

# re:think



THE UNIVERSITY OF  
**WAIKATO**  
*Te Whare Wānanga o Waikato*

OCTOBER 2006

THE UNIVERSITY OF WAIKATO

WAIKATO MANAGEMENT SCHOOL'S NEWSPAPER FOR BUSINESS

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## Power talk

WEL Networks chief Mike Underhill's four compelling reasons why energy efficiency is good for us.

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## Perfecting testing

WaikatoLink works with Hill Laboratories to launch smart software for laboratory testing.

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## Shrek in Shanghai?

How Shanghai-born Penny Zhang is making inroads into China for NZ wool.

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## Bite-sized learning

New short courses for managers put industry best-practice within easy reach.

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## Chiefs take on classroom challenge

MONDAY morning at Waikato Stadium; the players' bar is full, but there's not a beer in sight. The venue becomes a classroom once a week for Chiefs rugby players.

It's part of a plan to give them a career pathway once their professional playing days are over.

Chiefs number eight and Waikato skipper Steven Bates thinks it's a great idea. "What do we do once we retire, get dropped or put out through injury? We need to have an idea of where we're going to go and what we're going to do in the next stage of our working life."

Bates and his team mates are studying for a certificate in management with the University of Waikato which means when they're not playing and training they're doing their readings and assignments.

Bates was an apprentice electrician before rugby took over and he says while he's always going to want a hands-on sort of a job, getting a business qualification will certainly be useful as a leg-up to whatever he chooses to do.



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GETTING DOWN TO BUSINESS: Chiefs players Nathan White, left, and Steven Bates prepare for life after rugby.

## Enterprise students venture into the Dragons' Den



HANDS UP FOR SIFE: Members of the Waikato SIFE team that won the national enterprise competition and represented New Zealand in Paris.

PUTTING students into a Dragon's Den situation was good preparation for a national business competition. Waikato's Students in Free Enterprise (SIFE) won this year's national SIFE competition, going on to represent New Zealand at the SIFE world cup in Paris. The competition involved teams from 46 countries and was won by China.

The Waikato students worked for more than a year on a series of business projects that support the community and the principles of free enterprise. "We realised that to get to Paris we'd need some expert guidance on our projects, so we allowed ourselves to be grilled and informed by the experts," says fourth year student Dileepa Fonseca, a veteran of three SIFE world finals.

Throughout the year, the team took advice from a group of business people including Steve Tritt from New Zealand Trade and Enterprise.

"We'd sit in a row, a couple of metres away from the students," says Tritt. "We'd listen to their presentations, throw questions at them, tell them what they were doing wrong, what they could do better,

whether what they said would cut it in a business situation. We weren't quite as tough as the 'dragons' but it was pretty gruelling just the same."

One of the seven projects is already making sales in New Zealand. It's called Turning Point and is a values-based programme designed to curb youth offending. The students made a DVD, developed other back-up resources, trialled it on their target audience with positive results, then went to market. It was funded by a \$35,000 interest-free loan from Kevin Roberts of Saatchi & Saatchi, with additional finance from HSBC and lottery grants.

"This was such a fantastic idea," says another of the students' business advisers, New Zealand Home Loans' John Erkkila. "I have to say the whole SIFE concept, not-for-profit sustainable business, isn't something I'm usually involved with, but this Turning Point idea blew me away."

He says often all people need when they're starting out in business is for someone with

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## TAKEOUTS

## Reward for excellence

Economist Steven Lim has won a 2006 Tertiary Teaching Award for sustained excellence in teaching. Dr Lim teaches economics at all levels at Waikato Management School, including executive education. Three months a year he's working offshore, consulting widely in Asia, mostly for the Asian Development Bank, and he's a visiting professor at Senshu University in Tokyo.

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## Top scholarship for study

Waikato Management School student Sissi (Xi) Zhong has been awarded a \$96,000 scholarship to analyse New Zealand's export education industry and to look at how to strategically manage its development. The three-year scholarship is one of 24 Top Achiever Doctoral Scholarships administered by the Tertiary Education Commission, designed to help develop internationally competitive researchers.

Zhong's research will focus on the Chinese student market where the Chinese government now wants foreign universities to invest in education in China, rather than 'exporting' Chinese students.

## Good governance

Following on from their Directions 2006 governance survey, Jens Mueller, associate professor for entrepreneurship and strategy at Waikato Management School, and company director Sandy Maier, have launched two initiatives: a Maier/Mueller Index of Good Governance (MMI) ratings system that ranks organisations according to their corporate governance expertise and an online matchmaking service that will help pair up directors and organisations. They are currently beta-testing their **FindDirectors.com** website and hope to have it available by the end of this year.

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## Guide to effective internet use launched

A website that shows how to develop websites and to use the internet effectively has been launched for community and iwi groups. The New Zealand WebGuide at [www.webguide.net.nz](http://www.webguide.net.nz) has been set up by a partnership of community trusts, education and government groups and was initiated by Waikato Management School following a Foundation for Research Science and Technology funded research project that looked at community use of the internet and computers. Professor Ted Zorn's research into the volunteer and NFP sector showed that many people had limited knowledge of ICT and lacked budget and staff to implement and learn how to use it.

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## Waikato employment up

There's been a welcome increase in employment growth in the Waikato, according to the latest Regional Economic Bulletin (REB).

Figures show a 6.4% annual increase to March 2006, more than double the increase in employment across New Zealand as a whole. The REB also contains the latest regional economic indicators, projecting steady growth of around 4% for the Waikato and 6% for the Western Bay of Plenty.

The Regional Economic Bulletin is published by Waikato Management School's Economics Department. It is available free by subscription from the School.

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# Roadmap to better business

FIVE years after co-authoring the business best-seller *Peak Performance*, Professor Mike Pratt is on the road again – and this time he's hoping to come back with a roadmap to sustainable business success.

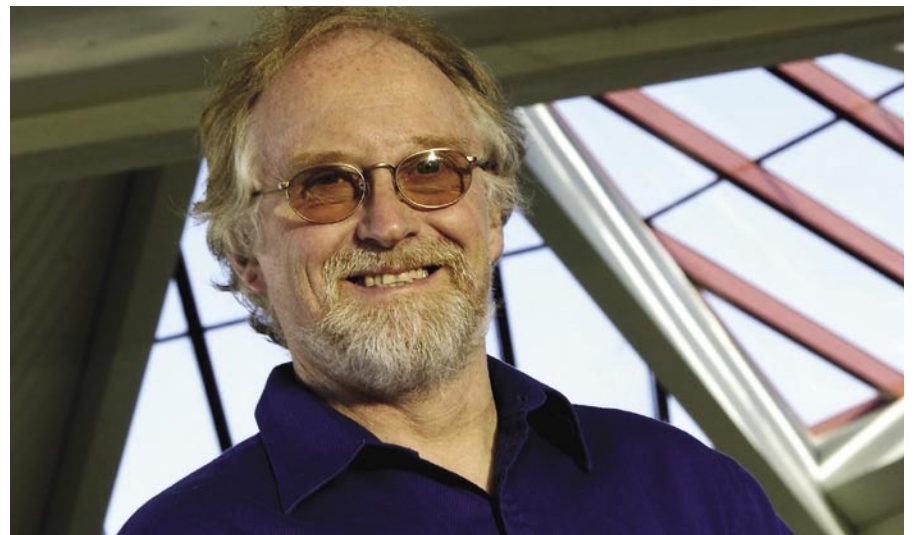
Pratt, who's taking a break from his role as dean of Waikato Management School, is midway through a year-long study trip to meet with the founders of ten trail-blazing enterprises around the world to find out how they got started and how they grew their businesses to become successful global brands based upon sustainability principles.

Pratt is conducting the research with his wife Helga, an independent consultant in human occupation, and they've already interviewed a range of sustainable entrepreneurs including the Body Shop's Anita Roddick, Tony Wheeler of Lonely Planet, Dan Storper of Putamayo World Music, Yvon Chouinard of the US-based outdoor equipment company Patagonia, Jonathon Porritt of the UK-based Forum for the Future, Tim Schmidt from The Eden Project, and Peri Drysdale of the New Zealand fashion and design house, Snowy Peak.

Later in the year they will be visiting Dilmah Tea in Sri Lanka, yogurt-maker Stonyfield Farm and Whole Foods Market, the world's largest organic supermarket chain.

All the companies were chosen for their absolute commitment to embracing sustainability as part of their business model.

"There's a groundswell of change across the world," says Pratt, "in part consumer-led and in part led by organisations such as our ten pioneering companies, to demonstrate that you can do



well by doing good. Our purpose is to tell their stories.

"We want to find out how these organisations weathered the uncertainties of entrepreneurship, and grew to succeed in a global market without diluting or deviating from their founding values. We believe this will help other entrepreneurs take advantage of opportunities that arise and avoid some of the pitfalls we will identify as part of our modelling."

Pratt says he's particularly interested in finding out if sustainability forms the basis of the business model, or if it's something the founders believe is the right thing to do, but makes doing business harder. "From what we've learnt so far sustainability is a fundamental part of their value propositions," he says.

"Dilmah for example firmly believes that running their business ethically has made them the stand-out tea producer in South Asia. Patagonia was started by a young climber with a strong environmental activism agenda who has built a \$300 mil-

**MIKE PRATT: "The theory and practice of how to create sustainable enterprises that then go global is highly relevant to us here."**

lion company catering to 'silent' sports, such as climbing, surfing and fly-fishing. Snowy Peak's Peri Drysdale has set up a foundation to educate our future leaders in sustainability."

New Zealand, says Pratt, is seen as the world's most ethical nation in which to do business. "There's burgeoning interest in Europe and the US in the ethics of how companies do business, and so the theory and practice of how to create sustainable enterprises that then go global is highly relevant to us here."

Pratt believes the research project, which will be published as a book, will contribute towards changing public perceptions of the role of business in society. "Business can be a force for good," he says. "There is a better way, and it can be really profitable."

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## Students enter the Dragons' Den

### From Page 1

experience and a good track record to say "great idea, keep going". And equally important, says Erkkila, are brainstorming sessions. "Here you can get rid of the heartfelt rubbish, and with the nucleus of an idea, nut out something sound and feasible."

Other projects the Waikato SIFE students developed included BizAbility, a website with online business advice complemented by a workshop, to improve the business success of people with disabilities (for more details visit [www.bizability.enlighten.co.nz](http://www.bizability.enlighten.co.nz)).

In partnership with The Body Shop, the She Means Business project began with a networking evening for women in business, or who wanted to be, that introduced them to business advisers and established an online forum. More than 50 women attended.

SIFE students also produced a DVD called The Potato Chip Theory aimed at giving Maori and Pacific Islanders financial management skills. Another DVD, partly funded by HSBC, was developed for international students coming to New Zealand.

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## Chiefs take on classroom challenge

### From Page 1

The Chiefs are currently tackling their first paper, Introduction to Management, out of the eight papers in management, law and sport in the qualification. The university has taken the classroom 'out on the road' to make it more convenient for the players.

"Lately we've been looking at leadership," says tighthead prop Nathan White. "So we've been discussing the leadership styles of different rugby coaches and captains – like John Hart, John Mitchell, Jock Hobbs and Richie McCaw. It's interesting."

The leadership aspect of the paper is particularly important for Greg Smith, the Chiefs' professional development manager and a former player.

He's a fan of tertiary education, and has graduate and postgraduate qualifications in education, business, and careers counselling for elite performers.

"These guys acquire considerable skills as rugby players – they learn to analyse, strategise, develop human resource skills and become proficient communicators.

"They're also quite worldly because of the amount of travel they do. It's a natural step to take all those skills and transplant them into a business environment."

Smith hopes that once they've earned their management certificate, the play-

ers will go on to do further university study. "They'll realise that it's not something foreign, that they're more than capable of studying for other qualifications."

University of Waikato Vice-Chancellor Professor Roy Crawford says the collaboration with the Chiefs is a high profile example of how the university is taking a flexible approach to the provision of education.

"Our primary goal is to educate people, and with the Chiefs we're working with individuals and organising a programme that suits their lifestyles rather than expecting them to fit in with us."

Professor Crawford is more than just an academic supporter of the programme. As a teenager he was invited to play professional soccer for Linfield, the top club in his Northern Ireland hometown of Belfast, but he turned down the opportunity in order to go to university.

"In those days you couldn't do both," he says.

Today, however, clubs are actively backing career development for their players and Professor Crawford says the university is pleased to be part of these efforts.

"Our work with the Chiefs gives us an opportunity to show young people who are perhaps thinking of a career in sport that they can take their educational package and follow their dream, and see if they can make it in professional sport."

# Partnerships yield wealth dividends

By Acting Dean  
PROFESSOR FRANK SCRIMGEOUR

HIGHER education is in for a shakeup. Instead of 'bums on seats', the focus will be on quality and relevance with government funding shifting to reflect this change.

In its proposed new tertiary education strategy, the government has set the tertiary sector a twofold challenge: to increase the delivery of skills and competencies to meet regional and national industry needs, and to improve research connections and linkages to create economic opportunities.

Basically, it's all about delivering value to the wider community.

In this issue of re:think, you can read about how the University of Waikato has been busy meeting this challenge: from research commercialisation to business competitions, from expert analysis and debate on topical business issues to how we're developing real-world business skills in our students.

Part of the government's challenge to tertiary institutions is to create economic opportunities. To do this, we believe we must develop strong partnerships with business. Rather than offering quickfix solutions to top-of-mind problems, we need to create a solid foundation for understanding particular industries or sectors.

Manufacturing Plus, an industry-led initiative to identify a vision for world-leading New Zealand manu-

## EDITORIAL

facturing, is poised to deliver its findings after nearly a year of consultation and workshops. The initiative, which is chaired by the School's dean, Professor Mike Pratt, aims to help manufacturers make the most of future opportunities in a fast-changing international marketplace.

We're now seeking the same sort of engagement with other crucial sectors of the New Zealand economy. One area we're focussing on is ways to enhance the commercial success of the agbio sector.

With funding from the government's Growth and Innovation Pilot Initiative, we're working with AgResearch, Dexcel and Katolyst to develop specialist learning opportunities. Initially, we anticipate offering expertise on doing business in Chile and in China, both key markets for New Zealand's agbio industry.

Another project in this sector is an analysis of key success factors for international agribusiness, funded by the Agricultural Marketing Research and Development Trust in conjunction with the Agribusiness Research and Education Network. In the first stage of the project we'll be working with Zespri and focussing on the kiwifruit sector.

We're also putting research effort into sustainable environmental management in the dairy industry – looking at ways to analyse and efficiently manage farm business while controlling runoff from farms into rivers and lakes.



Looking further ahead, we have plans to build our research capability in Asian business and economic development, and are actively developing links in this field with top overseas institutions such as Stanford University and the Chinese Academy of Sciences.

All these areas of endeavour have a clear and tangible payback in terms of creating sustainable wealth. And they play to our strengths as a university located in New Zealand's agribusiness heartland of the Waikato. From the boardroom to the farmgate, we're finding opportunities for collaboration and partnership across our community.

It's all part of bringing our research-based expertise into the real world, and that can only benefit businesses, researchers and students alike.

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**FRANK SCRIMGEOUR:**  
"From the boardroom to the farmgate, we're finding opportunities for collaboration and partnership across our community."

## Rangatahi rise to the challenge

WAIKATO Management School's innovative business competition for Māori secondary school students, held recently in Hamilton, put a couple of dozen young people up on stage to present their business analyses to an audience of more than 800 people.

Tough enough for a seasoned executive, but potentially life-changing for these teenagers. "Once you've done that, you feel you can do anything," said Michelle Flavell, a Year 12 participant from Putaruru.

"We wanted to create something that would showcase the success stories of our people in business, and encourage Māori secondary school students to go on to higher education," says Duke Boon, the competition's organiser and Māori consultant at Waikato Management School. "What better way to do this than to equip our rangatahi with the tools they need to tell these stories themselves."

Six teams of secondary school students from the Waikato region took part in the Rangatahi Business Case Competition, organised in partnership with the Ministry of Youth Development, Te Puni Kokiri and Hamilton City Council.

The Year 12 and 13 students visited six Wellington-based Māori businesses and had to submit a business analysis of their chosen business. They were mentored through the two-month process by senior Māori students from Te Ranga Ngaku, the Māori management student network, and by lecturers from Waikato Management School.

Managing director of Huia Publishers, Robyn Bargh, says what hit her first was the genuine interest and enthusiasm of the students. She says they were well prepared and asked good, sensible questions.

"It's great to have these students looking and thinking about business and imagining they can do it. For a lot of students, unless they come from a business background start-



**HILLCREST HIGH HEROS:** Back row, Hohepa Peita, Brendon Dudley, Heemi Gilbert; Front row, Ben George, Te Maharani Mikaere.

ing a business doesn't enter their minds and career advisors don't seem to promote it as a career option. So if this competition teaches students that they can go into business and how to go about it, then it's got to be good."

The winner of the \$2,500 top prize was the team from Hamilton's Hillcrest High School, who presented a profile of Māori business Tohu Wines at the showbiz-style final.

Chair of Tohu Wines Paul Morgan, who's also chief executive of the Federation of Māori Authorities (FOMA), says the competition has been clearly successful at regional level, and there might be an opportunity for it to go national.

"Any effort to get young people thinking about entrepreneurial activity and developing business skills has got to be good for Māori and New Zealand as a whole, that's what we at

FOMA are all about."

Organiser Duke Boon says feedback from the participants has been hugely positive. "They all said that the experience really boosted their confidence. They found the support from mentors very helpful, and what they learnt at the workshops made them realise they had the ability to study at university level."

The six participating schools were Fairfield College (Kai In The City), Fraser High School (SOL Media), Hillcrest High School (Tohu Wines) and Melville High School (Rainey Collins) in Hamilton, Cambridge High School (Kia Kaha Clothing) and Te Kura Kaupapa Māori o Te Kaokaoroa o Pātetere (Huia Publishers) in Putaruru.

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## Ringling the changes

THESE are turbulent times in the telecommunications industry as deregulation shifts the landscape for major players and newcomers alike. Telecom New Zealand is readying itself for change by making the business more adaptive and customer oriented with a focus on operational excellence.

As part of this process, Telecom has called on Waikato Management School's Centre for Corporate and Executive Education to provide a customised programme for managers to help them manage through change.

"It's an action oriented programme designed to equip managers with the skills they need to successfully communicate and manage change," explains Rob Douglas, the Centre's associate director. "Leading facilitators will help managers with strategies to assist staff to deal with change and reinforce the changes in the organisational culture."

Professor Ted Zorn of the Department of Management Communication has designed the modules, and will facilitate the workshops together with Professor Jim Barker and Associate Professor Jens Mueller of the Department of Strategy and Human Resource Management.

The two-and-a-half day block workshops begin later this month, and Telecom expects to have up to 100 managers completing the programme by the end of the year.

Waikato Management School already works with Telecom in delivering a trans-tasman Management Development Programme in partnership with the University of Queensland Business School.

"Waikato Management School has been an important partner on our journey to build leadership capacity," says Trisha McEwan, Telecom group general manager HR. "We share a passion for ongoing learning, and this new programme will help us develop change agility as a core competency to take Telecom forward."

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# Lightening the environmental footprint

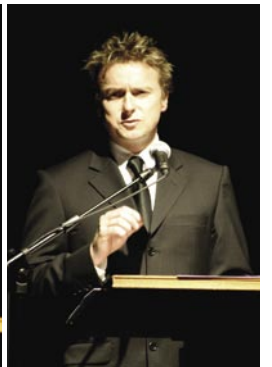
THERE'D have been more than a few who gasped when they heard gold mining company Newmont Waihi won the supreme award at the recent inaugural Waikato Sustainable Business Awards. But the judges were satisfied that here was a business working consistently to reduce the impact of gold mining on the environment and working closely with the community to ensure the town continues to thrive when the mining is done.

"In the Waikato we have a lot of industries that some might say are inherently unsustainable," says Steven Perdia, manager of the Waikato Sustainable Business Network. "Aggregates, mining, farming and manufacturing from raw resources - they're all essential to the Waikato economy and it's great to see that some of these businesses are trying to lighten the footprint they're leaving on the environment."

Newmont's sustainability manager Mark Samson says entering the awards was a good way to gauge how their internal operating standards and company values aligned with others, and it helped pinpoint areas that can be further improved.

"It was a valuable exercise internally and externally. It gives our staff recognition for the good work they do in the areas of social and environmental responsibility and safety. It's also an opportunity to increase awareness externally that mining can be carried out in a responsible manner."

Hamilton's Perry Group is a relative newcomer to environmental sustainability but



AWARDS AND WINNERS: YWCA's Anne Bennett, Perry Group's Kim Willoughby, and Steven Perdia of Waikato SBN.

has been a strong supporter of social initiatives for a number of years.

"You could almost say we've been very generous with social projects over the years, but our commitment to environmental sustainability was certainly open to question," says general manager group (services) Craig McFarlane. "We knew we needed to get some structure, so we joined the sustainability network and established our 'S' team - a sustainability steering committee."

Perry's entered the awards in the emerging category and their first place is confirmation they are on the right track, says McFarlane.

"We're clearly involved in mining and manufacturing businesses and there are a multitude of sustainability issues that we face every day in these industries. Our goal now is to leave the lightest possible footprint that we possibly can."

The Perry Group considers more than price these days. It's in the process of a sup-

ply chain/procurement review and is looking closely at who it partners in the chain. As a benchmark Perry's is working towards Global Reporting Initiative (GRI) standards and will continue to measure and self-audit.

The group has taken on a Waikato Management School student to work on the practical elements for ongoing GRI auditing, and is planning to introduce six key sustainability KPIs for each of their five divisions to report on.

The 70-room YWCA in downtown Hamilton was the other major winner at the Waikato Sustainable Business Awards. The organisation took home first prize in the not-for-profit community organisation category, sponsored by Waikato Management School.

Seventy people cook in five hostel kitchens with the meals-on-wheels kitchen producing 400 meals a week. "All that organic and sometimes smelly food waste used to go straight into the bin, to landfill," says YWCA manager Anne Bennett. "The neighbours

demand that something be done about the amount of waste we were generating."

The YWCA minimises waste these days. Staff looked at what other organisations were doing and decided to take action. "We replaced our inefficient old boiler heating system and cut the amount of energy we were using by 25% this winter," says Bennett. "We don't have excess food, plates are reused and all food waste goes to the worm farm."

"Income from Y's Wee liquid vermiculture and worm sales will help send two University of Waikato students to the world YWCA conference in Kenya next year."

Anne Bennett says aside from the acknowledgement you get by entering the awards, equally useful are the contacts made. "You can develop networks that can use each others' expertise or products and as a group you're also able to lobby for more recycling services."

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# Pitching powersaving to the people

The straight-talking WEL Networks boss and chairman of Waikato Management School's Business Advisory Board, Mike Underhill, will be on a panel discussing the future of energy at a Waikato Management School debate later this month. He spoke to re:think about his vision for an energy efficient New Zealand.

IN his central Hamilton office in the landmark WEL Building, Mike Underhill talks excitedly about his latest gadget – an electronic gauge to measure how much energy you're using and how much it's costing you, second by second. The CEO of the Waikato lines company, WEL Networks, is on a mission to bring home to New Zealanders the real impact of the way we're squandering power.

It's a hot topic in the Waikato right now, with debate raging over Transpower's proposal to build pylons across the region to carry a new transmission line to feed power-hungry Auckland. The city's six-hour blackout earlier this year has also added to concerns that New Zealand's energy infrastructure simply isn't adequate to keep up with projected growth of demand.

Energy efficiency is perhaps an unusual enthusiasm for the head of a power distribution company whose bottom line depends on consumers using more energy not less, but Underhill is a former chairman of the Energy Efficiency and Conservation Agency, and he wears his two hats with pride.

"We waste \$7 billion of the \$9 billion a year we currently spend buying energy in New Zealand. So why have we got an energy shortage if we're wasting so much?"

"The story I tell is about Huntly power station. You put a unit of coal in Huntly power station and 36% comes out as electricity. The rest heats the Waikato River up. You then put it on to Transpower's transmission lines and 10% further gets wasted, put it through our distribution lines and another 5% gets lost, it goes into your house, another 1% gone. You then put it into an incandescent light bulb, where 95% gets wasted. And then the lampshade prevents a lot of the light getting through. So to get one unit of light energy, you need to put 300 units of energy in at Huntly power station. It's just amazing what is wasted."

For Underhill, energy efficiency is just plain common sense. The technology is already here, from efficient combined cycle power stations to energy-saving fluorescent light bulbs. But here in New Zealand, he says, we're just not focused on solutions.

"We have terribly built houses, although modern ones are getting better. The average house in New Zealand isn't insulated. The amount of air that leaks in and out is like taking a chainsaw and cut-



ting a one-metre hole in your living room wall. No wonder you can't keep the damn thing warm."

The knock-on effects on health are considerable, says Underhill. "New Zealanders have the greatest rate of respiratory illnesses and deaths of any country in the OECD, and the reason is our houses are damp and cold."

So one of the biggest benefits of energy efficiency, says Underhill, isn't your power bill but your health. "It's a quadruple win. There's the health benefit, you're paying lower power bills, you actually help New Zealand's supply so we don't have to build more power stations, and globally we keep the greenhouse gases down."

Education, says Underhill, is the key to promoting energy efficiency. WEL Networks has been working with the Whaingaroa Environment Centre in Raglan, and is looking at doing a joint project measuring the potential of solar hot water heaters. "There's a huge amount of enthusiasm within that community," says Underhill. "People are asking us: Why can't we have roof mounted wind turbines, and can we use the streams for microhydro? So we're looking at how we can help them develop that, and it might be a business opportunity as well as a community opportunity. So I think Whaingaroa can set an example for the rest of the Waikato."

On the supply side, WEL Networks is putting its money where its mouth is and investing in renewable energy sources to meet projected demand in the fast-growing Waikato region. It has a small power station in Horotiu, north of Hamilton, that converts methane from the landfill site there into electricity for around 1,400 homes, and another similar project is in the planning stages.

And then of course there's the proposed windfarm

**MIKE UNDERHILL:**  
"If you want to get take up, what we have to be able to say is: 'Here is a short-term, selfish advantage'."

## Sustainable Energy Solutions

A debate on the best way forward will be held at the WEL Energy Trust Academy of Performing Arts at the University of Waikato on Tuesday 24 October at 5.30pm. On the panel will be:

- **Mike Underhill**, CEO of WEL Networks;
  - **Steven Perdia**, manager of the Waikato Sustainable Business Network;
  - **Professors Frank Scrimgeour and Riccardo Scarpa** of Waikato Management School.
- Free public seminar; all welcome.**

at Te Uku on the road out to Raglan, which would generate energy for 30,000 homes. A feasibility study is currently underway, but the plan still has to gain community acceptance. "There's been huge support for it – 84% in the western Waikato area and 64% in Te Uku itself, but it's much harder if your house is next door to the proposed site," admits Underhill.

He's been assiduous in addressing meetings of local residents, flying them down to see a working windfarm in Palmerston North, and commissioning 12 independent studies to look into areas of concern.

Underhill is a strong believer that for all energy efficiency measures the sales pitch has got to be right. "I'm a bit wary of that word sustainability. It's a word so overused and so little understood, and it fails to meet the selfishness test. We all believe in long-term sustainability, but I think if you want to get take up, what we have to be able to say is: 'Here is a short-term, selfish advantage'."

"Most businesses want to do the right thing and be a good corporate citizen, but this year's bottom line ranks pretty highly. So what I like is: Sustainable practices enable you to do your business better, right now."

Underhill says what's needed now is a champion for energy efficiency, and he points to high-profile businesses like The Warehouse. "The Warehouse used to spend \$5m a year on energy, now it's getting a payback of \$2m a year in energy savings on investment in software and monitoring that didn't cost that much."

"It makes economic and commercial sense to do it; you can actually be a mainstream business and it pays."

*mike.underhill@wel.co.nz*

## New degree to focus on financial analysis

WAIKATO Management School is introducing a new three-year management degree with a strong financial component.

The Bachelor of Business Analysis (Financial) is aimed at students who want to specialise in economics, finance and accounting without the broad general management core of the School's four-year Bachelor of Management Studies degree.

"There's huge demand from employers out there for management graduates with robust quantitative training," says Professor Howard Davey, chair of the Accounting Department.

"This new qualification will allow students in accounting to move more quickly towards membership of overseas accountancy bodies requiring three years of university study."

The BBA (Fin) is likely to satisfy the academic requirements of the new associate accountancy certification being introduced by the New Zealand Institute of Chartered Accountants (NZICA).

Waikato Management School's four-year BMS degree currently meets similar requirements for NZICA's chartered accountancy membership.

The new qualification, which will be offered from 2007 subject to approval by the New Zealand Vice-Chancellors' Committee, stands alongside the School's three other specialist degrees in communications, e-commerce and tourism.

**For more information on the BBA (Fin), call 0800 300 320.**

## Open for business

WaikatoLink, the commercialisation arm of the University of Waikato, has a stable of hi-tech spin-off companies. The latest, Khipu Systems (see Page 7 for full story), joins companies such as Zygem, chaired by Endeavour Capital's Neville Jordan, which earlier this year launched its DNA extraction products on the international market.

Other WaikatoLink successes include Ectus Media, bought by Norwegian-based visual communication giant Tandberg last year; Apimed, now owned by Comvita; and Endace, which launched on the Alternative Investment Market on the London Stock Exchange earlier this year.

Waikato University Vice-Chancellor Professor Roy Crawford, pictured, says research commercialisation is an integral part of the way forward for the university.



"Universities are about teaching and research, but they're also about wealth creation for their region and bringing international excellence for the benefit of the region. And we need to drive that process by working with industry."

Prof Crawford says he envisages income from research commercialisation will ultimately make up 20-25% of the university's income. Currently, the bulk of the university's income (more than 70%) comes from undergraduate teaching.

"We have a very clear stated objective in our strategic plan that we will be making much stronger linkages with our stakeholders in the region – and the government will want to see tangible evidence that what we're doing is linked to a regional need, whether it's improving water quality in our lakes or investigating alternative energy sources."

He says the university is having discussions with business leaders in the region, and is working closely with the Waikato regional development body, Katolyst, as well as Hamilton City Council and the Chamber of Commerce.

WaikatoLink, says Prof Crawford, is a great example of how the university is already punching well above its weight.

"If you compare WaikatoLink with all of its American university counterparts using the latest available 2004 performance data, we come out fourth. If you run the figures again with our 2005 data, we would come out first. So we're performing extremely well, and these are international benchmarks."

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# Hothouse boosts Rocktec

WHEN Matamata based engineering company Rocktec decided to launch a marketing push to showcase its environmentally friendly mining and quarrying equipment, it wanted some expert advice on how best to go about it.

"The quarry industry is not particularly known for being environmentally friendly," says managing director Rick Johnson. "But we'd identified a strong drive in the industry to improve environmental compliance."

"Here at Rocktec we've got some quite innovative products that are not well recognised in the marketplace, so we wanted a more structured marketing plan to help us grow our overseas exports."

Rocktec is a medium-sized company with a current annual turnover of \$10-12 million. It produces a concrete truck wash-out system and a water clarifier under licence, and has developed its own product too – the Warrior wheel wash, a drive-through wash for heavy vehicles.

"Water is a real issue, particularly in our target market Australia, so anything that can be done to recycle and reuse water is hot now," says Johnson. "We're looking to grow sales there by 20%, and to expand our presence in Europe and the US."

Johnson heard about WaikatoLink's Hothouse – a facility designed to place Waikato University students in a commercial environment to undertake development work on inventions and research ideas, taking them through to a stage where they are market-ready or investor-ready.

Through the Hothouse, Rocktec linked up with Waikato Management School student Carl Ebbers, who's completing his Masters of Management Studies, majoring in marketing.

A fan of the TV programme Scrapheap Challenge, Ebbers says Rocktec's big machines were the main draw. "I'm from a farming background, and I've worked on construction projects, so I was really interested in the challenge of marketing heavy machinery."

Ebbers started off by visiting the Rocktec site, looking at the machines and what they did, and talking to Rick Johnson and marketing manager Jason Tidmarsh.

"Rocktec were looking at expanding into Australia, and wanted to know the potential for sales there," says Ebbers. "So I spent the whole of the next four weeks researching the competition, customers, industry and legislation. The big challenge was the quantity of the information I had to deal with at the start, but when it came to the analysis and recommendations my marketing training really helped."

Rocktec's Rick Johnson says he's very happy with the results. "Carl was able to target the right group of



competitors, gave us a list of high-potential customers and ways of targeting them through the right conferences and trade shows, and saved us time in understanding where there's legislative muscle to support our products."

Rocktec has now asked Ebbers to revamp the company's website, structuring a front shop window and creating links for customers to navigate to the information they need.

WaikatoLink's technology development manager, Kate Ross, says the Rocktec collaboration is a great example of how the Hothouse benefits both sides.

"It makes students more valuable to industry – and more marketable," she says. "And businesses are getting a really high standard of market research, feasibility study or software development on their product for a very reasonable rate."

Ross says the Hothouse currently has 21 students working on university commercialisation or industry-based projects. "We've proved that we can deliver," she says. "Now we're looking for more external projects."

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*www.rocktec.co.nz*

**CARL EBBERS:**  
Helped Rocktec identify competitors and customers for environmentally friendly mining and quarrying equipment.

## Car makers catch on to hi-tech hemp

IT was used in the original Levi jeans, the American Declaration of Independence was written on it, and, yes, some people smoke it, but you'd hardly expect it to turn up in the structural floorpan of a top-of-the-range Porsche Cayenne or VW Touareg.

Yet hemp fibre composites – where natural hemp fibres are married with mouldable resins – is one of the new breed of earth-friendly bio-based materials now filtering into the automotive industry, and researchers at the University of Waikato are at the forefront of its development.

"It's a perfect research area," says Dr Kim Pickering, who heads the hemp fibre research project in the School of Science and Engineering. "New Zealand is one of the best places in the world to grow hemp, and now we can turn it into a hi-tech versatile product."

Hemp is one of the strongest natural fibres, and when mixed with polymers creates a material



**NIC FOREMAN:**  
Growing the best hemp fibre in the world.

two and a half times stronger than steel. It's been used to make surfboards and skateboards, boat hulls and kayaks, and unlike traditional fibreglass, it can be melted down and remoulded again and again.

Pickering says the use of natural fibre composites is growing exponentially, driven by regulation and sustainability. The totally recyclable material is now being used for car boot liners, panels and shelving, and research is underway to investigate its use in chassis manufacturing. That's good news for car manufacturers who must meet strict new European rules stipulating that from 2015 new cars must be 95% reusable and recyclable.

Pickering's team is working closely with Hemptech, designers and manufacturers of award-winning hemp fabrics. Based at the Waikato Innovation Park, Hemptech has secured \$230,000 in government funding for three PhD students to work on its R&D programme to improve the

bonding interface of the fibre with different resins.

"Imagine trying to stick fibres on to a plastic milk bottle," says Pickering. "That's the challenge we've got: trying to create as good a bond with recyclables such as polypropylene as with non-recyclables."

Hemtech director Nic Foreman says the company has conducted hemp growing trials in the Waikato for the past three years. The company is now looking at developing a business model and hopes to be investment ready within a year.

"We're aiming to become a supplier of technical solutions, raw materials and finished components to the major automotive manufacturers," says Foreman. "We know we can grow the best hemp fibre in the world; now we just need to prove we can create a better quality product at a lower cost."

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*www.hemtech.co.nz*

# Taking the grind out of lab testing

A spinoff company formed from collaboration between Hill Laboratories and the University of Waikato is selling software that will speed up sample testing at labs around the world.

ONE of Europe's biggest soil and plant testing labs has automated its sample testing using a software package developed in the Waikato. The software brings together expertise from the specialist machine learning group at the University of Waikato's Computer Science Department and Hamilton-based Hill Laboratories, New Zealand's largest privately-owned analytical testing laboratory.

The sale of the software to Dutch company Blgg marks the international debut of Khipu Systems Ltd, a spin-off company owned jointly by Hill Laboratories and WaikatoLink, the university's commercialisation arm.

"We're very excited by this venture," says WaikatoLink commercial manager Tania Smith. "We're pleased to be working with a local company with an international reputation, and we can see the potential to adapt this technology across lots of different domains."

Building on the Computer Science Department's WEKA open-source machine learning and data mining software, Khipu enables laboratories to quickly and accurately produce results for large numbers of test samples.

Instead of putting all samples through time-consuming laboratory chemical analysis, labs can now quickly and cheaply scan the samples using near infrared spectroscopy to produce 'spectral signatures'. The software combines these 'signatures' with known reference values to create sophisticated mathematical models. These calibration models can then be used to predict with great accuracy the



Photo courtesy of Hill Laboratories

composition of the samples.

"It marks a paradigm shift in building these calibration models," says George Hill of Hill Laboratories, who's also Khipu Systems' business development manager. "We're able to use the full range of algorithms developed by the Machine Learning Group, and the whole process is completely automated."

Hill says accuracy in the testing process is also-

**FASTER RESULTS:**  
Sample testing is becoming completely automated.

lutely crucial. "We're a commercial testing lab and our reputation rests on the quality of our results," he explains. "Farmers make decisions about spending hundreds and thousands of dollars on fertiliser based on our reports."

Khipu grew out of the relationship Hill Laboratories had built up with the Machine Learning Group over the past four years. "We are a data factory and here was a group at the university whose speciality was analysing data," says Hill. "There had to be something there for us to work on together."

Dr Geoff Holmes of the Machine Learning Group says data mining methods have emerged as a crucial tool for extracting business intelligence from data.

"Any business that collects data as part of its business processes needs to take a serious look at this technology, which offers exciting opportunities to improve competitiveness," he says. "Our recent success with the application of data mining tools to soil and plant analysis exemplifies this."

The sale to the Dutch lab, says Hill, is further affirmation that what they've produced is valuable and marketable. Potentially, the software can also be applied in manufacturing process control, in oil refining and in food testing.

Khipu Systems is set to offer a web-based model building service.

"Customers will be able to use our service to easily build and update calibration models using their own data, which they can run on their own computers without inhouse model-building expertise," explains Hill. "The biggest barrier to the use of predictive modelling techniques in industry is the effort required to build the models. We provide the solution to that."

[www.khipusystems.com](http://www.khipusystems.com)  
[tsmith@waikatolink.co.nz](mailto:tsmith@waikatolink.co.nz)

# Racing into the future of transport

## SPONSORING COMPANIES OF NZEco

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Crown  
P&H Suspension City  
Placemakers

By JESSICA POLGLASE

NEXT time you emerge from a petrol station, wallet much lightened, imagine buzzing around in an electric two person commuter car. Stylish and practical and, more to the point, costing just \$5.00 per charge per 300 km, it's not just a pipedream.

The NZEco car is the brainchild of seven engineering students from the University of Waikato's School of Science and Engineering.

The students, alongside Brisbane-based Hybrid Auto, a sustainable transportation company, are creating their own commercially viable solution to the world's future transportation needs. A demonstration model of NZEco is currently under construction, and there's already significant interest from the engineering industry.

"NZEco performs like a petrol combustion

vehicle, only it is environmentally friendly, with zero emissions and a biodegradable hemp composite bodyshell," explains project manager Travis de Fluiter, who's also NZEco's aerodynamics engineer.

The vehicle boasts a high efficiency drive system, an impressive aerodynamic design and weighs in at just 600 kg, half the weight of a conventional commuter car.

The team plans to race NZEco in the commuter class of the World Solar Challenge in Australia next April. This internationally recognised four-day race between Darwin and Adelaide showcases some of the world's leading research in petrol alternative vehicles.

The eco car, plus the research the team has conducted into hemp composite materials and metal alternatives such as titanium and aluminum, has already sparked the interest of engineering companies across New Zealand and Australia.

Ian Macrae, managing director of Tauranga's Page Macrae Engineering, says his company is interested in supporting the project by providing titanium as a steel alternative for suspension components of the car. Macrae says NZEco meets all the requirements for transport in the future. "It's lightweight, which equals less energy and increased efficiency, and it's non polluting. It could be a leader in the way cars are heading."

The drive to compete in the World Solar Challenge has rallied support of its own kind. Russell Davis from Auckland-based Styrotech, the design and manufacturing company which

has supported the manufacture of the vehicle's bodyshell plug, says the race is one reason why he supports NZEco. "I'd really like to see the team do well in the competition," he says.

The team is now working on virtual design plans for a four-person commuter car. These design plans will integrate new manufacturing and moulding techniques which will enable the car to be built in a kitset fashion, and save manufacturing time.

De Fluiter says there's also scope for commercial development of high power electronic components, which the team are designing and building as a by-product of the car.

Dr Mike Duke, senior lecturer in mechanical engineering and supervisor of the NZEco project, has a big picture vision for the future. "New Zealand could enter the car manufacturing market with superbly designed and engineered electric cars using the latest virtual engineering and advanced manufacturing tools."

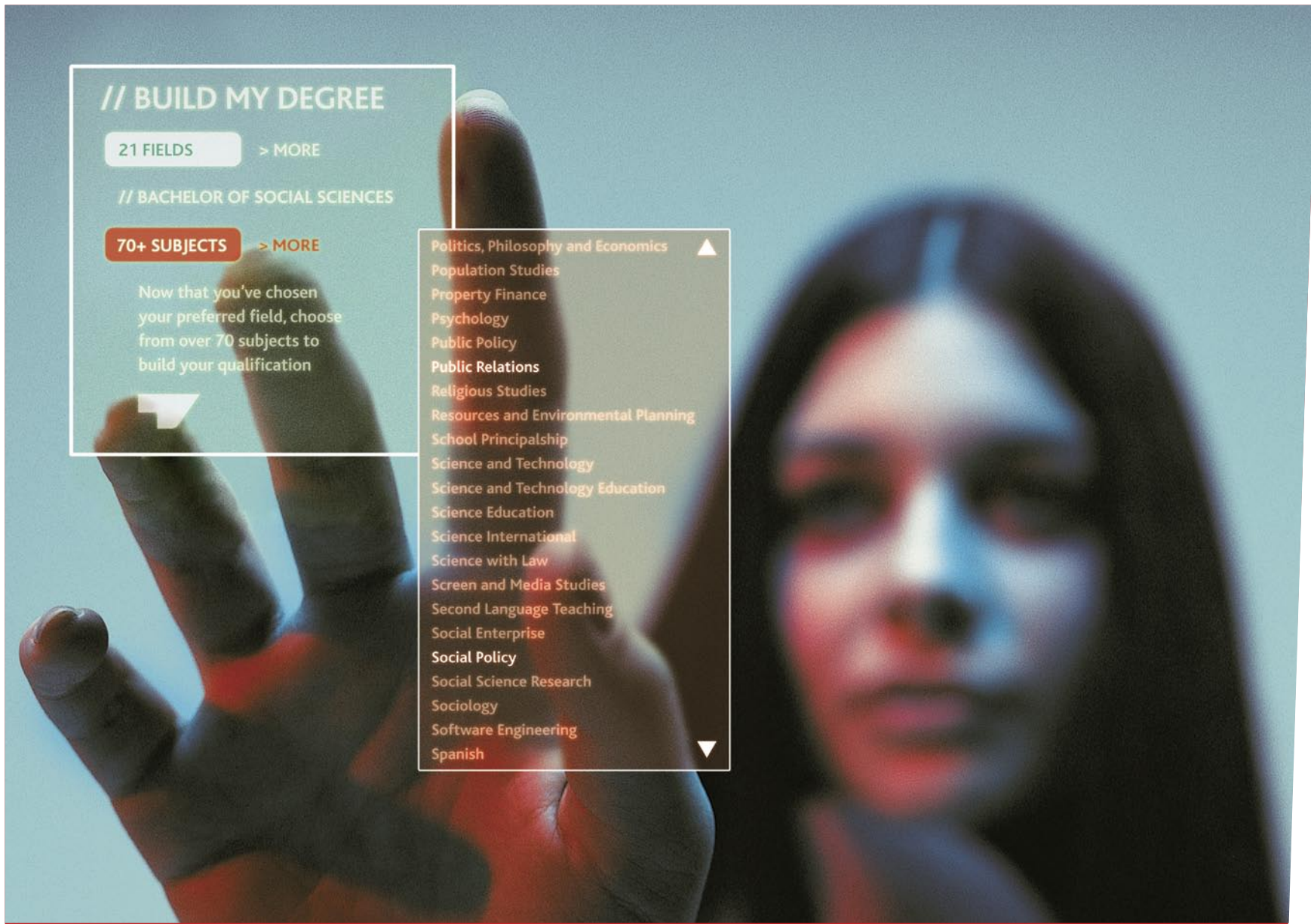
But even if manufacturing is some way off, NZEco is a great showpiece. The finished prototype will act as a novel and impressive visual display of all the engineering disciplines the School of Science and Engineering offers, from mechanical and electrical engineering to software and process engineering, as well as showing just what can be achieved at Waikato University.

[www.nzeeco.net](http://www.nzeeco.net)

*Jessica Polglase is a PR and marketing student providing PR support to the NZEco project.*



Photo courtesy of Liquid Design



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# Golf clubs not handicapped for ideas

GOLF has the highest level of participation of any sport in New Zealand, but only 26% of the population who consider themselves golfers take up club membership. Marketing student and golfer Brendon Li decided to find out why young people in particular weren't becoming club members.

"There's certainly a snob element in golf," says Brendon Li. "I've experienced it first hand - being accosted by an official because our four looked a bit scruffy and they thought we'd jumped the fence."

As part of a final year project, the Waikato Management School student was given access to Auckland's Akarana Golf Club to explore its membership potential. He also talked to other golfers from Auckland and the Waikato. He identified six potential market segments and then identified reasons why they weren't taking out membership.

The results revealed that lack of free time, lack of membership options, expensive membership, the need for more nine-hole competitions, lack of confidence and lack of course variety all deterred people from taking up membership.

Akarana was quick to act on Li's report. "We now offer cheaper off-peak memberships," says club manager Steve Hackett, "and that's really popular. Mondays used to be a slow day but now with people working weekends, more are keen to play on Monday."

Akarana is also keen to keep its juniors as they

## Six ways to expand and keep sports club membership

- Know your market segments
- Target programmes to suit
- Have friendly customer services
- Provide good warm-up facilities
- Offer a variety of payment options including pay-as-you-play
- Include professional lessons with memberships

become young adults and get busy, and now offers cheap deals to university students up until the age of 25. "Brendon's report was really useful and has helped us to provide a product that people want," says Hackett.

Down south, at Cromwell Golf Club, board chairman John Olssen says golf clubs won't survive if they don't adapt. His club commissioned a similar survey to Brendon Li's and so when they heard about Li's report they asked for a copy.

"Our report and Brendon's said almost the same thing," says John Olssen, "and a lot of the suggestions in the report we've already implemented, like payment plans, a choice of membership options including lessons."

He says while they have high turnover, club mem-

bership is growing by 30 to 50 newcomers a year.

The club's biggest drawcard is nine-hole twilight golf every Thursday, for members and non-members, and their latest idea is to put walking tracks and exercise stations around the course.

"Some of the members get a bit grumpy, but the golf course is a valuable community facility. It's selfish not to want to share it, and if golf clubs don't give access then I think they will slowly die," says Olssen.

Li realises that change doesn't always come easily. "Golf clubs are a bit like council or government bodies. Even if you have a proactive manager, any ideas have to be approved by the board, and in many cases these board members have that traditional mindset and are reluctant to change."

"A lot of the recommendations in Brendon's report could be applied to plenty of other sports," says Associate Professor Ron Garland, Li's supervisor, who researches sports marketing. "Offering 'new' products such as twilight or dawn competitions, mixing up the experienced with inexperienced players to break the ice, hiring equipment before taking the plunge to buy, open days where you can give a sport a go and different payment options - these could all be done at the bowling club, tennis club, ski club, wherever."

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**BRENDON LI: Turned an unsatisfying golfing experience into solid market research that's helping golf clubs become more golfer-friendly.**

# Insider guides wool sales

DOING business in China is a lot easier when you've got a person on the ground who speaks the language, is familiar with the culture and traditions and understands how business is done.

Penny Zhang, a masters graduate from Waikato Management School, is now based in Shanghai working for Wool Growers Marketing (WGM), a wholly-owned subsidiary of Mid Micron Wool New Zealand. She's been employed to help the negotiating process as WGM sets up contracts to sell New Zealand wool direct to Chinese mills.

China has 70% of the world's wool manufacturing capacity and WGM is dealing with the processors who buy the raw wool, targeting a number that manufacture knitwear from mid-micron wool - that's wool from breeds such as Corriedale, Polwarth, Half and Quarterbreds.

"If we can cut out the middlemen, we keep costs down and can give the growers a better price," says WGM general manager Alan Gallagher. "It also means we can monitor quality more easily. Eventually we'd like to have joint ventures and partnerships, possibly with the retail sector. But that's down the track."

"It's a long slow process," says Gallagher, "but having Penny based in Shanghai is certainly making negotiations a lot easier. We contact her, she contacts the mill and we can have answers to questions a lot more quickly. Before we'd send e-mails, then wait while they were translated and replied to."

"My days are pretty busy," says Zhang. "Because the business in China is in its initial stages, I have to take care of every detail. But I know how the place works and that is an advantage."

Zhang says competition in the Chinese market is intense, and the Australian wool companies are ahead of New Zealand, having already invested a lot of resource into China for a long while.

"Having said that, the contact I've had with mills so far is that they welcome our entrance into the market. I have to sell them the benefits of using New Zealand wool, so a lot of my work at this stage is about making regular face-to-face contact with the Chinese mills." Zhang also goes to local wool



**PENNY ZHANG: "I have to sell them the benefits of using New Zealand wool, so a lot of my work at this stage is about making regular face-to-face contact with the Chinese mills."**

textile conferences and makes presentations on WGM's behalf.

Gallagher says Zhang is a self starter who shows a lot of initiative. "She's mature enough to take on this job, make the right approaches to the right people. That's exactly the kind of person we want, when she's so far away and we're back in Christchurch."

WGM is also trying a different sales technique. It's going to produce a DVD with a Chinese manufacturer, the Hebei Qifa Textile Group, using its brand and New Zealand wool. Hebei Qifa produces hand knitting wools among other things, and much of its knitwear goes to the Chinese defence forces.

The DVD will be used to jointly promote New Zealand wool and a finished Hebei Qifa product, and Gallagher says Zhang will be involved in that too.

"Our deal with Hebei Qifa is that in return for direct sales at favourable prices we will provide DVDs promoting 'clean and green' New Zealand and New Zealand mid-micron wool."

*www.midmicronwool.co.nz*

## TAKEOUTS

### Grant to study protests

A fascination with anti-globalisation demonstrations has seen Waikato Management School senior lecturer Dr Shiv Ganesh awarded a Marsden fast-start grant worth \$70,000 for the next two years. Dr Ganesh from the Department of Management Communication will research aspects of communication in the anti-globalisation movement in New Zealand and overseas.

"There's a view that protests like those at WTO meetings and G8 summits are chaotic, but I'm working from the opposite premise and will look at the nature of organising processes in the various networks within the movement. Such organising is sometimes remarkably innovative and clearly effective."

Dr Ganesh will look at both global and local dimensions of protests, mapping out the global network infrastructure, and interviewing members of key local groups to understand their involvement with the global network.

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### Sustainable business forum

The Asia Pacific Academy of Business in Society (APABIS) will hold a forum at Waikato Management School on 19 October. The academy is an offshoot of EABIS, the European Academy of Business in Society, and aims to bring business and academics to work collaboratively towards understanding and establishing sustainable business in society.

Speakers at the Hamilton forum will include Doug Clover from the Office of the Parliamentary Commissioner for the Environment, business commentator Rod Oram, and Waikato Management School's Dr Anna Strutt, economist and consultant to the Asian Development Bank, the OECD and the World Bank.

Professor John Dryzek from the Australian National University will speak on ecological modernisation.

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# Debunking our favourite myths

**New Zealand is the second most deregulated advanced country in the world, but our economic performance is average. Why? Not for the reasons we think, says Professor PHILIP McCANN.**

NEW ZEALANDERS have perceptions of the country as a great place to live and work, open to the global economy, but crippled by high taxes and red tape. Yet the data tells a different story, says a Waikato Management School economist.

"In fact, there's almost something of a total mismatch between perception and reality," says Professor Philip McCann, who delivered a public research seminar earlier this year on the impact of globalisation.

McCann also debunked the claim that Auckland is a world city.

"New Zealand is the second most highly urbanised country in the world, after Australia," he told his audience at the Waikato University seminar. "Auckland now accounts for one-quarter of the population and one-third of total output. But unlike London or New York, Auckland does not respond directly to the global economy.

"London - centre of the world's financial markets - for example is in the right time zone for when 97% of the world is at work. During Auckland's working day, most of the world is asleep. Like Sydney, Auckland is a local service economy. These cities do not and cannot drive their respective country's export sectors."

Professor McCann said the fundamental economic issues for New Zealand were to do with scale and geographic isolation.

"Industrial clustering and agglomeration have benefited places like San Jose, home to Silicon Valley, and Dublin as a cheap location for US high-tech companies seeking access to the European Union. It's all about proximity, the need to be near the centre."

The brain drain overseas of skilled young people and those in senior positions showed that people would head to where the action was.



"People can now choose locations in ways they never could before. There are only three countries which have more than 20% of their university graduates working overseas, and New Zealand is top of the list with 24%."

The challenges of globalisation are enormous for New Zealand, according to Professor McCann. "We're the most remote advanced economy in the world. In a way, we're in the wrong place at the wrong time. So in terms of public policy, it's important that we're clear about the hand we've been dealt before we decide what to do with that hand."

And that, says McCann, means taking a good hard look at the economic data.

"Many other small countries such as Finland, Ireland, Sweden and Singapore have responded to globalisation by becoming much more open, producing niche, high value-added exports," he said.

"But New Zealand's response has been rather different."

McCann noted that despite the reforms and deregulation of the 1990s there has been very little change in the composition of exports in the last 25 years, with commodities still making up more than three-quarters of all exports.

He also pointed out that while New Zealand was a very capital friendly country, with nearly half the economy based on inward foreign direct investment,

**PHILIP McCANN:**  
"People can now choose locations in ways they never could before. There are only three countries which have more than 20% of their university graduates working overseas, and New Zealand is top of the list with 24%."

outward flows of FDI were less than 12% of GDP, less than half the OECD average.

He said compared to other OECD countries, New Zealand was a relatively closed economy, with the ratio of exports to GDP at 29% showing little change over the last fifteen years. Worse still, New Zealand exports had second lowest level of technological intensity in the OECD.

Labour productivity was another area of concern, said McCann. "Our productivity is increasing by just 1% per annum per hour worked. The OECD average is more than twice that. And on top of that, most of the increase in productivity is due to working longer hours."

It's figures like these, said McCann, that has the OECD puzzled. Why is New Zealand's performance rather average given that it ranks so highly on most measures of best practice - such as fostering entrepreneurship and business deregulation?

"New Zealand is the most deregulated advanced country in the world, rated No 1 [now No 2] by the World Bank for ease of doing business," he pointed out. Income tax rates for individual workers are amongst the lowest in the OECD, as are government, indirect and property taxes. Compliance costs are lower than in any other OECD country.

"So it appears that what we see as positives in our economy are in fact negatives, and vice versa."

McCann said in the past New Zealand had relied too heavily on deregulation to generate economic growth. To meet the challenges of globalisation, New Zealand could follow the lead of Finland with Nokia and Sweden with Ericsson, and develop the ag-biotech sector as a key export niche.

He also said there were strong economic arguments for creating an Australasian dollar, although he acknowledged that political and national identity concerns would make this hard to achieve.

But he had good news for the Waikato region. "Whatever happens, the Waikato is in a very good position. By chance, we're close to Auckland, where the action is, and if the ag-biotech push goes ahead, we are well-placed to benefit."

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## Hospitality challenge

MANY teenagers work in hospitality during their school years, but most don't envisage a long term career in it.

This is a problem for the hospitality industry which is expecting to grow at more than double the New Zealand average during the next few years.

"Turnover in the industry is extremely high and with insufficient good people entering the industry, there is a growing shortage of quality management," says Dr Tim Lockyer from the Department of Tourism and Hospitality Management at Waikato Management School. "In my view it's time the hospitality industry took a good hard look at itself."

Low wages and undefined career paths, grumpy bosses and lack of career direction are some of the reasons why people walk away from hospitality.

Dr Lockyer surveyed 600 school-aged teens and found that of the 470 who had worked full- or part-time, more than half had worked in hospitality. The majority enjoyed the work but thought the pay was lousy. "But the ones who did enjoy it, they didn't seem to want to make a career of it. The industry has got to change that," says Lockyer.

An international hospitality conference is being hosted by the University of Waikato and AUT in Hamilton at the end of November. It's for senior managers in the hospitality industry as well as academics, and will cover hospitality operations management, yield management and profitability, human resource management and customer care.

**For more information on the conference, visit [www.management.ac.nz/iihmc](http://www.management.ac.nz/iihmc) or email Anne Zahra [a.zahra@waikato.ac.nz](mailto:a.zahra@waikato.ac.nz).**

## How valuable is your network?

AT the root of every successful commercialisation is an idea, and behind that idea lies the hard grind of gathering information and checking it against existing ideas. Understanding how that's best done is the province of knowledge and intellectual asset management, or KIAM.

KIAM can conjure up an image of armies of patent lawyers valiantly defending a company's intellectual property from piracy attacks, but a researcher in the area, Dr Marc Anderson of Waikato Management School's Department of Strategic and Human Resource Management sees a bigger picture.

"It's all about how you manage the value created from ideas and relationships," he says.

"Researchers were shocked when they first discovered how much information sharing went on in industry. They concluded that sharing information improved the performance of everyone - so long as it didn't affect competitive advantage."

Dr Anderson says KIAM ties in with the idea of social capital, the



**MARC ANDERSON:** Structural entrepreneurs are linked into a wide range of networks and share information, which can improve the performance of everyone.

tangible benefits that can result from the social connections people have. And he suggests that there may be greater value for a company in hiring 'structural entrepreneurs'.

"It's a term coined by Chicago University professor Ronald Burt to describe a person who bridges the information gap between two people," explains Anderson.

"Structural entrepreneurs are linked into a wide range of networks. They tend to have better access to information, and can leverage that information for relevance to different situations. And they also tend to be the first to find things out."

Consultants, says Anderson, are a classic example of structural entrepreneurs because they work across companies and industries. But structural entrepreneurs also exist within companies and between companies, such as directors that sit on multiple boards.

"There's evidence to show that structural entrepreneurs earn more and are promoted faster, so it might be useful to think about cultivating networks so you're in that position," says Anderson.

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# A case of the currency wobbles

Since March 2005, the New Zealand dollar exchange rate has fluctuated between 74 and 60 US cents, earning the Kiwi



dollar a reputation as one of the world's wobbliest currencies. International finance expert Professor MARK HOLMES assesses the economic impact, and takes another look at the single currency debate.

LARGE swings in the real exchange rate can bring about a changing degree of competitiveness of New Zealand goods both at home and abroad. In recent years, a strong dollar has hindered competitiveness serving to exacerbate the New Zealand current account deficit which is one of the largest in the OECD.

A weaker dollar has helped to improve competitiveness, but the corresponding rise in import prices has led to fears of higher inflation. Given that the Reserve Bank of New Zealand operates monetary policy under a regime of inflation-targeting, reductions in New Zealand interest rates are less forthcoming than many would desire.

Lately, relatively higher New Zealand interest

rates vis-à-vis countries such as Japan and the US have served to strengthen the NZ dollar again. For example, Japanese investors have been happy to invest in Kiwi-denominated bonds as a preferred channel of investment over lower-interest Yen-based alternatives. This recent strengthening of the NZ dollar has led to fears that any export-led stimulus to the New Zealand economy will be jeopardised.

As a rule, businesses dislike uncertainty. Fluctuations in the exchange rate constitute an additional source of uncertainty when predicting future cost and revenue flows. To some extent, it may be possible to hedge against currency fluctuations, but some experts argue that increases in exchange rate uncertainty and volatility lead to a reduction in international trade.

The proponents of a single currency argue that exchange rate uncertainty provides a strong case for an arrangement between New Zealand and selected major trading partners. Given that workers can move reasonably freely between Australia and New Zealand, why not eliminate the consequences of fluctuations in the exchange rate by forming a single currency?

Transaction costs would be reduced as there

would be no need to buy and sell currency. In theory, it would be easier to compare prices and wages across the two countries, encouraging arbitrage and increased efficiency through a better allocation of resources.

However, the single currency would itself still fluctuate on the world markets. New Zealand would no longer have an independent monetary policy and would not be able to set its own interest rates. Opponents of a single currency point to a potential lack of synchronicity in business cycles in member countries. If the economic fortunes of the currency union members were to differ markedly, they might require the interest rate to move in opposite directions.

Twelve members of the European Union have been swayed by the advantages of a single currency. However, the 'one size fits all' interest rate outlook has not impressed countries such as Denmark, Sweden and the UK which have opted to stay outside of the Euro for the time being.

While for many, the single currency is ultimately a political issue, for businesses grappling with a very wobbly Kiwi dollar the economic arguments for and against cannot be ignored.

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## ICT uptake down on the farm

FARMERS are lagging behind other sectors in their use of computer technology. During the last five years, farmers at Mystery Creek Fieldays have been surveyed four times about their use of Information Communication Technology, part of a major ICT research project being led by Waikato Management School and funded by the Foundation for Research Science and Technology.

In the most recent survey of 573 farmers in June this year, 39.7% said they wouldn't increase their internet business use in the next year, and 46.1% said they'd increase it a little. When asked about increasing the variety of cellphone business use in the next year, 43.5% said they wouldn't, and 44.5% said they would a little.

"There still seems to be a significant rump of resistance to adopting ICT and looking for productivity gains," says Associate Professor Stuart Locke who's overseeing the farming side of the research project.

"What we've found so far with the farmers is that they don't see computers as core to good farming – using the computer is peripheral to mainstream activities. Good farmers they may be, but they are not necessarily good knowledge managers. They are not seeking out ways to make good use of their computers."

Locke said when he first surveyed farmers four years ago they were positive about computer technology, but they became disenchanted as time went by, many unable to get broadband or cellphone coverage, and the uptake had slowed according to the subsequent two surveys. "So this time, with all the controversy over broadband and the unbundling announcement we were curious to see whether they were more negative or more upbeat."

The numbers with computers are up, many saying they'd invested for their children's education, and overall there was an increase in the number of farmers who were using the internet for buying and selling but the proportion still remains relatively low. "I suppose what is most surprising is that the trends are quite different from other sectors of the economy," says Locke. "The lack of reasonable broadband access arose as a concern but there was a large jump in those using broadband compared to



Photo courtesy of Mystery Creek Events Centre

**ICT MYSTERY:**  
Many of the farmers surveyed at Fieldays say they now have greater access to broadband but they don't yet see computers as core to good farming.

the number in 2004."

Farmers were using their computers for accounting and stock/crop records and some purchasing was being done online, but the majority were still getting information such as long range weather forecasts and other up-to-date farming news from newspapers, magazines and radio.

Locke says farmers don't seem to be seeking out ways to make use of ICT, and they're unlikely to sit down and learn from a manual so perhaps there are opportunities for the likes of Wrightsons and RD1 to have computer classes for farmers, to show them the possibilities and potential of ICT. "But farming can be a pretty solitary job, and perhaps the visits to town are as important socially as they are to carry out business."

The speed of reform in the provision of internet access is likely to significantly impact the results in the next survey. Locke says the opportunity for a provider to build loyalty and capture a market segment that will increase its use is the spot to be watched. "Farmers will need to catch up with other businesses as cost pressures push upon them and the need for productivity advances."

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### TAKEOUTS

#### New marketing professor

Measuring marketing success, the effects of advertising, specials and discounts is the focus of study for Waikato Management School's newest professor, Harald van Heerde.

Professor van Heerde, pictured, has come to Waikato from Tilburg University in the Netherlands and has published widely on issues of branding. "I think marketing is getting harder these days. People are harder to reach because of the numerous choices they have and purchasing locations aren't as specific as they used to be. With local and international competition it's becoming harder to stand out from the crowd."

Van Heerde likes his subject because it touches everybody. He is keen to collaborate with businesses in New Zealand to work on measuring their marketing success and help them to work better.

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#### Strengthening Pacific ties

Innovative research and learning programmes with a unique Pacific identity are the focus of a collaboration agreement between Waikato University and the University of the South Pacific (USP).

Under the agreement, USP's Faculty of Business and Economics and Waikato Management School will cooperate on building research and teaching capacity through staff and student exchanges, particularly in the areas of sustainability, tourism, accounting and finance. The two institutions are to jointly host a conference for the Asia-Pacific Academy for Business In Society (APABIS) at USP's main campus in Suva, Fiji, in July next year.

Other areas for collaboration include publishing research relevant to the Pacific region and enhancing distance education. USP is the world's largest distributed university, spread over an area more than three times the size of Europe.

# Rating the loyalty factor in business

WHEN it comes to business, David McMillan likes the idea of arranged marriages, particularly in the insurance industry.

A consultant to the industry, McMillan recently completed his PhD at Waikato Management School where he researched the role of loyalty in business-to-business relationships, focussing on life insurance agents (or distributors) and insurance companies (or suppliers). "I knew that there were three essential factors needed to establish loyalty: trust, shared values and satisfaction. And all the literature I read said that to get those three components of loyalty you first must have the right attitude and then the right behaviour will follow, but when I came to do my own research, I found the exact opposite. You first needed the right behaviour.

"Think of it like an arranged marriage. The parents look around for a suitable partner for their child and then the couple enters into the relationship behaving in a way that appears loyal, but it actually takes time for true positive attitudes, for real loyalty to develop." And McMillan says this is the way it is in successful distributor-supplier relationships.

The early stages, the behaviour without attitude phase, McMillan calls synthetic loyalty. "FlyBuys would be a good example. You buy your petrol from Shell because Shell offers FlyBuys points, but you don't have warm feelings for the company at the start, that will come later if it's going to come at all."

McMillan surveyed 150 life insurance agents many of whom dealt with more than one insurance company.

His findings showed that you could split agents into three, roughly even, segments. There were those who were never loyal and as a supplier you wouldn't over-invest in them; those who showed synthetic loyalty (FlyBuys behaviour) who behave loyally if the incentives are favourable, and then the remainder who show true loyalty. He says it's the final third that the suppliers should really target.

"They're the ones that insurance companies should nurture and assist and maybe even lose a little money upfront to keep these agents' business long term – perhaps initially increasing their volume bonus to get them on board and then help them grow their business." So the supplier needs to have different



## Five steps to developing a loyal business relationship

### Setting the scene

1. Deliver a satisfactory service
2. Demonstrate shared values and common goals

### Creating synthetic loyalty

3. Offer tangible benefits for loyal behaviour

### Creating true loyalty

4. Demonstrate that you are trustworthy
5. Develop a deepening emotional bond

strategies for each category of agent.

"My PhD research led me to develop a conceptual model of distributor loyalty which can help suppliers predict how likely a distributor is to be loyal. Another thing the research popped up was that optimistic people are more likely to be loyal than pessimistic people. It was a pretty significant finding. Basically what it means is that advisers who have a positive view of suppliers overall (not just the ones they place most of their business with) are more likely to have a loyal relationship with their main supplier."

McMillan's supervisor for his doctorate was Associate Professor Carolyn Costley of the Department of Marketing. It was refreshing for her to work with someone whose work could immediately be

applied to business.

"I think his work will help the New Zealand insurance industry with planning for long term relationships. David's work suggests that loyalty can be more than contractual agreements," says Costley.

"He understands the industry because he's worked in it and studied it, so he's developed a clear and confident perspective on loyal relationships between suppliers and distributors."

"Insurance is viewed as a bit of a cardigan industry, not sexy, but do it well and you can make a lot of money," says McMillan. New Zealanders hand over about a billion dollars in insurance premiums each year.

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**DAVID McMILLAN:**  
"... you don't have warm feelings for the company at the start, that will come later if it's going to come at all."

## Short courses: not just a day out of the office

MID-LEVEL managers and staff who've been identified as having management potential are perfect candidates for short courses being offered at Waikato Management School's Centre for Corporate and Executive Education in November.

The programmes include one- or two-day courses on organisational culture change, innovation and creativity, coaching skills for effective management, media management, and corporate communications.

Facilitators are mostly external practitioners from outside the Centre who are regular guest lecturers at the School or on the Executive Education programmes.

"They're people who are out there doing it," says coordinator Scott Gemmill, "but who also have an in-depth knowledge of the associated theory and frameworks."

Jacqueline Parisi, a former principal consultant and delivery leader for Leadership Development for Right Management Consultants in New Zealand, will lead a two-day course on organisational culture change.

Marcus Powe, a former director of the De Bono Institute and an AusIndustry registered consultant in business planning, export planning, strategic design and diagnostics, will take another two-dayer on innovation and creativity.

Rob Neale, former business broadcaster and now international communication consultant, will lead two one-day courses on media management and corporate communications, while Professor Ted Zorn will lead coaching skills for effective management.

"What makes these courses stronger than some others being offered in the marketplace is our 'after-sales service'," says Gemmill. "Too often attending a course ends up as just a day out of the office with limited application of the material.

"We'll include a number of coaching and mentoring options to help people apply the material and ensure they get a real return on

their investment. I'm also anticipating that some of those attending our short courses will get a taste for learning and decide to do postgraduate study with us."

Gemmill says organisations want partnerships with executive education providers who can develop relevant, long-range education programmes for staff.

"We're in a position to provide this service, in addition to our short courses, offering structure and diversity plus the opportunity to work towards recognised postgraduate qualifications."

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*For more information call 0800 800 891.*

### The University of Waikato

## Waikato Management School

### Te Raupapa

Waikato Management School's purpose is to inspire the world with fresh understandings of sustainable success. The School's corporate and executive education programmes are a vital resource for the business community in developing learning programmes that strengthen business.

### CONNECT WITH RE:THINK

Re:think is published twice a year by Waikato Management School. It is published for our business audience to communicate some of the activities, research and people stories of the School, the University, and of Waikato business. We welcome feedback, comment or inquiry about any of the issues raised in this publication or Waikato Management School programmes.

*Free subscriptions to re:think are available from the School.*

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