with stakeholders (customers, suppliers, business partners, industry)
- Visioning
- Market visits
- Attending industry events, workshops
- Subscribing to industry publications
- Monitoring of industry information
- Membership to industry groups

2. What is your fundamental motivation/value orientation?

- Excellence
- Profitable growth
- Persistence
- Customer satisfaction through value-added products and service
- Moral compass
- Value creation
- Operational efficiency
- Quality
- Innovation
- Relationships
- Change

3. How do you make major decisions?

- Intuitively
- Discussion, contemplation, consensus and consultation
- Data collection and analysis
- Engagement with stakeholders

4. Do you use empirical evidence for problem-solving and strategic decision making?

Attendees unanimously stated they use empirical evidence in the course of problem solving and decision making but to varying degrees, from always to when available. Other responses indicated that attendees tend to use intuition, and at times trade-off between empirical evidence and intuition.

5. What are your biggest issues in business currently?

- Being unable to determine which methodology to use to solve dilemmas
- Market placement and positioning
- Competitive markets
- Lack of government support
- Access to competent workforce
- Auckland-focused
- Monopolistic supply chain
- Sustainability issues and goals
- Regulatory compliance costs and time
- Globalisation impact
- Trade-offs – quality/price, values/scale
- Strategic alignment with stakeholders

6. What challenges do you see yourself having to deal with in the near future?

- Market expansion
- Currency movements
- Workforce availability
- Product and process innovation
- Sustainability initiatives
- Compliance and regulations
- Access to business advice
- Stressed margins
- Future proofing

Findings from the Workshop

Through group activities the workshop focused on exploring three successive tasks:

1. Identify your shared business dilemmas (issues, challenges, problems). Present back to the broader group.
2. Having heard from the broader group now prioritise these business dilemmas (issues, challenges, problems).
3. What are the potential solutions (issues, challenges, problems)? What don't we know? Identify the knowledge gaps.

A wide range of business dilemmas (issues, challenges, problems) across an array of business activities and attributes were identified. The broad headings from the first activity included compliance; route to market; innovation; time sensitive products; water; staff; globalisation and asymmetry between smaller businesses and their typical customers/buyers, with no one dilemma taking priority over others.

1. Identify your shared business dilemmas (issues, challenges, problems). Present back to the broader group.

- a. **Compliance:** The increasing costs and scale of compliance are recognised as major dilemmas. This includes an increase in technology compliance and an increasing regulatory framework, which poses a greater imposition on businesses, especially those involved in food safety. There is a need to now understand the implications at a business level, identify the changes required at a business level, and learn where to find support. A related item highlighted the need for urgent response from businesses to new external pressures (e.g., an anti-plastic regime in the food sector).
- b. **Route to market:** A major dilemma was managing the constantly changing routes to both domestic and international markets, while trying to find and use the best, optimal route to market.
- c. **Innovation:** A key dilemma arose in the form of a question: How do businesses develop an internal innovation capability to meet the constant demands external to the business (from buyers, customers, and broader stakeholders)?
- d. **Time sensitive products:** Two key dilemmas arose with respect to time-sensitivity. First, businesses producing time-sensitive (short shelf-life) product face regional infrastructure imitations. Second, businesses must manage internal or domestic market time costs and constraints.
- e. **Staff:** As decision makers for the businesses, staffing for surge, seasonal staffing, and drug-free staff were key challenges. The also highlighted occupational safety and health and required pastoral care as challenges, in that they needed to be addressed and each new regulation required more work within the business. Participants did not want to avoid these matters, but highlighted

them as areas to recognise for additional work, time, and resourcing to respond to changes made external to the organisation.

- f. **Globalisation:** Multi-national companies want global, not regional, solutions, so businesses need to respond to corporations seeking global, not regional, suppliers.
- g. **Asymmetry:** With an asymmetry of bargaining power, smaller businesses are typical price takers, with a focus on price/quality trade off decisions required.

Working in groups this range of business dilemmas (issues, challenges, problems) was prioritised to compliance/regulatory framework; margin retention; and, staff/people. A result attendees noted that growth aspirations remain a long way off.

2. Having heard from the broader group, now prioritise these business dilemmas (issues, challenges, problems).

- a. **Compliance/regulatory framework:** With increasing and changing compliance requirements, discussion focused around a lack of modelling or understanding by policy makers. Suggestions included the need for policy makers to support businesses, as each response to changing regulations means costs are being absorbed by the business (see above ‘margin retention’) The subsequent question, then is” Can this be addressed in a risk framework?
- b. **Margin retention:** Discussion focused around businesses being confronted by a classic cost/price squeeze, whereby marginal value is being eroded from multiple sources. This raised the questions: How can businesses make the relationship with customers more ‘sticky’ when price is often the singular, or is increasingly the singular, driver for the actual purchase? How can businesses create an innovative (or even automated) response in an environment that is dominated by price, price and price?
- c. **Staff/people:** It was recognised that getting the right people for the right job is crucial. People shortages, regardless of whether they are required for transient tasks, surge labour, seasonal requirements, or skilled labour, was of key concern. With small pools from which to draw workers in regional areas and difficulty attracting people to the regions, especially for location dependent tasks, businesses need to consider how to manage their staffing requirements. Some considerations included shifting to location independent tasks and contracting out or outsourcing completely.

Small group responses to the final question may be summarised as retaining an appropriate level of operating margin. How to do so was not discussed formally, and now remains the subject of the second workshop.

3. What are the potential solutions (issues, challenges, problems)? What don't we know? Identify the knowledge gaps.

- a. The single largest problem facing the businesses in attendance is retaining margin, or more specifically, the retention of an appropriate level of operating margin. How to do so was not discussed formally.

Feedback Commentary from Massey Business School

Following on from the broader group discussion of the evening, small group discussions identified three significant dilemmas:

1. the degree of compliance and regulation businesses face,
2. continuously eroded margins, and
3. access to and retention of quality staff.

A significant underlying commonality is that business has always faced these and the other dilemmas identified by the broad group discussions on the evening.

So what? Has anything changed? We do find that change is everywhere and continuous, and believe it is here that we may find the solution(s) business seek.

Taking the three identified major dilemmas of compliance, margin retention and staff as examples, business may look for trade-off solutions of one solution over another due to resource constraints, which would still result in unsolved dilemmas hounding business. We seek to propose a solution to these and other dilemmas, not by solving *each* dilemma *individually*, but by seeking a potentially single solution to a multitude of dilemmas, if not all, that business face.

While it is somewhat too early to provide possible actions or solutions, the Massey Business School can play the role of facilitator (project structure, processes, and financing grant applications) bringing together respective businesses, industry associations, and government agencies to develop a collaborative ***dilemma-killer innovation project***, which would identify, disseminate, and support implementing innovative solutions to address business dilemmas.

We believe the keyword here is: *innovation*. The ultimate outcome is to enable businesses to become both highly competitive and highly compliant at the same time, rather than either one or the other.

Where to Next

A follow-up workshop has been planned for November 12th at a location yet to be confirmed. Save the Date and Invitation emails from the organisers will follow in due course.

We would like to express our sincere appreciation for attending the inaugural working shop in the New Zealand *Business First* series on September 18th at the Massey Enterprise Centre, and welcome any feedback, comments, ideas or questions you may have.

Please note, if there are any issues or amendments required, we would greatly appreciate your feedback on this report.

Feel free to contact the group via Dr Wayne Macpherson, W.Macpherson@massey.ac.nz