



NEW ZEALAND
INSTITUTE OF MANAGEMENT

2013 New Zealand MANAGEMENT CAPABILITY INDEX



FEBRUARY 2013



ACRONYMS

AAMO
Asian Association of Management Organisations
NZIM
New Zealand Institute of Management
AIM
Australian Institute of Management
CEO
Chief Executive Officer
FNZIM
Fellow New Zealand Institute of Management
MCI
Management Capability Index

ACKNOWLEDGEMENTS

Kenneth Fink-Jensen
Research New Zealand

The NZIM survey of New Zealand Management Capability was conducted by Research New Zealand as a web-survey between September 13 and October 8, 2012. A list of 1766 valid e-mail addresses of individuals in senior management positions was provided by NZIM. A sample of n=258 was achieved, representing a response rate of 14.6%. Similar surveys have been conducted in Australia, India, Malaysia and Singapore, allowing comparisons between New Zealand and these countries, although they should be made with some caution given the methodology employed and the relatively low response rates.

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1 FOREWORD

The New Zealand Institute of Management established its Management Capability Index (MCI) in 2003. In the 10 years since, four other countries – Australia, India, Malaysia and Singapore – have adopted the MCI as a national standard for measuring and evaluating management performance in their respective economies.



The New Zealand Institute of Management (NZIM) facilitates management and leadership excellence by promoting, supporting and developing the profession of management in all its forms. It is New Zealand's largest professional body for managers.

NZIM has, through its regular MCI surveys, tracked and recorded the changing state of management capability in New Zealand for the past 10 years. It does so by measuring and evaluating management performance across a range of key factors. And as other countries have adopted the MCI, through its acceptance as an effective and relevant global benchmark by the Asian Association of Management Organisations (AAMO), so we have become increasingly able to compare the performance of New Zealand managers with that of other countries, particularly in the Asian region.

NZIM is proud of what it has achieved through its MCI innovation and initiative. It gives me great pleasure, therefore, to present the 2013 Management Capability Index and to acknowledge its 10th anniversary of existence and growing global acceptance. In so doing, I wish particularly to acknowledge the outstanding contribution made by Mr Doug Matheson Life FNZIM, former president of NZIM and creator of the index. His understanding of the importance of management capability to organisational success and his identification of what drives it, underpins the growing global acceptance of the value of the Index.

Management capability measures management leadership and competence in the key management practices that lead to sustainable business performance and business growth. The MCI establishes a baseline for monitoring management capability performance over time and provides some important insights into the current state of play of management capability in New Zealand. The findings help organisations benchmark their management effectiveness against similar organisations. It also measures their performance relative to the overall MCI. Hopefully, the 2013 MCI report will assist organisations to identify and target management practices and competencies underpinning management capability that may require development to achieve sustainable business performance and growth.

NZIM also extends its sincere thanks to all those organisational leaders and senior managers who responded to and participated in this year's survey. The response was outstanding in terms of numbers, the spread of industry sectors covered and the seniority of the managers who took part.

Gary Sturgess Life FNZIM
Chairman
New Zealand Institute of Management

2 MESSAGES

2.1 Hon Steven Joyce Minister for Economic Development

The New Zealand Institute of Management's initiative 10 years ago to create a Management Capability Index is one example of the kind of innovative thinking for which this country rightly has a global reputation. Australia, India, Malaysia and Singapore have now all adopted the NZIM's management performance benchmark. Other countries, under the auspices of the Asian Association of Management Organisations (AAMO), are also considering adoption of the MCI.



Management capability is a critical success factor in every economy, and one that is often underplayed. Building management capability lifts organisational performance and productivity, and therefore economic performance across the economy as a whole. Capable managers are essential to employee engagement in any enterprise, private or public sector.

Capable management and leadership of New Zealand companies is fundamental to coping with the increasing complexities of the global marketplace and to ensuring that New Zealand enterprise is able to capitalise on the myriad of business opportunities that innovation, new technologies and new products and services offer.

I am delighted to acknowledge the contribution NZIM makes to supporting and building management capability in New Zealand by providing this critically important management assessment tool. The MCI puts a welcome annual spotlight on this country's management skills, and complements and reinforces other government initiatives, such as the Management Matters study jointly undertaken in 2010 by MBIE (MED), The Treasury and other research organisations. That study clearly highlighted the need for every New Zealand company to invest in management development.

This NZIM's 2013 Management Capability Index Survey shows exactly what drives enhanced organisational performance. It also shows that as a country we are making progress, but that there remain many opportunities for further improvement.

A handwritten signature in blue ink, which appears to be 'S. Joyce', written over a light blue horizontal line.

Hon Steven Joyce
Minister for Economic Development

2.2 Paul Tse See Fan

President, Asian Association of Management Organisations

The Asian Association of Management Organisations (AAMO) is delighted that our professional colleagues in New Zealand have completed their 2013 NZIM Management Capability Index.

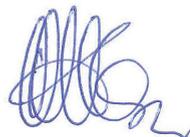


The purpose of the AAMO, as a partnership of national management organisations in the Asian region, is to share and actively leverage resources. The Management Capability Index is one such initiative that can work for the benefit of all partners, enabling benchmarking to occur between countries and for insights to be gained by comparing performance factors.

In a globalised, competitive and, at times, volatile business environment, sound management capability is a principal determining factor in how well an organisation performs and can respond to external challenges as well as maximise new opportunities. Business sustainability in our 21st century environment demands that we are agile, responsive and ready to adapt.

As a point in time assessment of management capability, the MCI provides an opportunity for organisations and industries across countries to take stock of current performance and identify and target areas for improvement. We are pleased to be able to make comparisons from MCIs in New Zealand, Malaysia, India, Singapore and Australia.

It is the AAMO's hope that over time more of our partners will establish an MCI in their jurisdiction. We congratulate the New Zealand Institute of Management on creating the MCI in 2003 and, through AAMO, sharing it with all member countries.

A handwritten signature in blue ink, which appears to be 'Paul Tse See Fan'.

Mr Paul Tse See Fan
President
Asian Association of Management Organisations



3 EXECUTIVE SUMMARY

About the New Zealand Management Capability Index

The New Zealand Management Capability Index (NZMCI) was established by the New Zealand Institute of Management in 2003 to measure and establish a baseline of management capability, to identify where improvements in management performance could be made and to track performance over time.

Management capability is essentially the application of management competencies within an organisation to achieve desired outcomes. Excellence in management capability is an integral marker of strong organisational performance.

The NZMCI is based on an organisation leader's self assessment of 10 key drivers of management capability that contribute to sustainable performance and profitable business growth. It shows relative management capability results across the 10 specific drivers or categories and relevant subcategories. Participating organisations are further defined by industry, region, number of employees and, gender and managerial level of the individual respondents.

The NZMCI converts the evaluation of management performance into an index by tabulating and averaging survey responses with prescribed weightings applied (reflective of the relative importance of the 10 key index categories). The MCI is tabulated to generate a score out of 100 (refer to Appendix 9.1 for a breakdown of the weightings applied).

The online survey was conducted in late 2012 with a total of 258 respondents from across New Zealand organisations.

Key findings

According to this research study, the overall NZMCI is 71.9 (of a potential 100 capacity). Therefore, there is scope to lift current performance levels.

The MCI indicates that New Zealand organisations observe themselves as being most capable in the area of *Integrity and corporate governance*, which achieved a score of 87.6 – well above the overall MCI. This was followed by *Financial management* (79.2) and *External relationships* (77.5) (refer Table 6.1.1).

New Zealand organisations assess themselves as least capable in the areas of *Organisation capability* (66.8) and *Innovation – products and services* (67.0). The lowest subcategory score (61.2) across all 10 categories is 'Management and employees practice innovation to expand the market and increase market share', which sits in the category *Innovation – products and services* (refer Figure 6.2.8).

International comparisons

On an international comparison (refer Table 7.1.1), New Zealand's overall rating compares favourably with results obtained from the latest MCI findings in Australia (70.3), Malaysia (72.0), India (76.8) and Singapore (69.2).

The results show New Zealand management in a leadership position in *Financial management* and *Integrity and corporate governance* when compared with survey results from Australia, Malaysia, India and Singapore.

Conclusions

The 2013 NZMCI results indicate a sound governance and financial base across New Zealand organisations. This provides a solid platform from which to foster innovation, improve organisational capability and encourage a greater global focus.

The MCI presents New Zealand organisations with the opportunity to benchmark themselves against organisations of a similar type and size and, in an era of global mobility, to benchmark against comparable international organisations. In highlighting areas of strength and weakness, the MCI will help New Zealand organisations to direct their attention to priority areas for improvement.



4 THE NEW ZEALAND MANAGEMENT CAPABILITY INDEX

4.1 Ten years in the building

The New Zealand Institute of Management created the Management Capability Index to provide insight into current management capability trends and to establish a baseline of management capability for monitoring individual and pan-organisational progress.

4.2 About the NZMCI

The MCI is based on a chief executive officer's (or a senior business decision maker's) self assessment of 10 key drivers of management capability that contribute to profitable business growth. Assessment is based on an organisation's current performance against the 10 drivers or categories that make up the MCI. Each category comprises several statements or subcategories against which an assessment on a scale of 100 is made.

The MCI converts the evaluation of management performance into an index. The index can, in turn, be used to compare or benchmark between the MCI of other organisations, by ownership types and against other countries.

The weighting of the 10 categories (indicating their degree of importance in the final index) is as follows:

Table 4.2.1:

Weighting of 10 categories of NZMCI

Category*	Weighting (%)
1 Visionary and strategic leadership	15
2 Performance leadership	10
3 People leadership	10
4 Financial management	10
5 Organisation capability	5
6 Application of technology and knowledge	5
7 External relationships	5
8 Innovation – products and services	10
9 Integrity and corporate governance	5
10 Results and comparative performance	25
Total	100

* Definitions for each of the 10 categories that make up the MCI are listed at Appendix 9.2.2



4.3 About management capability

Management capability is the potency of an organisation's collective management competencies as applied to achieve desired outcomes. Management capability does not, therefore, just reflect the total sum of a management team's competencies or required abilities. Rather, management capability describes how effectively the management team puts into practice its combined competencies to deliver business results.

All competencies are important. But without the ability to apply them – to actually have the organisation, the people and the processes in the organisation deliver performance in order to make things happen towards some purpose, vision, strategic goals and shorter term performance goals – these competencies would not be of much value to the organisation.

A high functioning management team will effectively harness its different abilities, preferences and strengths to meet the changing demands of the operating environment and achieve its outcomes.

As captured in the MCI survey (refer category 10), the measurement of management capability must link the application of competencies with performance results.



5 SURVEY PARTICIPANT PROFILE

The NZMCI online survey was conducted in late 2012. The questionnaire was completed by 258 organisations and businesses throughout New Zealand, representing a range of organisation sizes and industry types.

This section details the profile of survey participants by:

- industry worked in
- number of employees
- gender
- managerial level
- geographic location.

5.1 Industry worked in

Figure 5.1.1

Figure 5.1.1 indicates that the proportion of respondents working in four category groupings.



5.2 Number of employees

Figure 5.2.1

Figure 5.2.1 indicates that the majority (57%) of employees work in organisations employing 100 or more employees



5.3 Gender

Figure 5.3.1

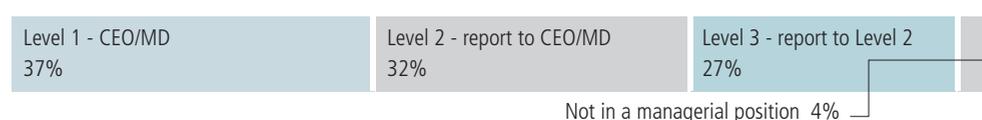
Figure 5.3.1 shows that the majority (74%) of respondents were male.



5.4 Managerial level

Figure 5.4.1

Figure 5.4.1 indicates that the majority of respondents (37%) to the MCI survey were either a chief executive or a managing director (level 1). The next largest group (32%) were in positions that reported to a CEO or managing director (level 2).



5.5 Region

Figure 5.5.1

Figure 5.5.1 shows the geographic location the respondents worked in.



6 SURVEY RESULTS

6.1 Overall results

The 2013 New Zealand Management Capability Index was registered at **71.9**.

The result suggests that, on average, New Zealand organisations are performing at less than three-quarters of their potential 100 percent capacity and have plenty of opportunity for improvement in a number of areas.

Table 6.1.1 shows that the highest individual NZMCI category result was recorded for *Integrity and corporate governance* (87.6), followed by *Financial management* (79.2) and *External relationships* (77.5). The lowest index was recorded for the *Organisation capability* (66.8) and *Innovation – products and services* (67.0) categories.

Table 6.1.1: Overall NZMCI results

Category	NZMCI
1 Visionary and strategic leadership	70.2
2 Performance leadership	71.4
3 People leadership	69.3
4 Financial management	79.2
5 Organisation capability	66.8
6 Application of technology and knowledge	71.4
7 External relationships	77.5
8 Innovation – products and services	67.0
9 Integrity and corporate governance	87.6
10 Results and comparative performance	70.1
NZMCI (overall)*	71.9

* Weighted (refer to Table 4.2.1 for weightings applied)

Figure 6.1.2 illustrates the ranking of MCI results by individual categories and compares them against the (overall) MCI.

Figure 6.1.2: Ranked MCI results by category





6.2 Subcategories and overall results

Each of the 10 survey categories is comprised of several statements or subcategories (refer to Appendix 9.2.2) against which respondents scored their organisation's performance. The overall score (across all survey respondents) for each subcategory is represented in the figures below.

Notes are provided to highlight subcategory results with a variance of greater than 5 (+ or -) to the overall category score.

Visionary and strategic leadership

Figure 6.2.1 shows that subcategory d) 'Management plans with a view to growing the business while meeting the needs of shareholders/owners taking into account employee, supplier, customer and other stakeholder interests' scored highest with 74.8, comfortably above the overall category score of 70.2. Subcategory e) 'Management demonstrates an international/global perspective and has a good understanding of global markets and global thinking' scores just 65.0, the lowest subcategory score across all 10 categories, including those with the lowest category index, *Organisation capability and Innovation – products and services*. The fact that an international global perspective is not required for all organisations may be a contributing factor to the low score of this sub-category.

Figure 6.2.1:

Subcategory results – Visionary and strategic leadership



Performance leadership

Figure 6.2.2 shows that subcategory a) 'Management ensures the organisation is strongly goal, performance, and achievement focused' is, with a score of 76.1, markedly stronger than the other four subcategories which are within a variance of less than or equal to + or - 5 in comparison to the overall category score of 71.4.

Figure 6.2.2:

Subcategory results – Performance leadership



People leadership

Figure 6.2.3 shows that all subcategories are within a variance of less than or equal to + or - 5 in comparison to the overall category score of 69.3.

Figure 6.2.3:

Subcategory results – People leadership





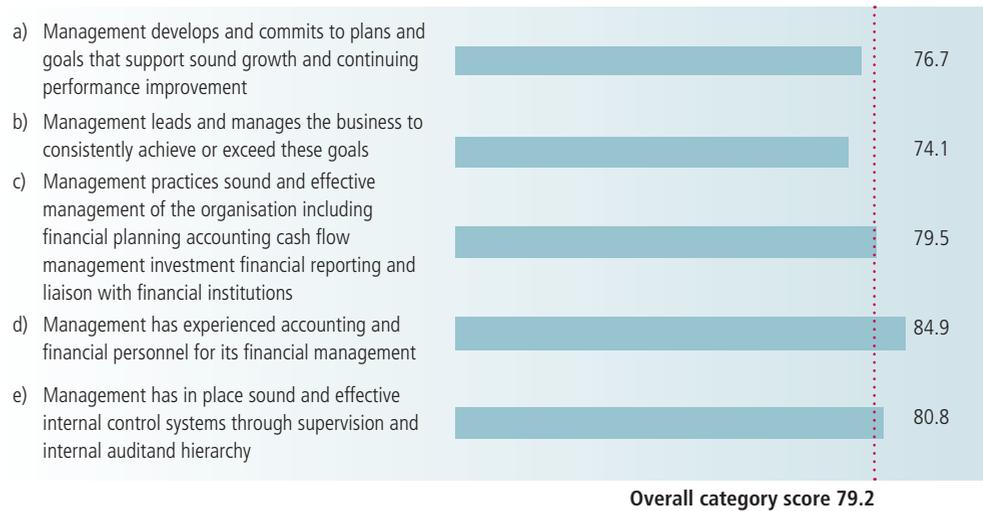
Financial management

Figure 6.2.4 shows that all subcategories are within a variance of less than or equal to + or - 5 in comparison to the overall category score of 79.2.

The subcategory score of 84.9 for d) 'Management has experienced accounting and financial personnel for its financial management' is among the higher subcategory scores across all 10 categories of the NZMCI.

Figure 6.2.4:

Subcategory results – Financial management



Organisation capability

Figure 6.2.5 shows a wide variation (+11.4) between subcategory scores. Subcategory e) 'Management demonstrates strong commitment to continuous learning for both individuals and the organisation' scores best. Subcategory b) 'Management brings about and maintains a 'boundary-less' organisation, which is confident and effective in leading and managing a non-hierarchical structure' scores worst, sitting well below the overall category score of 66.8.

Figure 6.2.5: Subcategory results – Organisation capability



Application of technology and knowledge

Figure 6.2.6 indicates that subcategory c) 'Management understands the value and application of knowledge in organisations' ranks comfortably above the overall category score of 71.4.

Figure 6.2.6: Subcategory results – Application of technology and knowledge

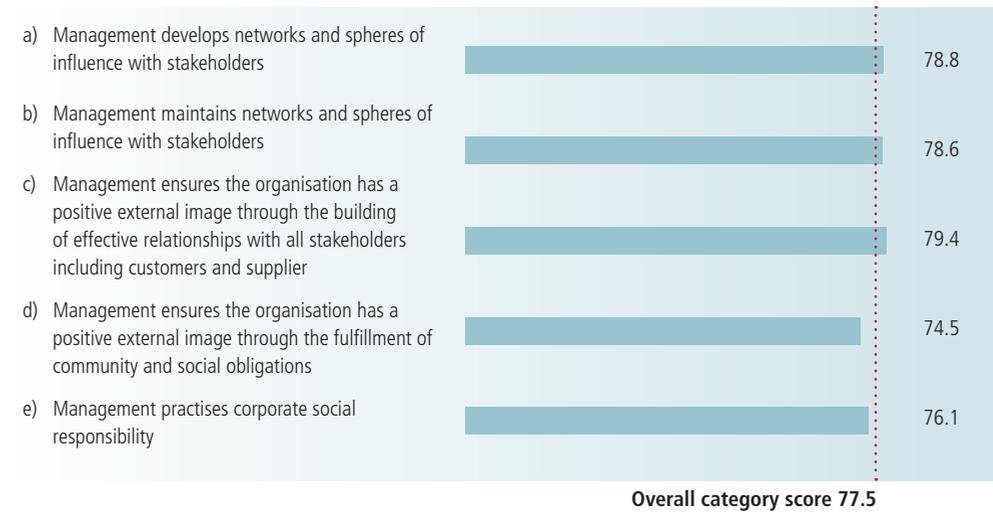


External relationships

Figure 6.2.7 shows that all subcategories are within a variance of less than or equal to + or - 5 in comparison to the overall category score of 77.5.

Figure 6.2.7:

Subcategory results – External relationships

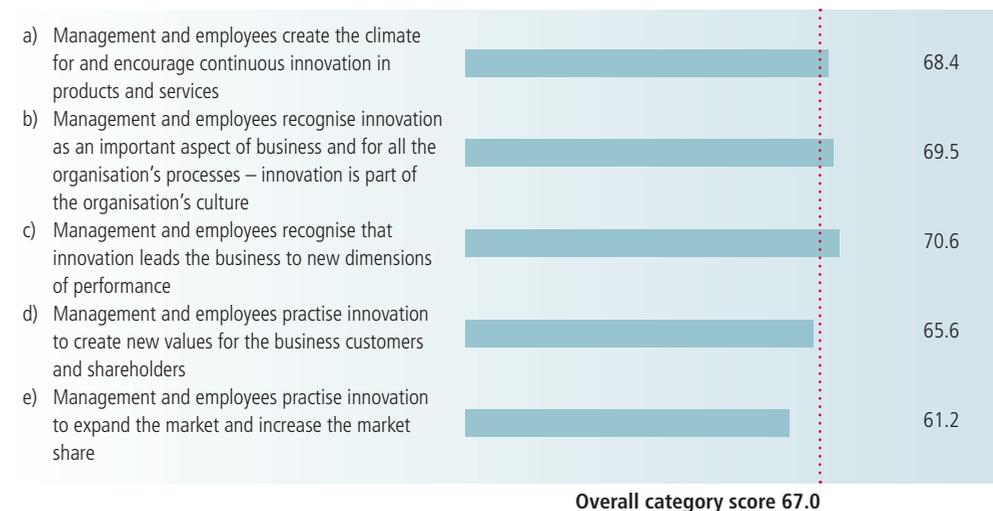


Innovation – products and services

Figure 6.2.8 shows that all subcategories in this grouping rank low and are, with one close exception, within a variance of less than or equal to + or - 5 in comparison to the overall category score of 67.0.

Figure 6.2.8:

Subcategory results – Innovation – products and services





Integrity and corporate governance

Figure 6.2.9 shows that the individual subcategory scores and overall category score of Integrity and corporate governance are the highest across all MCI categories and are well above the overall NZMCI of 71.9. Subcategory c) 'Management and employees adhere to legislation, regulations and guidelines in administering the business of the organisation' is the highest scoring across all subcategories.

Figure 6.2.9:

Subcategory results – Integrity and corporate governance

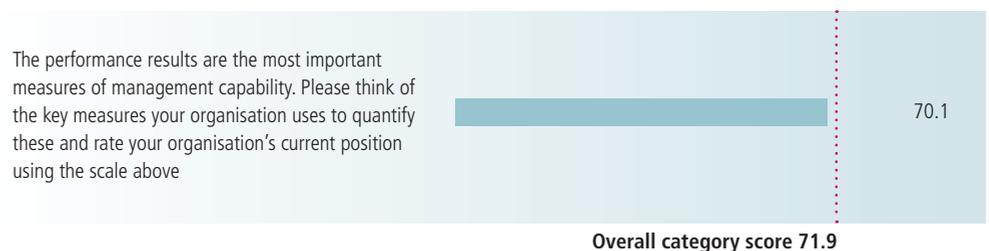


Performance results and organisation's management capability

Figure 6.2.10 indicates overall NZMCI of 70.1 which is below the overall weighted mean of 71.9.

Figure 6.2.10:

Subcategory results – Performance results and organisation's management capability





6.3 Results by industry worked in

Table 6.3.1 indicates organisational scores by industries worked in and compares them to the overall NZMCI. With the exception of the 'Other' category, the scores on the MCI do not seem to be related to the type of industry the respondent belongs to.

The largest differences are in the area of *Application of technology and knowledge* where the 'Education and health' and 'Other services' have higher scores than the 'Other' sector.

On the other hand, the 'Production and logistics' sector has higher scores on *Results and comparative performance*.

Table 6.3.1:

Results by industry worked in

	INDUSTRY ACTIVITY				Total
	Production & logistics n= 67	Education & health 53	Other services 69	Other 69	
Q1 Visionary and strategic leadership	69.3	69.5	72.4	69.2	70.2
Q2 Performance leadership	70.6	72.5	73.3	69.6	71.4
Q3 People leadership	69.0	69.6	71.7	67.1	69.3
Q4 Financial management	80.5	79.2	79.7	77.5	79.2
Q5 Organisation capability	64.4	66.4	69.7	66.4	66.8
Q6 Application of technology and knowledge	70.6	73.8	75.1	66.7	71.4
Q7 External relationships	77.2	77.7	76.3	78.8	77.5
Q8 Innovation – products and services	69.6	64.1	71.0	62.9	67.0
Q9 Integrity and corporate governance	87.3	87.9	87.3	88.0	87.6
Q10 Results and comparative performance	72.8	70.9	70.1	67.0	70.1
Overall mean	73.1	73.2	74.7	71.3	73.1
Weighted mean	72.5	72.0	73.4	68.8	71.9



6.4 Results by number of employees

Table 6.4.1 shows organisational score by industry employee size and compares them to the overall MCI. Organisations in the under 20 employee group recorded the highest overall NZMCI (at 76.7), when compared to organisations in other employee size groups.

Organisations in the 20 – 99 employee size group also indicated the strongest performance for any one category, recording 74.3 (of its potential 100 capability) for the *Integrity and corporate governance* category.

The larger the organisation the lower the MCI scores. This applies in particular to *Organisation capability* and *Application of technology and knowledge* where the range of scores shows a clear pattern from higher to lower scores as the size of the organisation increases.

Table 6.4.1:

Number of employees

	NO. OF EMPLOYEES			
	Under 20 n= 53	20-99 57	100 or more 148	Total 258
Q1 Visionary and strategic leadership	74.8	69.0	69.0	70.2
Q2 Performance leadership	74.2	72.9	69.9	71.4
Q3 People leadership	78.4	70.8	65.5	69.3
Q4 Financial management	79.6	79.3	79.0	79.2
Q5 Organisation capability	75.5	70.7	62.1	66.8
Q6 Application of technology and knowledge	77.0	76.4	67.5	71.4
Q7 External relationships	78.9	78.6	76.5	77.5
Q8 Innovation – products and services	72.8	67.1	65.0	67.0
Q9 Integrity and corporate governance	88.9	87.5	87.1	87.6
Q10 Results and comparative performance	66.8	70.8	71.1	70.1
Overall mean	76.7	74.3	71.3	73.1
Weighted mean	74.4	72.7	70.7	71.9

6.5 Results by gender

Table 6.5.1 indicates that women make harsher judgements about their organisations than men do, particularly in the areas of *Performance leadership* and *Innovation – products and services*.

The only two categories in which women rank their organisations higher are *Financial management* at 79.3 compared with 79.2 and *Integrity and corporate governance* at 88.3 compared with 87.3. This may be related to the fact that women respondents tend to be from lower management levels – see Table 6.5.2.

Table 6.5.1: *Results by gender*

	GENDER			
	n=	Male 191	Female 65	Total* 256
Q1 Visionary and strategic leadership		70.9	67.9	70.2
Q2 Performance leadership		72.5	68.1	71.4
Q3 People leadership		69.9	67.4	69.3
Q4 Financial management		79.2	79.3	79.2
Q5 Organisation capability		66.9	66.0	66.8
Q6 Application of technology and knowledge		71.9	70.2	71.4
Q7 External relationships		77.6	77.2	77.5
Q8 Innovation – products and services		68.0	63.9	67.0
Q9 Integrity and corporate governance		87.3	88.3	87.6
Q10 Results and comparative performance		70.8	69.2	70.1
Overall mean		73.5	71.7	73.1
Weighted mean		72.5	70.4	71.9

*Excludes not specified

Table 6.5.2 shows clearly that women respondents are less likely to be found in level 1, and much more likely to be found in level 2. This is a subject that is often raised in the context of 'Women in Boardrooms'.

Table 6.5.2: *Position in managerial hierarchy*

	GENDER			
	n=	Male 191	Female 65	Total* 256
Level 1 – CEO/MD		42.9	21.5	37.5
Level 2 – report to CEO/MD		26.2	47.7	31.6
Level 3– report to level 2		26.2	29.2	27.0
Not in a managerial position		4.7	1.5	3.9

*Excludes not specified

6.6 Results by managerial level

Table 6.6.1 shows individuals within the level 1 CEO/MD managerial group reported the highest overall NZMCI (80.3), when compared to individuals in other managerial groups.

NZMCI results reported by individuals in the CEO/MD managerial group surpassed MCI results recorded in each category.

Individuals within the CEO/MD managerial group also indicated the strongest performance for any one category, reporting 91.9 (of a potential 100 capability) for the *Integrity and corporate governance* category.

Table 6.6.1:

Results by managerial level

	LEVEL IN ORGANISATION				Total
	Level 1 – CEO/MD n=	Level 2 – report to CEO/MD 83	Level 3 – report to Level 2 69	Not in a managerial position 10	
Q1 Visionary and strategic leadership	77.7	66.4	63.9	72.0	70.2
Q2 Performance leadership	78.3	70.6	63.1	70.0	71.4
Q3 People leadership	80.5	69.5	54.4	64.0	69.3
Q4 Financial management	84.6	78.5	72.2	81.6	79.2
Q5 Organisation capability	77.3	65.6	54.1	62.8	66.8
Q6 Application of technology and knowledge	78.9	71.7	59.7	78.0	71.4
Q7 External relationships	83.1	74.2	74.3	72.8	77.5
Q8 Innovation – products and services	76.1	63.4	59.3	64.0	67.0
Q9 Integrity and corporate governance	91.9	85.8	83.4	89.6	87.6
Q10 Results and comparative performance	75.0	69.8	64.1	68.0	70.1
Overall mean	80.3	71.5	64.9	72.3	73.1
Weighted mean	78.9	70.5	64.1	70.9	71.9

6.7 Results by work location

Table 6.7.1 suggests the obvious, that the area of an organisation's operation would probably not influence the MCI score. It is more likely that any differences found are due to an uneven distribution of the types and sizes of organisation in the various locations. For example, Otago/Southland has a higher proportion of small organisations than do the other regions.

Table 6.7.1:

Work location

	WORK LOCATION							Total
	Auckland	North Island	Central Island	Wellington	Canterbury/Marlborough/Westland	Otago/Southland	Other	
n=	74	32	66	67	17	2	258	
Q1 Visionary and strategic leadership	69.9	67.0	71.8	69.2	73.4	82.0	70.2	
Q2 Performance leadership	70.2	71.4	71.7	70.4	79.5	76.0	71.4	
Q3 People leadership	68.2	69.9	70.1	68.5	73.2	74.0	69.3	
Q4 Financial management	77.1	80.0	80.2	78.7	83.5	92.0	79.2	
Q5 Organisation capability	65.8	63.9	67.7	66.6	72.0	76.0	66.8	
Q6 Application of technology and knowledge	68.5	69.1	72.7	71.8	81.2	78.0	71.4	
Q7 External relationships	73.5	79.5	78.6	78.7	80.5	92.0	77.5	
Q8 Innovation – products and services	67.1	63.0	68.2	65.2	75.3	84.0	67.0	
Q9 Integrity and corporate governance	87.1	84.0	88.6	88.0	89.7	98.0	87.6	
Q10 Results and comparative performance	68.4	72.5	70.6	68.0	77.7	90.0	70.1	
Overall mean	79.0	75.2	80.6	79.2	80.3	84.4	73.1	
Weighted mean	70.6	71.4	72.8	70.9	77.7	84.6	71.9	

7.1 International Management Capability Index comparisons

7 BENCHMARKING PERFORMANCE

Table 7.1.1 shows that in comparison to the most recent overall MCIs recorded in Australia, Malaysia, India and Singapore, New Zealand's MCI (71.90) varies by -0.54 from the overall average of 71.36.

Organisations in India recorded the highest overall MCI across all five countries (76.8) and recorded higher scores than New Zealand organisations in each category except *Financial management* (variation: -2.5) and *Integrity and corporate governance* (variation: -7.5).

New Zealand organisations however, recorded the highest individual category result in comparison to the other four countries, recording 87.6 (of its potential 100 capability) in the *Integrity and corporate governance* category.

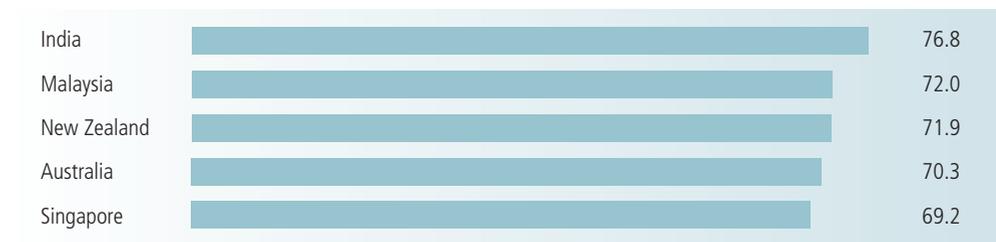
The greatest variation in performance results occurred within the *Results and comparative performance* category, with MCI results ranging from 64.0 (across organisations in Singapore) to 77.6 (across organisations in India).

Table 7.1.1: *International comparisons*

	2013	2013	2011	2010	2010
	New Zealand n=258	Australia n=461	India n=412	Malaysia n=222	Singapore n=136
Q1 Visionary and strategic leadership	70.2	68.4	76.5	72.4	70.2
Q2 Performance leadership	71.4	70.5	77.1	73.1	72.7
Q3 People leadership	69.3	66.8	74.9	70.5	68.8
Q4 Financial management	79.2	76.1	76.7	75.1	72.4
Q5 Organisation capability	66.8	65.3	75.9	69.1	68.8
Q6 Application of technology and knowledge	71.4	68.9	75.7	71.8	69.1
Q7 External relationships	77.5	75.1	77.6	71.0	69.3
Q8 Innovation – products and services	67.0	67.2	76.2	70.0	67.3
Q9 Integrity and corporate governance	87.6	85.6	80.1	80.0	84.0
Q10 Results and comparative performance	70.1	68.9	77.6	70.5	64.0
Overall mean	73.1	71.3	76.8	72.4	70.7
Weighted mean	71.9	70.3	76.8	72.0	69.2

Figure 7.1.2 illustrates the ranking of MCI's by participating countries.

Figure 7.1.2: *International MCI comparisons—ranked results*





7.2 Individual organisation comparisons

The New Zealand MCI findings can be used by individual organisations to benchmark their own performance. Further analysis can be done to compare against other comparative groups (such as industry type or organisation size).

The following table illustrates how an organisation's results can be compared to the NZMCI and to identify the gaps in each of the 10 individual categories.

Table 7.2.1

Company A's performance compared to overall performance

INDIVIDUAL ORGANISATION COMPARISON			
	NZMCI	Company A average scores	Variance
Q1 Visionary and strategic leadership	70.2	76.0	+5.8
Q2 Performance leadership	71.4	72.0	+0.6
Q3 People leadership	69.3	64.0	-5.3
Q4 Financial management	79.2	76.0	-3.2
Q5 Organisation capability	66.8	60.0	-6.8
Q6 Application of technology and knowledge	71.4	72.0	+0.6
Q7 External relationships	77.5	80.0	+2.5
Q8 Innovation – products and services	67.0	72.0	+5.0
Q9 Integrity and corporate governance	87.6	85.0	-2.6
Q10 Results and comparative performance	70.1	60.0	-10.1
Overall mean	73.1	71.7	
Weighted mean	71.9	69.7	

As indicated in Table 7.2.1, the MCI for Company A is 69.7. This suggests that Company A is performing at 69.7 of its potential 100 capability. Company A's MCI of 69.7 is lower than the New Zealand MCI of 71.9.

Company A registered its highest score in *Integrity and corporate governance* followed by *Financial management*. It recorded its lowest scores in *Organisation capability* and *Results and comparative performance*.

In its strongest areas, Company A could continue its efforts to set industry standards in these areas. Company A could now focus on improving performance in those areas identified as having a wide variance from the NZMCI: *Results and comparative performance* (variation: -10.1) and *Organisational capability* (variation: -6.8). Company A could address these areas by examining each relevant criteria and implementing various improvement initiatives to strengthen organisation performance.

Company A could also compare its performance with the NZMCI results for organisations of the same ownership type and size.

To assist organisations to develop and improve their performance in management practices and competencies underpinning the 10 categories of the MCI, a comprehensive list of training and development programmes is offered by the NZIM. See its website www.nzim.co.nz.

As part of its mission to improve management and leadership excellence, NZIM's programmes, short courses and accredited qualifications are designed to utilise a range of blended learning methods including face-to-face and e-learning and can be delivered to individuals and organisations off-site or in-house. In addition to bespoke training solutions, NZIM offers mentoring, coaching and a strong networking base.



8 WAY FORWARD

8.1 Conclusions

The 2013 NZMCI provides valuable insights into the current status of management capability in New Zealand and further defines the baseline against which to monitor that capability in the future.

MCI respondents comprised a broad cross section of New Zealand organisations reflecting a range of organisation sizes, activities and geographic locations.

The overall NZMCI is 71.9 (of a potential 100 capacity). This indicates that New Zealand organisations are performing at less than three-quarters of their capability. This overall rating is similar to results obtained from surveys in Australia (70.3), Malaysia (72.0), India (76.8) and Singapore (69.2) (refer table 7.1.2.).

It is, however, pleasing to note the MCI overall score of 87.6 for the category *Integrity and corporate governance*. This lead score inspires confidence that New Zealand organisations take the importance of sound governance practices seriously and places New Zealand in a leadership position in this category against comparable international organisations. Adherence to sound corporate governance practices was supported by a strong overall result of 79.2 in the *Financial management* category; a score well above the overall NZMCI of 71.9.

It is interesting to find that MCI ratings are not generally industry specific. It is only in the area of *Application of technology and knowledge* that the 'Education and health' and 'Other services' categories have higher scores than other sectors. The 'Production and logistics' sector has slightly higher *Results and comparative performance* scores.

There is, however, a clear pattern in MCI scores when analysed by managerial hierarchy. Where chief executives and managing directors responded to the survey, the organisation was more likely to receive higher MCI scores. The score differences were quite marked in categories such as *People leadership*, *Organisation capability* and *Innovation – products and services*. Respondents from lower management levels score their organisations lower. This is also reflected in how women respondents score their organisations. Women appear to make harsher judgements about their organisations than men, particularly in the areas of *Performance leadership* and *Innovation – products and services*. On the other hand, women managers rated *Integrity and corporate governance* slightly higher than their male counterparts.

And the larger the organisation, the lower the MCI score. This applies particularly to *Organisation capability* and *Application of technology and knowledge* where the range of scores shows a clear pattern from higher to lower scores as the size of the organisation increases. Smaller organisations do less well on *Results and comparative performance*.

NZMCI survey results since 2003 show New Zealand's overall capability ranking has improved from 66.2 percent to this year's 71.9. All subcategories have improved, but in many cases only marginally. Financial management has always been highly ranked while *Organisation capability* and *Innovation – products and services* have consistently languished near the bottom. *Integrity and corporate governance* were not measured in the original MCI.

So there remains considerable scope for improvement, particularly in important performance areas such as *Organisation capability* (66.8) and *Innovation – products and services* (67.0). Innovation is always high on the New Zealand policy agenda but there seems to be little progress in developing management capability in this capability. Innovation is yet to become a central part of business culture across New Zealand organisations.

At a domestic level, small to medium enterprises fared better in the area of innovation in comparison to larger organisations (refer Table 6.4.1). It is interesting to note that small to medium enterprises also demonstrated stronger performance in the category *Application of technology and knowledge* when compared to larger organisations. Strategies and policy setting that encourage the development of New Zealand's more innovative and strategically managed enterprises seem to be a priority.

Twenty-first century trends bring new challenges to management across New Zealand organisations. These trends include rapid technological change, increased globalisation and the shifting dynamics of a multi-generational and mobile workforce. It is recognised that an adaptive style of leadership is critical to every organisation's capacity to respond proactively to changes in the operating and business environment and to their capacity to innovate.



While the overall category score for *Organisation capability* is relatively weak, the subcategory result of 60.7 for 'Management brings about and maintains a boundary-less organisation, which is confident and effective in leading and managing a non-hierarchical structure', suggests that organisations in New Zealand may be slow to make the shift from a hierarchical command and control style of management to a more adaptive management style conducive to the rapid pace of change that characterises the 21st century. The result further suggests that multi-location organisations may need to adapt their horizontal as well as vertical organisational structures to best support the achievement of their business objectives.

Accordingly, the rejuvenation of organisational structures and management approaches to meet contemporary challenges could be a priority focus area for improvement for many organisations. In particular, government services respondents and large employers (+500) had low indices overall (54.2 and 56.8 respectively) demonstrating the potential for improvement.

8.2 Looking ahead

The New Zealand Institute of Management hopes that all New Zealand organisations will use the results of this latest survey to inform their quest for improvement.

After 10 years of bedding down this research and witnessing its adoption by other countries and endorsement by the New Zealand Government, we envisage greater participation in future surveys. NZIM hopes that a better understanding and greater awareness of the survey will allow for additional areas of data profiling in particular, a more comprehensive industry-by-industry breakdown as well as the capacity to provide more in-depth data analysis.

NZIM is excited by greater global acceptance and adoption of the Management Capability Index. We believe it is important to benchmark the nation's management capability against other countries in order to share learnings, keep pace with global trends and to strengthen our performance domestically and internationally.

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9 APPENDIX

9.1 Calculation of overall 2013 NZMCI

	Assessed	Weight	Weighted score
Q1 Visionary and strategic leadership	70.2	15%	10.5
Q2 Performance leadership	71.4	10%	7.1
Q3 People leadership	69.3	10%	6.9
Q4 Financial management	79.2	10%	7.9
Q5 Organisation capability	66.8	5%	3.3
Q6 Application of technology and knowledge	71.4	5%	3.6
Q7 External relationships	77.5	5%	3.9
Q8 Innovation – products and services	67.0	10%	6.7
Q9 Integrity and corporate governance	87.6	5%	4.4
Q10 Results and comparative performance	70.1	25%	17.5
Weighted mean	73.1	100.0%	71.9

9.2 Definitions

The definitions that form the basis for the NZMCI have been drawn from the definitions used in other jurisdictions, to ensure the consistency of data in international MCI comparisons.

9.2.1 Management capability and related concepts

Management capability is the capacity to apply management competencies within an organisation to achieve desired results.

Competencies	These are general descriptions of the abilities necessary to perform successfully in a particular job or position. Competency profiles are used as the basis for defining the requirements of a particular position and for predicting individual performance in the position.
Competence	This is having the requisite or adequate ability or qualities to perform well or to a required standard.
Capability	This is the demonstrated capacity to achieve through effective use of abilities or competencies for a particular purpose.



9.2.2 New Zealand Management Capability Index categories

Definitions for each of the 10 categories that make up the NZMCI are as follows:

Visionary and strategic leadership	Articulates a clear and inspiring vision for the organisation and team, and identifying the best ways to move towards the organisation's vision, mission, objectives and goals while at the same time taking into account the needs of all stakeholders. Demonstrates a global perspective and understanding of global markets and global thinking.
Performance leadership	Ensures an achievement oriented organisation and team that is able to manage risks and constant changes, while consistently striving for performance excellence and continuous improvement.
People leadership	Makes human resource planning, talent management and development an integral part of the organisation. Maintains an open structure that encourages growth and empowerment of its people.
Financial management	Practises sound and effective financial management of the organisation. Leads and manages the organisation to consistent performance improvements and profitable growth.
Organisation capability	Builds a culture of innovation and research with emphasis on continual improvement and learning both for the individual and organisation. Maintains a 'boundary-less' organisation with effective application of best management practices to achieve organisational goals and objectives.
Application of technology and knowledge	Brings about a knowledge driven organisation that understands and exploits information technology and knowledge management to improve performance of organisation.
External relationships	Builds effective relationships with all stakeholders and develops and maintains networks and spheres of influence.
Innovation – products and services	Encourages continuous innovation in products and services in creating new value for the organisation.
Integrity and corporate governance	Consistently adheres to ethical principles having set specific rules and procedures for making decisions on organisation's affairs. Has an established standard of ethical behaviour for directors and stakeholders based on trustworthiness and values that are accepted or upheld. Adheres to legislation, regulations and guidelines in administering the business of the organisation.
Results and comparative performance	Measures and monitors business performance and goals as the key performance indicators and scorecard of the organisation. Recognises that performance results are the most important measures of management capability.

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