

# New Zealand's Most Innovative Companies 2022

Featuring BCG's Innovation Index

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Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.

## New Zealand's Most Innovative Companies

Innovation is more important than ever in today's uncertain business environment. With recovery from the COVID pandemic, war in Ukraine, and continued supply chain and labour difficulties, companies need to respond quickly to the rapidly changing environment. Innovation allows companies to take advantage of change, anticipate opportunity, and maintain relevance. For companies to be successful at innovation, they need to make it a priority, commit to investment and talent, and be ready to transform that investment into results.

BCG recently surveyed 100 New Zealand executives to identify New Zealand's most innovative companies. We also set out to understand what New Zealand companies care about when it comes to innovation, who they admire, and how these priorities are translating into action.

BCG's global Most Innovative Companies survey has been running since 2005. This is the survey's inaugural year for New Zealand as we celebrate the opening of our Auckland office. We surveyed 100 innovation executives in New Zealand who run companies with revenue of over \$10m. We have also drawn comparisons with our global research from 2020 and 2021.

The ranking of New Zealand's Most Innovative Companies is based on an assessment of company performance in the four dimensions also used in BCG's global study:

- **Global mindshare: Do executives outside my industry see me as an innovator?** The number of votes received from all New Zealand innovation executives.
- **Competitive view: Do my competitors "fear" me as a serial innovator?** The number of votes received from New Zealand innovation executives in the same industry.
- **Industry diversity: Do I innovate in a diverse set of industries?** The Herfindahl-Hirschman index measures the level of competition within industries; we have used the index methodology to measure the concentration of votes from industry insiders versus outsiders.
- **Value creation: Do I create value from innovation?** We use Total Shareholder Return (TSR), including share buybacks, from 31 December 2018 to 31 December 2021 (three years).

We used normalised scores to calculate the overall ranking.

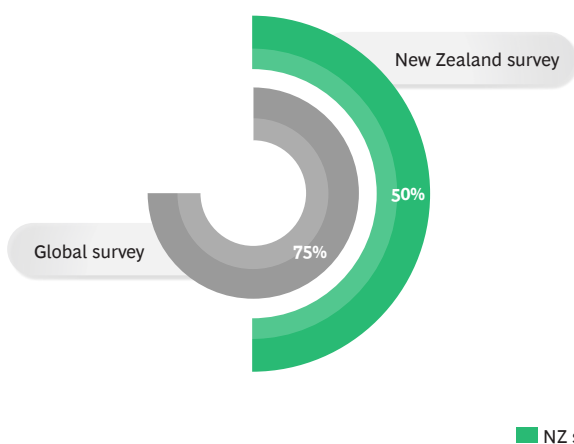
So, how are New Zealand companies faring when it comes to innovation?

### New Zealand Companies Are Committed Innovators

Half of the companies we spoke to report that innovation is one of their Company's top three priorities. This is lower than our global survey result in which 75% of companies say that innovation is one of their top 3 priorities (Figure 1).

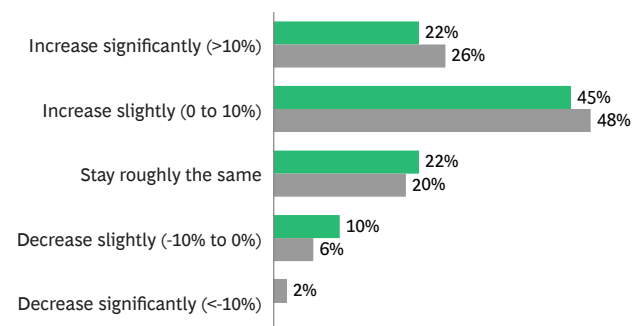
## Exhibit 1 - 50% of Respondents Say That Innovation Is in Top 3 Priorities, 74% Will Spend More in 2022

50% of respondents stated that innovation was a top three priority for their organisation compared to 75% globally



Firms that prioritise innovation are planning to increase investment in 2022

Expected budget for innovation in 2022 versus 2021 for respondents who said that innovation was first/top 3 priority % respondents



**Q13:** Where does innovation/ R&D/ product development rank among your company's priorities?

**Q14:** "Compared with this year 2021, do you expect your company's budget for innovation/ R&D/ product development in 2022 to:" n=100;

**Source:** BCG Innovation Survey; BCG analysis

However, companies still prioritise innovation, even when it's outside their top 3, with plans to increase investment to support their ambitions in the next year. 74% of New Zealand companies say that they are committed to increasing investment in innovation.

### Innovation Commitment and Readiness Delivers Rewards

Companies that are committed to innovation, and ready to translate those commitments into action, drive value creation and resilience. Looking back over the results of BCG's global innovation index, the 50 most innovative

companies of 2007 outperformed the market during the Great Financial Crisis – delivering total shareholder returns that were 4 percentage points higher per year than the overall market between 2007 and 2012.

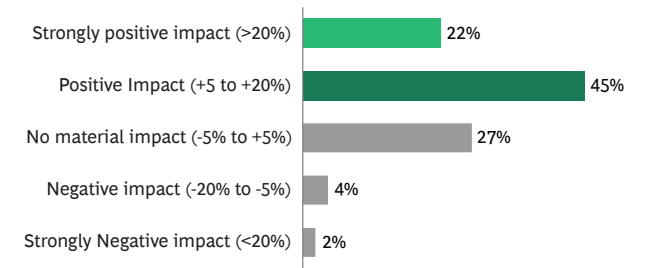
Global results during COVID-19 are similar. Pre-pandemic, the global 50 most innovative companies of 2020 outperformed the market by 17 percentage points in the last year.

Most New Zealand companies experienced growth during the COVID-19 pandemic and are confident in their growth trajectory for 2022.

## Exhibit 2 - Most Companies Experienced Growth During COVID-19 Pandemic and Confident Into 2022

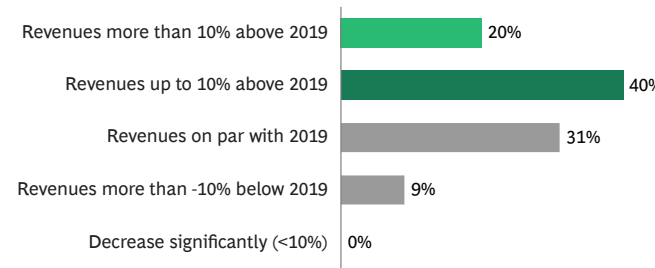
Over 65% of respondent's companies experienced year on year revenue growth in 2021; only 6% saw revenues decrease

Covid impact on business YoY revenues % respondents



9% of respondents expect an ongoing negative impact on revenue from COVID in 2022; 60% believe revenues will increase

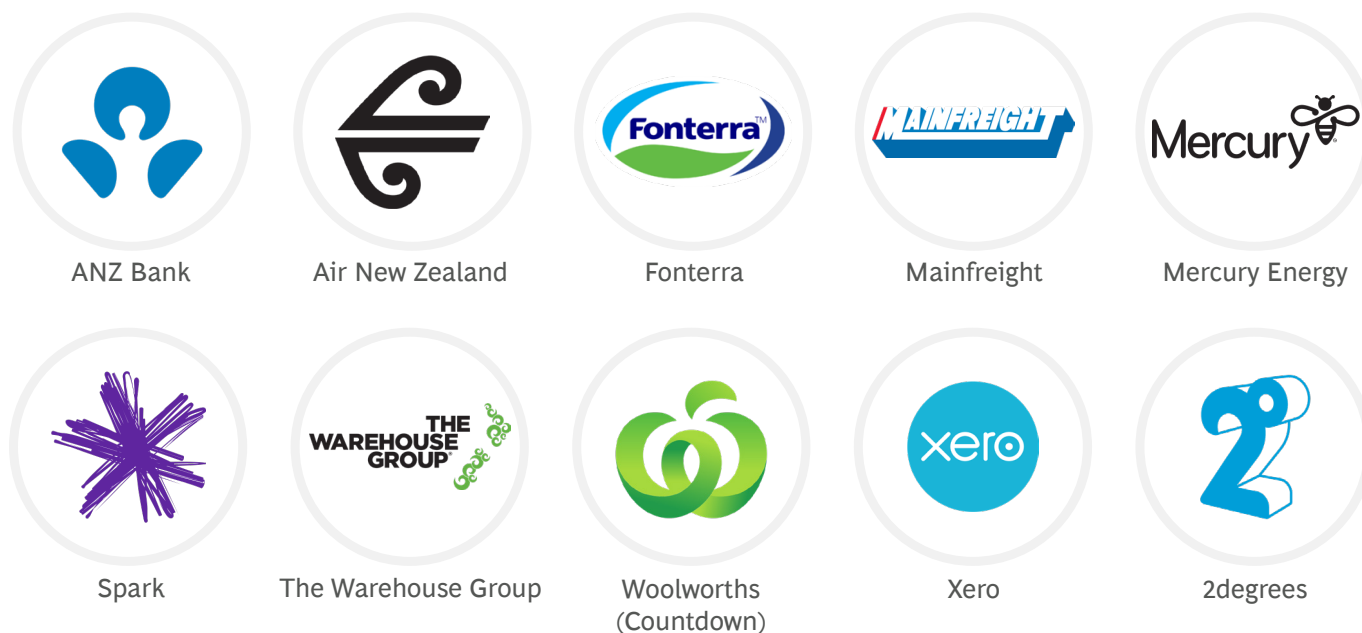
Probable scenario for 2022 compared to 2019 (pre-COVID) % respondents



Q41: "How significantly has COVID-19 impacted your business, in terms of change in revenues year-over-year (2019 vs. 2021, projected).";  
Q42: "What scenario do you currently believe to be the most probable for your business in 2022, compared to 2019 (pre-COVID)?" n=100;  
Source: BCG ANZ Innovation Survey; BCG analysis



## Exhibit 3 - Top 10 Innovative Companies in New Zealand



N = 100 New Zealand based execs.  
Source: BCG ANZ Innovation Survey

Our study focused on companies with New Zealand-based management teams and annual revenues of over \$10m.

The 10 most innovative New Zealand companies have average total shareholder return<sup>1</sup> 16% compared to 12% for the overall market, including Air New Zealand which was negatively affected by COVID-19 related travel disruptions. This total shareholder return growth is largely driven by revenue growth.

### Diversity and Innovation

The Most Innovative Companies tend to have greater gender equity in their leadership teams. At Spark, over half the executive team and board are women. 40% of the companies listed as Most Innovative Companies are chaired by women (Air New Zealand, Mercury Energy, Spark, and The Warehouse Group), compared to 22% of the NZX50. And 20% of the companies on the Most Innovative Companies list have women CEOs (ANZ and Spark) compared to 12% of the NZX50.

How does the causality run? Looking at the global Most Innovative Companies list since 2005, companies that enter the top list each year had more diverse leadership teams before they made the list when compared to a broader index of the largest companies. However, we don't see robust evidence that the top innovators become

even more diverse after making the global list. This suggests that while gender equity helps companies to foster innovation, being more innovative does not lead to companies becoming more diverse.

### Digital Leaders Are Outperforming the Market, but Their Success Calls for Ongoing Innovation Investment and Readiness

A closer look at New Zealand's inaugural list of most innovative companies underscores the power of commitment to innovation and readiness to act. Companies with digital focus and strong customer experience – such as Air New Zealand, Countdown/Woolworths, Spark, and Xero – lead the list.

Spark launched an innovation studio to help Kiwi businesses harness the power of emerging technologies such as 5G and IoT. Woolworths / Countdown and The Warehouse Group benefitted from investments in e-commerce to handle spiking demand and different ways of reaching consumers during COVID-19 lockdowns.

Digital leaders are outperforming and out-innovating their competitors by disrupting existing business models and delivering what customers and investors want. To continue

<sup>1</sup>. Total shareholder return reflects the true bottom line for a company's shareholders. It is calculated as the sum of overall appreciate in the stock's price per share and any dividends paid by the company during a particular measured interval, divided by the initial purchase price of the stock. 2degrees was excluded from this analysis as it is a privately held company.



to stay ahead, these companies recognise that they need to keep investing in innovation to capture the benefits and capitalise on them.

Companies that don't have strong innovation priorities and investment plans need to act quickly – or they risk losing their existing scale, scope, customer relationships and data to innovative disruptors.

Most importantly, successful digital transformations are not one-and-done events. Staying competitive and relevant requires continuous innovation – and companies that combine human and technological capability, and embrace diversity, are more likely to be resilient to adversity and market conditions in today's ever-changing world.

Based on the study results from New Zealand and globally, we have identified the top five areas of innovation readiness that companies need to focus on to deliver the greatest returns:

- **Set a clear ambition** – **Top innovators set aspirational goals aligned with corporate strategy**, along with specific value creation targets that inspire teams to invent better ways to serve customers and society.
- **Establish the right playing fields** – The best innovators have a deep understanding of shifting customer priorities and explicitly focus on a limited number of innovation domains where they have a right to win.
- **Prioritise performance management** – Ready innovators complement clarity on medium-term ambition and playing fields with clear KPIs linked to incentives that reward both predictable, incremental progress, and successful step-change innovation.
- **Push project management** – **Empowered, multidisciplinary teams accelerate innovation** by bringing together external insights, a clear view of the company's strategic advantage, and technical know-how to realize compelling new value propositions.
- **Develop talent and culture** – Leaders foster a culture in which innovation roles have prestige and thoughtful challenges to the status quo are welcomed, ensuring that the best talent is tackling the most ambitious innovation challenges.





## Methodology

BCG has been conducting the global Most Innovative Companies ranking since 2005. This is the inaugural year in New Zealand. We worked with our survey partner Grail Insights to survey 100 innovation executives in New Zealand with company revenue of over \$10m October to December 2021. We have also drawn comparisons with research completed in BCG's global Most Innovative Companies survey from September 2020 to October 2020, and from January 2021 to February 2021.

The Most Innovative Companies ranking assesses companies' performance on the four dimensions from BCG's global study:

- **Global mindshare: Do executives outside my industry see me as an innovator?**

The number of votes received from all New Zealand innovation executives.

- **Competitive view: Do my competitors "fear" me as a serial innovator?** The number of votes received from New Zealand innovation executives in the same industry.

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