Wellington’s digital sector — growing under the radar

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This report is the result of interviews organised with digital sector companies by Lilias Bell, and conducted between July and October 2014 by students studying Strategic Human Resource Management for a Bachelor of Commerce degree. Interviews carried out by 15 students of the Master of Business Administration in a course supervised by Geoff Plimmer also helped extend the range of companies interviewed. More than 200,000 words of insights from interviews with industry representatives have been distilled and edited with particular help from Kate Hansen and Rose Corrigan, and Chris Wilson has provided the final edit.

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Executive summary

“A creative city is a place where people feel they can fulfil themselves, because there are opportunities. Things get done. It is a place where people can express their talents, which are harnessed, exploited and promoted for the common good. These talents act as a catalyst and role model to develop and attract further talent in a self-reinforcing cycle.” (Landry, 2011: 521)

During the past five years, almost to their surprise, Wellingtonians have begun to recognise the creative ways in which rapidly changing digital technologies are transforming their city’s economic base.

A 2014 report Wellington’s Knowledge Economy—Coming to Grips with Technology Change, found that more than 100 knowledge sector companies strongly valued Wellington for its proximity to central government, skilled staff and compact networking.

This report concentrates on companies which support or develop software and information technology. In many cases, these companies started as support services for government and banks. This sector has increasingly become diverse, innovative, and growth-focused—almost unseen by most Wellingtonians. Unlike other industries that have emerged since the 1990s, such as film and tourism, this emerging sector hasn't developed a high profile with the local public, most of its work being business-to-business both in New Zealand and globally.

Findings are distilled from more than 140 interviews with local digital sector business owners, managers and employees conducted by students of Victoria University who have been studying strategic human resource management.¹

Local companies face significant challenges of recruiting, training and managing, and rewarding performance in a globally competitive industry. The digital sector is to a large extent driven by individuals who can choose to live anywhere but creative cities are considered the most likely bases for the emergence of new sectors based on technology and creativity (Florida, 2012).

During the past two years, 20 Wellington technology companies have been listed in the top 100 of Deloitte’s fastest growing 500 tech companies in Asia Pacific.² Wellington now employs 20 percent of New Zealand’s information, media and telecommunications workforce³—the ‘quaternary sector’ of higher value-adding, knowledge-based service industries. Wellington has 47.8 percent of its economy in this sector compared with the national average of 31.3 percent⁴.

The growth of the digital sector is an opportunity for a city-based region that has since 2007 lagged behind the growth of Auckland and below the national average. The region has been constrained by budget restrictions on the major ‘industry’ of Wellington—central government—and the continuing loss of jobs from a once protected manufacturing sector.

Insights from digital sector companies in this report are highly relevant to the challenges facing the newly-created Wellington Regional Economic Development Agency (WREDA), which brings together tourism and events management roles of Wellington City Council with the regional economic development agency Grow Wellington.

In North America, each high-tech job created in a city has been found to foster five long-term jobs outside the technology sector in areas such as restaurants, retailing, teaching and health (Moretti, 2012). In Wellington, the digital sector dominates on-line job vacancies, and at pay rates which tend to be double the average.

The companies interviewed for this report represent a cross-section of large and small in a sector that has hundreds of small companies from among which the growth stars of the future are emerging. The experiences of these businesses present further opportunities for change and growth in the Wellington region.

¹ Classes which contributed were a stage three class about strategic human resource management, with 86 students, 15 students studying for an MBA class and two summer scholarships. This work has been supported by Wellington Regional Council's Strategy Office and Grow Wellington, and the author of this report sees this as ‘learning by doing’ giving students an opportunity to learn about emerging areas of work while also contributing to regional understanding of these trends.
⁴ Annual Economic Profile, Infometrics, 2014
Wellington – a seedbed for the digital sector

“(Wellington) amplifies communities. It’s a crescent of hills pressing the city against the harbour creating a densely packed urban atmosphere where cars intrude on pedestrians and you’re never more than 100 metres from a café.” (Morrison, 2011: 489)

“The notion of competitiveness between firms and people is deeply ingrained, but in fact, innovation is often collaborative and networked.” (Katz and Bradley, 2013)

With its branding as a ‘creative capital’ and the ‘world’s coolest little capital’, Wellington needs to keep distinguishing itself from other cities that are also pursuing creativity policies. At least 60 cities around the world and 20 in Britain alone had initiated creativity policies by 2011 (Hollis, 2013: 96). The potential for compact cities is to facilitate people connections in an era of “abundant but highly specialised and fragmented knowledge that is too much for most human brains to contain” (Katz and Bradley, 2013: 83).

In A Roadmap for the Creative City, Charles Landry (2011) noted that creative cities are distinguished by connectivity, networking and liveability. Ways in which Wellington enables this were expressed this way by interviewees:

“It’s a city where you’re surrounded by people with IT specialisations … entrepreneurial people whose brains can be picked over a cup of coffee.”

“The staff could be working in a big city, [or] another country. They choose Wellington because they can do some really interesting things here.”

One described the compactness of a city focused around its harbour and hemmed in by its hills. Wellington is “a big friendly village … where it’s possible to walk down Lambton Quay and bump into 20 people you know—they can be customers, they can be employees.” Another said the city made it “much easier to maintain networks … so I think encouraging our staff to get out and walk around is important. How we do social events and catch ups down here is completely different to Auckland.”

This relatively small city means in the words of one ICT developer that “we talk a different language, we talk about relationships first, money second … in other cities they will switch suppliers at a heartbeat if they can save any money.” A director of a well-established software company noted, “reputation is important as it’s a small city and word gets around …. you do have to treat people with respect”. For one specialist IT provider, Wellington has “quite a moral compass; you don’t get many people ripping other people off”.

Lack of commuter stress, especially for those who have experienced it elsewhere, is a major advantage.

“Everyone’s on time and that’s great. I used to have conversations with people who spent two to three hours getting to work each day, each way, six hours a day. … Most of the employees are within 20 minutes’ drive, cycle or run. That means they get here fresher and on time.”

Another company owner commented, “I’ve worked in Sydney and London where people lived miles and miles away.. there was no after-hours socialisation—there was only work.” Closeness in the smaller city of Wellington “helps the communications and the back up and support for each other”.

One result for the digital sector in Wellington is a combination of collaboration and competition, termed ‘co-opetition’ as smaller companies find themselves at times collaborating and at other times competing.

“You can get really good work out of it, and you can pitch for work together,” said one interviewee, “so you can get bigger work. With the small city, it’s easier to know your rivals, but it’s also easier to partner up with them to get a job.”
Lifestyle advantages

“Place has replaced the industrial corporation as the key economic and social organizing unit of our time. Cities have always been important engines of economic growth, but they are assuming an even greater importance in today’s knowledge-driven innovation economy, in which place-based ecosystems are critical to economic growth.” (Florida, 2012: 188)

Wellington region⁵:

→ 25 percent of Wellingtonians were born overseas.
→ Almost all Wellingtonians live within three kilometres of the coastline.
→ 50,000 hectares are set aside for regional parks and forests.
→ 715km of walking, tramping and other tracks are provided.
→ 30 percent of the population uses public transport.
→ 23,000 people commute into Wellington city everyday.

The connection between lifestyle and business has been highlighted in a 2014 Quality of Life survey for Wellington City that found 89 percent in agreement that Wellington is a great place to live compared with a national average of 82 percent⁶.

Compactness of the city, with ease of access to the outdoors, was regularly a theme for digital sector entrepreneurs. The founder of an award-winning business said that access to regular exercise definitely adds “to people’s overall engagement and mood in their work”. A staff member of a multinational company who lived near Lyall Bay felt like he was at a beach house or bach each evening - impossible and unaffordable in other places he had worked, such as Sydney. The manager of a software company noted that the ability to ride his bike in what feels like countryside within only 15 minutes of work was a major benefit.

Lack of sprawl compared with Auckland meant staff at one multi-national tended to turn up at the office, “even when they’ve got the opportunity to work from home” which resulted in more collaboration. “People socialise more because they end up being mates.”

Theatre, restaurants, food and music meant for the head of human resources for another multi-national that employees were motivated by “having a good balance between work and the rat race”.

AN INNOVATIVE CITY

Innovation, expertise and client focus are at the heart of growth for the digital sector in Wellington.

The drive to innovate was key for more than 30 small and medium-sized companies in this survey. Businesses had been founded on identifying a niche within existing technology, by developing new software or targeting an under-served customer need.

Not surprisingly therefore newer, niche-focused companies emphasised a personal response to technology change. The term ‘agility’ was most commonly used to describe small to medium-sized company strategies, often connected with an ability to respond quickly to the external environment, or rapidly adopt or create new software design or innovation.

For one CEO in an expanding business this meant, “being able to adapt quickly to whatever came up, while maintaining customer focus and preserving brand philosophy”. For another, “having enough process so people are comfortable there is structure but not to the point that it constricts them and that they can’t add value to the customer”.

The most important business strategies varied distinctly with the sizes of businesses. There were very different dynamics in companies where their founders were active and staffing under about 30; a different level of formality for companies with more than 30 staff but under 200, and the formal structures needed with companies with more than 200 staff.

Client focus

For smaller companies, client focus was the most regularly mentioned strategy, expressed by one, “It is about the client, and about delivering the very best for them. That is at the very heart of our vision, our value set and everything we do really. The culture absolutely shapes how we deliver …”.

For a software developer that has grown to have over two million users worldwide, a major issue is to ensure “developers understand there are real people out there”, something it seeks to do by often employing users of the service.

For niche-focused developers, choosing clients is an important business strategy, not only for company growth but staff retention. “I turn down more work than I take,” said the chief executive of a web design and development company, “but ultimately we only do work that people want to do so it helps keep team morale going and we take work that we know we can make a difference to the client’s business.”

Company culture

Company culture was integral to maintaining staff morale and driving innovation – many of the smaller companies deliberately created a flatter, less structured and more open culture as a creative response to the larger organisations from which company founders had frequently come.

A pioneering writer about ‘knowledge organisations’, Peter Drucker, observed in 2001 that the knowledge economy is borderless because knowledge travels even more effortlessly than money and enables people to be upwardly mobile—available to everyone through easily acquired formal education and offers. The key to motivating creative people is to treat them as ‘de facto volunteers’ tied to the firm by a commitment to its aims and purposes, and often expecting to participate in its administration and its governance.

Engagement of staff was regularly a priority for interviewees with one noting, “The culture really helps because people are able to talk to each other freely here”. And the chief executive of a company that is expanding internationally saw a lack of hierarchy encouraging “input from all staff on issues both informally and formally which is important in a company because mediocrity is the enemy”.

Smaller organisations had little room to carry unengaged staff, so careful attention is paid during recruitment, leading one staff member to comment on the quality of engagement in his workplace, “It’s a company filled with very smart, motivated people. And there is nothing quite like being around people who care about what they’re doing to the same degree …”.  

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7 http://www.economist.com/node/770819
Finding the right person for jobs and retaining staff in a globally competitive market were areas of frustration, particularly in niche technologies and senior management roles. A survey of 440 New Zealand technology employers noted that almost 80 percent were thinking of recruiting during 2015, but 70 percent believed accessing suitably qualified staff was their top business challenge.

Informal recruitment, such as word of mouth and referrals, was a significant Wellington strategy in line with the experience of other knowledge-intensive cities. In the findings of an urban planning researcher, the ability to get a new job “is more likely dependent on a wide network of acquaintances who are plugged into a wider network of other acquaintances” (Currid, 2007:13).

As one chief technology officer commented, “… if you create a good personal brand – being hard-working, charismatic and articulate, and with good outputs, you become really transportable around what is a really vibrant Wellington job market”.

Larger, multinational companies typically advertised internally before issuing an external hire. “Employees are viewed as being more productive,” commented one HR manager, emphasising cultural fit and prior experience within the company. Other companies developed strong relationships with recruitment agencies, or found staff via their own innovative recruitment websites.

With three universities and three polytechnics, Wellington has a strong flow of graduates about whom companies have a spectrum of views.

Many companies were especially happy to employ experienced, knowledgeable graduates who understood their vision, worked hard, had initiative, and particularly had both the technical and soft skills required. As one major recruiter commented, “qualifications are just the door openers … personality, attitude, team fit and commitment are really important besides the degree …” “ … often we will find someone that is a perfect technical fit but we won’t hire them based on cultural fit.”

Soft skills were particularly sought by employers. Sixty percent of all technical jobs advertised required candidates to have two or more soft skills such as interpersonal communication or self-motivation; employers considered graduates to be job-ready six months into a job. A number of smaller companies commented on the difficulties of finding effective candidates:

“ … they have to be passionate … somebody who is reading and researching and following trends and picking up new ways of doing things … and somebody who engages with the vision of the business …”

“ … we look for skill, say for part of the interview process … the thing we want is the attitude. The ability to be trained, coached, accept change, express that. It’s all about attitude—technical capabilities can be taught.”

“ … bad hiring is costly and damaging, really damaging. So we’ll more often than not hire on cultural fit and skills can always sort of be learnt.”

“When you’re a little company,” one CEO noted, “every hour is quite precious.”

One major initiative for connecting students with work is the ‘Summer of Tech’, which in 2014-15 placed more than 100 students into paid summer internships in 56 companies, and offered industry-led classes to over 500 students. According to one large employer, this meant a small investment in a future potential workforce, “… rather than buying experience that can be costly, we give people experience”.

The ‘cultural’ expectations of employers was tested during interviews through the use of the ‘Competing Values’ framework (Cameron and Quinn, 2011) with differences between small, medium and large companies the most evident trend.
‘Clan culture’ was the dominant mentality for nearly all of the companies interviewed—likely due to the emphasis placed on innovation, knowledge sharing, teamwork and consensus of smaller and medium-sized companies. Medium-sized firms appeared to place more emphasis on a results-oriented, competitive market culture as they expanded from their start-up phase. As ICT firms grew, emphasis on a formalised and structured hierarchy culture increased, while network and clan culture lessened.

Skill shortages, particularly in high demand areas, have prompted many digital businesses to search internationally for staff. For some companies up to 50 percent of their staff are immigrants, in keeping with statistics from the Ministry of Business, Innovation and Employment, that around 5,000 New Zealand working visas were issued to foreign software developers14.

International talent brought some unique challenges, with one business noting a sense of duty to migrants to “continue employment even when the foreign talent is under-performing”. Others dealt innovatively with English language skills. One CE noted that instead of turning down skilled staff with limited English, the company “organises English language classes—which we have paid for”.

Integrating international staff into the Wellington network was a key retention strategy. One employer noted that, “if you integrate their families with the business as much as the person who is joining, it gives them a sense of who people are and gives the ability to settle”.

Training reflects the newness of the sector and rapidly changing technologies. Most training is offered in-house, either formally or informally, alongside regular work. Only larger organisations are able to afford dedicated training staff. Some companies also offer outsourced training so staff can update their qualifications externally through universities and other institutions.

As described by one software developer, this is a sector with "a lot of self-taught stuff—just exploration through jobs; sharing knowledge, learning new things. Lots of problem solving through the internet."

A strong theme from interviewees was the expectation that staff must be self-driven in order to take up new opportunities and skill acquisition, as in these quotes from two managers:

"We certainly make training available to anybody who shows an interest in further training as a benefit to the organisation ...", and

"... it's not my job to drive you ... and some people just aren't interested ... they want to come and do their job and go home ... and that's fine, you can't have a team of rock stars ... that's how you get a good balanced mix".

Developing on the job

Most organisations provide space to acquire new skills in the form of financial support, mentoring, in-house training or career development.

One of the larger businesses encourages staff to set aside a proportion of their income on training and personal development. Staff can organise their own learning by forming teams to work on their own creative projects for the company. New skills are acquired during this process and new products and tools developed for the company.

Such support allows staff to create different areas of expertise and keeps them engaged.

One company uses an incentive training system. This is based on a model of accreditation used in the Scouting Movement—an in-house certification process where staff can specialise as an alternative to bulk training. This has now become a product to sell to other companies, especially those with bespoke applications, "... so you know straight away which person to put on which job ... it's just a way to gauge your own skill levels ...".

Large multinationals have well-supported training. One has a company 'university', e-learning options, 24/7 training modules and significant money allocated to staff training. A local office of one large US-based company noted it was "very focused on keeping employees up to date with training, development and the newest technology, which is important for companies within the IT sector".

Team leader and sales training were priorities for many organisations, especially those whose graduates had moved up the career ladder but had not experienced any training in people management or dealing with conflict. The challenge in such change was noted by one company:

"... we've got team leaders in the business who started with us as graduates so our company is all they've known—so they don't necessarily have those skills or experience ..."

The opportunities available in large multinationals were illustrated by a comment from a staff member about a recent six-month course in sales and management. This had "developed me into a very new and fresh sales person who could now go to client meetings and be comfortable and know how to approach it".

Mentoring was seen as a powerful way of accelerating learning. One network company expected that "senior staff would make themselves available to help and support new employees to keep them up to speed".

Mentoring was also used as a strategy for senior managers in one company where they would meet with experienced board members—"lunch with them every three to six months, so they can chew the fat .... and for senior management, we have three professional board members who are senior entrepreneurs, successful people within the Wellington business community".

The role of mentoring to successful employees cannot be understated, with one commenting, "... I could name about 10 different mentors I have had in different capacities on a formal or informal basis that sponsor you ... and give you advice on how to approach new deals".
Smaller companies are particularly sensitive to the negative impact of a poor selection decision. Often, issues of performance are a ‘grey’ area—dealing with ‘cultural’ fit, emotional intelligence and not necessarily technical skills.

Smaller company interviewees were clear that ‘babying’ employees was simply not realistic, although many were supportive of mentoring and assisting employees to improve in order to reach their targets. Closely monitoring underperforming staff, including documenting performance and managing day-to-day activity, had a huge impact on limited resources, especially in smaller companies.

Underperformance is dealt with either directly or indirectly. Some CEOs preferred to encourage employees that were underperforming to move to a more appropriate position. Many adopted an open and honest communication policy—informal, constructive criticism. One company who adopted this approach believed this culture “stimulates people to achieve what they want and get initiatives going”.

The role of management in dealing with poor performance was emphasised—both for when it worked well, and conversely, when it didn’t. One CEO from a multinational commented, “what I tend to see from my point of view is that there should not be a performance issue if the manager conducts their job correctly ...”.

“Performance management is about managing performance, not managing people out the door. We need to find the issue and talk about it.”

Another employee felt his company was not well structured in terms of dealing with poor performance. This was not only a matter of vague HR practice but also process—be that poor induction, people management or unclear guidelines, “poor performance is dealt with in various ways ... although the process is not clear from the employees' point of view”.

The lack of HR policies in expanding companies, the ad hoc nature of performance reviews, and ambiguous job descriptions were seen by some employees as a hindrance to retaining staff.

One multinational company recognised the need for stronger HR, “ ... we have reached the point where we need more strategic HR input so I think the performance management process and tools and approach has been ok so far but it now needs to be revamped really and be fit for purpose for a number of quite diverse work streams”.

Another business which had grown rapidly in its start-up but was more static recently restructured its development teams from a competency-based resource pool to many smaller cross-functional teams. Each small team was made up of product owners, business analysts, testers, developers, designers and a team leader. This enabled a structure that enhanced a culture of autonomy, mastery and purpose-placing team ownership at the core of what drives the feedback and self-performance management process.

Larger organisations had much more formalised structures and processes. One multinational used both a team-based and individual review process, “ ... we have a good performance management process, so we are always looking at relative performance—both as an individual and team-based reviews as well”.

Employment legislation was not seen as a major factor in dealing with poor performance, although it was seen to be restrictive and time-consuming for companies when an employee was underperforming. One HR manager spelled out the balance,

“ ... it's really important that there is employee protection—that's a wonderful thing—and the New Zealand legal landscape gives the employee safety and protection. I think, however, on the flipside it is very easy for an employee to raise a grievance—whether its substantiated or not. They can just issue a personal grievance so then you have to investigate that and kind of go through that process and from that perspective it really does hinder because it gets in the way; you know we often feel like we have a legitimate reason to do what we are doing”.

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Motivating work

In an industry that has relatively high staff turnover, attracting and retaining talent is a major concern. Although Wellington offers the highest median base salary for tech professionals, it also suffers from stiff competition—not only from Auckland, but globally. Some companies are faced with annual staff turnover costs of 20 percent. For smaller companies, unable to compete on remuneration, the importance of non-monetary rewards is a major issue.

Many small or medium businesses actively seek out interesting work, focusing on clients who have intrinsically interesting projects—often attracting employees from larger corporates whose work has become more mundane. “If the work is not interesting and meaningful, then we will not get good people. We’ve had people before who we’ve had to let go because we don’t have enough interesting work for them and they are going backwards.”

Creative, interesting, dynamic work plays an integral part in motivation and maintaining staff. One small software company’s owner summarised the company’s retention policy of providing such motivating, interesting work that staff would think “if I left here and worked somewhere else, I’m not going to get anywhere near the same level of work satisfaction”.

But according to the creative director at a small, dynamic business, “sometimes we get work that is really, really dull, and I say ‘this is work for the body’—we just get it done … and it pays the bills. Then every now and again we get work in and it’s work for the soul and we get excited about it. And we’ve got to have a balance between the two.”

Large multinationals are able to offer career progression through internal transfer programmes so employees have a wide variety of options to move up and across the career spectrum. This opportunity to change and improve is key for many of its ambitious staff.

Flexible working hours are a top non-financial benefit that staff are looking for from employers. Smaller companies lacking such transfer options have developed flexible work-life strategies such as part-time work, work from home and flexible working hours. One entrepreneurial company cited flexibility as its key for attracting full-time parents back into the workforce, saying “there’s a talent pool which is quite difficult to attract unless you offer those things—it’s a balance of ‘will I or won’t I go back to work’. We’re able to offer that flexibility …”.

Conversely, however, there is also the risk felt by employees of being overworked, on call 24/7, and completing extra hours that are neither recognised nor paid. As is the nature of IT, in the midst of a project, employees can be asked to work long hours in order to complete a contract on time—and many companies work across time zones. Several had taken this into account offering time off in lieu, or similar, recognising the commitment of their staff.

Another form of flexibility at several medium-sized companies was the ability for staff to work on their own personal projects during work time. Larger companies encouraged staff to pursue creative opportunities related to work, or, as with one smaller web and mobile applications company, simply work towards their passions. The ability to pursue creative interests, participate in new research and development, or have opportunities to think outside the job were highly valued drivers for the high tech industry.

15 http://www.absoluteit.co.nz/2015/03/wellington-nz-it-hotspot/
16 Absolute IT Remuneration report 2014 – 35,000 anonymous entries
Performance rewards

Direct monetary incentives such as bonuses were surprisingly rare, perhaps because this study focused on development rather than sales and marketing companies. Ways of formally recognising work were much more common. These varied from public recognition of work, to paying for conferences or advanced technical training. One company who has a ‘random award’ for anyone who has gone above and beyond the call of duty, avoids loud public displays. Its CEO will quietly give the staff member a dinner voucher, or some other form of ‘thank you’.

Identifying an individual from a team is difficult and many companies choose to acknowledge a team project, rather than one person, citing individual rewards as not creating “the right culture ... because everyone does equally contribute to the success or failure that we have”. For one company, when team members specifically receive positive feedback from clients, they are thanked with small gifts of wine or gift vouchers.

Many larger companies do have performance-linked pay and bonus incentives. Pay range variables or bonuses linked to performance were on offer from many larger companies.

But there was active hesitation among managers in creating a culture of expectation in the form of monetary incentive that might drive people to “do OK work every now and again ... instead of sustained performance along the way”.

Share programmes and promotion were also popular forms of performance recognition for more established companies.

Intangible rewards

Many of the locally-owned companies aim to provide a ‘fun’ working environment, creating a place where employees worked hard but felt enthusiastic, engaged and connected. This took many forms—from social events, to engaging in voluntary activity and encouraging staff in their pursuits outside the work environment, to simply providing the environment to chat at work.

“If anyone has something that’s on their bucket list and they need an extra push to help them achieve it then we’ll sometimes pay money towards it or get them connected ... so, for example, one person did an ultra marathon and we paid her entry fees”.
“Nobody has the resources to be the one to save anything … there’s a recognition that this is a big, complicated set of issues. Any one of us acting independently isn’t going to make a very big impact.” (Katz and Bradley, 2013)

“The complexity of cities cannot be addressed through ‘silo thinking’ or departmentalism. Specialism still matters, but it needs to be framed within a mindset that recognizes how things are inextricably interwoven.” (Landry, 2008)

Overall, the interviewees felt strongly about their Wellington base and its future for both their business, and local prosperity.

Many were passionate about the opportunities that such a connected, compact, energetic city offered but were frustrated with progress and direction.

As one chief executive put the issue, Wellington has a unique opportunity to “start to break away from being a government-oriented city” to one that grows more and more innovative software companies that provide “genuinely interesting places to work” while still having the benefits of living in Wellington.

“Initiatives that tried to replicate Silicon Valley were often wasteful,” he said. “They made people feel good but they aren’t actually going to drive the change. What you need are people willing to start up companies and take investment risk.”

In the view of the chief executive of a major networking company, Wellington needs more ‘blue-sky’ thinking. This needs more collective work. For another CE, Wellington was still “too much of a secret”.

“We’re not doing a good enough job of actually telling the story properly about what a great place Wellington is to live in. It’s easy to live here, and it’s easy to work in. And there are lots of really cool things happening that nobody knows about.”

The sub-title for this report – ‘growing under the radar’ reflects these industry views. The digital sector is a major contributor to Wellington’s economy, but compared with publicity generated by and for the tourism and film sectors, it is virtually invisible. Tourism has been a major success for Wellington City, to a large extent a result of city support for Positively Wellington Tourism and Positively Wellington Venues. With the merging of these Wellington city agencies and the regional economic development agency, Grow Wellington, to form WREDA – the Wellington Regional Economic Development Agency – there is an opportunity for marketing and branding lessons to be transferred to the emerging digital sector. In the early 1990s, when the ‘positively Wellington’ branding was adopted, the idea that Wellington could become a major tourist destination was seen as far-fetched. In the decade to 2014, commercial bed nights grew by 40 percent.

The tourism sector contributes 2.9 percent of GDP to the region, compared with tourism throughout New Zealand which is 3.8 percent of GDP. It is tiny compared with two broad sectors where the digital economy is developing and changing. The statistical classifications of Information, Media & Telecommunications is 6 percent of the Wellington economy (compared with a New Zealand average of 3.2 percent), and Professional Scientific & Technical Services is 10.7 percent of the Wellington economy (compared with 7.3 percent in New Zealand).

Of particular importance for the health of the Wellington economy, digital sector roles tend to pay more than double the wages of the tourism sector.

The digital sector operates largely behind the scenes – working within or with large organisations, locally and internationally, or with software that is marketed internationally from the outset. The case studies in this report are examples.

The digital sector is also only beginning to recognise itself as a sector – growth has been so rapid for many players that their focus has been on building individual businesses with local and international clients, leaving little time for industry collaboration or local promotions.
CONCLUSIONS AND RECOMMENDATIONS

The digital sector in Wellington has moved beyond a stage of seeming almost ‘accidental’. High profile companies such as TradeMe and Xero, and the long-established and low-profile Datacom, have been joined by hundreds of enterprises. This sector is still largely invisible to the general public because its focus is on niche markets, business-to-business functions and global clients. Many founders have emerged from large corporations and government agencies, using their skills and entrepreneurship to create software products or services with internet-based, international markets.

The creation of the Wellington Regional Economic Development Agency (WREDA) provides an opportunity for skills developed marketing the tourism sector to be applied to this near-invisible digital sector as it seeks to overcome skills shortages. Public funding and backing for the ‘positively Wellington’ tourism strategy during the past 25 years has helped change Wellington’s reputation and encouraged entrepreneurs to grow that sector. The merging of tourism, events and economic development roles runs the risk that these different functions will continue as specialist functions within the new agency, operating in isolation from each other. The economic opportunities of the digital sector provide a challenge for the new WREDA to combine unconnected skills to reposition a steadily growing sector as strongly as tourism has been marketed.
Abletech – innovative technologies

With a transparent process, strong client focus and entrepreneurial spirit, Abletech was born out of frustration with traditional business models being applied to the web.

Since 2006, the company has used innovative technologies to create web and mobile apps including AddressFinder—a used by New Zealanders over 100 million times18 to autocomplete a street address—and WatchMyGear.com, shortlisted for BNZ start-up alley awards in 2014.

“We want to be agile to take up opportunities as they come. We don’t want to rely on the old tool set,” says Managing Director Carl Penwarden. “We get most of our work through word of mouth … all of our existing customers are very happy to recommend our services.”

With a staff of just over 20, Abletech is "big enough to be reliable and small enough to be efficient”.

As competition for tech talent gets more intense, the business relies on Wellington’s extensive networking connections to connect with quality staff.

“WE sometimes place ads, bu we like word-of-mouth and we reference-check—we don’t want to rush. Jiit with our team is very important to us,” says Mr Penwarden. "We want good starters and good finishers.”

Aura Information Security – retaining vital staff

Cyber crime costs the global economy over $400 billion annually19, and increased demand for cyber security professionals means not only fierce competition for staff, but higher turnover compared with other IT professionals.20

Aura Information Security, which provides security solutions to more than 300 customers globally, has doubled its size during the past three years and is well aware of the international competition for staff21. One third of its employees are immigrants, and attracting and retaining staff is integral to business.

“We’re entrepreneurial, and with the products we’re developing at the present moment, we’re actually leading the world in our products,” says Diane Prow, co-founder of Aura. “Our staff feels part of a company that’s growing and going somewhere. That’s motivating.”

The company’s latest innovation, RedShield, recently won Wellington’s 2015 Cyber Gold Award. With its largest office in Wellington, staff in Auckland and Melbourne, and a growing presence in the US and UK, Aura’s aim is to ensure it plays a major role as a niche player in the global web-application security market22.

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18 www.scoop.co.nz, 22 March 2015 Wellington software company helps Kiwis 100 million times.
19 http://www.reuters.com/article/2014/06/09/us-cybersecurity-mcafee-csis-idUSKBN0EK0S20140609
21 Scoop Independent News 13th July 2015 Kapiti-founded business wins Cyber Gold Award
22 Press release – Kapiti Coast Chamber Of Commerce
Click Suite – many awards
www.clicksuite.co.nz

Interactive media company, Click Suite, with its small team of skilled professionals, is the most awarded company of its type in New Zealand—the company has won more than 105 awards and finalist placings.

Click Suite’s business model focuses on interactive, creative tech projects—both web-based projects and installations—mostly in Australia and New Zealand.

“We believe that better design can genuinely lead to better business outcomes and make a real difference in the lives of end users,” says co-founder and creative director, Emily Loughnan. “Technology can influence lives in a more personal way than ever before, so designing with our users at the core of our thinking is critical.”

Ms Loughnan is equally passionate about Wellington’s IT potential, “I think there is amazing opportunity for Wellington in the start-up field and new business space. We must use the creative and the technical skills that we have in the city to give birth to new, global businesses, and also to support them. This makes for a much more exciting economic future for Wellington, and moves us away from our traditional services past. We then become a city of digital leaders.”

The strength of Click Suite’s team and work culture is integral to success, “This then flows on to the client experience,” says Ms Loughnan. “The culture is organic and innovative; it’s fun to be a part of and it allows big ideas to emerge … we need more of this in Wellington.”

Datacom – the largest
www.datacom.co.nz

New Zealand’s largest IT services provider, Datacom, is constantly on the lookout to recruit new talent. Group CEO Jonathan Ladd says one of the key constraints on future growth for IT companies, particularly in Australia and New Zealand, is lack of skilled people.

Although the company has grown to well over 4,000 employees in Australia and New Zealand, it estimates needing to recruit another 400 staff in the following 12 months23. Over 800 staff have been added to its Wellington business alone during the past five years.

With its client-centric focus, Datacom prides itself on being professional, flexible and easy to work with, says Mark Muru, Director Wellington IT Management.

“We continue to grow because of this culture, and because of our relentless pursuit in maximising the value our clients get from their technology investment. Organisations come to us to apply IT intelligently because they recognise it gives them a huge advantage.” 24

Last financial year, Datacom’s New Zealand business accounted for more than half its $881 million turn-over25. It continues to grow, with recent business wins including a highly competitive $248 million contract with the Australian Department of Health.

23 New Zealand Herald “Graduates flock to booming IT industry” 11 Feb 2015, Adam Gifford
24 2015 Gold Awards
25 New Zealand Herald “Keeping the IT giants at bay” 29 May 2015
FARM IQ – transforming farming
www.farmiq.co.nz

Farm IQ, in its fifth year of development, is an innovative farm management system for the red meat industry. It enables the industry to consistently deliver high quality cuts of meat for export, and farmers to increase profitability.

The company contracted Wellington-based Fronde to develop the software, and two smaller Wellington companies to create its user interface (Pikselen) and geospatial elements (E-spatial).

The end result is a simple, practical, high-level tool that enables farmers to track, measure, benchmark and report on their stock. For the first time, all aspects of the farm are brought together in a single software system.

"Although we’re a small company,” says Chief Executive Collier Isaacs, “our vision is to create a consumer-driven integrated value chain for the meat industry.”

With a team of 26 in the Wellington region, strong partnerships and clear vision have helped the company achieve solid results. As at January 2015, live animal numbers on the system were 1,953,000 sheep, 280,000 cattle and 99,800 deer.

Knowledge sharing plays a critical role within the company, and the flat structure is an enabler of innovation, says Mr Isaacs.

“The team is ambitious and keen to make the company succeed,” he says. “We believe in the product and we have the confidence to deliver. The open door policy at FarmIQ means that employees are expected to approach the CEO or any relevant staff member to discuss issues or opportunities for innovation.”

It is a vision that the NZ Institute of Economic Research estimates will grow NZ GDP by an additional $1.1 billion by the conclusion of the seven-year project26.

With an external investment of more than $150 million over seven years from the private and public sector, the programme of work that FarmIQ undertakes is unique for both farming and IT. Farm IQ is one of the New Zealand Government’s Primary Growth Partnerships27.

Fronde – hiring high performers
www.fronde.co.nz

Recruiting top people who possess both outstanding technical talent and strong communications skills is a number one strategic HR objective for Fronde’s CEO, Ian Clarke.

“We’re leaders in building high-quality, complex software solutions and need people who are both technologically savvy and future thinking,” says Mr Clarke.

Fronde’s current recruitment from the international marketplace is strong, with 40 percent of its 300 workforce migrating from overseas countries.

“Our point of difference is our team of high performing individuals,” says Mr Clarke. “By using the very latest technology, hiring the smartest people and freeing them to unleash their minds on complex problems, we encourage them to devote as much time to tomorrow’s solutions as to today’s problems.”

Fronde was established in 1991 (known then as Synergy) by four Directors; David and Sue Irving, Chris Comber and Celia Burton. They have grown significantly over the past 20 years to be one of New Zealand’s top five strategic IT companies. Since 2010, the company has more than doubled its revenue to $60 million. Mr Clarke, who will be stepping down from his position as CEO in December 2015, has held the job for seven years.

26 http://www.farmiq.co.nz/content/about-farmiq-programme
GS1 NZ – barcode communications
www.gs1nz.org

GS1 NZ, whose staff is split between Wellington, Auckland and Christchurch, is part of a global language of barcode communication—a supply chain innovation that is estimated to save New Zealanders $1 billion annually28.

The organisation prides itself on enabling industries and organisations to do business more efficiently and safely. But despite GS1 NZ being part of a global federation of organisations in 112 countries, it still operates in a highly competitive market—something that Wellington-based Chief Executive, Dr Peter Stevens is well aware of.

“... we’re a small country but we have to be better, faster and cheaper in New Zealand, otherwise we will risk losing our members to our sister organisations such as GS1 Australia. We are a great example of co-opetition.” [A combination of collaboration and competition.]

Recruitment is competitive, and sourcing the right talent an ongoing process.

“Bad hiring is costly and really damaging,” says Pauline Prince, Manager of People, Culture and Events. “More often than not we’ll hire on cultural fit—it’s just their attitude. We operate on fairness. It creates an attitude of sleeves rolled up together, creating a better today, committed to each other.”

Collaboration, team building, and local insight are all essential to GS1’s success, particularly given the split among three cities. “It’s so easy for this organisation just to focus on Auckland—over half our 5,000 members are based there—but what we are actually experiencing is massive engagement coming from government businesses as government agencies look to standards to drive interoperability and digitally transform their businesses ... we’re devoting considerable resources into understanding the Wellington market,” says Dr Stevens.

Intergen – future looking
www.intergen.co.nz

Providing opportunities for the IT professionals of tomorrow is something Wellington-based Intergen strongly believes in, sponsoring for the second year in a row the Intergen Young Achiever Awards for the top three students in first year Information Systems at Victoria University.

“It is important for us to reward the future stars of the New Zealand IT industry as they start thinking about what a career in technology might look like and to play a role in showing newcomers to IT what a career in the industry might look like,” says Intergen Chief Executive Officer, Simon Bright29.

Not only has the company a strong graduate programme, mentoring over 100 graduates into the industry, but recent initiatives has seen it connect into local Wellington secondary schools. It is this engagement that has seen it recently shortlisted for the NZ CIO Awards for Engaging Youth in ICT.

“Wellington is a city full of opportunities for IT professionals,” says Intergen CFO Murray Newman. “But we have to be focused on recruiting and retaining top people.”

Intergen has grown in 13 years from a local Microsoft-solution provider to a business operating in Australia, New Zealand and North America with over 400 staff; its recent sale to ASX-listed IT services company Empired Limited has created the region’s largest trans-Tasman Microsoft service provider30.

Intergen continues to win awards for its business excellence and innovation, being named for the fourth time31 the Microsoft Country Partner of the Year.

28 2009 Professor Brian Easton: http://www.gs1nz.org/files/7613/7481/0359/Products_talking_to_one_another.pdf
29 Quote from http://www.intergen.co.nz/Our-Insight/News/Top-students-receive-accolades-at-Intergen-Young-Achievers-Award-prize-giving/
“Mediocrity is the enemy,” according to Powershop’s CE and co-founder Ari Sargent. It’s a philosophy that has driven the Wellington-based online electricity retailer to not only top New Zealand energy sector’s customer satisfaction ratings, but successfully expand into the competitive Australian energy market, acquiring over 50,000 customers in the Australian state of Victoria in the last two years.

Mr Sargent says that although 55,000 New Zealanders currently use Powershop, the Australian market is growing so rapidly it will quickly overtake the company’s New Zealand base.

Critical to the company’s success is not only its functional web-based energy solution, but also attracting and retaining top talent.

In just six years, Powershop has grown to over 150 staff based in Wellington (software development), Masterton (customer service), and now, Melbourne. The need for top employees continues—Mr Sargent describes both the flat hierarchy and intellectually rigorous work as key motivators in recruitment and retention.

“Enabling staff across the organisation to have a voice invariably leads to better business outcomes,” says Mr Sargent, “and a work environment where knowledge sharing is encouraged creates an environment in which intellectual capital is allowed to flourish.”

Provoke Wellington’s General Manager, Rob Old, subscribes to the view that their people are their major source of competitive advantage.

“Our business demands certainty of outcome, high quality and repeatability of process, and strong human capital is central to that,” says Mr Old. “Our reputation is everything and positive referrals have been a key source of our growth so finding and recruiting the right people is mission-critical.”

Mr Old calls on IT educators to be aware of industry needs.

“My perception is that there are a lot of people doing degrees and coming out with good qualifications but in areas that there just aren’t enough jobs. We’ve got an exciting, growing technology industry and we are getting to the point where we are being held back by the supply of talented staff,” he says. “It’s not just technical people we need either. This sector needs HR experts, marketers, project managers and many other skills. It’s vital that as a country we are able to develop people with the right capabilities.”

Competition for skilled IT professionals is on the rise as more organisations seek to offer services through digital channels, and both soft skills and technical skills are in demand for these roles, as communication becomes key to delivery.
Snapper – forming strong partnerships

www.snapper.co.nz

Forming strong partnerships is a key to ensuring long-term success of start-ups, according to Snapper CEO, Mr Miki Szikszai.

A recent winner in the London Transport Ticketing Global Conference for its innovative mobile reload technology, Snapper has revolutionised the way Wellingtonians pay for public transport.

Established in 2008, the Snapper platform has since been incorporated into Wellington buses, taxis, parking meters, and the city’s iconic cable car. A recent partnership with Semble enables 50,000-plus Wellingtonian users to pay with their compatible Android smartphone in lieu of their Snapper card.

“There is nowhere else in the world you can do this,” says Mr Szikszai, “where you can download an app to your Android phone and use it to pay for your public transport. We’re quite good at normalising high technology, so that it doesn’t feel like technology to people.”

With just over 20 staff, the business is also shifting its focus to the global market, securing a deal with The National Transport Authority in Ireland to integrate its mobile reload technology into Ireland’s existing card system.

“In our business, partnerships are essential, particularly for start-ups,” says Mr Szikszai. “There’s some really interesting things happening in Wellington. The city has this unique opportunity to start to break away from being a government-oriented city to one that is growing more and more companies like Snapper, Xero and TradeMe—genuinely interesting places to work, while still having the benefits of living in Wellington. I think that is the sort of regional strategic goal that we should be aspiring to.”

StarNow – job board for future stars

www.starnow.co.nz

StarNow, an innovative Wellington web-based ‘casting call’ company, has grown in 10 years to 30 staff and $10 million annual revenues, with more than 3.5 million users and 50,000 full-paying members worldwide.

Cameron Mehlhopt co-founded StarNow with former Rongotai College classmates and Trade Me developers Jamie Howell and Nigel Stanford while on an ‘OE’ in London in 2004. It was prompted by discovering a potential market in the UK for an internet-based job board where aspiring actors, musicians and models could find casting calls and promote themselves.

With 90 percent of their business from the UK and Australia, Mr Mehlhopt sees the ability of staff to provide ‘virtual’ customer service as crucial to StarNow’s success. He has a strong belief that both employees and customers should be treated with empathy in order to create positive and productive working relationships, “communicating to our staff that while they might not ever see any of our customers because they’re global … it’s getting staff to understand that there are real people there on the other end of the technology that they are building”.

Mr Mehlhopt says it’s the “scarcity of talent and the competition among companies” that drives StarNow to proactively motivate their staff through a positive work environment and stimulating work.

“We have spent 10 years with our heads down trying to build a great service and we have aimed overseas so we have never worried about our profile in New Zealand. We are getting better known but we need to do a much better job of telling our story.”

32 Sunday Star Times 16th November 2014
34 Sunday Star Times 16th November 2014
Storbie – online shop-fronts
www.storbie.com
Simple, affordable solutions for Kiwi entrepreneurs to build an online shop-front have proven so successful that Smallfish, founded in 2006, has renamed itself to Storbie.

“You could say we’re the company that outgrew its name,” says CEO and co-founder Shane Bartle. Initially targeting boutique and cottage New Zealand industries, Mr Bartle soon found the company having to transform its system to support larger clients. Now Storbie is set to expand globally.

Being a small company with a flat structure, Mr Bartle is careful to recruit on strong company cultural fit, “I like to hire people who ask questions,” says Mr Bartle, “it shows they’re unafraid to ask for help and confident. Being a smaller company with vision, we’re very careful and make full use of New Zealand’s 90-day trial period and internships from universities.”

Flexibility is a key retention strategy.

“This flexibility is something that the staff at Storbie love about their job and helps to support a high level of staff morale.”

A report on New Zealand’s small and medium-sized companies showed that nearly half those businesses with a website or social site increased revenue over the previous 12 months, compared with 35 percent who were not online. 35

Touchtech – mobile and cloud development
www.touchtech.co.nz
A finalist in the team section of the 2015 Wellington Gold Awards, mobile and cloud development company Touchtech knows that creating a strong work environment is good for innovation.

“We ensure that our staff love working here,” says Managing Director, Adrian Falvey. “When we hire, we encourage applications from people underrepresented in the tech sector, and as a result our staff are diverse and outgoing.” 36

With a permanent staff of just over 15, 37 Touchtech competes in a global market where attracting and retaining talent is an ongoing challenge. But Mr Falvey sees some real advantages operating out of Wellington, not only in the support of local council enterprises such as Grow Wellington, but also Wellington’s strong growth as a tech hub.

“There’s quite a few big start-ups coming through, and it’s exciting for programmers because it is about how you can be the next big thing coming from Wellington. Yet, the skill shortage is well and truly here …”

Although Touchtech has a forward growth vision, it is often frustrated by recruitment.

“At present the main constraint that we have isn’t the amount of work we have, it’s the number of people that we can hire to do the work,” says Mr Falvey.

He called on more graduates to develop a portfolio of work, not just theory.

“We only want the best, and the small pool of top graduates gets snapped up pretty quickly by the industry giants,” he says. 38

36 Grow Wellington website
37 http://www.touchtech.co.nz/#!/about/
38 http://touchtech.co.nz/blog/skills-vacuum-why-are-our-it-grads-struggling-to-fill-the-skills-gap
Students

Students of HRIR320, Strategic Human Resource Management, 2014 who carried out the interviews for this research.

Jordan Aird, Te Ao Marama Apiti, Jacinda Ashley-Jones, Tamara Baillie-Shands, Emily Bell, Claire Bennett, Sophie Brennan, Ella Bright-Young, Nicole Broome, Kelsey Burmester, Pengxi Cheng, Beth Chote, Daniel Clarke, Heather Clout, Madeleine Corbin, Rose Corrigan, Victoria, Crawford-Flett, Hamish Crimp, Jane Daka, Caitlin Darby, Fatima Dean, Gemma Dickie, Hope Dixon, Yingzhe Dong, Mary Donkin, Lauryn Faulkner, Hayley Forrest, Aphipany Forward, Kolotia Fotu, Charissa Francis, Penelope Gambitsis, Michael Garrett, Campbell Good, Michael Gray, Natalie Gwilliam, Cameron Hedley Wakefield, Cory Hodges, Nicholas Hopkins, Kadiye Kaya, Daniel Kirkland, Lisa-Maree Kitchin, Sophia Lagrutta, Yuan Lam, Corey Lawrence, Caitlin Leath, Annelise Lethborg, Angie Liew, Bridget Maimbo, Sarah Mair, Hayley Mann, Holly Marshall, Hayley Martin, Timothy McBride, Jaimee McDavitt, Theresa McGregor, Hope McNabb, Alice Miller, Eden Moore, Rosie Mudgway, Hayden Murray, Damon Needham, Bonnie O'Donnell, Amie Parker, Jamal Peneha-Parlour, Helen Quan, Thomas Ramsay, Renee Ransfield, Nicola Roddick, Zoe Rodgers, James Scoon, Jasmin Shepherd, Natasha Sinclair-Taikato, Ashlee Taylor, Kate Tyler, Sovaia Uluiburotu, Danh Vo, Alice Walker, Emma Washer, Blair Watkins, Maighan Watson, Tiana Wereta, Xiangyu Xu, Caitlin Youl, Ryan Young, Sean Young, Tianyi Zhou
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