

Top tier remuneration

Executives hit by wave of corporate restructuring

Niko Kloeten

Nearly half of New Zealand's businesses have restructured their executive teams in the past year, according to a new survey that shows major changes at executive level.

The dsd Consulting *CEO & Top Tier Executive Remuneration Report* included information from 44 of New Zealand's largest private sector organisations, valued at \$500 million or more.

The report, released exclusively to *The National Business Review*, showed how changes in the business environment cut a swathe through many executive teams last year.

Susan Doughty, director of dsd Consulting, said there had been a high level of restructuring activity in 2010.

"Almost half of the surveyed companies indicated that their executive team structure has changed in the past year," Ms Doughty said.

"This is in direct response to changes in the business, the market and the business strategy. This includes changes in responsibilities, combining roles and dis-established roles."

The survey found executive salary increases awarded last year were about 3% at the median.

Subdued pay rises are likely to continue; forecasts for executive salary increases this calendar year were also about 3% at the median.

Ms Doughty said companies had become much more "cautious" about executive pay increases and were mindful to keep them in line with increases for other staff, which were also modest.

"The only ones asking for more at the moment are the unions."

She said people looking at pay figures for executives needed to



SUSAN DOUGHTY: Executive restructuring driven by changes in businesses and the market



PHIL O'REILLY: Restructuring needs to be treated as a means to an end rather than an end in itself

KEY NUMBERS FROM DSD CEO & TOP TIER EXECUTIVE REMUNERATION REPORT:

50% Almost half of companies changed their executive structure last year

3% Median pay rise for execs last year

3% Forecast median increase for this year

48 years Average age of executives in these companies

44.1% of executives have been in the job for less than two years

15-20% Gender pay gap at executive level

19% of executives are women

10% of executives are non-European

11% Increase in executives receiving short term incentive payments



BARBARA CHAPMAN: The ASB boss is one of many chief executives who have been in the job for less than two years

take into account changes in their roles.

"When we look at how salaries have moved for the same incumbent doing the same or similar job, we note that salaries have actually moved 7% overall at the median," she said.

"A lot of this can be directly attributed to changes in responsibilities, restructured roles and additional duties."

Another statistic from the survey showed the extent of the changes many companies have made at executive level.

Almost 39% of chief executives had been employed in their current role for less than two years, a figure that rose to 44% for executives overall.

A good sign

Business NZ chief executive Phil O'Reilly said it wasn't unusual for a lot of businesses to change their board structure. "I'd be quite surprised if there wasn't a lot of restructuring in any year."

However, he said the interesting point from the survey was the reason for the change, which was the major shift in the business environment.

This was a good sign, because businesses were doing it for the right reasons. "It demonstrates companies are not just sitting on their bums," Mr O'Reilly said.

"It shows company dynamism. As markets change, the best companies will tend to point really good talent at the opportunities and arrange mixes of tasks that point to those opportunities."

As a result of these changes, companies "could find that someone's job is too big or too small," he said.

However, Mr O'Reilly said restructuring could backfire if not executed properly and not done for the right reasons.

"There is a danger, and it's quite a significant one, that the restructuring itself is seen as being the solution. This is a common problem companies get into.

"Restructuring is a means to an end rather than an end in itself. You're restructuring in order to pick up a market opportunity or to do something about a threat."

Some restructurings are "nothing more than a shuffling of the deckchairs" and are "simply superficial and nothing changes," he said.

"If restructuring is the answer

it's the wrong answer."

Mr O'Reilly also warned against "shelving" a poorly performing team member by "shuffling him off to one side."

The answer, he said, "is to shoot him."

Pay gap confirmed

Among the other findings of the dsd Consulting survey was confirmation the gender pay gap exists at the executive level.

Alasdair Thompson was dismissed as EMA chairman this week following his controversial comments on the subject of the gender pay gap.

"In male-dominated roles there is definitely a gender pay differential between female executives performing the same role as male executives of approximately 15-20%," Ms Doughty said.

But don't bring out the pitchforks just yet.

Ms Doughty noted the results "do not take into consideration the tenure or performance of chief executives and executives in this role, or the size of the organisation they operate within."

The survey also showed New Zealand stacks up well internationally when it comes to female representation in executive teams.

Women make up about 19% of the sample across the top chief executives and executives in surveyed organisations.

This aligns with international standards reported in other countries, according to data from the international survey *The Census in Women's Leadership and Governance*.

However, executive teams at New Zealand's biggest companies are still overwhelmingly Pakeha, with non-Europeans only making up an average of 10% of executives.

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New Zealand wins from emerging market slowdown

Niko Kloeten

A dip in emerging market growth is good news for New Zealand as it shows a reduced risk to the global economy from inflation, a local economist said.

Emerging market growth slowed to its weakest level in two years in the second quarter of 2011, according to the HSBC Emerging Markets Index (EMI).

HSBC said the drop in growth reflected global economic fragility, the exceptional consequences of the

Japanese tsunami and the lingering impact of recent inflation.

The HSBC EMI dipped to 54.2, down from 55.0 in the first quarter and edging below the long-run series average of 54.8.

Price pressures eased sharply against a backdrop of continued monetary tightening by central banks across the emerging world in response to inflationary pressures identified by previous HSBC EMIs.

HSBC New Zealand chief economist Paul Bloxham



SLOWING DOWN: Falling growth in fast growing markets like China is easing inflationary pressures from the global economy

said the drop in growth was a good sign for New Zealand, as long as these mar-

kets continued with modest growth.

"The easing in the EMI

seen so far is largely good news for New Zealand, as some slowing was needed in order to reduce global inflationary pressures, put growth on a more sustainable footing and decrease the risk of a hard landing.

"Sustained modest growth in the emerging markets is expected to provide support for demand for New Zealand's exports and to hold commodity prices at above average levels, which will boost domestic incomes and investment."

The latest HSBC EMI signalled the most acute easing of input cost inflation for two and a half years.

The moderation in overall activity growth reflected a weaker increase in manufacturing production, with the pace of expansion easing to the slowest in three quarters.

Meanwhile, service providers recorded a slightly faster rise in business activity, albeit one that was the second-slowest since the second quarter of 2009.

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