

Transcription details:

Date: 17-Feb-2017
Input sound file: Moxie Podcast 48

Transcription results:

- S1 00:00 Hello, and welcome to another episode of The Moxie Podcast, the companion web show to The Moxie Sessions and Internet economy discussion group, held once a month in Auckland, New Zealand. This is episode 48, recorded on the 15th of February, 2017, and the Moxie Session it relates to was held in December 2016. I'm Andrew Patterson with you here in Auckland. I'll introduce our panel shortly, but, first, let me outline the topic we'll be considering in this session. How have we gone in the last 12 months in tech? Is there cause for optimism on our progress, either in the sector itself or in the use of technology by the rest of us, and what will the next 12 months hold and have in store?
- S1 00:42 Joining me to discuss this, Victoria Maclennan, Managing Director of OptimalBI, a Wellington-based information management company. Victoria's also involved in a host of other tech sector ventures with government start-ups and not-for-profits, and was named the New Zealand IT professional of the year at the ITX Awards in 2016. Andy Hamilton, well known Chief Executive of The Icehouse, a business growth centre established as a partnership between several large companies and the University of Auckland in 2001 to help more New Zealand companies become successful internationally. And Frances Valintine, founder of the Tech Futures Lab and The Mind Lab by Unitec, both ventures that teach knowledge and practical skills to enable both students and mid-level executives to navigate the ever-changing world of technology.
- S1 01:27 Frances Valintine, to you first. You don't feel we're moving fast enough. In fact, in the session, you said when it comes to tech, you have huge excitement about the next generation. You're concerned that not enough teachers are responding to the changes around them, but the really terrifying group you identified are the corporates, with some notable exceptions. Most, you say, are still stuck in the 90s with no Plan B. What's the basis of that assessment, and why the reluctance to get on board?
- S2 01:55 Look, I think we still have this obsession with returning margins to the shareholders, and so instead, at the time, we were saying, "Look, we've got reducing margins, and we should be investing more in technology and looking at the likes of machine learning and AI and automation, and looking how we can improve those margins," we're sort of going and driving towards the cliff and saying, "Look, we've just got to cut costs." And so I think that we're just not seeing enough of the time pressures we're under, and so where there should be an immediate need to be deploying new technologies, we're sort of sitting back and thinking about how to cut costs.
- S1 02:26 Andy Hamilton is somebody involved across the ecosystem. Do you share Frances' concerns there's not enough sense of urgency?
- S3 02:35 Well, [inaudible], there's two sides to it. There are those that get it, and then those don't. And even though we have this utopia in New Zealand where we live at the bottom of the world, inherently we lack scale, and to some degree, a competitive market, which means people can probably just get away with putting their head in the sand and ignoring. Those entrepreneurs that are out there operating in a truly global

world, I think feel it, see it, every day. They're just the minority. And that's our challenge, is how we get more of the majority to actually see what we need to do as people, organisations and communities.

- S1 03:09 We'll come back to some of the strategies around how we could or should be doing that. Vic Maclennan, as someone also operating in multiple spheres across the ecosystem, what's your take on our rate of progress when it comes to tech?
- S4 03:22 I think that we generally are still putting our heads in the sand, and I echo the views that the other two made. New Zealand's productivity is lower than average in the OECD and doesn't look like it's going to climb any time soon, and we're not recognising the role digital and technology can play in lifting the productivity of New Zealand across all industries. And that includes the need for us to get off the grass and stop focusing so much on primary industries and raw materials to bring in our export dollars.
- S1 04:01 So how do you think we should be addressing that, because this is the same kind of rhetoric which has been spoken about over and over? And I think everybody knows the problem, but it seems challenging to move the greater base of the business community across the line on this issue. Do you have any thoughts on where we're perhaps not doing enough?
- S4 04:27 So to think about it systemically from the education system upwards, generally. So young people who go into school, don't see digital and technology as a vocation or a pathway for them for a career, and then when we get into job systems and vocational pathways into jobs, our apprenticeships and ITOs are still focused on very manual labour, and lower cost and lower yield jobs. They're not necessarily focusing on technology as an enabler. And then getting into business, we still have this massive lens on primary industry. So it's basically true. All of our systems that we need to change the attitude and style and way of thinking, is start thinking about a lighter, more productive economy.
- S1 05:22 Frances Valentine is somebody really who has sought to walk the talk on this one, by obviously the establishment of the Mind Lab and Tech Futures. How much progress are we making, particularly in the education space? I know you mentioned as I said, that you have a high degree of optimism for this next generation, but how do we sort of move that system forward a little bit faster, do you think?
- S2 05:50 Yeah, I think the key challenge is we have a group coming through for the 12 and unders, who fundamentally think of learning in a different way. They are connective, and collaborate, and they use technology to extend their learning, and they are self-educators. And then we have another group that we've sort of assumed are highly technical, the group of teenagers and maybe even the early twenties, who we sort of looked at and said, "Well, you're big consumers of technology, you must know about this stuff, but the reality is when you look those audiences, they have gone through an analogue education system that isn't really preparing them for the careers that we aspire to pursue. And so there's a disconnect between what we're seeing as graduates coming through and what they want because they need to be guided.
- S2 06:32 I mean, these teenagers going through high schools right now need a lot more guidance about the jobs of the future, the way they'll work, the types of subject choices they should be making. They also need to understand a lot better about the way we'll work in terms of contracting and the flexible work space and the global jobs they will be working on, so the portfolio career-type student. And so we've at the moment got this transitional period between the next generation who will

hopefully benefit from changes in the education system, and those that we're seeing coming out right now.

- S1 07:03 Andy Hamilton, one other issue raised, too, around this need for more innovation offices in big firms, we're starting to see a little bit of a growth of that position, and just picking up on Frances' comments about this next generation moving through, how do we think more about the pipeline between, obviously, creating an attractiveness, attractive opportunities for kids to be able to move into the space and, I guess, just generally for these organisations to come up more to speed in this area?
- S3 07:38 Well, a couple, one of the things that we've seen over the last year is - it might not be fast enough for many of us - but there is a heightened awareness of the role that digital innovation and tech plays in the business models and organisations, and it's a good thing that people are worried about disruption and are doing something about that. I think the next thing is how that translates, and, fundamentally, we have a such a small market and so many of our large organisations are only New Zealand-focused. So I think that just creates a challenge, and it takes leadership from the likes of some of our large corporate CEOs who show the way, whether it's the Air New Zealands of this world or others, who realise they are facing real competition from world markets. And I think it would be great if we could see a change in mix of our big companies to more globally focused, but I think that's going to take a bit of a generation.
- S1 08:35 And, Frances, you mentioned before - obviously around the student market, but you're also seeking to address this mid-level executive market as well - the creation of a tech futures lab. How much do you think there is a need to up-skill people in that mid-level range of corporate organisations around the country?
- S2 08:55 Look, I think, globally, we're looking at a real phenomenon. We were suddenly for the first time not looking at education as being front-loaded into that first quarter of your life, but actually as saying, "Well, how do I stay relevant at 40 and 50 and 60, and now even potentially 70 and beyond, because of the retirement age, in the future?" So what we've got to understand is, that actually the currency of success is about what you know and how you know how to find it, and if you don't have the understanding of how you use networks and think globally. And look at the global context. I mean, just in itself, the globalisation and the huge population growth needs to be factored into every business. And just to get measures around that, if you were born in the '50s the world population was 3 billion and by the turn of century 2000 it was already 6 billion. We're now going towards 9 billion. So by the time someone born in the '50s, basically dies, they will have seen a three times the population growth of the world.
- S2 09:50 Now, those opportunities are there. They're also challenges. And so if you're talking to a corporate who's been in the same job for some time, and say, "Well, I'm still relevant," they need to step out of that mode and to say, "Relevant for what world?" Because the world and the exponential change is happening so quickly. And, actually, one of our candidates in our program - this is the other day - he came out of the banking field into our program, and he said the conversation that led him to that change was he talked to a neighbour who said, "I think of bankers as I think of librarians. It's a safe gig, but it's a road to nowhere." And I think we've [inaudible] wake up call saying, "Really, what value are you bringing into the economic world, and how are you contributing to the economic value of the country, but also for your own family in the long term.
- S1 10:37 Vic MacLennan, do you think boards are being challenged enough in this area?
- S4 10:42 So I think there's a big learning curve ahead for boards in this area. The future of work, as Frances earlier described, is almost upon us, and the world of freelancing

and having very selective skills and being able to work for multiple different organisations on a job-by-job basis, is a completely changing world which changes the risk profiles of boards and often changes the productivity of what the business you're involved in is doing. Equally, boards have a lot of other emerging issues they haven't necessarily had their heads around in the past. So health and safety in New Zealand particularly, globalisation on a global basis. There are some real challenges for boards and some steep learning curves, and I think we need to really professionalise board level roles in New Zealand as part of New Zealand becoming a global player.

- S1 11:39 Andy, I'd imagine you'd support that.
- S3 11:42 Yeah, totally [inaudible]. Those of us who-- we can just get really busy doing stuff and just not see these little trends, and I think the value as you get both of my colleague's comments, is the scary bit is we are seeing significant shifts, and how we need to balance, I suppose, the things that we don't see that catch us out, as organisations, people, and communities. And that's the bit that we all fear. That we the communities and people get disenfranchised and you see significant job losses. Worse even still, you see our children and our people not being adequately-- being prepared for what the future beholds. And that's just something that-- it feels to me right now, we've seen quite a move to non-linear things happening in the world, and I think that can be scary for how communities cope with that.
- S1 12:41 And do you buy into this sense that we are right on this cusp? That the next 10 years will see dramatic change and therefore, how ready, how prepared is New Zealand for that inflection point?
- S3 12:56 Look, that's a really-- I think that other people are more equipped to understand that. I'm just busy trying to help companies grow and get to that next level. And I listen more to the Franceses of this world to try and synthesise what that's actually going to mean for us, because sometimes you can sit there and go, "Well actually, not much is changing." So it's probably better that Vic or Frances has a comment on that.
- S1 13:22 Frances.
- S2 13:22 I'd like to jump in there and just talk about-- I think this year we'll start to see the very first of the really big indicators of that change. What I'm seeing and hearing now is the number of people who are looking to lay off significant numbers of senior staff, and as those margins become tighter and tighter looking at where can you cut costs, we're seeing organisations across different sectors thinking about what types of skills they need going forward, and are they permanent roles or are they contract roles to fill short-term and long-term needs? And I suspect we'll start to see some New Zealand iconic brands start to fold by the end of this year, where they just can't sustain the competition, which will be coming increasingly from offshore.
- S2 14:03 And so it's not those competitors they know down the road or the ones that they can even see, but the ones who are literally coming from behind the curtains from offshore markets, and just with technology-enabled platforms and coming in and really talking to this new generation who don't have the same relationship with businesses. They're much more driven by the connectivity and the connection and the collaboration, and don't sort of follow brands in the way we once did.
- S1 14:28 And Vic Maclennan, do you share the sense of fear that we are at this inflection point and this will begin to have quite devastating impacts on particular businesses?
- S4 14:38 Well, in the last 24 hours alone, if you look at the news feeds, we've seen some of the biggest losses of big iconic global companies that I've ever seen in my life. Credit

Suisse, Rolls Royce, 5 billion pounds each, lost this last financial year for them with the calendar year of 2016. And both of them announced thousands and thousands of staff to be laid off. There's been a litany of them in the last 24 hours as all of these big global brands are announcing their financial returns for last year. And this is a really strong indicator as to where the economy is generally, but when we come closer to home we're already starting to see some of the indicators, as Frances mentioned previously, of changes in the workforce here in New Zealand.

- S4 15:29 And I agree. I think we will start to see some iconic brands have some pain this year. We'll start to see some more disruption through globalisation, and we will start to see traditional manual labour type roles or input roles being replaced by automation, and AI, and machine learning and other technology leaps forward.
- S1 15:53 So I'm interested, from each of you, on this perspective that was touched on and the discussion, what drives the lack of interest and public discussion on these sort of questions, given the significance of their impact? Andy Hamilton, why aren't we talking about this stuff more?
- S3 16:11 Well, people will talk about it when there's a mass series of lay-offs, when people realize there's a burning platform. Until that point, people don't believe in it, it doesn't touch them, and there's no public outcry to act against that. And that's often the case, right, when you get fundamental shifts in change, because change is a constant. So I just think it's not top of the agenda, or to some extent, the general populace can't see what other futurists and leaders can.
- S1 16:43 And I imagine, Frances, that must be a great part of your frustration at the moment.
- S2 16:50 It definitely is a huge frustration, because it's not just trends. These are huge indicators with examples right in front of us. And as Vic was saying, I mean, if we talk about these big brands-- I mean, I've just come back from both Europe and the US in the last month and you're just walking around the streets seeing just the hollowing out of entire ecosystems. In retail space alone in the US, the Sears and the J.C. Penneys and the Macys all closing doors, and these are institutional organisations.
- S2 17:19 If you're a retailer in New Zealand, if you're not looking and saying, "Globally, the biggest brands in the world worth billions of dollars can't keep their doors open, something's up." And so then when you start bringing it back into New Zealand, I think we still have this romanticised view of competition. And while we, yeah, can go home to a house and we can go out to the beach and swim and fish, we feel like life is good, and so we don't have a highly competitive edge to us. We haven't needed that. But we have to understand is that competition does not have to be onshore and we cannot just continue to sell to ourselves because the people next door are going to stop buying from you and they'll start to buy online. And it's just one example of just so many sectors facing the same challenge.
- S1 18:02 All right. I'm just going to finish with the same question that we entered the session with, is optimistic or pessimistic? And maybe some predictions and some areas that you think we should be putting on the work-in-progress list and maybe pulling those up the ranking order a little bit. Andy Hamilton, we'll kick off with you. Optimistic or pessimistic?
- S3 18:27 Optimistic, because change creates opportunity. But fearful of the impact that some of these changes will have on people and their communities and on the street.
- S1 18:38 And an area that you think you'd like to see us working on more as a country?

- S3 18:42 Just be more open to the change that's coming and embrace it as an opportunity. I think they're little-- I'm a big one around, maybe, the lack of control systems that we need to be successful. That means we need to be more flexible, we need to think of new schooling experiences, new learning opportunities, and maybe be a little bit disruptive in how we enable our people to be open to what is coming.
- S1 19:10 Okay. Frances Valentine. Optimistic or pessimistic, and where do we need to put the focus on more?
- S2 19:17 So I'm always the optimist, and I think that there is incredible opportunities right now for people to create incredibly valuable [inaudible] with a purpose and take on the global market. I'm very pessimistic about many who are not seeing the opportunity and literally will drive towards the cliff and not see how close they are right now. But I think the biggest thing will be we need to change our conversations, and we need to have at least an open mindset around the idea that perhaps even if a tiny bit of what we're talking and forecasting right now, came to fruition, what would that do to businesses. And those conversations have to be revved up and harder conversations have to take place.
- S2 19:54 A regular discussion I have with organisations is, "When was the last time around a board table either the exec team or the board really took on a major issue and said, 'How is AI going to affect us, or how will automation of a major competitor affect us?'" And I'm still waiting for that one company who turns around and says, "We do that all the time." The answer is almost always those meetings are about operational situations, and we just continue on business as usual.
- S1 20:22 And, Vic MacLennan, final word to you.
- S4 20:25 Well, I, too, am always optimistic, so I will say I'm optimistic for the massive opportunity ahead of New Zealand. I think we need to focus on a couple of things. One, the digital and technology industry for us is software [inaudible] particularly. We need to kick the Kiwi out of her. We need to learn how to be competitive in different markets, and that does lead to harder conversations, and relentless focus, and being really focused on what we're selling, rather than trying to be all things to all people. But the other thing I think New Zealand really needs to focus on is learning how to collaborate.
- S4 21:00 When you travel round the world, as the three of us all do, and you buy wine and you see New Zealand wine under a New Zealand wine [inaudible], the wine industry has figured out how to collaborate and go to market as New Zealand wine industry, quite nicely, while they can still compete vehemently here for awards domestically. The digital technology industry needs to learn how to collaborate, and we can be stronger as companies work together to collaborate. So I think those two-- kicking the Kiwi out of us and collaboration, are two areas New Zealand needs to really, really focus on its businesses.
- S1 21:37 Thank you all for joining us, speaking to Victoria MacLennan, Managing Director of OptimalBI, Andy Hamilton, Chief Executive of The Icehouse, and Frances Valentine, Founder of the Tech Futures Lab and the Mind Lab by Unitec. I'm Andrew Patterson. Thanks for joining us for this Moxie podcast. I hope you'll join us again in the future.