

## Inside ICT Survey: 2012 Report

Welcome to our 4<sup>th</sup> annual Inside ICT Survey! Since 2009 we have looked to the insight of the vendor community across New Zealand in order to get a sense of their recent experiences and predictions with regards to strategy, talent and the broader economy.

During April this year we individually surveyed a randomly selected group of technology business leaders across 199 organizations (74% in Auckland, 26% in Wellington – this represents the approximate population distribution) and our findings highlight some interesting and hopefully useful results.

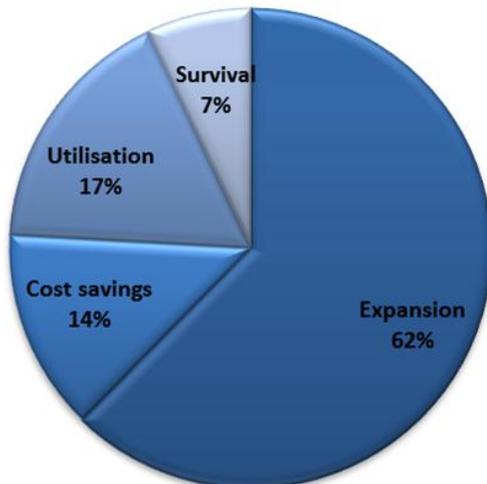
### ❖ Business Strategy and Revenue

New Zealand technology businesses continue to have an (insatiable?) appetite for growth. As in 2011, the dominant strategy for technology vendors continues to be expansion, @ 64% in Auckland and 57% in Wellington. Proposing that history tends to be a useful predictor of the future; based on ICT total sales increasing from \$19,346 to \$19,557 million between 2008-2010 (*ICT Supply Survey, Statistics NZ, 2008, 2010*) during the worst recession in living memory, one could reliably presume these growth aspirations can be met.

In Auckland, as in 2011, utilisation and cost savings remain top priority for a relatively low number of vendors (13% and 16% respectively). In Wellington, the numbers are only slightly higher (20% and 16%). This suggests that businesses are largely in the black and are investing for growth – further supported by finance and cash flow being stated as a challenge by around ¼ of respondents. Those focused on keeping the lights on make up the small minority with only 7% in each region.

Given the overriding strategy it's unsurprising to see that 85% of vendors expect their revenue to increase during this financial year – clearly through a combination of growth and utilisation; technology businesses seem to be flourishing in New Zealand. One of the most intriguing numbers from our survey is New Zealand's resilience during the European Debt Crisis (EDC). Nationally our vendors stated a 'dodging of the bullet' from the EDC with a startling 98% being unaffected or only mildly affected. This is doubly curious as 38% of technology businesses in New Zealand are exporters (double that of non-technology businesses) so presumably we conduct little business in Europe or the target markets are running as per usual (*Business Operations Survey, Statistics NZ, 2011*).

**Business Strategy next 12 months**



**Expansion continues to be the dominant strategy.**

**85% of vendors expect revenue to increase this financial year.**

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## ❖ Talent

Perhaps to be expected, at 41% a large proportion of vendors are currently in recruitment mode, a relative growth of around 32% from this time last year. Looking ahead to the next 12 month period nationally, around 80% of businesses will be looking to hire. Considering that 62% have also hired since the beginning of the year, the expectation for on-going growth denotes an expanding and potentially acute demand for technologists.



## ❖ Resourcing Model

There has been a marked shift in the resourcing approach which both differentiates Auckland and Wellington and is a change from the results in 2011.

In Wellington the number of vendors looking to hire exclusively permanent staff has caught up to Auckland, increasing from 41% in 2011 to 55% this year. Furthermore, general interest in hiring contractors seems to have reduced overall among Wellington vendors demonstrating a greater certainty of on-going work (i.e. a confidence to hire permanent staff).

In Auckland it has become more common for vendors to have a hybrid model (39% compared to 27% in 2011) and in Wellington although this number has reduced, it is now more comparable to Auckland @ 35% - corroborating our above proposition. In Auckland however this may reflect the greater need for flexibility in order to take advantage of as many opportunities as possible in 2012.

## ❖ Role Reductions

Interestingly there has been an increase in redundancy activity this year compared with previous years. In Auckland the number is 22%, nearly double the 12% in 2011 (Wellington 9% to 16%). This activity is quite contrary to the rest of our findings; we suspect that the increase in redundancy may have in part occurred due to proactive restructuring.

Validating this theory is the low level of attrition with an average of 88% of respondents noting that compared to previous years, their staff attrition has been either lower or the same. How does voluntary change support enforced role reduction? We know that widespread redundancy ("help, we're in trouble") leads to greater turnover whereas strategic restructuring leads to better engagement (i.e. "we're focusing the business and removing non-performing parts").



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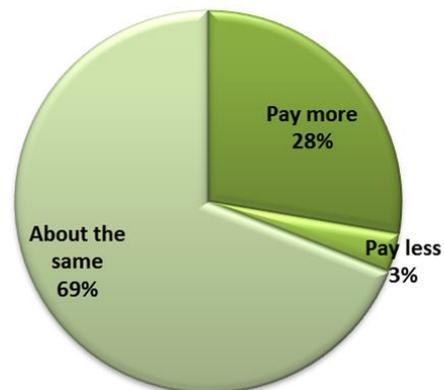
### ❖ Salaries and Timeframes

The second most significant shift that we observed is in salaries paid to new staff. Wellington has moved from 4% to 23% of companies expecting to pay more for these staff, and Auckland from 19% to 29%. Our experience shows that salaries dropped in 2009 and have gradually recovered since. We think that employers expectations are now catching up to the reality of the increasing wage bill – or that hirers are optimists and are hoping for a good deal! Department of Labour statistics show overall wage growth of 2% in 2011 and an expectation that this trend will continue in the future.

Recruitment is still taking time; most vendors are looking at a four to eight week selection process before they hire a new staff member (44% in Auckland, 33% in Wellington). There is an on-going trend however that high quality talent is harder to come by this year. Nationally, there has been a noted drop in the calibre of people being hired into organizations – 16% in the south and 12% in the north seeing better candidates than during their last process. Recalling the proportion of organizations that have hired already this year (62%), this change could have been expected. In support of this theory, around 30% of vendors have commented that it is most useful for them to hire constantly in order to find exactly the calibre of employee they are after. Continuous employment comes as no surprise given the growth so many companies are planning for this year and the increased likelihood that they may face a prolonged selection process if they enter the market unprepared.

**4-8 week recruitment process is most common amongst vendors.**

### Salary Expectations



### ❖ Business Challenges for 2012:

Here's where things get interesting... the majority of vendors (70+ %) consider new business development as either their first or second biggest challenge for the coming year. This opens a question; do they expect the business to be difficult to obtain or are they not sure how they will achieve it? (the latter being quite a conundrum). Our survey is quantitative so this ruminating is beyond our data unfortunately.

Given the increase in wages and the drop in talent, you'll not be surprised that 65% consider finding the right people to join their business as either their first or second biggest challenge. Money is the least of our woes though with 25% stating finance as some form of a challenge. This will no doubt be a combination of prudent fiscal management and banks loosening the purse strings and starting to lend again.

### ❖ Summary

The big themes of 2012 for technology vendors across the north island are that of expansion, immediate growth and an increase in revenue. On a broader comparison NZ is also faring well internationally with our unemployment rate @ 6.3% versus an OECD average of 8.2%. All this, alongside low levels of concerns regarding business finance and cost savings makes for a pretty positive note being struck across the whole sector – providing they can find the business and hire the right people!