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FROM THE VICE-CHANCELLOR

We live in interesting times. The United States is beginning to claw its way back from recession. Europe is lurching from one measure to the next in an effort to stop Greece defaulting on its national debt. In parks and streets of cities around the world, the Occupy Wall Street movement has been protesting the financial gulf between the very rich and the rest. And in New Zealand we fret about how to raise our productivity and whether or not to sell New Zealand farms to cash-rich Chinese interests.

The worlds of economics, finance and business are now the stuff of daily conversation in a way that I doubt they ever have been before. They deserve our attention. It matters that the world and its nations prosper. It matters that Kiwis can provide for themselves and their families and lead fulfilling lives.

And while money may not buy either love or happiness, it will certainly pay for other things – healthcare, education, infrastructure, conservation – and provide a buffer against hard times and acts of God, be they drought, flood, or, as in recent times, earthquake.

Where does the money come from? The agents of prosperity, the creators of wealth, are businesses, around 470,000 of them in New Zealand, ranging from mum-and-dad enterprises to Fonterra-sized multinationals.

Indeed, this is a university that has a special affinity with business. Massey hosts one of New Zealand’s most highly regarded business colleges. If you know anything about the intricacies of New Zealand’s banking system, you will know of the work of Professor David Tripe. If you are interested in the workings of the property market, New Zealand’s uncontested authority is Professor Bob Hargreaves. On Massey’s Wellington campus, Professor David Deakin leads the New Zealand Centre for Research into Small and Medium-sized Enterprises, a category that accounts for 90 per cent of New Zealand businesses.

We have not forgotten the needs of the individual. In 2011, Massey and Westpac New Zealand co-founded the New Zealand Centre for Personal Financial Education, which has developed a certificate programme for Personal Financial Educators and will undertake a 20-year study to identify why so many Kiwis struggle with their finances.

Massey’s Master of Business Administration programme, established in 1972, is the longest continuously running MBA programme in New Zealand. Massey’s Bachelor of Business Studies, arguably already the most flexible degree of its kind in New Zealand, will this year introduce an Internship in Business paper, which requires 180 hours of industry work experience to complete, further anchoring the student experience in the real-life demands of the workplace. No wonder then that the BBS is the University’s most popular undergraduate degree.

All well and good. But this is a small subset of Massey’s links to business and only hints at the benefits that accrue from businesses and universities working together.

Why is the German economy in robust health while others in the EU are faltering? One reason may be the symbiotic relationships maintained between German businesses and their universities: Siemens is linked to the University of Berlin; Mercedes to the University of Stuttgart; BMW to the University of Munich.

What sort of economic value can a university provide? A recent study found that the annual world revenues produced by currently active companies founded by graduates from a single top-tier US university, the Massachusetts Institute of Technology, amounted to in excess of US$2 trillion. If MIT were a country, it would have the equivalent of the world’s 11th largest economy.

Do we see these similar things happening at Massey? We do. Not far from my office on the Manawatu campus are the premises of mobile game developers, of agricultural equipment designers and manufacturers, of a sports equipment design and manufacturing firm, which dominates its segment of the market, of a medical nanotechnology firm, of an electronic battery technology research company. Some of these are joint ventures spawned by Massey research. Others are founded by Massey’s alumni.

The decade-old Albany campus ecentre on Auckland’s North Shore hosts a number of high-tech start-up enterprises, ranging from avionics, to education and online budgeting, and the ecentre’s graduates – the firms that have moved on to commercial premises – include nationally and internationally successful firms.

Massey is generating enterprises and employment – the sorts of highly skilled, well-paid jobs that are hard to replace with automation or export to low-wage economies.

They follow in distinguished footsteps. Our alumni include many highly successful business founders. Think, for example, of Dick Hubbard of Hubbards Foods or Richard Taylor of Weta Workshop or winemaker Kim Crawford or Stephen Jennings of Renaissance Capital.

Massey’s research collaborations with business are extensive. The New Zealand agri-food sector, in particular, is well aware of the value we can add at every point from farm gate to plate.

Even so, New Zealand’s industry-funded expenditure on research and development is significantly lower than that of Australia, Britain, the US or, for that matter, the Organisation for Economic Cooperation and Development average, a situation that needs to change.

We are doing well, but we could do so much more.

So my message to New Zealand businesses is simple. Work with us, work with our graduates. Let us see what we can achieve together.

Great things are possible.

Massey is committed to producing skilled work-ready graduates, ready to move seamlessly into employment or to set up enterprises of their own, helping to build the prosperous, knowledge-driven, highly skilled, 21st century Pacific nation I think of as the new New Zealand.
Centre aims to make Kiwis more financially savvy

A specialist financial education centre aimed at improving New Zealanders’ knowledge, attitudes and behaviour towards money matters has been launched with two ground-breaking initiatives. The New Zealand Centre for Personal Financial Education, founded by Westpac New Zealand and Massey University, has designed a certificate programme for Personal Financial Educators and will undertake a 20-year study to identify why so many Kiwis struggle with their finances. Both are firsts for New Zealand.

Finance Minister Bill English described the joint bank/university venture as a “pretty unique relationship” at the launch on the University’s Wellington campus.

“Better financial literacy is not only good for the economy – it also helps individual New Zealanders make better decisions about their own personal finances.”

The new programme and longitudinal study will help improve the quality and access of education on personal finance and identify knowledge gaps and how they can be addressed.

Massey will provide a multi-level certification programme for personal financial educators. The programme will include time value of money, financial systems, risk assessment and management and the presentation and communication of financial information. It will be delivered via blended learning with a mixture of face-to-face teaching and online learning.

Westpac chief executive George Frazis says the partnership with Massey University is an opportunity to meaningfully improve the financial literacy of New Zealanders for the long-term benefit of the country.

“Over time, we expect work by the centre will contribute to our business from a product point of view and how we connect with customers.”

The second initiative will see up to 300 New Zealanders between 18 and 20 years of age selected for a baseline survey of their financial literacy and experience of financial education. The survey will be repeated with the same participants every five years for the next 20 years to understand Kiwis’ needs for financial knowledge at different life stages and where they get information needed to make money decisions.

Retirement Commissioner Diana Crossan called the dual initiatives a “genuine milestone” which should also herald a "culture change" in the way New Zealanders across the generations handled their approach to money and saving it.

University Vice-Chancellor Steve Maharey says financial literacy is the new currency for the future security of any nation.

“Massey University takes its responsibility to apply our expertise to real-world issues seriously and through this joint initiative with Westpac we will be empowering New Zealanders to be more savvy when making financial decisions.”

Westpac New Zealand chief executive George Frazis and Australian chief executive Gail Kelly, Finance Minister Bill English, Vice-Chancellor Steve Maharey and Retirement Commissioner Diana Crossan.
I n February 2012 Professor Ted Zorn takes up his appointment as Pro Vice-Chancellor of Massey University’s College of Business. He talks to Malcolm Wood.

Q: I know that your early academic career was in the southern United States. How did you come to settle in New Zealand?

A: I came over on a visiting position. My wife and I had always wanted to come to this part of the world – we looked at it as an adventure – and almost immediately it felt like home. Part of it was the feel of the land; I remember the first time we walked on a beach and there were no other footprints in the sand. We thought, ‘Wow, where else would you find this?’ But it was also the people. We are absolutely committed to New Zealand. This is where we want to stay.

Q: What was it attracted you to Massey?

A: There were a number of factors, one of them being the University’s tradition of practical, applied education and research. As researchers and teachers we need to address the social and economic problems and opportunities facing our society.

Sometimes we academics get too caught up with how many hits we get in highly ranked journals. That’s important, but for me those satisfactions only go so far. What I find most satisfying about our work as teachers and researchers is solving a problem or creating an opportunity.

And New Zealand does face challenges. For one thing, it needs to work out how best to support innovation, enterprise and productivity growth. I am pleased to be part of a college that has real strengths in disciplines that are absolutely key to addressing those challenges.

Q: Your current major research project is looking at positive ageing – a topical issue as the baby boom generation begins to move into retirement – and you have also looked at the issues surrounding the uptake of new technology. Where would you say your personal research interests lie?

A: I see the umbrella as communication and organisational change – and organisational change often has a significant technology component, hence my interest in technology.

Q: You are taking up your position at an interesting time, when people are looking more critically at the workings of business, finance and banking than perhaps ever before. Should the business world be concerning itself with more than just turning a profit?

A: Business education around the world has been criticised for not paying enough attention to ethics, for putting too much emphasis on making individuals wealthy. Business has an important part to play in society – and business and the free market can do some things very well, and we need to find ways to facilitate this. But at the same time we need business leaders who have a larger sense of responsibility and are thinking about how what they do contributes to the betterment of society. That might take the form of outstanding or innovative products – for example, I would say that Apple has enriched our lives – or necessary services. We need business leaders who focus on more than just the bottom line.

Q: What are your aspirations for the College of Business?

A: The college has good people and real expertise, and my first business will be getting to know them.

My aspirations? I want to be part of continuing to build and develop an organisation that strives towards excellence, where the staff and students have a clear sense of achieving something special.

We need to be constantly working to identify what we can do well and what we want to do well, and to focus our energies accordingly.

Before joining Massey, Zorn held the position of Professor of Management Communication and head of department at Waikato University. Professor Zorn’s publication record includes numerous journal papers and a number of more major publications, of which Management Communication: New Zealand and Australian Case Studies (2007), which he edited, and Organizational Communication in an Age of Globalization: Issues, Reflections, Practices (2010), which he co-authored, are the most recent. He currently heads a three-year Ministry of Science and Innovation-funded research project, Engaging Senior Stakeholders: Positive Ageing at the Elder-Organisation Interface.
University signs partnership with Air New Zealand

Aviation students at Massey University will be among the first in line for commercial airline pilot jobs with Air New Zealand thanks to a partnership agreement.

School of Aviation celebrates its 25th anniversary in April. P22-23

The School of Aviation was selected to partner with the national airline’s training institute launched last year.

The appointment followed a rigorous assessment of flight training organisations by Air New Zealand to validate the University’s current programme and reflects its high quality and standards.

Students who successfully complete the Bachelor of Aviation programme will be among Air New Zealand’s preferred candidates for first officer positions when the airline is recruiting.

School of Aviation chief executive Ashok Poduval says the Bachelor of Aviation programme offers competency-based initial flight training tailored to the requirements of Air New Zealand. Graduates from the programme will form a pool of candidates who will enjoy preferred status during recruitment by Air New Zealand.

“Massey University School of Aviation is proud to be a collaboration partner with Air New Zealand,” he says. “This partnership will enhance the quality of flight training in New Zealand and provide a pathway for pilots from initial training to air transport qualification.”

Air New Zealand’s Aviation Institute is an initiative by Air New Zealand to increase training opportunities for pilots, engineers, flights attendants and frontline check-in staff. The University is one of five training partners involved.

Massey to host small business conference

Massey University will co-host the International Council for Small Business World Conference in Wellington this year.

The conference is a major event on the small business calendar and is expected to attract more than 400 educators, researchers, policy makers and practitioners from around the world.

It is the first time it has been held in New Zealand after the University’s Centre for Small and Medium Enterprise Research launched a successful bid with the Small Enterprise Association of Australia and New Zealand, supported by Wellington City Council and Grow Wellington.

The theme for the conference, from June 10-13, is Leading from the Edge.

Indigenous entrepreneurship is one of 18 ‘tracks’ being covered. Others include entrepreneurship, education and training, social and economic development, small business management and new venture creation.

The Leading from the Edge track will focus on pioneering entrepreneurial behaviour during challenging times. Both man-made ‘events’ and natural disasters can create new environments for entrepreneurial activity – an issue that is this particularly relevant to New Zealand after the Canterbury earthquake last year.
Big year for Olympian Bond

To say world-champion rower Hamish Bond is competitive is an understatement. To say he’s one of this country’s shining rowing stars is another. While we’re at it, here’s one more: he works quite hard. The result of all this? One of this country’s most successful sportspeople today. Josie Brennan reports.

Hamish Bond and rowing partner Eric Murray, remain unbeaten since the pair teamed up in 2009 and today they dominate the New Zealand and international rowing scene.

Despite the intense demands of the life of an elite athlete, he’s found time outside of his six hours a day of training to swap his oars for books.

You don’t get that good by sitting on your laurels (or medals either, because that would be uncomfortable).

So he’s been doing some full-on time management/juggling, including sitting exams in the oddest locations (hotel conference room in the capital of Slovenia anyone?). But with the help of Massey’s distance learning programme he’s graduating this year with a Bachelor of Business Studies majoring in finance and a Graduate Diploma in financial planning. And taking on the world’s best at the 2012 London Olympic Games.

Dunedin-born Bond went straight out of school into a national High Performance Programme, and then went on to win his first world title in 2007. There was no going back.

In 2011, he and Murray were nominated for team of the year at the Halberg Awards (which ended up being won by the All Whites), and named world rowing crew of the year. The year was topped by their qualification for the Olympic Games in London in 2012.

For the past eight years he has been studying business as well. Bond, who is the latest face of the University’s engine of the new New Zealand marketing campaign, says after studying commerce subjects at high school it was a logical progression to continue in that area at university, reinforced by its ability to fit well with his training schedule.

“It’s just not feasible to do something too restrictive.

Studying business at Massey gives you the option to not study for a semester if you’ve got a busy sporting schedule, then simply pick it back up again. I guess there’s sort of a synergy between sport and business studies too, with sport management a growing area.”

Massey was the first university in New Zealand to be named an ‘athlete-friendly’ university by High Performance Sport New Zealand.

Bond, who was named sportsperson of the year for the second year running at the University Blues Awards in 2011, says it is the flexibility and support that he receives at Massey that has made a huge difference to his ability to study successfully.

“Having tried to study on-campus, I’d have to say that the flexibility of Massey’s distance learning programme is definitely the way to go.”

“In times gone past you’d have to say there wasn’t an option to pursue sport solely like you can today – that’s helped along today by scholarships and grants that mean you can be more dedicated.”

“Time management is the biggest challenge as a sportsperson – fitting study in around training.”

“Chamber partnership ‘original and exciting’”

Finance Minister Bill English spoke about the “original and exciting” partnership between the University and Auckland Chamber of Commerce at Finance 2011.

Mr English addressed 150 invited leaders of the business community at the business lunch at Eden Park, the second annual function co-hosted by the two organisations where he gives a state of the economy address.

“It is a big step forward when these two organisations get together,” he said. “It is an acknowledgement of the contribution that the University can make with its vast resources of knowledge research and people and putting that together with the chamber was something I thought was original and exciting. It would seem to me to be a very good idea to support it.”

Vice-Chancellor Steve Maharey opened the event and spoke about how Massey had one word at its heart and that was “impact”.

“Together we can do a whole lot more than we can do on our own,” he said.

Universities are key to revitalising export economy

At the end of last year I had the opportunity to sit with APEC leaders in Hawaii where a pessimistic discussion on the state of the world economy dominated. I came away concerned but also optimistic.

The impact on the global economy of the PIGS – Portugal, Italy, Greece and Spain – defaulting on their massive deficits was the major concern. But many leaders also spoke of how lucky we are in this part of the world, not just because we are close to the still fast growing markets of opportunity in Asia but that we seem to have more soundly managed economies.

I agree that our government is on the right track to set goals to get New Zealand back into surplus by 2014, focus on rebuilding Christchurch and tackle long-standing reform of the welfare system.

But that is just one side of the ledger we need to focus on to secure a more successful New Zealand. I also returned from the APEC gathering more convinced than ever that we are missing opportunities to convert the potential of fast growing Asian economies into rewarding export markets for New Zealand products and services. At the end of the day, building a bigger economic pie by making exporting the only game in town is critical if we are to grow the wealth and jobs needed for our long-term economic survival and success.

Whether it is government, business or the education sector, we all need to lift our game. The Government needs to add a fourth goal to its 2012 programme – build up a tier of new exporting enterprises able to grow the size of the economy. Currently, just 450 companies, most resource-based, account for 80 per cent of all exports. The balance is shared among 12,000 businesses – less than 2 per cent of total businesses – most of which export less than $70,000 a year.

A tier of new export-focused businesses is where the real extra jobs will come from. Our universities and other tertiary institutes have a key role to play – to supply a quality and quantity of innovative graduates able to recognise and grasp the opportunities to help revitalise and strengthen New Zealand’s export economy.

If you agree that failure is not an option, either for New Zealand Inc or individual businesses, then you need to focus on setting a clear, credible strategy that will give success. So what will give success?

To convert our export opportunities, a strategy based on co-operation and collaboration between government, business and other stakeholders, especially education and skills training, would help. We need less adversarial patch-protection – as we are seeing in Auckland’s port expansion and workforce reform debates – and more attention to identifying what is best for the nation and its success.

Our new starting point for success requires an optimistic attitude and learning how to operate within a framework of asking what’s best for New Zealand as a whole. Get that right, and I am confident and optimistic that success will follow.
Resolving conflict an issue for many franchises

A study into conflict in the franchise sector shows that New Zealand franchisees can be disappointed with their franchising experience.

Towards Understanding and Resolving Conflict: Franchising in New Zealand 2011 was produced by Massey University and is the first major report to focus on conflict in the franchise relationship undertaken in New Zealand.

The report highlighted communication and conflict resolution as the key areas that franchisees need to improve.

“What is interesting is that franchisees have a very different view to franchisors over how satisfying the relationship is,” says Dr Susan Flint-Hartle, a senior lecturer at Massey’s School of Economics and Finance, and author of the report. “In our 2010 report on the sector, franchisors reported a low incidence of conflict and that their franchisees were, on the whole, very happy.”

Elections bad for business

Elections are bad for business because economic uncertainty increases during political campaigns, according to a newly published study by a Massey University researcher.

Senior finance lecturer Dr Alexander Molchanov, of the School of Economics and Finance at Albany, was part of a team that studied stock market volatility across 50 countries in the six-month lead up to an election and the year after.

They found countries that hold national elections have more volatile economies than autocracies because investors and businesses are put off by the risks associated with political uncertainty.

Furthermore, the study found that markets do not always settle down the year after an election.

“Export-oriented industries in particular, such as we have in New Zealand, show higher volatility when political risks are high,” Molchanov says.

They also found labour-intensive industries had higher volatility when left-wing governments were in power or when labour laws were stricter, he says.

The researchers say the study settles the argument of whether political outcomes influence stock market volatility.

It is believed to be the first paper to analyse the impact of political events on return volatility over such a large set of countries.

The paper Precarious Politics and Return Volatility was co-authored by Artem Durnev of the University of Iowa, Maria Bouatchkova of the University of Leicester and Hitesh Doshi of the University of Houston. The findings have just been published in the Review of Financial Studies.

Resource consent delays ‘increase stock market value’

Those lengthy and sometimes costly resource consent processes about which firms so often complain may not be all bad: for publicly listed firms they appear to be associated with a strategic advantage that makes them more valuable on the stock market.

Dr Carolyn Wirth, a senior lecturer in finance, studied the impact of expected environmental regulatory delay on capital expenditure announcements. She found companies that expect longer regulatory delays achieve higher-than-expected returns – and this held true after controlling for a variety of factors including firm size, project size and nature of the project.

She speculates that firms may be benefiting from early mover advantages, increased reputational benefits and superior environmental management systems.

The source data for the study was drawn from records including energy, healthcare, consumer goods and services from 1992 to 2007. For an average firm undertaking a ‘long time to consent’ project the net benefit is estimated to be in the range of $18 million to $23.4 million at 2007 prices.

“I’m not suggesting that long delays for resource consent processes are good for the business community as a whole, but my research shows there can be advantages to some firms,” Wirth says.

Her paper, The economic impact of capital expenditures: Environmental regulatory delay as a source of strategic advantage, was co-authored by Professor Martin Young and Dr Jing Chi, both from Massey.
Pod squad

When an innovative Tauranga vanilla company wanted help with technology, it turned to Massey University. Nearly five years on, the resulting relationship is still yielding benefits on both sides. Bevan Rapson reports.
Heilala Vanilla is hardly a typical company. It has its roots in a Tongan plantation, its headquarters in Tauranga and a market for its fragrant products among the world’s most discerning chefs and retailers.

But while its vanilla’s aroma carries with it a romantic hint of the tropics, Heilala has had to overcome the typical nuts-and-bolts challenges of any fledgling business.

A few years ago, Heilala’s challenge was to find more to do with the beans than merely harvest them and sell them on. It wanted to turn them into high-value products that could be marketed to foodies around the world.

But, as a family operation, it had little scope for research and development. Unlike large-scale food producers, it couldn’t call on an in-house team of food technologists to devise the processes and protocols it needed.

“For a small company to do food tech work, it’s very expensive,” Jennifer Boggiss, who runs the company with her husband Ross and father John, says. “Sometimes you don’t get anywhere because you can’t afford to make that investment.”

But they got talking to a local food technologist working for giant kiwifruit marker Zespri. Helpfully, she knew that Massey University could sometimes do food technology work for small companies more affordably than would otherwise be possible. She recommended an approach to Associate Professor Marie Wong at the University’s Albany campus.

Wong, who was once a Massey technology undergraduate herself, has been on the staff of the University’s Institute of Food, Nutrition and Human Health for more than a decade and knows well the mutual benefits that can accrue when advanced students have the opportunity to work on commercial projects. “It’s their final project; they’re working with commercial objectives and goals and deadlines.”

Wong explains how a fourth-year food technology student, Shannon Swan, tackled that first Heilala project, which aimed to devise an extraction process: “She came up with a recommended extraction procedure and also started the product development part of the vanilla paste.”

Swan looked at different conditions and also made sure that the process recovered the required amount of vanillin – the main component of the extract. “It basically involved understanding extraction processes, the chemistry, analysing for vanillin,” Wong says. There was also sensory evaluation, comparing the Heilala product with another leading vanilla extract product. “It was a full food technology project. There was extraction, there was processing involved, there was analysis and some development work and there was consumer sensory work.”

The project was a success: Heilala went on to use and modify the recommended procedure and an ongoing relationship was established. “That formed the basis going forward,” Boggiss says.

Massey’s involvement has coincided with a period of promising growth for Heilala. Boggiss estimates that the business has grown by between 60 and 70 per cent in each of the past three years.

These days the company exports to Australia, Singapore and the United States and in a major coup for 2011 has got its products into the prestigious Williams-Sonoma homewares chain in the US, the first shipment being sent to the retailer in March. Just dealing with a big American corporate has its challenges for a small company: Boggiss says the Americans are like New Zealand’s big grocery buyers “on steroids”. ■
Child tracker wristband wins Bright Ideas award

A wristband that uses Bluetooth technology to help parents track their children’s whereabouts was one of the winning entries in Grow Wellington’s recent Bright Ideas Challenge. Massey University Bachelor of Design students Saskia Wallace and Pam Ward picked up the student award for their idea for a product called SafeSparrow that sends a signal to a parent’s smartphone if their child wanders too far away.

Based on the fact 3000 children are reported missing in New Zealand each year, the team, called Appease, say the wristband or a badge would be attached to children up to the age of four to give parents peace of mind.

Appease was among three finalists from Massey University in the Bright Ideas Challenge, which supports young entrepreneurs in developing innovative business ideas and attracted 925 entries.

Marketing students jump to the task

Marketing students jumped to the task when they were asked to come up with a $10,000 marketing plan to help a not-for-profit organisation in Palmerston North.

In teams of three, they compiled comprehensive business plans for the YMCA Central – based on its recreation, youth development and education programmes – and presented them to the YMCA management for judging.

The winners were Luke Trim, Kelly Weaver and Jessica Rhodes whose detailed 70-page report focused on promoting the organisation’s current recreational services – including before and after-school care, holiday programmes, pre-school gymnastics and a climbing wall. They also came up with ideas for new initiatives that would make a profit that could be reinvested into programmes.

Their plan proposed marketing strategies and tactics to help the organisation grow its market share, improve brand awareness and achieve financial stability. The plan, based on research from more than 70 people, was presented to YMCA’s operations manager for Palmerston North Vaughan Dennison.

He says the report included “early pickings” of ideas they could use straight away as well as longer-term big visions for programme development that could bring in further investment. “I was very impressed with the report. Not-for-profits are challenged with their own internal resources and we will get a lot of value out of the strategy and ideas suggested by the students.”

Lecturer Pam Feetham, who teaches the 300-level paper, says the standard was so high this year there were additional awards given to Kelsy Lochead and Phoebe Lang, in recognition of their presentations.

Another finalist from Massey University, Bachelor of Business Studies student Sam Bonney won a $3000 scholarship in recognition of his skills as team leader of Knife and Spork and his team has also attracted investment from a web development company. The concept of Knife and Spork is to cook extra portions and promote social eating through hosting paying customers in the home so they don’t eat alone.

Meanwhile, Bachelor of Business student finalist Rebecca Hoang and her team have now signed a memorandum of understanding to go into a business partnership with her idea for a Roger Road Assistant GPS application to help new restricted drivers learn New Zealand’s road code.

Staff from the School of Management teamed up with the College of Creative Arts (CoCA) to encourage business and design students to team up and enter the competition.
One of the topics of recent financial news from around the world and New Zealand has been credit ratings. Both the United States and countries in Europe have suffered downgrades (in the European case most recently in January 2012), which have sometimes been the subject of complaint by politicians, alleging unfair treatment. New Zealand has also had a credit rating downgrade from two out of the three major agencies (Fitch and Standard & Poors) to AA, although the third (Moodys) has so far left New Zealand’s rating unchanged at AAA. What are ratings, why do they matter, and what are the politics associated with them?

Credit ratings are opinions by ratings agencies as to creditworthiness. In respect of countries, how sound is the economy? Will the country be able to repay its debts? Because it is an opinion, the judgement will sometimes be wrong, but in rating corporations’ debt issues and countries, their judgements are usually vindicated. Particularly if you’re in a different country to the one where you’re lending, you will find the credit rating to be a useful signal.

Because credit ratings look at creditworthiness, or more specifically, at the probability of default (defined as failure to repay the full amount due when it’s due), they will also relate to interest rates. In general terms, the worse the credit rating, the higher the probability of default, and the higher the interest rate will be. Lenders identify a higher risk of not getting repaid, and want a higher interest rate to compensate themselves for this.

The only way we can stop the buy-up of New Zealand is by increasing our savings

So how risky is New Zealand, and is its credit rating appropriate? Could we be subject to further downgrades? Government debt is not a major problem, despite the attention given to it by politicians (gross debt was $68.5 billion at September 30, 2001, 33.7 per cent of gross domestic product, while some of this was held by government-related entities. Netting this off, debt was 27.2 per cent of GDP). However, if future governments do not reduce the current budget deficit (which could be $15 billion or more in 2011-12), government debt could become more important.

The major risk in New Zealand is private debt. As at September 30, net foreign investment (debt plus equity) in New Zealand exceeded foreign investment by New Zealanders by $148 billion, equivalent to 73 per cent of GDP. This is large by international standards, and much of it is debt requiring regular interest payments, putting a burden on the balance of payments current account.

The main reason for New Zealand’s debt having grown to this extent has been our continuing balance of payments deficits on current account. We have absorbed foreign funds as both debt and equity to pay for our spending being greater than our income, and this has resulted in the gradual buy-up of our banks, farms and other assets by foreigners. The only way we can stop the buy-up of New Zealand is by increasing our savings, so that we spend less internationally, and that we can then afford to finance the ownership of New Zealand ourselves. This is one of the reasons why, in the lead-up to last year’s election, the major parties all looked at extending KiwiSaver contributions.

A change to New Zealand’s pattern of current account deficits is not going to happen quickly, and when it does occur, it will be likely to involve a downward shift in the value of the New Zealand dollar relative to all currencies, increasing the costs of imports (leading to petrol at $3 per litre?). In the short run, the New Zealand economy is likely to face worse conditions, and we might easily face another credit rating downgrade. These are some real challenges for the New Zealand economy.
Tango time

A tour party of Massey MBA students finds business in South America doesn’t keep office hours.

Bevan Rapson talks to MBA student Brian Davies.

Sometimes businesspeople need to just put away their laptops and hit the dance floor.

That’s the way it works in South America, at least, as Massey University MBA students Brian Davies, Jason Carnew, Nick Sandifer and David Robinson discovered on a two-week study tour to Chile, Uruguay and Argentina earlier this year.

In a packed schedule of visits to businesses and trade officials, the Massey party of 31 also fitted in tango dancing in Buenos Aires, Argentina – and gained an extra appreciation of how cultural connections can lay the ground for business relationships.

While Massey’s MBA study tours to the US and European countries often involve long, demanding days, the South American contingent had to show endurance in the evenings as well, often not sitting down to dinner until around 10pm and not finishing the evening until 1am.

“You can’t just go there and be an 8am to 6pm person then hide away in the hotel, because you won’t get to do business,” says one of the South American tour party, Wellington-based student Brian Davies. “A lot of South American business – and Argentinian business, specifically – is nurtured and developed and cemented through eating, drinking and dancing.”

Relationships that begin with a meeting during the day will progress in the evening. “You actually do business and cement relationships around dance halls.”

On one level, South America’s economies have a lot in common with New Zealand’s, with a lot of farming and forestry and a strong focus on rural service infrastructure. Even eco-tourism is a common link. “There are a lot of industries similar to those in New Zealand,” says Davies.

But there are also fundamental business-related differences that go well beyond the tango halls, including a greater reliance on cash in South America and the sometimes-related prevalence of corruption. Davies says local businesspeople discussed even the corruption issue quite freely. “They were surprisingly open.”

In countries like Argentina, a history of political instability appears to have discouraged businesses from taking a long-term view. Davies: “They are all into short-term planning, short-term maximisation of goals, which is not really conducive to long-term business stability.”

Businesses visited during the trip ranged from an eco-tourism horse-trekking venture in the Andes – operating under rather looser safety requirements than would be expected in New Zealand – to
The Massey MBA focuses on how business organisations operate and are managed. It is designed to equip its students, most of whom are managers, with a broad range of skills, enabling them to meet the demands of managing and growing a business or organisation.

The programme is taught by ‘pracademics’ (academic staff with business experience in their subjects). Class sizes of between 20 and 30 mean individual attention, and part-time study allows the students to accommodate their family and professional working lives.

Study groups meet in Auckland, Palmerston North, Wellington and Christchurch every three or four weekends over the programme’s 25-month duration.

The mandatory international study tour is intended to foster understanding of how businesses run in different environments, to provide an international perspective, and to enhance business relationships both within the group and with overseas contacts.

The Massey MBA is internationally recognised and accredited by the Association to Advance Collegiate Schools of Business International and the Association of MBAs and is backed by almost 40 years of experience in MBA teaching.

Chile’s state-owned copper mining company, which generates US$6 billion revenue a year, to a leading lamb and mutton trading company.

Presentations included sessions on Fonterra’s South American operations and a PGG Wrightson joint venture. The group was also briefed by New Zealand trade staff and the New Zealand Ambassador to Chile.

It is apparent that widening opportunities in South America go well beyond agribusiness, with energy and technology also seen as highly promising areas for New Zealand individuals and companies.

The MBA students who took the trip are from a variety of fields, including one from the defence forces and another from advertising company Saatchi & Saatchi, along with people in finance, healthcare, manufacturing and project management.

They are in the second year of a 25-month course, during which people study independently but spend 17 weekends in class in the first year and attend six four-day block courses together in the second year. Each class chooses its own study tour destination. A group went to China last year and another recently visited the US, while upcoming tours are going to Germany and Brazil.

While the South America trip perhaps involved more nightlife than tours to other destinations, it was far from a junket. The team elected to spend one day doing painting and maintenance at a preschool facility in a shanty town on the outskirts of Santiago, Chile. “It was our way of giving something back,” says Davies, “for all the learning that we took away.”

The rest of the trip was full of presentations and visits to enterprises, each one an opportunity to observe, ask questions and unpick different ways of running companies and doing business.

To reinforce what was learned each day, the team was divided into groups to produce daily presentations on what had been observed. “We had to take learnings out of everything, to turn that around and present our findings.” Davies’ group took the chance in one presentation to expound on the history and significance of the tango and underline the importance of culture to business. “To be successful in business you need to know where the Argentinians have come from,” he says.

So do New Zealand businesspeople have it in them to adapt to the late-night South American business habits? “I think we do,” says Davies. “I think the new generation of businesspeople is quite comfortable in that sort of environment.” People can take the lead from their hosts, in any case: “The people have a certain vibrancy around them, which is quite infectious.”

For more information, visit http://mba.massey.ac.nz.

Brian Davies is a management consultant in the finance sector. He took up full-time study in late 2010.
As a key supporter of Central Districts Field Days, Professor Paul Kenyon says only Massey has the broad expertise to lead the research boost the agri-food industry needs.

Massey University has been a partner of New Zealand’s agricultural community for more than 80 years. Sir Geoffrey Peren, the first principal of the Massey Agricultural College and creator of the Perendale sheep, pioneered Massey’s collaborative spirit, which has continued to this day.

With research expertise in veterinary science, agronomy, animal production, food technology, farm management and business, Massey is uniquely placed to drive New Zealand’s agri-food economy forward, helping businesses find new ways to grow, process and sell primary produce.

Massey University Vice-Chancellor Steve Maharey says Central Districts Field Days is a major event on the University calendar. “We pride ourselves on connecting with industry so we can ensure our research is relevant, timely and able to ensure New Zealand’s agri-food sector is a world leader,” he says.

“Field Days is a great opportunity to continue that discussion with industry – to find out what’s needed to move this nation forward, and to showcase the things we’ve done to meet that goal.”

This year, Massey’s Central Districts Field Days site will focus on the collaborations that have led to real advances in the agri-food sector. Centre for Precision Agriculture director Professor Ian Yule has been working with farmers for many years to find ways of measuring farmland in terms of inputs and growth.

He partnered with Palmerston North company C-Dax to produce the highly successful pasturemeter, which recently won a New Zealand Innovators Award, and is now working on a hexacopter that will map farm terrain, providing quick and comprehensive data to farmers that will lead to more efficient fertiliser use.

Also featured will be Heilala Vanilla, produced by the Reunion Food Company, which partnered with Massey to produce a range of high-end vanilla products. The work of an honours student in 2007 led to an extraction process being devised and new products launched. Now the company is an award winner that supplies top chefs throughout the world.

But the founding ideals are still strong at Massey, whether it is in food technology or Sir Geoffrey’s own field of sheep research. Newly promoted Professor of Sheep Husbandry, 38-year-old Paul Kenyon, says only Massey has the broad expertise to truly provide the research boost the industry needs to not only compete, but to lead.

“We want to be the link between the new technologies and the applied aspect,” he says. “There are some scientists who are very good at the bench science but they don’t quite understand how that’s going to fit into farming systems. We’d like to think that we are production scientists who will work with those blue-sky scientists to improve farming systems in New Zealand. That’s what we like doing.”

- Massey University offers a range of degrees in agri-food including a Bachelor of AgriCommerce
Knowledge hub links scholars to civic dreams and development

When Auckland was gearing up in 2010 to become a Super City run by a single local government entity, academics at Massey’s Albany campus were sitting up and taking notice. Not only that, they were busy talking about ways the University, specifically its Albany campus, could contribute to a new era and approach to city planning and activity, reports Jennifer Little.

Under the leadership of the exuberant, open-minded mayor Len Brown, conversations led to meetings and an agreement last year under the new council’s Auckland Unleashed plan to work together in areas of mutual interest where Massey’s expertise matches the research needs of the council, which in October 2010 replaced four larger and three regional councils spanning Franklin in the south to Rodney in the north.

As a result, a cluster of academics with expertise in a range of social and economic issues, from new migrant settlement, ethnic diversity and employment trends to health research, creating innovative, sustainable businesses, developing information and food technology, plans to share its knowledge with the wider community and the council.

Dubbed the Auckland Knowledge Exchange Hub (Innovation and Enterprise), the proposal sets out to match areas of academic expertise at Massey with the knowledge and research needs of the council.

Opportunities abound through fortuitous timing and the maturation of the University at its Albany location – a dynamic campus mustering its academic strengths and profile around the theme of innovation alongside a new civic structure intent on developing a city of the 21st century which is globally connected and locally, a major economic driver.

One man who has spent many years studying migrant groups and related employment and business trends in Auckland, and who, more than anyone, understands the impact and implications of migrants on Auckland’s growth, is sociologist Professor Paul Spoonley, research director for the College of Humanities and Social Sciences at Albany.

He and colleagues at the Albany campus-based Integration of Immigrants Programme recently released a report comparing employment and settlement experiences of Auckland’s five immigrant groups from China, Korea, India, South Africa and Britain – valuable data for council planners seeking insights into the human factors shaping Auckland.

“The development of the new Super City council provides an excellent opportunity for Massey academics to contribute in a real world sense to economic and social understanding – as well as the decisions that flow from this,” Professor Spoonley says. “It is an exciting moment in terms of the University’s engagement with a city that is home to a third of all New Zealanders.”

As co-director of the hub with Associate Professor Christoph Schumacher from the College of Business, he says the idea, modelled on a mix of similar schemes overseas, will “seek to capitalise on the Albany campus as a gateway – on behalf of the University as a whole – to develop strong research and teaching partnerships in Auckland”.

Academics with entrepreneurial interests from the Colleges of Business, and Humanities and Social Sciences, as well as the University’s business incubator the ecentre, believe they have plenty to offer by building on networks already forged, tracking a record of successful relationships and ventures with organisations in Auckland, including businesses such as KPMG, schools, government departments and ministries, and organisations such as the Waitemata District Health Board.

“What the Knowledge Exchange Hub does is to provide an umbrella for such activity.”

“The University also brings the New Zealand Centre for Small to Medium Enterprise Research, the Maori Business Centre and the wider expertise of staff in agri-food, ICT, design, high-value engineering, health and tourism as well as proven capacity to engage across the rural/urban/civic interfaces – all of which are important to the North Shore and Auckland growth area,” the proposal says.

Professor Anne de Bruin, who directs the New Zealand Social Innovation and Entrepreneurship Research Centre at Massey, says research and mentoring from her interdisciplinary group will help to advance new ideas to enhance the way New Zealanders do business from social and economic perspectives.

“We need creative thinking and innovative ways to address and understand today’s socio-economic challenges like New Zealand’s high proportion of youth unemployment,” she says. “Our centre’s wealth of expertise can add value on a host of issues that are vital to Auckland’s future.”

Spoonley says the big challenge is to ensure the tag ‘Super City’ translates into something meaningful to make a difference to people who dwell here. In real terms, it has already galvanised a new bond between scholars and their city, he says.
Innovation in action

A research programme to help New Zealand businesses perform better is at the heart of a new Massey University initiative – hosting an Innovator-in-Residence.

Inaugural Innovator-in-Residence Colin Gilchrist, managing director at Set Based Solutions, is based part-time at the Albany campus where he is working with School of Engineering and Advanced Technology senior lecturer, Dr Aruna Shekar, some of her students, and several companies.

Gilchrist, who was general manager quality for Fisher & Paykel Appliances from 1972 until 2010, is a champion of Learning First Product Development, a new approach based on the Toyota manufacturing model.

He says it makes product design less costly and results in better quality products.

He is running workshops and research activities in conjunction with Shekar and her students to adapt and implement the model, focused on “knowledge capture” at the development stage, which he says will significantly enhance Kiwi business outcomes. Students are also engaged in working with local companies.

“It’s a win-win-win situation for the student, for Massey and for the company.”

Bouncing ball blender

Industrial design student Roseanne de Bruin won third place in the finals of the prestigious Electrolux Design Lab competition in London for her bouncing ball blender. Her Smoobo design beat more than 1300 entries from over 50 countries for third place of eight finalists. She was one of three New Zealand entrants – all from Massey – to be named among the 25 semi-finalists earlier this year. Her quirky Smoobo combines the fun of a bouncing ball with an environmentally friendly way of making a smoothie.
The ecentre, on the Albany campus, is a business incubator that has helped more than 200 companies since it was founded in 2001. It plays a key role in helping entrepreneurs transform their ideas into successful businesses serving global markets. It engages mentors and experts from Massey and the business community to help fledgling companies take off. It also runs the ecentreSprint market validation programme to get ideas to market fast. www.ecentre.org.nz

Steve Corbett, chief executive of the Albany campus-based ecentre, believes the business “ecosystem” has grown sufficiently over the past decade to provide the right combination of expertise and training, financial support, media knowledge and legal backing.

“I am convinced that New Zealand software companies will succeed in the next decade,” Corbett says. Technology investment companies from the United States are now actively looking for emerging New Zealand technologies, he says. “This is illustrated by the recent sale of high tech pipe profiling company CleanFlow Systems, which grew from the ecentre on the Albany campus.”

CleanFlow, which will retain its world-leading research and development facility and all its 12 jobs in Albany, has been bought by RedZone Robotics. Its chief executive, Trevor Logan, will sit on the RedZone board of directors.

Corbett says his reasons for optimism are that universities are now more focused on developing commercial opportunities and, while there will always be a need for investment capital, New Zealand has made good progress with the development of early stage funding – including the Venture Investment Fund, Seed Capital Fund and Angel Investment network which have sprung up to provide capital.

“Over the past 10 years the support system for the industry has come a long way and grown from crawling to walking – still with the occasional totter – but is now gaining momentum.”

He says the advent of cloud-based computing has made the global market local and will be enhanced by the national fibre roll-out. Most importantly, attitudes have changed. “We are developing a quiet confidence and self-belief that New Zealand can consistently deliver world-class technology solutions into niche markets,” he says. “Our solutions are no longer number eight wire. Our solutions are based on leading technology in both concept and user experience and this combination can provide our differentiation.”

Corbett, who is also chair of industry national association Incubators New Zealand, says New Zealand has always had good technology companies, citing the examples of Jade, Datacom and Peace, but the number of technology start-ups growing with the ambition to becoming global players has dramatically increased and new companies are able to leverage on the success of the early movers.

He says smart cities attract smart people and the newly opened Wynyard Quarter in Auckland is an example of how a city can reshape the environment to enhance quality of life. “New Zealand will need to continue to develop attractive cities to encourage immigration by talented individuals,” he says. “With liveable cities and world class infrastructure we can attract talented people who can assist New Zealand grow its technology base – but equally they can enjoy the benefits of living in New Zealand.”
A health sector specialist has joined Massey University’s College of Business Advisory Board.

Rachel Cunningham is the head of corporate affairs and legal at Southern Cross Healthcare Group and executive director of Southern Cross Primary Care Limited. She will work alongside 17 other board members – from industry, professional bodies and local and government organisations – to provide independent advice to ensure teaching and research meets the needs of the business community.

Cunningham, a former Epsom Girls’ Grammar School student and University of Auckland law graduate, was a regional finalist for Young Executive of the Year in 2005. She has a strong background in law and has been legal counsel for more than 10 years, mainly in the health sector.

“‘The advisory board is a great tool to ensure Massey College of Business graduates achieve the best possible development and academic outcomes,” she says. “I am proud to be part of an advisory board that benefits students, the University and the business community as a whole.”

Other recent appointments to the board include Nevil Gibson, editor-in-chief of the National Business Review; Candace Kinser, chief executive of NZICT (New Zealand Information and Communication Technology) and Lee Retimana, director of Christchurch-based Muritai Marketing.

The board is chaired by Toyota New Zealand chief executive Alistair Davis.

Other board members are: Sue Foley, corporate affairs director at Westpac; Colin Harvey, director Ancare Scientific Ltd; John Heng, director at Passport Limited; Paul Hocking, director Esperance Capital; Doug Matheson, professional director; Maggie Robertson, head of customer experience and human resources at Telstra Clear; Janine Smith, principal of Boardroom Practice Ltd; Mike Taitoko, partner at Tuia Consulting; Keith Wedlock, partner at Glendinnings Chartered Accountants; Roger Wigglesworth, director Tourism, Major Events and Consumer Affairs at the Ministry of Economic Development; Rodney Wong, deputy chair Plant & Food Research; Tony Wright, manager shareholder services, Lower North Island/South Island, Fonterra.
A team from Kerikeri High School triumphed in the ANZ-Massey Economics Challenge held in Whangarei. They took top honours in the competition at Toll Stadium, which challenged students to tackle the New Zealand savings crisis. The school’s second team was runner-up.

It was the first time Massey University and the ANZ had hosted the competition in Northland.

The ANZ-Massey Economics Challenge is on August 31, 2012. ■
In 2012 the Massey University School of Aviation celebrates its Silver Anniversary, marking the occasion with a two-day celebration in Palmerston North on 20-21 April.

During its 25 years of existence, the school has educated and trained thousands of ‘aviators with a difference’.

The Massey Aviation Institute opened in 1987 with 28 students on the first course. This year, 326 students are studying towards a Bachelor of Aviation Management, 130 are studying towards a Bachelor of Aviation – Air Transport Pilot, 37 are pursuing postgraduate degrees and six are working towards doctorates.

“Our school is one of the few tertiary education institutions in the world that combines professional training for pilots with university accredited academic qualifications,” says Captain Ashok Poduval, who has headed the school since 2005.

“We know it takes more than stick and rudder skills and flying hours in the log book to produce a high-calibre aviator.”

The school’s graduates are now employed around the world and throughout the aviation industry. They have become pilots, air safety investigators, airport managers, flight dispatchers and aviation consultants.

The celebrations begin with a cocktail function and culminate in a jubilee dinner at the Palmerston North Convention Centre.

To find out more or register, go to http://aviation.massey.ac.nz.
### Milestones

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<th>Year</th>
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<tr>
<td>1987</td>
<td>The Massey Aviation Institute is launched. An Australian company provides the training for the 28 students who enrol in Massey Course Number 1.</td>
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<tr>
<td>1990</td>
<td>Massey Aviation Institute becomes the Massey School of Aviation. A Diploma in Aviation is established and the school moves to a refurbished facility on the Manawatu campus.</td>
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<td>1995</td>
<td>Indonesia-based Garuda Airline signs a three-year contract under which the school will train cadets for the Bachelor of Aviation degree and convert flight engineers to Commercial Pilot Licence level.</td>
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<td>1997</td>
<td>A four-year Bachelor of Aviation degree is approved by the Committee on University Academic Programmes. Some 67 Massey graduates receive internships with Garuda Airlines, based in Jakarta, operating as first officers with B-737-400 aircraft for two years.</td>
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<tr>
<td>1999</td>
<td>Flight Instructor courses commence annually. Postgraduate programmes formalised. Massey Air Transport Pilot Licence programme is recognised by Singapore Civil Aviation Authority for pre-validation of licences for Singaporean Bachelor of Aviation students.</td>
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<td>2001-02</td>
<td>School moves its headquarters and academic unit to the Albany campus. Ardmore Flight Systems Centre is set up for pilot training and Bachelor of Aviation students attend lectures on the Albany campus. Palmerston North Bachelor of Aviation programme and Milson Flight Systems Centre remain active. With two operating sites, the school becomes the largest flight training organisation in the Southern Hemisphere. The school buys Spidertracks tracking system units developed by Don Sanbrook and Massey mechatronics graduate James McCarthy to combat radar blackspots. The school’s fleet of single-engine aircraft now permanently fitted with this safety device.</td>
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<td>2002</td>
<td>Bachelor of Aviation Management introduced. Flight crew development major or Bachelor of Aviation restructuring into four parts, renamed air transport pilot major and compressed funding to enable the four parts to be completed in three years approved by Tertiary Education Commission. Bachelor of Aviation Management offered in Singapore through the Singapore Aviation Academy.</td>
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<td>2005</td>
<td>Captain Ashok Poduval appointed General Manager.</td>
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<td>2006</td>
<td>Headquarters and Academic Unit moved to the Social Science Tower on the Manawatu campus. Albany aviation offices closed.</td>
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<td>2007</td>
<td>Dmitri Zitov becomes the school’s first aviation PhD graduate. Tertiary Education Minister, now Massey Vice-Chancellor, Steve Maharey opens the new Frasca Truflite flight simulator.</td>
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<td>2008</td>
<td>Fleet of 12 Diamond DA-40 and two DA-42 aircraft purchased at cost of $8 million to replace the Piper Warrior (PA-28) and Seneca (PA-34). First Massey Bachelor of Aviation - Air Transport Pilot graduates inducted into the Jetstar pilot internship programme as first officers.</td>
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<tr>
<td>2011</td>
<td>Air New Zealand announces School to be a training partner. The School of Aviation has 326 students taking the Bachelor of Aviation Management programme and 130 studying the Bachelor of Aviation - Air Transport Pilot degree. There are 37 postgraduate students and six PhD students.</td>
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SARAH GIBBS. CO-FOUNDER TRILOGY. MASSEY GRADUATE.

Whether you live in a beauty product-free zone or not, you have to admire Trilogy’s success. Developed by Sarah Gibbs and her sister Catherine de Groot, it has become one of the world’s most successful natural beauty product ranges.

Sarah’s entrepreneurial success is a combination of the right idea, the right timing plus the right business base acquired from her accountancy degree at Massey University.

Taught by world renowned lecturers and armed with practical knowledge to take into the world, Sarah is one of thousands of trail-blazing Massey graduates who are defining a new future for New Zealand.

Read more about Sarah and our other graduates who are the engine of the new New Zealand by visiting engine.ac.nz