

# HERA Strategy Review 2011 With Focus On Profitability

Dr Wolfgang Scholz  
HERA Director



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Overview

- Background to HERA Strategy Review
- HERA Membership Survey
- HERA Executive Strategy Workshop
- Draft Revised Strategic Plan



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Background to HERA Strategy Review

- HERA Strategy largely unchanged since 2001
- Last HERA Membership Survey in 2004
- Resulting 2004 main change – HERA to play stronger advocacy role
- Current HERA Strategy very general and wide
- Main aim of Review to create focus and turn into an Execution Strategy



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## HERA Membership Survey 2011

- **Survey Objective: What strategic direction is HERA to take for next 5-10 year**
- **Not HERA member satisfaction survey**
- **But elements questioning on HERA performance**
- **Survey had 4 parts**
  - The Industry Vision
  - The HERA Mission
  - HERA Strategy
  - Your Advice on HERA Action



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Who did the Survey?

- My company is engaged primarily in fabrication/manufacture of metals based products 44%
- My company is engaged primarily in consulting activities 38%
- My company is engaged primary in the supply of products 6%
- My company is primarily engaged in the provision of services such as inspection or training 12%
- I am involved in setting the direction of the company 52%
- I am involved in management and have an interest in the direction my company and industry is going 38%
- I am not involved in management but have an interest in the direction my company and industry is going 10%

Total returns 45



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## HERA Industry Vision

- **Current Vision**  
To have an internationally competitive NZ Metals Engineering Industry which recognizes HERA as the leading catalyst for innovation
- Is the current vision still relevant?
- Do we need an industry vision
  - Not important 4%
  - Fairly important 22%
  - Important 31%
  - Very Important 42%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Economic Vision of Companies

*In respect to the economic, 5 year out vision for your company, if there is one item for you to choose, what statement would best describe this?*

- We are not having a vision in respect to economic performance 2%
- Being still there and break even 6%
- Growing our profit through growing our business 66%
- Increasing the profitability margin is more important to us than increasing profit through growing the turnover 24%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Profit Margin - Reality

*What is your current average net profit margin ?*

Less than 5%	9%
Between 5 and 10%	27%
Between 10 and 15%	31%
Between 15 and 20%	13%
Over 20%	18%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Profit Margin - Vision

*Where do you believe the profit margin should be realistically?*

Less than 5%	0%
Between 5 and 10%	6%
Between 10 and 15%	34%
Between 15 and 20%	27%
Over 20%	31%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Profit Margin - Gap

	<i>Reality</i>	<i>Vision</i>	<i>Gap</i>
Less than 5%	9%	0%	9%
Between 5 and 10%	27%	6%	23%
Between 10 and 15%	31%	34%	3%
Between 15 and 20%	13%	27%	14%
Over 20%	18%	31%	13%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Sustainability

*Please rate is being sustainable important to your business?*

- not important 2%
- fairly important 15%
- important 55%
- very important 26%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Socially Responsible Business ?

*Please rate the importance of being a socially responsible employer making a significant contribution to the NZ economy?*

- not important 0%
- fairly important 11%
- important 65%
- very important 22%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Tender Based versus Selling Product & Services with IP-ownership

*Please advise on the proportion of tender based work value versus selling a product range based on IP your company owns or licenses?*

- We largely provide tender based services 13%
- We exclusively sell a product range based on own product IP and developing it further 4%
- We exclusively sell a product range based on licenses and partnerships with overseas or local product owners 0%
- We mix tender based contracting and product delivery based on own product ownership and IP licenses 31%
- We mix tender based contracting and product delivery based on overseas licenses 2%
- This question does not relate to our mix of services 48%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Change Business Model?

*How do you rate the importance for a step change in your company's business model from a tender base contractor to one of product/IP ownership to increase your profitability?*

- not important 9%
- fairly important 11%
- important 22%
- very important 15%
- This question does not relate to our type of business 40%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Growth through Exports?

***Increasing our exports is considered a key aim for the New Zealand economy. How important is growing exports for your business?***

– not important	37%
– fairly important	15%
– important	22%
– very important	24%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Summary Industry Vision

- Yes we need an Industry Vision
- Industry wants to grow profits through growing business
- There is a big gap between real profit margins and vision
- Our industry wants to be sustainable and socially responsible
- A shift from tender based business models to product and IP ownership is considered important
- Exports are considered important when wanting to grow business



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## HERA Mission

***Current: To achieve the industry vision by assisting the industry in accelerating its innovation and by strengthening its combined opportunities through the provision of research, education, marketing and advocacy functions***



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Is HERA Mission known?

***Do you and members of your organisation know what HERA does for your business and/or your industry?***

- Yes, I know what HERA delivers through HERANews, e-mails and HERA Annual Report. 81%
- Yes, other relevant members of our organisation know what HERA does. 21%
- No, I do not know sufficiently what HERA does. 9%
- No, I don't believe relevant members of our organisation know what HERA does. 18%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Does HERA fulfill its Mission? A

*Please rate how you feel HERA fulfills this mission **in respect to your business?***

- HERA does not follow its mission and add no or very little value to our business 6%
- HERA does somewhat follow its mission and does add some value to our business 33%
- HERA does follow its mission and adds value to our business 45%
- HERA is outstanding in following its mission and adds excellent value to our business 3%
- I don't know enough about HERA's services to answer this question 12%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Does HERA fulfill its Mission? B

*In respect to adding value **to the heavy engineering industry as a whole**, which of the following do you think best represents the HERA value proposition?*

- The HERA value provided is insignificant not justifying industry investment 0%
- The HERA value provided is adequate justifying industry investment 36%
- HERA adds value to the industry which provides good return on industry investment 39%
- I don't know enough about HERA's services to answer this question 24%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## HERA Key Strategies

	Importance in %					HERA Effectiveness in %					Importance Indicator		Effectiveness Index	
	not	fairly	important	very	don't know	not	reasonable	effective	very	don't know	Value	Rank	Value	Rank
<b>Key Strategy 1</b>														
To work with industry and its stakeholders to encourage and foster business innovation and growth	10	23	40	23	3	6	36	30	6	20	18.4	5	17.8	2
<b>Key Strategy 2</b>														
To drive the development of technology, systems and products	6	13	43	33	3	10	13	46	10	20	23.4	3	12.8	6
<b>Key Strategy 3</b>														
To assist in the provision of quality workforce required for ongoing industry development	3	16	33	40	6	10	10	53	10	16	26.4	2	14.1	5
<b>Key Strategy 4</b>														
To develop and implement tools required for monitoring and enhancing industry growth and competitiveness	0	26	56	6	10	6	13	50	0	30	29.0	1	14.8	4
<b>Key Strategy 5</b>														
To improve the HERA organisation by enhancing services and improving cost/benefit ratio	6	16	50	20	6	6	23	40	3	26	22.4	4	15.8	3
<b>Key Strategy 6</b>														
To maintain and strengthen top class research and industry training capabilities	3	13	26	50	6	3	23	43	10	20	26.4	2	22.1	1
<b>Key Strategy 7</b>														
To work towards a more sustainable NZME industry	6	26	30	30	6	10	26	36	0	26	22.4	4	10.5	7

**METALS**  
NEW ZEALAND

METALS NEW ZEALAND INDUSTRY CONFERENCE 2011

**HERA**  
Innovation in Metals

## Key Strategies - Gaps

### Gaps

- To develop and implement tools required for monitoring and enhancing industry growth and competitiveness

Importance 1 (highest)

Effectiveness 4

- To assist in the provision of quality workforce required for ongoing industry development

Importance 2

Effectiveness 5

### Doing well

- To maintain and strengthen top class research and industry training capabilities

Importance 2

Effectiveness 1

**METALS**  
NEW ZEALAND

METALS NEW ZEALAND INDUSTRY CONFERENCE 2011

**HERA**  
Innovation in Metals

## General Advice - Drivers

What do you consider are the key drivers able to be influenced by HERA for the success of your business?

– Improving productivity	54%
– Product innovation	74%
– Increasing market	41%
– Improving access to markets	29%
– Improving entrepreneurship incl mentoring	25%
– improving skills of labour force	54%
– Improved access to capital	0%



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



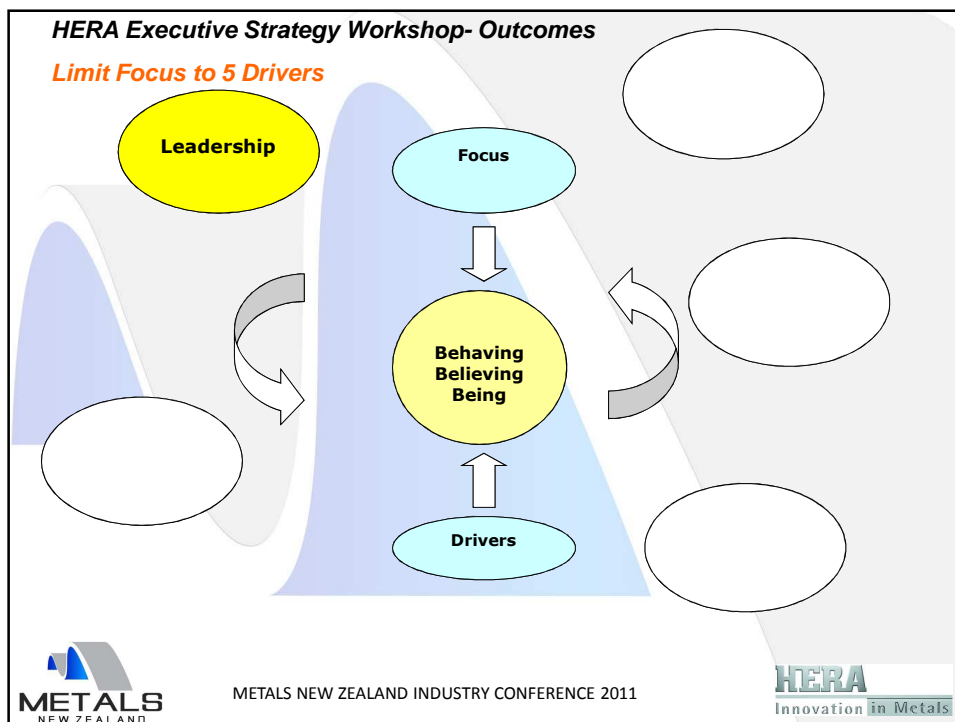
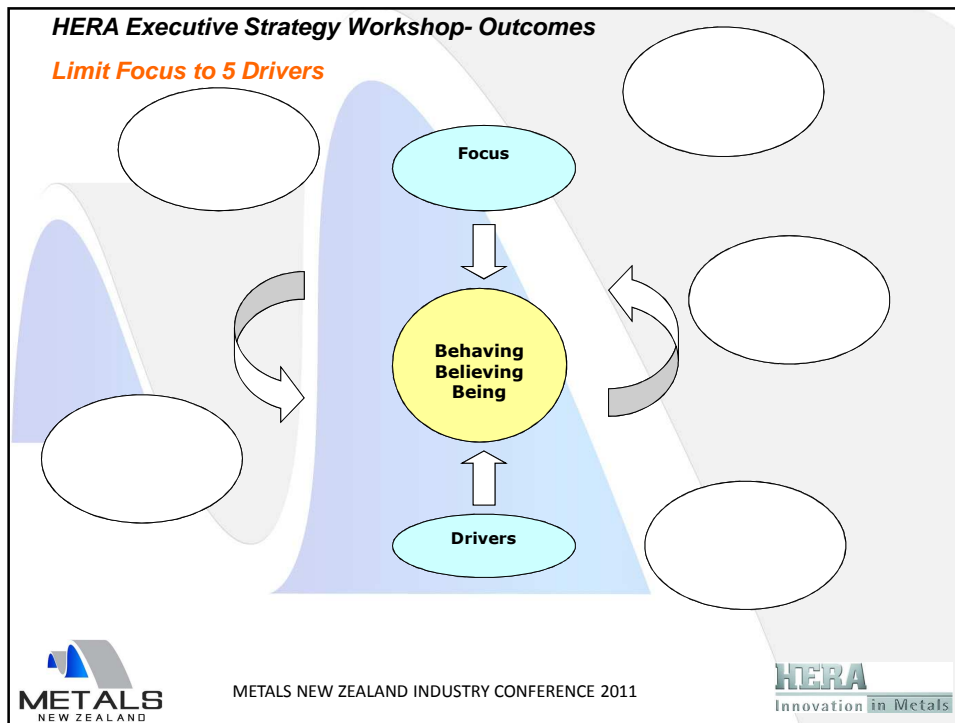
### HERA Executive Strategy Workshop- Outcomes

**Limit Focus to 5 Drivers**



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## Focus/Drivers - #1 Leadership

- Play an effective role in leading the way towards a sustainable NZ Metals Engineering industry (i.e. HERA funding, research, industry best practises & education/training)
- NZ's Metals Engineering Industry achieves world class standards for profitability, quality and sustainability
- HERA working effectively with Metals NZ, SCNZ and other stakeholders to promote the Vision for HERA and the industry
- An internationally competitive Metals Engineering industry participating in a global market



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



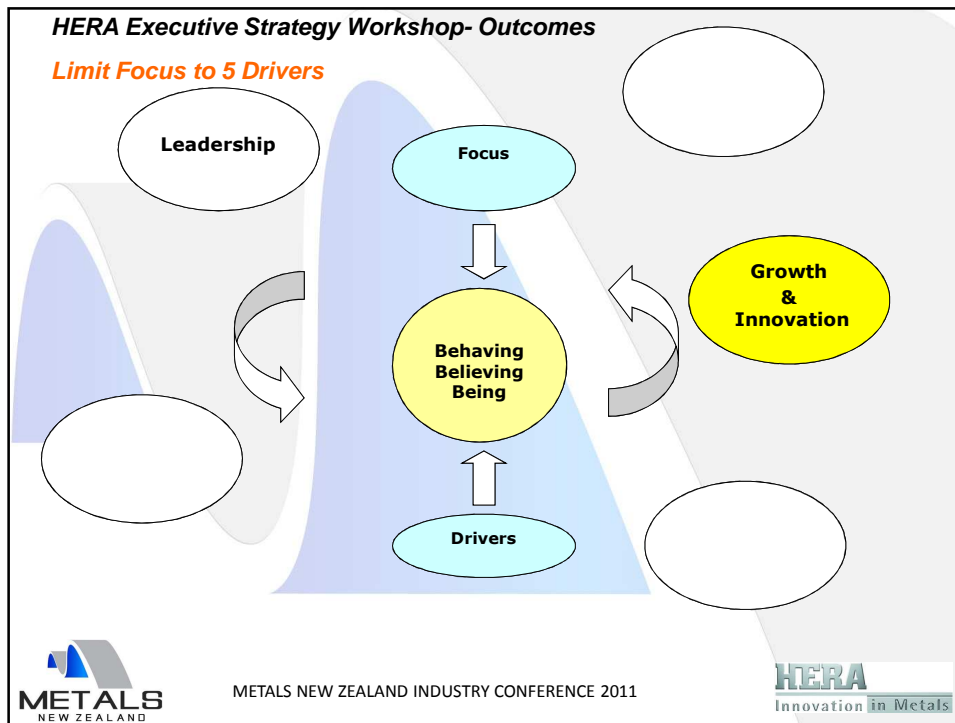
## Focus/Drivers - #1 Leadership

- Play an effective role in leading the way towards a sustainable NZ Metals Engineering industry (i.e. HERA funding, research, industry best practises & education/training)
- NZ's Metals Engineering Industry achieves world class standards for profitability, quality and sustainability
- HERA working effectively with Metals NZ, SCNZ and other stakeholders to promote the Vision for HERA and the industry
- **An internationally competitive Metals Engineering industry participating in a global market**



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## Focus/Drivers - #2 Growth & Innovation

- To work with industry and its stakeholders to encourage business innovation and growth
- Drive the development of technology, systems, products and the commercialisation of IP
- Develop and implement tools required for monitoring and enhancing industry development
- Broaden the HERA funding base by actively seeking more 'commercial' work that utilises HERA's current IP and capabilities

## Focus/Drivers - #2 Growth & Innovation

- To work with industry and its stakeholders to encourage business innovation and growth
- Drive the development of technology, systems, products and the commercialisation of IP
- Develop and implement tools required for monitoring and enhancing industry development
- Broaden the HERA funding base by actively seeking more 'commercial' work that utilises HERA's current IP and capabilities

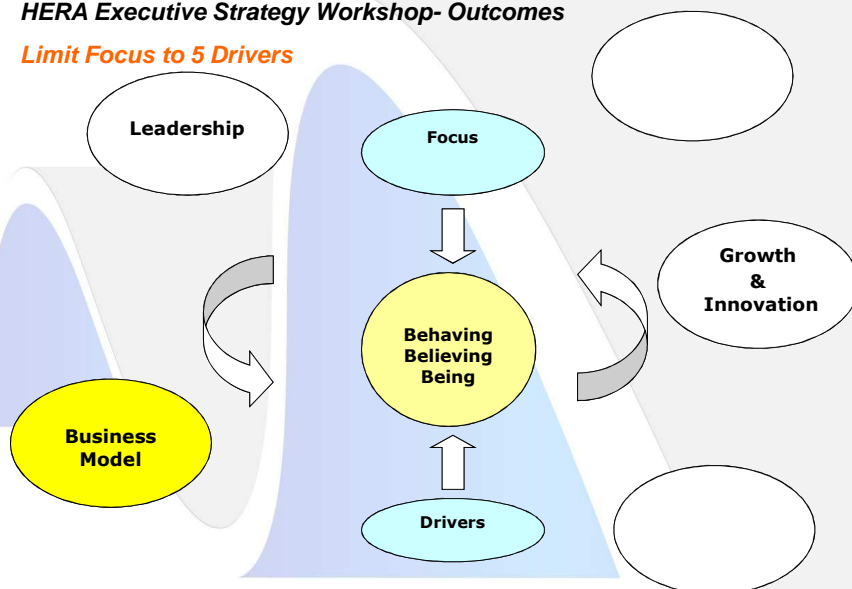


METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



### HERA Executive Strategy Workshop- Outcomes

*Limit Focus to 5 Drivers*



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## Focus/Drivers - #3 Business Model

- Develop a business model and new revenue streams that lessen HERA's dependency on the industry levy (i.e. free up current constraints)
- Further promote the HERA Brand and reputation as a world class research, training and industry centre of knowledge and best practise
- Create greater leverage and financial return from the Intellectual Property already vested with HERA
- HERA becomes such a vital part of other stakeholders' success (industry & govt) that fresh resources and opportunities are opened up to HERA



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



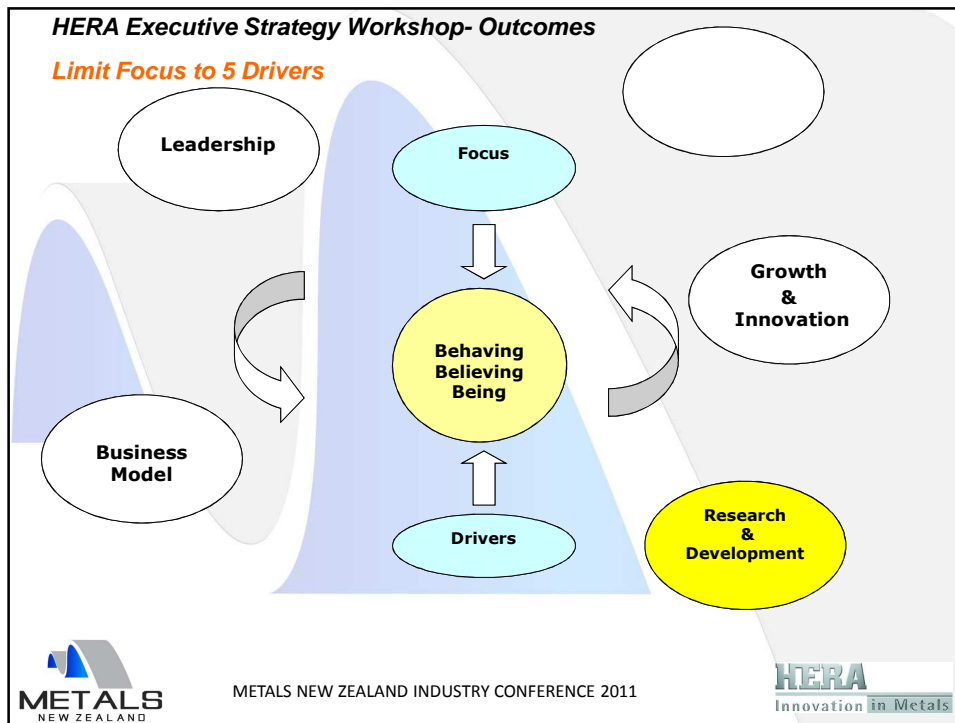
## Focus/Drivers - #3 Business Model

- Develop a business model and new revenue streams that lessen HERA's dependency on the industry levy (i.e. free up current constraints)
- Further promote the HERA Brand and reputation as a world class research, training and industry centre of knowledge and best practise
- Create greater leverage and financial return from the Intellectual Property already vested with HERA
- HERA becomes such a vital part of other stakeholders' success (industry & govt) that fresh resources and opportunities are opened up to HERA



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## Focus/Drivers #4 Research & Development

- Maintain and strengthen world class industry research capabilities
- Free up current constraints around “R&D” spend of industry levy
- HERA is proactive in responding to unique events and opportunities impacting on the industry and wider community (e.g. Christchurch earthquake)

**METALS**  
NEW ZEALAND

METALS NEW ZEALAND INDUSTRY CONFERENCE 2011

**HERA**  
Innovation in Metals

## Focus/Drivers #4 Research & Development

- Maintain and strengthen world class industry research capabilities
- Free up current constraints around “R&D” spend of industry levy
- HERA is proactive in responding to unique events and opportunities impacting on the industry and wider community (e.g. Christchurch earthquake)

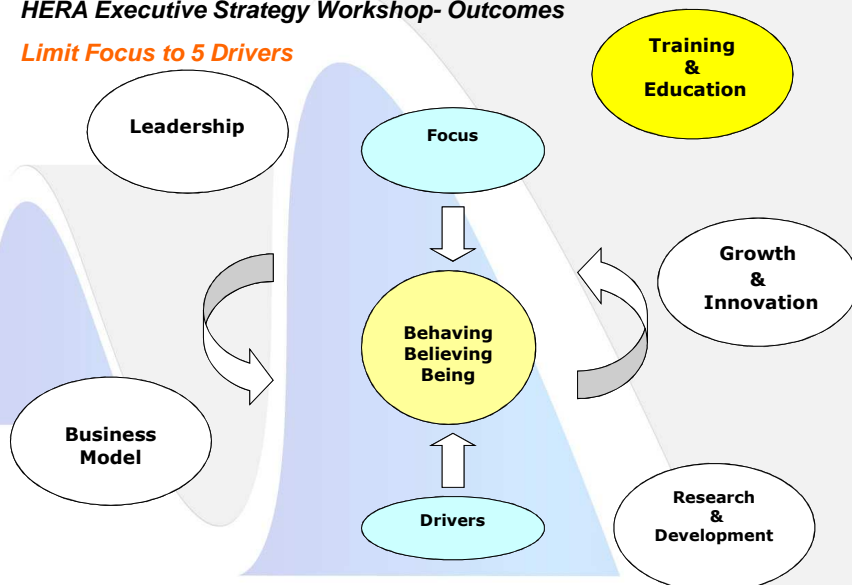


METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



### HERA Executive Strategy Workshop- Outcomes

*Limit Focus to 5 Drivers*



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Focus/Drivers #5 Training & Education

- Maintain and further develop highly effective industry training capabilities
- Assist in the provision of a quality workforce required for ongoing industry development
- Raise the awareness and understanding of entrepreneurial and business skills as a prerequisite for achieving business growth and sustainability
- Broaden the reach of businesses able to benefit from the HERA services
- Encourage Metals Engineering as a career of choice for tertiary graduates



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



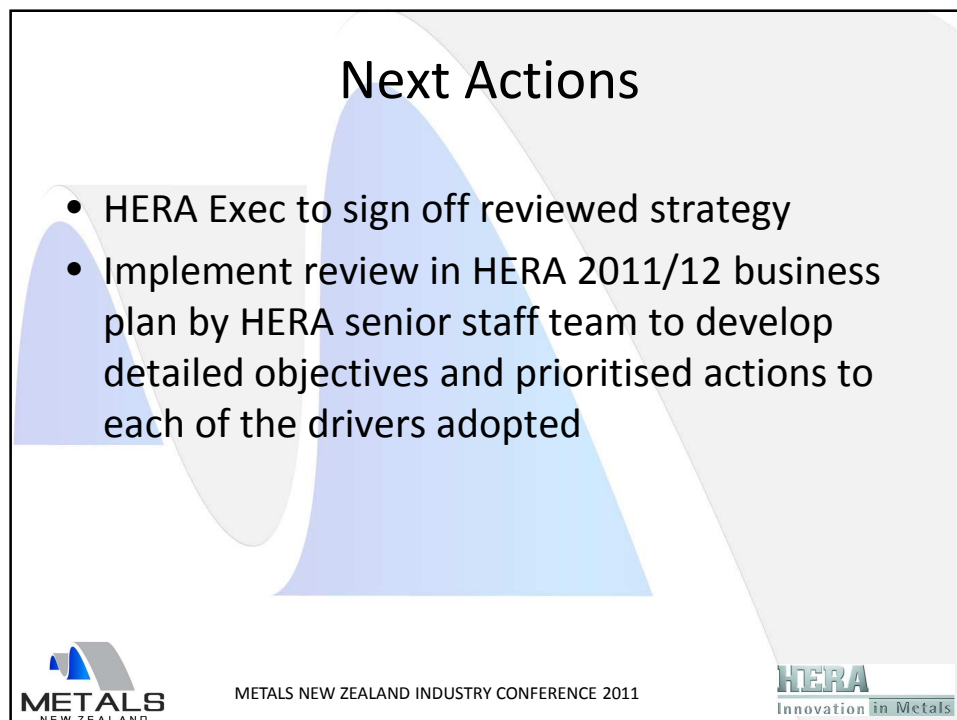
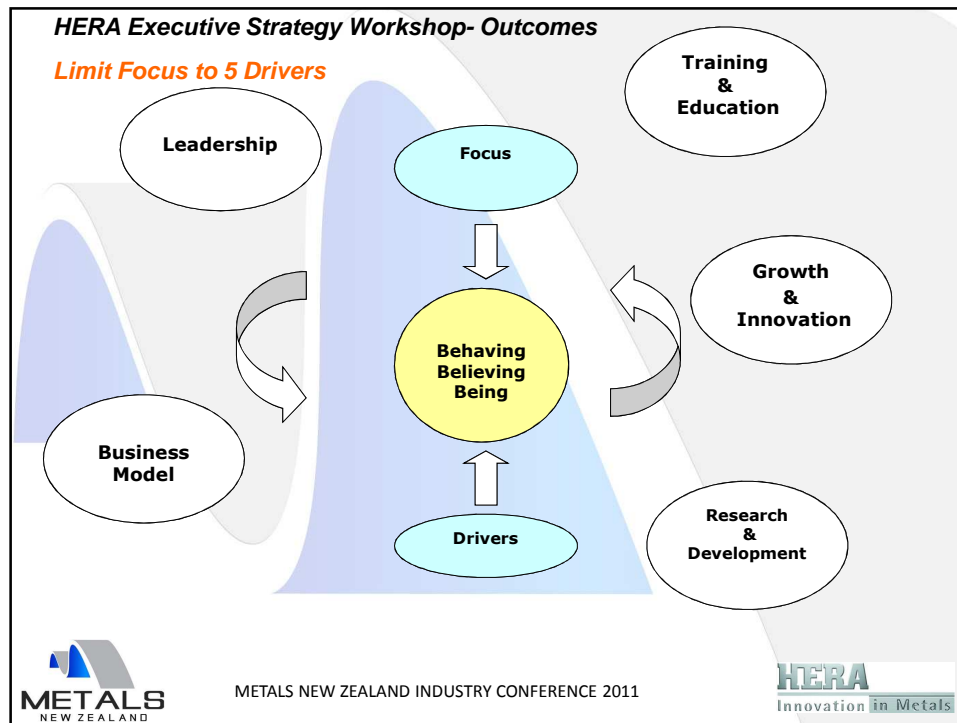
## Focus/Drivers #5 Training & Education

- Maintain and further develop highly effective industry training capabilities
- Assist in the provision of a quality workforce required for ongoing industry development
- **Raise the awareness and understanding of entrepreneurial and business skills as a prerequisite for achieving business growth and sustainability**
- **Broaden the reach of businesses able to benefit from the HERA services**
- Encourage Metals Engineering as a career of choice for tertiary graduates



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011





## Reviewed HERA Vision

The HERA Vision is to have NZ's Metals Engineering Industry achieve world class standards for profitability, quality and sustainability



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011



## Reviewed HERA Mission

HERA to be the catalyst for research, innovation, growth and development in NZ's Metals Engineering Industry



METALS NEW ZEALAND INDUSTRY CONFERENCE 2011

