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The Pulse Report

New Zealand, July 2026

Confidence Returns, Capacity Constrains

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FOREWORD

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New Zealand's business community has always had a particular kind of leadership grit, practical, calm, and quietly ambitious. Over recent years, that grit has been tested by a constant sequence of pressures that asked more of leaders, more often. Cost of capital shifted. Labour markets tightened and then softened. Customers became more selective and more value driven. The pace rarely let up.

That context is why The Pulse Report exists.

This report is not commentary, and it is not prediction dressed up as certainty. It is a snapshot of what New Zealand CEOs and business owners were experiencing and expecting when surveyed through The CEO Institute's New Zealand Pulse survey in January 2026. The cornerstone of this report is our data. We have paired it with external research to provide context and contrast, not to override what leaders in our community told us.

Since the survey was conducted, the external environment has become more volatile. Geopolitical tensions have intensified, energy and supply chain risks have sharpened, and the broader operating environment has become harder to read. That does not make the original findings less relevant. It makes them more important.

The central message of this report is that confidence is returning, but capacity remains constrained. You will see optimism in these findings. You will also see pressure. That combination is the reality of leadership in this moment. Confidence can rise while internal strain inside organisations remains very real. Momentum can return while operating models, leadership capacity, and governance systems are still being tested.

The leaders who perform best through the next phase of 2026 will be those who combine ambition with discipline. They will know where to lean in, where to simplify, and where to build resilience before pressure becomes crisis. They will protect the energy and judgement required to lead well. They will invest in systems, people, governance, and execution, not only in growth.

I'm grateful to every member and participant who contributed. Your candour makes this report useful. It also makes it practical. The point of Pulse is not simply to describe the moment. It is to help leaders make clearer decisions inside it.

Our purpose at The CEO Institute is simple. No business leader should ever walk alone. This report is one way we bring that to life, by reflecting the truth of leadership back to leaders, and by giving you a benchmark against peers who carry the same weight.

If your week allows, read the full report. If it doesn't, start with the Executive Summary and use it as a decision prompt with your executive team, your board, or your leadership cohort. Either way, my hope is that it leaves you with clearer choices, stronger conviction, and a sharper view of what you do next.

Richard Wynn
Chief Executive Officer
The CEO Institute

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EXECUTIVE SUMMARY

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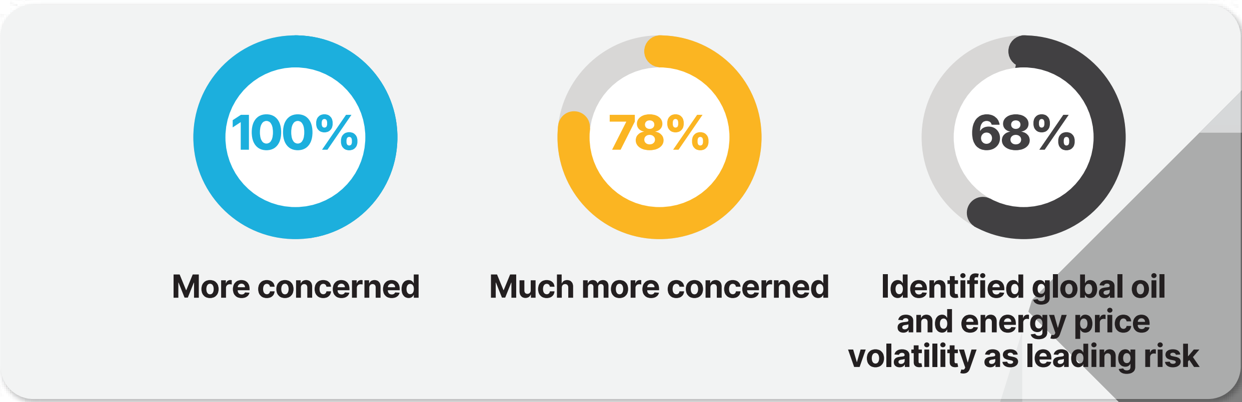
This report draws on The CEO Institute's New Zealand Pulse survey, conducted in January 2026, to capture CEO sentiment, business priorities, and leadership pressure at the start of the year's operating cycle. It reflects what New Zealand CEOs and business owners were seeing and feeling at the time, then places those insights against a more volatile external environment as the year has unfolded.

The central message is clear: confidence has returned, but capacity remains constrained.

That confidence matters. It shows that New Zealand leaders are not sitting still. They see opportunity, they are thinking about growth, and they are preparing for better conditions. But the Pulse data also shows that this optimism sits alongside real internal pressure. Many organisations are still operating with stretched teams, constrained resources, emerging AI capability, uneven governance readiness, and leadership energy that may be stronger in January than it feels later in the year.

Since the survey was conducted, geopolitical volatility has become a more immediate business variable. In recent geopolitical Pulse work conducted by The CEO Institute, CEOs and business owners across ANZ stated that their concern had accelerated sharply. 100% of respondents said they were more concerned about geopolitics and trade disruption than six months earlier, with 78% saying they were much more concerned. 68% identified global oil and energy price volatility as leading risk. The more important leadership signal is the gap between concern and action: only 7% had made structural changes in response to geopolitical risk, and only 12% treated it as a core part of strategic planning.

That does not turn this into a geopolitical report. It sharpens the business message. Confidence now needs resilience behind it.



Headline insights

- Confidence has lifted, but leaders are preparing for an uneven recovery rather than a smooth rebound.
- "Doing more with less" has become the default operating posture, and for many it is reaching its limit.
- A strained operating model has less room to absorb shocks, especially when external volatility affects fuel, freight, supply chains, currency, customers, and cashflow.
- Productivity and accountability have replaced talent scarcity as the dominant people agenda.
- Middle leadership capability is the key multiplier. It determines decision speed, standards, accountability, and execution rhythm.

- AI adoption is progressing, yet most organisations remain in pilots rather than scaled, customer-ready capability.
- Digital, cyber, and geopolitical risk readiness is now a CEO and board responsibility, not a technical side issue.
- Leadership energy appears relatively strong in January, yet one in five leaders is already operating close to exhaustion.
- The advantage in the next phase of 2026 will go to leaders who simplify, focus, build capability, and create resilience before pressure becomes crisis.

The numbers that matter most, New Zealand Pulse Survey

83%	expect business conditions to improve.
53%	say “do more with less” is not sustainable beyond the next 6–12 months.
55%	report AI activity is limited to early pilots or consultant-led initiatives.
18%	rate their digital risk governance as minimally prepared or not prepared.
19%	report being regularly exhausted or at burnout risk, even in January.

Additional geopolitical signal, ANZ CEO Pulse work

100%	of respondents said they were more concerned about geopolitics and trade disruption than six months earlier.
78%	said they were much more concerned.
68%	identified global oil and energy price volatility as the leading geopolitical risk to business.
7%	had made structural changes in response to geopolitical risk.
12%	treated geopolitical risk as a core part of strategic planning.

What CEOs should do next

- **Reduce workload before demanding higher output.** Publish a clear stop list, simplify priorities, and make the next 90 days easier to execute.
- **Reset execution rhythm.** Tighten decision rights, reduce escalation, clarify ownership, and make weekly outcomes visible.
- **Strengthen middle leadership.** Set clear standards, build capability in performance conversations, and give managers the authority to lead, not just carry tasks.
- **Move AI from pilots to value.** Pick two use cases to scale, build the data and governance foundations, and measure quality as well as speed.
- **Embed risk into normal decision-making.** Treat cyber, data, AI, and geopolitical exposure as governance issues. Map exposure, monitor early warning signals, rehearse external shocks, and manage response based on commercial impact.

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METHODOLOGY

METHODOLOGY

Survey timing and approach

This report is anchored in The CEO Institute's New Zealand Pulse survey, conducted in January 2026 using live voting during The CEO Institute's Annual Auckland Summit. The survey captured the views of New Zealand-based CEOs and business owners on business confidence, operating intensity, AI readiness, leadership energy, people priorities, and digital risk governance.

The results should be read as a point-in-time sentiment snapshot. They reflect how leaders were feeling and thinking at the start of the year's operating cycle, rather than a fixed prediction of how 2026 would unfold.

Since the January survey, the external environment has become more volatile. To ensure the report remains current, we have also drawn on separate geopolitical Pulse work completed by The CEO Institute. This included a structured CEO survey conducted in late 2025, scenario-planning workshops led with Geopolitical Strategy, and a live April 2026 CEO briefing poll focused on the Iran conflict and its business implications. These inputs are used as a contextual overlay, not as a replacement for the New Zealand Pulse data.

Respondent profile

The New Zealand Pulse survey had a total sample size of 147. Respondents were New Zealand-based CEOs and business owners engaged in The CEO Institute community. The survey captures perspectives from leaders across enterprise organisations and SME businesses.

The geopolitical Pulse work drew on a broader CEO and business owner audience across ANZ. It included approximately 351 CEOs and business leaders in the late-2025 structured survey, approximately 72 senior business leaders in the April 2026 live polling, and additional qualitative input through scenario-planning workshops. These findings are used selectively to inform the broader leadership context around geopolitical volatility, business preparedness, and risk governance.

How results are presented

Survey responses were initially captured as counts. In this report, the New Zealand Pulse results are presented primarily as percentages to support easier comparison across questions and clearer interpretation for readers. Counts are retained where helpful for transparency and can be made available alongside the survey results.

Where geopolitical Pulse findings are referenced, they are used to strengthen interpretation of the operating environment. They are not presented as New Zealand-specific survey findings unless stated. Their role is to provide a broader CEO sentiment overlay around geopolitical risk, trade disruption, energy volatility, supply chains, cyber exposure, and the gap between concern and preparedness.

Note: Percentages are rounded and may not total 100%

Notes on limitations and interpretation

- **Point-in-time sentiment:** The New Zealand Pulse results reflect how leaders were feeling in January 2026. Sentiment can shift as economic, political, geopolitical, and market conditions evolve.
- **New Zealand data as the cornerstone:** The primary data source for this report is The CEO Institute's New Zealand Pulse survey. The geopolitical Pulse work is used as supporting context only.
- **Community-based sample:** Results represent leaders connected to The CEO Institute in New Zealand and should be interpreted as a directional view of CEO and business owner sentiment rather than a nationally representative sample.
- **Different research inputs:** The New Zealand Pulse survey, the late-2025 geopolitical survey, the scenario-planning workshops, and the April 2026 live briefing poll were conducted at different times, with different respondent groups and different question sets. They should not be read as a single continuous dataset.
- **Context matters:** External research and geopolitical insights are used to provide comparison, contrast, and relevance. The Pulse survey data remains the foundation of the report's insights and conclusions.

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CHAPTER 1

CONFIDENCE RETURNS, RECOVERY STAYS UNEVEN

CONFIDENCE RETURNS, RECOVERY STAYS UNEVEN

New Zealand CEOs are noticeably more optimistic than they were coming out of last year. In our New Zealand Pulse survey (January 2026), 83% of respondents expect the economic environment for business to improve (some improvement or significant improvement). 15% expect conditions to be largely unchanged, and 3% expect some decline. The most important point is not that confidence has lifted. It's the shape of that confidence. It's constructive, not euphoric.

Note: Percentages are rounded and may not total 100%.

Expect to Improve **Expect to not change** **Expect decline**

That matters because confidence is a leading indicator of what CEOs are willing to do next. It influences whether leaders invest, hire, expand, and take calculated risks. When confidence returns after a tough cycle, it can unlock momentum quickly. It can also trigger overreach if leaders assume the recovery will be smooth or evenly felt.

The Pulse data gives a clear signal: New Zealand leaders see better conditions ahead, but they are not expecting a universal upswing. The recovery is likely to be experienced at different speeds, by different sectors, and inside different customer segments.

What "confidence" means in this cycle

The fact that 1 in 5 respondents (21%) expect significant improvement is a powerful indicator of underlying belief in the market's direction. It suggests many CEOs can see a path to growth that is not purely cost-cutting or survival driven.

At the same time, the presence of a meaningful "steady state" cohort (15% expecting little change) is the first sign of unevenness. It tells us that even among CEOs, there is caution about how quickly conditions will translate into revenue, margin, and cashflow improvements.

Expect significant improvement **Expect little change**

That pattern aligns with the wider economic commentary in New Zealand right now. Forecasters are broadly expecting improvement, but they are also explicit that it won't land evenly across the economy. RNZ's early January round-up of economist views captured this well, including the observation that the recovery will not be felt evenly, and that some households and sectors will continue to face real drag even as the headline picture improves. This is the critical distinction for leaders reading this report. GDP growth and sentiment can lift while parts of the economy still feel "stuck". CEO decision-making needs to assume both can be true at the same time.

Confidence now needs to be tested against volatility

The confidence recorded in our January Pulse should not be dismissed simply because the external environment has since become more volatile. CEOs were not wrong to be optimistic. The data captured what leaders could see at the time: a market beginning to improve, interest rate pressure easing, and a path back to more constructive trading conditions.

But confidence is not static. It has to be tested as conditions change.

Since the January survey was conducted, geopolitical risk has moved more sharply into the business foreground. What may have felt like a distant macro issue earlier in the year was increasingly being felt through practical business transmission points: energy costs, freight and supply chains, currency pressure, investment timing, customer confidence, cyber exposure, and the reliability of global trading relationships.

That matters because the recovery New Zealand leaders were anticipating in January 2026 now needs to carry more uncertainty than it did when the survey was taken. The issue is not whether confidence was misplaced. The issue is whether confidence has enough resilience behind it.

For CEOs, this changes the quality of decision-making required. Growth plans still matter. Investment still matters. Productivity still matters. But each now needs to be stress-tested against sharper external volatility.

The questions become more practical:

- What happens to margin if fuel, freight, or imported input costs rise again?
- Which suppliers, customers, or markets are most exposed to global disruption?
- How sensitive is cashflow to delayed decisions, slower demand, or currency movements?
- What investments should continue because they build resilience, and what should be delayed because they add complexity?
- Does the board or leadership team have a clear rhythm for monitoring geopolitical risk, or is it still treated as background noise?

This is where cautious optimism becomes a leadership discipline. The best leaders do not abandon confidence when volatility rises. They make confidence more intelligent. They map exposures, monitor early warning signals, and manage decisions with a clearer view of risk and consequence.

That is the balance now required. New Zealand leaders can still build on improving sentiment, but the next phase will reward those who convert confidence into resilience, not simply growth.

Why the recovery looks uneven, even as sentiment improves

There are three forces worth holding in mind as you interpret the Pulse results.

1. Monetary conditions are supportive, but households are still cautious.

The RBNZ is clearly signalling a forward-looking stance. Governor Breman has emphasised that monetary policy must focus on where inflation is heading, not where it has been, and stated confidence that inflation will return to the 2% midpoint over the next 12 months.
Reuters reporting on the February decision also notes the OCR being held at 2.25%, with inflation having recently lifted to 3.1%, and the RBNZ signalling policy needs to remain accommodative to support a fragile recovery.

Lower rates help, but the transmission is uneven. The first impacts tend to be on debt servicing, confidence, and investment appetite. Consumer behaviour often takes longer, especially after a prolonged period of cost-of-living pressure.

2. Housing is acting as a brake, not a lever.

Westpac's reading of the RBNZ's stance is telling. Their analysis points to the central bank taking a pessimistic view on house prices, expecting softness to continue and explicitly calling out housing as a drag on household spending. Westpac notes that the RBNZ's assumption is for house prices to be flat through 2026, despite an above-trend growth forecast, and frames this as a major factor shaping the recovery profile.

For CEOs, housing matters less as a property story and more as a demand story. It influences discretionary spending, consumer confidence, and the "wealth effect" that often supports services and retail activity in major centres.

3. Labour market improvement is likely to lag the sentiment cycle.

Westpac highlights that the path to lower unemployment is expected to be slow, with unemployment still elevated in the RBNZ track.
RNZ also reflects this lag, noting expectations that wage growth can be one of the last elements to move even when the economy is improving.

This is another reason recoveries feel uneven. Businesses can see green shoots and still hesitate to hire, and households can feel insecurity even as overall confidence improves.

What this means for enterprise CEOs and SME owners

The Pulse result is good news, but it should shape behaviour in a very specific way. Confidence should lift your ambition. Unevenness should tighten your discipline.

For enterprise CEOs

- Plan for mixed demand. Some customer segments will return faster than others. Build forecasts that allow for divergence by region, segment, and product line.
- Invest with proof points. This is a cycle where boards will support investment that has a clear value case, measurable milestones, and strong risk controls.
- Use the window wisely. Datacom's Business Outlook research found 65% of senior leaders expect conditions to improve over the next 12 months, and 82% plan to increase technology investment, with leaders still emphasising efficiency and cost management. This is consistent with the Pulse sentiment. The opportunity is to modernise and build advantage, without assuming demand will simply "arrive".

For SME owners

- Treat confidence as a trigger for pipeline, not headcount. Build demand first, then add capacity.
- Watch customer psychology. If housing and household caution persist, customers will stay value-sensitive. That affects pricing power and sales cycles.
- Tighten cash discipline. A fragile recovery punishes cashflow mistakes more than it rewards optimism.

The CEO watchlist for the next phase of 2026

If you take one thing from this chapter, take this: the next period rewards leaders who can hold two truths at once, confidence and caution.

The external commentary points to a practical set of indicators that will tell us whether the recovery is broadening or stalling, especially in housing and consumer spending.

Over the coming months, CEOs should keep a close eye on:

- House price momentum and consumer spending, as indicators of demand breadth.
- Labour market stabilisation, hiring intent, wage pressure, and productivity signals.
- Rates and inflation trajectory, because confidence can turn quickly if the outlook changes.
- Sector divergence, especially between export-linked activity and domestically exposed services.

This is the core message behind the Pulse result. New Zealand CEOs are ready for better conditions. The leaders who win the next phase will be the ones who stay disciplined enough to navigate an uneven recovery, while still moving early enough to capture the upside.

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CHAPTER 2
THE OPERATING MODEL IS UNDER STRAIN

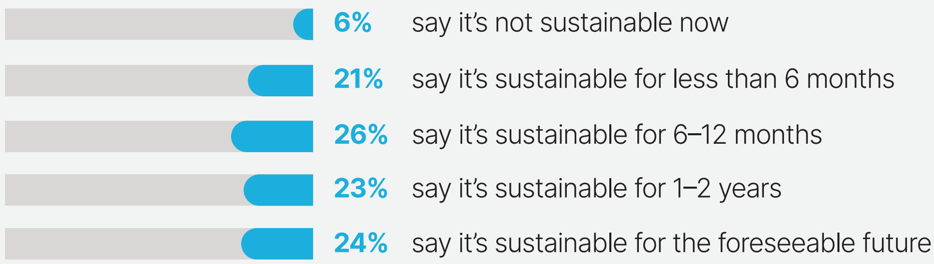
THE OPERATING MODEL IS UNDER STRAIN

"Doing more with less" has become the default operating posture for New Zealand businesses. It started as a short-term response. It stayed long enough to become cultural. And now CEOs are split on whether it can keep going.

Our New Zealand Pulse survey makes that split unmistakable. 53% of leaders say their current "do more with less" intensity is not sustainable beyond the next 6–12 months, and 47% believe it is sustainable for 1–2 years or longer.

Look closer and you can see why this is the central operating tension for the next phase of 2026.

The numbers that matter most, New Zealand Pulse Survey



That's not a neat bell curve. It's a fork in the road.

And it matters because "do more with less" is not a strategy on its own. It's a pressure response. Over time it creates hidden costs, decision drag, quality slip, customer churn, key person dependency, and the slow erosion of leadership capacity. You can't see it in the P&L until it's already a problem.

Why CEOs are split, even with improving confidence

Chapter 1 showed confidence returning. The temptation is to assume the pressure will ease naturally.

It won't, at least not evenly.

New Zealand's broader data backdrop supports this tension. NZIER's QSBO (December quarter 2025) shows business confidence lifting sharply, with a net 39% expecting better economic conditions in the coming months. Yet it also reports that cost pressures are still present (a net 37% of firms reporting higher costs), and profitability remains subdued in sectors like retail and services.

So, you get the CEO experience we are seeing in the Pulse data. Leaders can see momentum returning, but they still feel the operational grind.

A second truth is also shaping the split. Financial stress hasn't disappeared from the system.

Deloitte's New Zealand Insolvency Trends 2025 report describes the country experiencing its highest level of formal appointments in 15 years. It records 3,080 formal corporate appointments in 2025, up 12% year-on-year, with 932 appointments in Q4 2025, the second-highest Q4 since 2000.

Companies Office figures tell a similar story from another angle. They reported 889 liquidator appointments in Q4 2025, up 34.7% on the same quarter the prior year, and 97 companies placed into liquidation in January 2026.

When insolvencies lift while confidence rises, it's telling you something. Some firms are recovering. Others are still getting squeezed, often by a mix of demand softness, tighter funding, and operating costs that refuse to return to old baselines.

That's the uneven recovery in operational form.

A strained operating model has less room to absorb shocks

This is where the operating model question becomes more urgent.

A business that is already stretched has very little room to absorb an external shock. When margins are thin, teams are running hot, suppliers are harder to manage, and decision-making is already slow, volatility doesn't land on a stable system. It lands on a strained one.

That matters because the risk environment has shifted since the January Pulse survey was conducted. In separate geopolitical Pulse work with CEOs and business owners across ANZ, concern had accelerated sharply. 100% of respondents said they were more concerned about geopolitics and trade disruption than they were six months earlier, with 78% saying they were much more concerned. The leading concern was practical and commercial: 68% identified global oil and energy price volatility as the leading geopolitical risk to business.

The key insight is not that leaders are pricing collapse as the base case. They are pricing sustained friction, uncertainty, and fragmentation.

That distinction matters.

A short, sharp disruption can be managed through contingency. Sustained friction is different. It works its way into the operating model. Fuel costs affect transport and logistics. Freight volatility changes pricing assumptions. Currency pressure affects imported inputs and offshore services. Supplier instability increases management time. Customer uncertainty lengthens sales cycles. Working capital becomes tighter because timing becomes harder to predict.

None of that automatically creates a crisis. But it does expose weak operating design.

The deeper issue is that awareness is moving faster than adaptation. In the same geopolitical Pulse work, only 7% of organisations had made structural changes in response to geopolitical risk, and only 12% treated geopolitical risk as a core part of strategic planning. That gap between concern and action is where operating model risk sits. Leaders can see the volatility rising, but many organisations have not yet redesigned how they make decisions, manage suppliers, price risk, protect cashflow, or monitor external exposure.

This is why the “do more with less” finding is so important. More than half of New Zealand respondents said their current intensity is not sustainable beyond the next 6–12 months. That was already a warning. In a more volatile external environment, it becomes a sharper strategic signal.

If an organisation is already relying on people to compensate for poor process, slow systems, unclear decision rights, and overextended leaders, external volatility becomes a force multiplier. It makes the same weaknesses more expensive.

The question for CEOs is no longer simply, “Can our people keep going at this pace?”

It becomes:

- Can our margins withstand input cost movement without constant repricing panic?
- Can our supply chain absorb disruption without senior leaders needing to intervene every time?
- Can our pricing model respond quickly enough when freight, fuel, or imported inputs move?
- Can our working capital handle slower customer decisions or delayed payments?
- Can our leadership team make fast calls without every issue escalating to the CEO?
- Can our managers maintain standards when pressure increases again?

This is the operating model test for the next phase of 2026.

The strongest businesses will not be the ones that simply work harder through volatility. They will be the ones that create more shock absorption in the system. Cleaner decision rights. Better supplier visibility. Stronger cash discipline. Clearer pricing triggers. Tighter operating cadence. More capable middle leadership. Less dependency on a handful of overextended people.

A strained operating model makes every external shock feel larger. A well-designed operating model doesn’t remove volatility, but it gives the business more room to respond.

What "operating model strain" looks like inside organisations

The phrase "doing more with less" sounds tidy. The lived reality is messier.

It tends to show up in five ways.

1. Work expands to fill the gaps.

Headcount might be flat, but the work isn't. New initiatives keep arriving. Compliance doesn't reduce. Customers demand faster answers. Everyone becomes "critical". The organisation gets busy, then it gets noisy. The queue never clears.

2. The middle gets crushed.

The executive team can make bold calls. Frontline teams can rally around a clear priority. Middle leaders carry the contradictions. They inherit targets that assume full resourcing, then they are asked to deliver with reduced capacity and stretched capability. The result is often reactive leadership, more escalation, less coaching, and less time spent on the work that lifts productivity.

You can already see the connection forming with your Pulse people data. Productivity and accountability are the dominant people challenge in New Zealand, and middle leadership capability is the second. Those themes aren't separate. They're the operating model talking.

3. Decision rights blur.

When organisations run hot, people start stepping outside their lane to keep things moving. That feels helpful, until it becomes a governance risk and a performance risk. Work gets duplicated. Decisions get revisited. Approvals multiply. The cost is time.

4. Savings are achieved by deferring investment.

Training budgets go quiet. Systems upgrades get pushed out. Process redesign gets parked. Leaders then complain about manual work, slow data, inconsistent service and poor insights, while the organisation keeps adding complexity on top of brittle foundations.

This is where external data gives a clue about where leaders want to go next. Datacom's Business Outlook research shows 82% of senior leaders plan to increase technology investment to achieve their organisational goals. That's a signal that many leaders see tech and automation as the only sustainable way to lift output without continuously lifting effort.

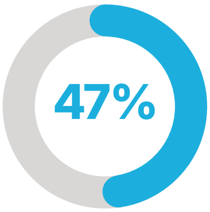
5. Capacity becomes a hidden risk.

When the system is stretched, it becomes dependent on a handful of people who "always get it done". They become the operating model. That works until it doesn't.

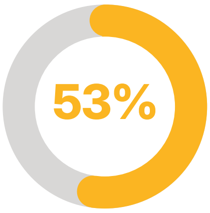
This is not just an enterprise issue. It shows up sharply in the SME market, where owners and a small leadership group are the engine room for everything. RNZ's reporting on an MYOB SME survey captured the pattern well. More work is coming through for many SMEs, with several sectors reporting increases in orders or work commissioned, but the implied pressure is clear. Growth ambitions are rising, and businesses are lifting spend on inputs and equipment to boost operations. When work increases and operating discipline is weak, strain becomes inevitable.

What leaders are doing to protect performance without burning the system

The Pulse split is useful because it points to two different leader mindsets.



The 47% who see sustainability for 1–2 years or more are not necessarily “less stressed”. They are more likely to have built structural buffers. Better process. Better delegation. Better data. Cleaner prioritisation. Clearer standards. Less noise.



The 53% who don’t see sustainability beyond 6–12 months are often describing a different reality. Effort is compensating for missing structure. Leaders are carrying load personally. The business is delivering, but it’s brittle.

Across both groups, a practical pattern is emerging. CEOs are protecting performance in four specific ways.

1. They are reducing the work, not just the cost.

Cost-out programmes often fail because the work stays the same. High-performing organisations are more aggressive. They cut meetings. They remove reporting that nobody uses. They stop low-impact projects. They make service-level trade-offs explicit, then defend them. They simplify product and customer propositions where complexity isn’t paying for itself.

If you want an immediate operating model improvement, start here. Kill work.

2. They are rebuilding a “minimum viable operating model”.

This is the operating model your business needs to execute the strategy, not the one it inherited.

It usually includes:

- Clear priorities for the next 90–120 days, with explicit “not doing” lists
- Tight decision rights and escalation rules
- Standard work for the repeatable stuff
- A small set of metrics that run the business weekly
- A visible customer experience baseline, so quality doesn’t drift quietly

This isn’t a transformation programme. It’s operational hygiene. It has to happen before you add growth.

3. They are shifting productivity from effort to design.

The smarter CEOs are treating productivity as an engineering problem.
They are asking:

- Where are we using expensive people to do cheap work?
- What could be automated, templated, delegated, or stopped?
- Where does rework come from, and who owns that root cause?
- Which decisions take too long, and why?

NZIER's QSBO is a reminder that even when demand starts to lift, profitability can remain weak if costs stay elevated and pricing power is limited. Designing productivity becomes the path to margin protection.

4. They are investing in the right things, earlier than feels comfortable.

This is the hardest shift for many organisations. After a tough cycle, leaders become cautious about spending. Yet the businesses that stabilise quickest tend to invest in the enabling layer, especially systems, capability, and data.

Deloitte's insolvency numbers are a reminder that financial stress is still real across the market. So, the investment must be precise. Not more. Better.

What this means for enterprise CEOs

Enterprise leaders sit at an interesting intersection. Boards are asking for discipline, but they also want momentum. Customers are demanding more value. Teams are tired of operating permanently on redline.

Here are the moves that matter most.

1. Re-baseline service levels and outcomes.
Agree what "good" looks like for customers and stakeholders in this phase of 2026. Put it in writing. Stop trying to deliver premium service everywhere if the organisation is not resourced for it.

2. Create one operational scoreboard.
Five to eight metrics. Weekly cadence. One page. If you can't see performance and capacity at the same time, you'll keep solving the wrong problems.

3. Fix decision time.
Map your highest friction decisions and remove the bottlenecks. Slow decisions are an invisible tax on the whole enterprise.

4. Treat automation and AI as capacity creation.
Not innovation theatre. Datacom's data shows tech investment intent is high. The winners will be the ones who tie investment to hard productivity outcomes and risk controls.

5. Pressure-test your brittleness.
Identify the top 10 roles your organisation cannot lose for 90 days without serious disruption. If that list is longer than you expected, you have operating model risk.

What this means for SME owners

SMEs don't have layers to absorb strain. If the owner is exhausted, the business slows. If one key person leaves, delivery breaks.

So the operating model must be simpler, and it must be real.

1. Stop being proud of working harder.
Hard work is a given. It's not the solution. Replace "busy" with one weekly measure of throughput that matters (jobs completed, projects delivered, invoices issued, cash collected).
2. Write down your "rules of work".
A few pages are enough. How you quote. How you onboard. How you bill. How you follow up debtors. How you handle rework. Standard work creates breathing room.
3. Delegate one thing every month.
Start with admin, scheduling, simple customer comms, or supplier ordering. Delegation is a muscle. Build it.
4. Invest in one tool that removes manual work.
Not a fancy platform. Something that cuts time in the workflow. Time is your most expensive input.
5. Know your cash cycle in days, not vibes.
A fragile recovery punishes poor cash discipline quickly. Tighten collections. Clarify payment terms. Reduce surprises.

The CEO watchlist

This chapter isn't trying to scare leaders. It's naming reality.

As confidence lifts, the risk is that CEOs keep the same strained operating model and simply ask it to carry more growth. That's where quality drops and culture frays.

Over the coming months, watch:

- Margins and rework, because they reveal whether your strain is structural
- Decision speed, because it predicts agility under pressure
- Leadership capacity, because it determines whether performance is sustainable
- Early warning signs of financial stress, as insolvency indicators remain elevated across the market

The headline from the Pulse data is simple. New Zealand leaders are split because some operating models have been rebuilt for reality, and others are still running on personal effort.

The good news is that operating model strain is fixable. It just needs honesty, focus, and a willingness to remove work, not only reduce cost.

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CHAPTER 3

PRODUCTIVITY AND ACCOUNTABILITY ARE THE PEOPLE AGENDA

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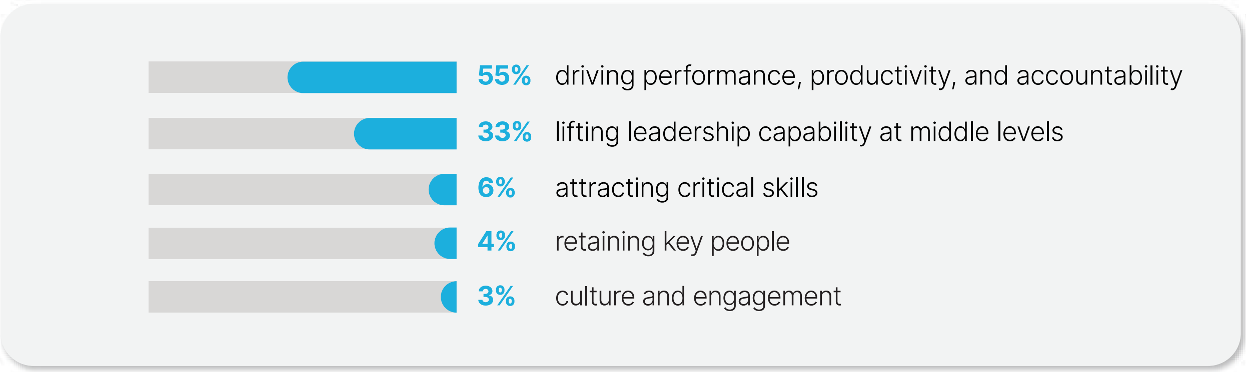
If you want a clean read on what's really on CEOs' minds in New Zealand right now, look at Question 5. Not the commentary. Not the headlines. The choices leaders picked when asked where their most acute people challenge sits today.

The result isn't subtle.

In our New Zealand Pulse survey, 55% said their most acute people challenge is driving performance, productivity, and accountability. The next closest issue, lifting leadership capability at middle levels, was selected by 33%. Everything else barely registers by comparison.



That mix tells a very particular story about the next phase of 2026 for New Zealand businesses. This is not a "war for talent" chapter. It's an execution chapter.

Leaders are saying, loudly, that the constraint isn't simply finding people. The constraint is getting consistent output, at pace, to standard, with clear ownership, and without the organisation relying on heroics.

Why the people agenda has shifted

A few years ago, "people challenges" usually meant recruitment, retention, and culture. Those still matter; they always will. The Pulse data shows they aren't the acute constraint right now.

That's not because those problems disappeared. It's because a tougher operating environment has pushed a different reality to the surface.

You can see it in how the Reserve Bank talks about the economy's underlying capacity. In its November 2025 Monetary Policy Statement, the RBNZ noted that New Zealand's medium-term supply capacity has been reduced by weak growth in productivity and estimated annual potential output growth at around 1.5%.

That matters to CEOs because productivity isn't an abstract national statistic. It shows up in your business as:

- margins that don't move even when revenue improves
- teams that look busy but don't clear work
- delivery that slips when one key person is away
- projects that drift because nobody truly owns the outcome
- escalating effort to get the same results

The IMF has been blunt on this too. Its 2025 analysis described weak productivity growth as a continuing challenge for New Zealand's long-term prospects and pointed to the recovery period as an opportunity for a multi-pronged reform agenda.

At the same time, there's a near-term labour market dynamic playing in the background. Unemployment sat at 5.4% in the December 2025 quarter.

That tends to reduce wage pressure, and, for some organisations, it makes recruitment feel less desperate than it did. Yet NZIER's QSBO also notes early signs that spare capacity is reducing in pockets, and that a small proportion of firms are already finding it more difficult to source skilled workers.

So, leaders are being pragmatic. They're not assuming hiring will save them. They're focusing on what they can control: performance, output, and standards.

What CEOs mean when they say “productivity”

Productivity is one of those words that gets used loosely. CEOs often mean one of three things, and the fix depends on which one is true.

1

Output per person has fallen.
You have the same number of people, maybe more, but throughput is down. Work takes longer. Rework is up. Cycle times have stretched. This is often caused by complexity, decision delay, process gaps, or constant reprioritisation.

2

Effort has replaced design.
Teams are delivering because they care, not because the system works. The organisation is running on commitment and overtime. It looks productive until you calculate the cost of it.

3

Standards have drifted.
The business is tolerant of missed deadlines, vague ownership, and “we'll get to it”. Nobody is explicitly underperforming, yet performance is inconsistent.

In New Zealand, the dominance of “productivity and accountability” in our data suggests leaders are dealing with all three at once.

Accountability, done properly, is not punishment

When leaders hear “accountability”, they often think of performance management, warnings, and hard conversations. Those are part of the toolkit, but they're not the foundation.

Accountability that lifts productivity has four simple ingredients:

- **Clarity**: what good looks like, in plain terms
- **Ownership**: one person responsible for the outcome, not a committee
- **Cadence**: frequent check-ins that solve problems early
- **Consequences**: not just discipline, also recognition, promotion, and trust earned through delivery.

Most accountability problems are not character problems. They're design problems.

People can't be accountable for outcomes if priorities change weekly. They can't own outcomes if decision rights are unclear. They can't lift productivity if the business measures activity instead of throughput.

This is where Chapter 2 and Chapter 3 connect. Operating model strain creates accountability drift. The more stretched the system becomes, the more it relies on informal fixes and individual effort. Then performance becomes inconsistent. Then leaders add more reporting. And suddenly the organisation is working harder to track work than to complete work.

The common traps CEOs are trying to escape

When productivity becomes the headline issue, organisations often fall into predictable traps. New Zealand CEOs are likely feeling these right now, which is why Q5 reads the way it does.

1

Busy work masquerading as productivity.
If your leading indicators are "meetings held" and "emails sent", you'll never improve output. Output is customer value delivered, projects completed, cash collected, risk reduced, time saved.

2

Too many priorities.
You can't hold people accountable for ten "top" priorities.
You'll get motion, not progress.

3

Rework is invisible.
Rework is one of the biggest productivity killers and one of the least measured. It hides inside "just checking" and "quick fixes". It drains the middle of the organisation first.

4

Soft standards.
A business can be full of good people and still underperform if standards are unclear and consequences are inconsistent.

5

Managers who manage tasks, not performance.
This is where the "middle leadership" signal becomes important. If middle leaders don't have the skill or confidence to coach performance, set expectations, and hold the line, productivity will stay stuck.

What high-performing leaders are doing differently

Across enterprise and SME, the leaders who lift productivity without breaking people tend to do the same things. They make productivity a system problem first, and only then a people problem.

1

They reduce work before they demand more output.
They stop low-value activity. They cut reporting that isn't used. They simplify products, processes, and approvals. This immediately frees capacity and reduces burnout risk.

2

They install a rhythm.
Weekly operating cadence. Clear scorecard. Owners for outcomes. A small number of problems tackled every week. Progress becomes visible. Accountability becomes normal.

3

They tighten role clarity and handoffs.
Who owns what. What "done" means. What gets escalated. What doesn't. Nothing fancy. Just clear.

Over time, those moves create a culture where performance is predictable, not heroic.

What this means for enterprise CEOs

Enterprise organisations have the scale to absorb inefficiency, which is exactly why inefficiency can hide for so long. The lift comes from being deliberate about where productivity is leaking.

Define productivity in outcomes, not effort.
Pick 5–8 measures that reflect throughput and value, not activity. Tie them to business performance. Review weekly.

Run a 90-day "productivity reset", not a transformation programme.
Choose two or three workflows that matter most (quote-to-cash, service delivery, claims, customer onboarding, month-end). Map them. Cut steps. Reduce handoffs. Remove approvals that don't reduce risk.

Make ownership visible.
For every major outcome, one accountable owner. Not a working group. If accountability is shared, it usually means it's owned by nobody.

Hold the line on standards.
Define what "good" looks like for delivery, responsiveness, quality, and decision-making. Then reinforce it consistently. Recognition is a consequence too.

Use technology as capacity creation, not theatre.
If you're investing in automation or AI, attach it to a measurable productivity outcome and a risk control. "Time saved", "cycle time reduced", "rework eliminated", "errors prevented". This sets you up for the later AI chapter, and it keeps investment board-ready.

What this means for SME owners

SMEs win when they simplify. Complexity kills margin and it burns out owners.

Pick one productivity metric that matches how you make money.
Jobs completed. Billable hours converted to invoices. Proposals sent and accepted. Cash collected. Choose one and watch it weekly.

Standardise the work that repeats.
Quoting. Onboarding. Scheduling. Billing. Debtor follow-up. Two pages of standard steps can remove hours of wasted time and endless decision-making.

Stop letting "urgent" crowd out "important".
Protect time for the work that drives revenue and cash. Meetings, admin, and problem-fixing expand to fill every gap.

Get ruthless about rework.
Track the top three causes of mistakes or re-dos. Fix the root cause. This is usually where your fastest productivity lift sits.

Raise standards kindly, then consistently.
Accountability in an SME is often personal. Keep it simple. Clear expectations, frequent check-ins, quick feedback, and follow-through.

The CEO watchlist

If productivity and accountability are dominating the people agenda, it's a sign the market has moved from survival to execution.

Over the coming months, watch for:

- **Rework and cycle time,** which show where output is leaking.
- **Decision speed,** it predicts whether your organisation can move with confidence.
- **Middle leader capability,** because it is the multiplier of accountability.
- Energy levels in your leadership layers, because sustainable productivity doesn't come from permanent strain.

The Pulse data is clear. New Zealand CEOs aren't asking, "How do we hire more people?" They're asking, "How do we lift performance with the people we have, without burning the system?"

That's the right question for this phase of 2026.

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CHAPTER 4
MIDDLE LEADERSHIP IS THE MULTIPLIER

MIDDLE LEADERSHIP IS THE MULTIPLIER

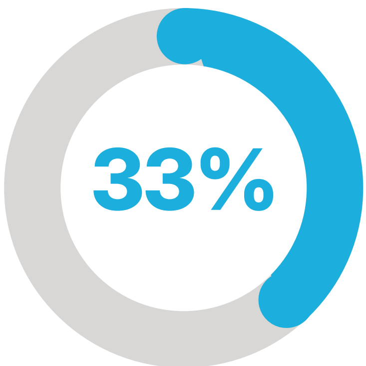
The Pulse doesn't just tell us what New Zealand CEOs are worried about. It tells us where the system is most fragile.

In our New Zealand Pulse survey, 33% of respondents selected "lifting leadership capability at middle levels" as the most acute people challenge right now. It sits behind productivity and accountability, but it's tightly linked to it. When the middle layer is strong, productivity becomes repeatable. When it isn't, productivity becomes personality-driven.

That's why this chapter matters.

You can have a clear strategy and still stall. You can invest in technology and still move slowly. You can hire great people and still underperform. Middle leadership is the multiplier between intent and execution.

And right now, that multiplier is under pressure.



lifting leadership capability at middle levels

The middle management squeeze is real, and it's visible in New Zealand.

A recent New Zealand research report (HR in Aotearoa 2026) calls out a leadership capability gap with "particular struggles at middle management level", and describes the "middle management squeeze" in plain terms, executives expecting strategic delivery, direct reports needing support, and operational demands all happening at once.

It also makes a point that many CEOs will recognise instantly. Organisations keep promoting people into leadership roles because they are excellent technical performers, then discover that technical excellence doesn't automatically translate to people leadership.

So the middle layer ends up holding the hardest job in the company with the least deliberate support.

That's the gap. It's not effort. It's capability, clarity, and load.

What middle leadership controls

For most organisations, the middle layer controls four things that dictate performance.

1. Decision speed.

Decisions rarely get stuck at the top. They get stuck in the handoffs. In the conversations that don't happen. In the meetings that multiply. In the approvals that exist because nobody is confident the standards will hold without them.

McKinsey notes that executives spend close to 40% of their time making decisions and believe much of that time is poorly used. That number is eye-opening, but the deeper message is sharper. Decision-making becomes a drag when decision rights are unclear and escalation becomes the default.

2. Standards.

Standards live in the middle layer. They are reinforced in the moment, or they drift quietly.

When a middle leader accepts "nearly" and "later" repeatedly, the organisation learns that the standard is optional. When a middle leader names the standard, coaches to it, and follows through, the organisation builds trust and consistency.

3. Execution rhythm.

The best strategies fail through rhythm failure. Too many priorities. No weekly cadence. Blockers not surfaced early. Teams working hard but pulling in different directions.

Middle leaders create the rhythm, weekly priorities, daily focus, rapid escalation, and tight follow-through.

4. Culture in its real form.

Culture isn't the values on the wall. It's how people experience leadership day to day. That experience is delivered by the middle layer.

Gallup's research has repeatedly highlighted the outsized impact of managers on engagement. They estimate managers account for at least 70% of variance in employee engagement across business units.

Even if you treat that as directional, not absolute, the implication is clear. Strengthen the middle, and you lift the organisation's energy and output. Ignore it, and you keep paying for variability.

Why middle leaders are struggling right now

When CEOs say, "middle leadership is the challenge", they're usually describing one or more of these problems.

Role confusion	Is the middle leader meant to be a player, a coach, or a controller? Often it's all three, with no clear answer, and no protected time for any of them.
Span of control that doesn't match reality	The middle layer is asked to carry too many direct reports, too much operational work, and too many projects. The first thing that dies is coaching. Then performance drifts.
Change fatigue	The New Zealand HR research notes that 100% of participating organisations were planning or implementing significant change in 2026, and that leaders are being asked to guide exhausted teams through constant change alongside increased productivity demands. That isn't a skills issue alone. It's sustained pressure.
Avoided performance conversations	The same report calls out difficulty managing performance conversations, feedback, and underperformance as a capability gap. This matters because avoided conversations become organisational debt. That debt compounds.
Promotion without development	Middle leadership fails when it becomes an upgrade to a title, not a shift in identity. The report's "technical expert problem" is exactly that, people are promoted for what they can do personally, then measured on what they can enable through others.

The shift CEOs need to make

If middle leadership is your multiplier, your job is to stop treating managers as a layer, and start treating them as a system.

A system has inputs and outputs. It can be designed.

So here are the practical moves. This is solution mode, because that's what your audience needs.

The Middle Leadership Reset, six moves that work

Move 1: Write the "manager contract" in plain English

One page. That's it.
Include the non-negotiables:

- you run a weekly cadence
- you make priorities visible
- you coach performance, don't avoid it
- you escalate fast when risks appear
- you protect standards
- you develop people, not just tasks

If it isn't written, you'll keep getting five different versions of the manager role.

Move 2: Give middle leaders decision rights, then back them

Pick the top 10 recurring decisions in your business that waste time. Pricing exceptions, credit approvals, customer escalations, resourcing swaps and project trade-offs.
For each one, define:

- who decides
- what principles apply
- when it escalates
- the time limit for a decision

Then stick to it. If every decision still ends up at the top, the middle layer never becomes a multiplier.

Move 3: Install an execution rhythm that runs the business

Not a theatre rhythm. A real one.
A simple pattern works:

- Weekly priorities (three max per team)
- Mid-week blocker review (15 minutes, what's stuck, who owns unblocking)
- End-week outcomes (what moved, what didn't, what we learned)

Repeat it until it becomes normal.

Move 4: Train for the conversations, not the concepts

Most leadership development fails because it stays in the abstract. Middle leaders don't need another model. They need practice.
Build capability around three conversations:

- performance reset (clear expectations, clear timeline, clear follow-through)
- feedback in the moment (quick, kind, specific)
- development conversation (what mastery looks like, what the next step is)

The New Zealand HR research points directly to this gap. Fix it and you lift productivity quickly.

Move 5: Reduce manager load so coaching can exist

This is the one most CEOs skip. Then they wonder why standards drift.
Do a "manager load audit":

- how many direct reports
- how many meetings per week
- how many active projects
- how much hands-on delivery work is expected

Then remove something. Meetings are usually the first win. Coaching can't happen in the gaps. It needs oxygen.

Move 6: Build peer support, not just training

The New Zealand research notes that organisations making real progress aren't only running courses. They're providing ongoing coaching and peer networks, and setting clear expectations.
This is a simple, high-return move.

- monthly manager roundtables
- shared problem solving
- a short playbook of "how we lead here"
- coaching from a small internal panel of strong leaders

Managers learn fastest from other managers, when the environment is safe and practical.

What this means for enterprise CEOs

Enterprise scale makes middle leadership both more powerful and more complex.
Your job is to make it consistent.

1. Make "manager effectiveness" a tracked KPI.
Not engagement scores alone. Track cadence compliance, decision turnaround, performance conversation completion, internal mobility, and regrettable attrition in teams.

2. Rebuild spans of control intentionally.
If managers have too many direct reports, you won't get coaching. If they have too few, you get cost without leverage. Get the balance right for the reality of your operating environment.

3. Stop promoting your best doers without a transition plan.
Promotions should include a 90-day shift plan, what they stop doing, what they start doing, and who mentors them.

4. Simplify decision pathways.
If your teams complain about speed, the issue is rarely effort. It's design. Use decision rights to remove friction and reduce escalation.

5. Resource the middle layer for change.
If the organisation is in constant change, don't ask managers to carry change plus BAU plus productivity uplift without reducing something. That's not leadership, it's load shifting.

What this means for SME owners

In an SME, "middle leadership" might be a team lead, a supervisor, a second-in-charge, or the person who quietly holds the place together. The play is the same, just lighter.

1. Create one real leader between you and delivery.
If everything runs through you, you are the bottleneck and the risk.

2. Define "how we run the week".
A short weekly rhythm beats a long strategy document.
Monday priorities, mid-week check, Friday outcomes.

3. Promote carefully, then support hard.
When you promote your best operator, give them coaching, and give them permission to stop being the hero.

4. Standardise expectations.
Write your standards down. Response times, quality checks, customer updates.
It protects the business and it makes leadership easier.

5. Deal with underperformance early.
In an SME, one underperformer can break the culture.
Clear expectations, quick feedback, and follow-through.

The CEO watchlist

If the middle layer is weak, you'll see it fast:

- priorities changing daily
- decisions escalating upwards
- inconsistent customer experience
- standards drifting
- burnout creeping into your managers first

If the middle layer is strong, you'll feel it just as fast:

- execution becomes predictable
- leaders stop firefighting
- accountability becomes normal
- speed increases without chaos

The Pulse data is pointing to a truth New Zealand CEOs already sense. Middle leadership is the multiplier. Build it deliberately, and you don't just lift the middle, you lift the whole system.

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CHAPTER 5

AI IS MOVING, MOST ARE STILL IN PILOTS

AI IS MOVING, MOST ARE STILL IN PILOTS

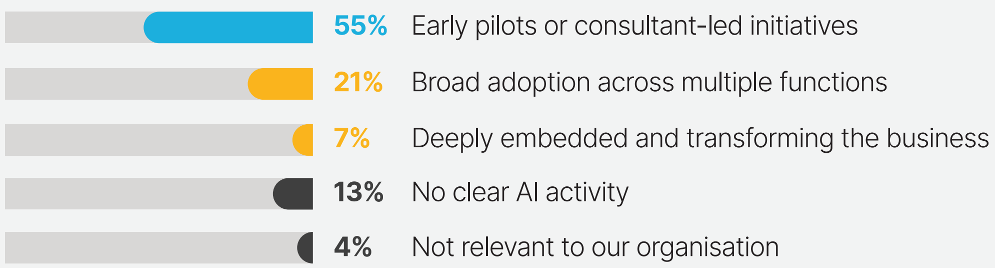
AI has become the loudest conversation in most CEO circles. It promises speed, efficiency, better customer experience, and a new kind of competitive advantage. It also comes with genuine risk, from privacy and security through to brand damage when it goes wrong.

Our Pulse doesn't ask whether CEOs are "interested" in AI. It asks something more practical. We asked them, how ready is your organisation for customers increasingly interacting through AI-driven or machine-based channels, like automated purchasing and bots?

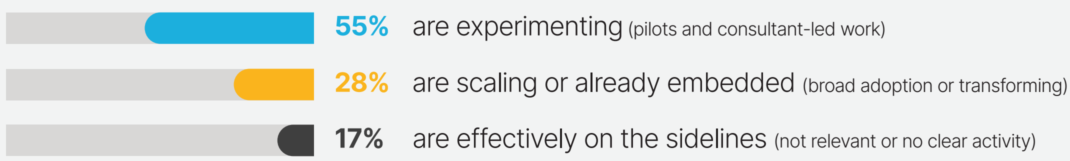
The answer is clear. Most New Zealand organisations are moving, but they are still early.

What the Pulse data is telling us

In New Zealand, the maturity distribution looks like this:



So, in simple terms:



This is the "AI reality" behind the hype. The majority are not ignoring AI, but they haven't industrialised it either.

That's not a failure. It's a stage. It also tells us where the opportunity sits for the next phase of 2026.

Why "AI-driven customer interaction" is the right lens

A lot of AI discussion gets stuck in internal productivity, drafting emails, summarising documents, or writing code faster.

Useful, but it's not the whole game.

This Pulse question goes to where competitive pressure will land hardest, the customer interface.

Customers are increasingly comfortable interacting with machines, especially when the interaction is fast, accurate, and available at the moment of need. They expect self-service. They expect instant answers. They expect "one and done" resolution. They don't care whether it's AI or not, they care whether it works.

On the other side, customers are also becoming more automated. Procurement bots, automated buying, recommendation engines, and programmatic decision-making are already shaping how organisations win and keep work, particularly in enterprise-to-enterprise purchasing.

If your organisation isn't ready for that, AI becomes a growth risk, not just an efficiency opportunity.

Why so many are still in pilots

The Pulse result is consistent with what external research is reporting. Datacom's Business Outlook 2026 work, based on 200 senior leaders at organisations with 100+ employees, shows strong intent to increase tech investment. It also points to AI as the standout opportunity leaders see, with a focus on integrating and scaling into core operations.

Yet the same conversation keeps coming up in boardrooms and leadership teams. Leaders want the upside, but they're trying to avoid the downside.

1

Where is the value, specifically?
AI value is real, but it's not evenly distributed.
Some use cases pay back quickly.
Others create noise and risk with little upside.

2

What's safe, and what's reckless?
Privacy, cyber, and reputational risk are not theoretical. The Office of the Privacy Commissioner is very direct that the Privacy Act applies whenever AI tools collect, use, or share personal information, and recommends doing a Privacy Impact Assessment before you start, then keeping it updated.

3

Who owns it?
When AI is "everybody's project", it usually becomes nobody's responsibility. The Institute of Directors' guidance on AI governance is explicit about board-level oversight, risk management, and the need for clear frameworks, particularly as regulation and expectations evolve.

Pilots buy time while these questions get answered. They also create a trap, and many CEOs are sitting right on the edge of it.

The pilot trap

Pilots often create activity, not capability.

The usual pattern looks like this:
A team runs a chatbot proof-of-concept. It works in a demo environment. It looks good. A few people get excited. Then it stalls.

Why? Because scaling AI is not an "AI task". It's an operating model task.

To scale customer-facing AI you need:

- clean and current knowledge content
- clear product and service rules
- data access and governance
- security controls
- escalation pathways to humans
- training and accountability
- measurement of outcomes
- change management across the front line

Pilots can avoid all of that. Production cannot.

This is why the Pulse distribution is so important. The gap between "pilots" and "broad adoption" is where most organisations will succeed or fail.

A practical maturity ladder, and what to do at each stage

Let's turn the data into decisions. Here's what each maturity band tends to mean, and what the next move should be.

Band 1: Not relevant or no clear activity (17%)

Some will genuinely be "not relevant". Very few. Only 3.6% selected that. Most of the "no clear activity" cohort are not saying "we won't do AI". They're saying, "we haven't started safely".

The risk in this band

You get forced into rushed adoption by customers, competitors, or staff using AI tools informally.

The next move

Don't start with technology.

- Define what data is never allowed in public tools.
- Define what customer interactions must always have human review.
- Choose one low-risk pilot that improves customer response time without touching sensitive data.

Make it simple. Make it controlled. Then move.

Band 2: Early pilots or consultant-led initiatives (55%)

This is where most New Zealand organisations sit.

Pilots are useful when they are designed to answer real questions, not when they exist to prove you're "doing AI".

The risk in this band

Lots of pilots, no scale. Inconsistent tools. Shadow AI use. Unclear security posture. Staff frustration because the pilot doesn't connect to real-world issues. Pick a path to production.

- Choose two customer interaction use cases only.
- Build the governance and data foundations for those two.
- Set a scale decision date and criteria.

This is where CEOs should be most decisive.

Band 3: Broad adoption or deeply embedded (28%)

This cohort is already seeing value. They are also carrying more risk, because scale amplifies mistakes.

The risk in this band
Reputational damage from errors, privacy breaches, or biased outputs. Vendor lock-in. Over-automation that weakens customer trust.

The next move
Shift from adoption to assurance.

- Formal model risk management.
- Regular privacy and security review.
- Continuous monitoring of customer outcomes and failure patterns.
- Clear board reporting.

At this stage, the question becomes, “How do we keep this safe and sustainable?”

Where AI value is most real for customer interaction

For both enterprise and SME, the high-confidence value typically sits in five areas.

1. Customer service triage and self-service.

AI-assisted routing, first response drafting, knowledge lookup, and self-service resolution.

2. Sales enablement and conversion.

Faster proposal responses, tailored product matching, better follow-up cadence.

3. Digital experiences that help customers buy.

AI search, product discovery, guided journeys, friction reduction.

4. Risk and compliance at the edge.

Identity checks, fraud flags, policy reminders, and consistent documentation.

5. Better internal speed that the customer feels.

Faster cycle times, fewer handoffs, clearer updates. Customers experience this as reliability.

The warning is simple. AI that touches customers must be accurate, secure, and accountable.
“Pretty good” is not good enough when the output goes straight to a client.

The minefield, what CEOs need to get right

This chapter needs to be honest. The minefield is real.
Here are the risk zones that matter most for New Zealand leaders right now.

Privacy and data handling

The Privacy Commissioner is unambiguous that the Privacy Act applies when AI tools handle personal information, and it encourages a Privacy Impact Assessment before you start.

If you're using customer data, contact details, voice recordings, or identifiable metadata, you need governance and safeguards, not informal experimentation.

Governance and accountability

The Institute of Directors' AI governance guide makes the board's role clear, oversight, principles, and risk management, including cyber readiness and legal compliance.

AI cannot sit in a corner of IT. It needs executive ownership and board visibility.

Security

Customer-facing AI increases your attack surface. More integrations, more access, more potential failure points. Datacom's research also highlights cybersecurity as a major concern among leaders, which is consistent with this risk profile.

Brand and trust

Customers tolerate mistakes from humans when they feel heard. They tolerate mistakes from machines far less, particularly if the tone is wrong or the answer is confidently incorrect.

Over-automation

Automation can quietly reduce customer loyalty if it blocks access to a human when it matters.

Your goal isn't to replace humans. It's to remove friction, and to keep a human available when trust is needed.

A CEO-ready playbook for moving from pilots to production

If you want to scale AI safely, this is the sequence that works. It's not theoretical. It's what stops AI becoming chaos.

Step 1: Decide what you want AI to change

Be specific. Response time. Cost to serve. Conversion rate. Customer satisfaction. Cycle time. Pick two outcomes.

Step 2: Pick two customer interaction use cases

Two only. Examples:

- customer support: AI-assisted triage and response drafting
- customer buying: AI-driven product discovery and self-service support

Step 3: Set the governance baseline

Minimum standards:

- approved tools list
- data handling rules
- escalation rules
- human-in-the-loop requirements
- incident response plan for AI failures

Use the IoD governance guidance as the board-level framework.

Step 4: Do a Privacy Impact Assessment

Do it early, update it regularly. That's straight out of the Privacy Commissioner guidance.

Step 5: Fix the knowledge and data foundations

If your policies, product rules, and customer knowledge are messy, AI will expose it. Clean content is not busywork. It is the engine.

Step 6: Measure quality, not only speed

Track:

- resolution accuracy
- containment rate (issues solved without escalation)
- escalation quality (handover completeness)
- customer satisfaction and complaints

Step 7: Train staff and set expectations

Most risk comes from how people use tools under pressure. Training should be short, practical, and repeated.

Step 8: Scale in waves

Expand one function at a time.
Keep monitoring tight.
Keep governance active.

This is how pilots become capability.

What this means for enterprise CEOs

Enterprise organisations have more data, more complexity, more risk, and more upside.

1. Make AI a business capability, not an IT initiative.
Appoint an executive owner with cross-functional authority. Customer, risk, legal, data, cyber, and operations must be in the room.

2. Run an AI portfolio like capital allocation.
Two or three use cases. Clear value targets. Quarterly scale decisions.
Kill what doesn't pay back.

3. Govern like you mean it.
Use board-level principles and reporting, including risk, privacy, and cyber posture.
The IoD guidance is a solid foundation for this.

4. Build customer trust into the design.
Allow easy escalation to a human. Make AI interactions transparent.
Protect tone and brand.

5. Treat data as the limiting factor.
If your data and knowledge base aren't ready, your AI won't be ready. Fix that first, and the rest accelerates.

What this means for SME owners

SMEs can win fast with AI, but only if they stay disciplined. You don't need a big programme.
You need safe, repeatable improvements.

1. Start where customers feel the benefit immediately.
Faster enquiry responses. Better booking flow. Cleaner quoting. Clearer updates.

2. Use trusted tools and set hard rules.
No customer personal information in public tools unless you know exactly how it's handled and stored. The Privacy Act applies, so treat privacy as the starting point.

3. Keep a human in the loop for anything sensitive.
Pricing, complaints, refunds, contracts, medical or financial details, anything that can damage trust.

4. Create a simple knowledge base.
A one-page FAQ becomes a powerful foundation for customer-facing AI. If you don't write your answers down, AI can't reliably use them.

5. Measure one thing.
Customer response time, conversion rate, or hours saved weekly. One measure keeps you honest.

The CEO watchlist

Over the next phase of 2026, CEOs should keep their eye on:

- Pilot sprawl, lots of tools, no scale
- Shadow AI, staff using unapproved tools with sensitive data
- Customer trust signals, complaints, churn, and negative feedback tied to automation
- Governance maturity, clear policy, clear ownership, clear reporting
- Privacy readiness, Privacy Impact Assessments and consistent data handling

The Pulse data gives us the truth behind the noise.

New Zealand businesses are not sitting still. Most are already experimenting. The next step is the one that matters, turning pilots into capability, with governance strong enough to protect customers and brands, and value clear enough to justify scale.

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CHAPTER 6

DIGITAL, CYBER, AND GEOPOLITICAL RISK READINESS

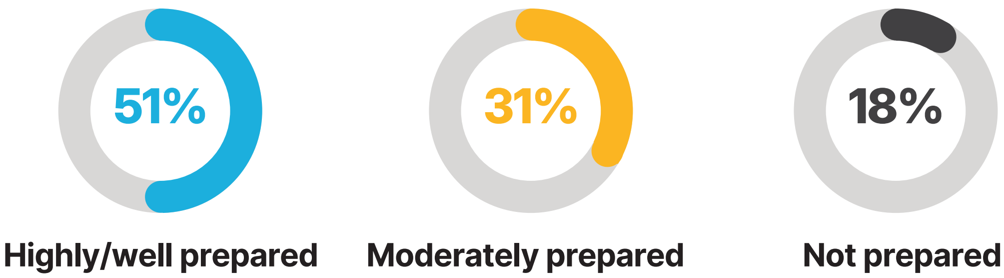
DIGITAL, CYBER, AND GEOPOLITICAL RISK READINESS

There's a simple truth sitting underneath almost every board conversation right now. Digital risk is no longer an IT problem. It's a governance problem, a brand problem, and, in many cases, a survivability problem.

That's why our finding is such a meaningful data point for New Zealand leaders. It cuts through the noise and asks for a confidence level on something very specific, whether your organisation has the right governance in place for emerging digital risks, including cyber and AI. The distribution is encouraging, but it's not comfortable.

In the New Zealand Pulse, 51% of leaders describe their organisation as well prepared or highly prepared. 31% sit in the middle as moderately prepared. And 18% are minimally prepared or not prepared.

That means one in two leaders feels strong. One in three feels "okay". Nearly one in five is telling us, plainly, that governance isn't where it needs to be. For CEOs and owners, that split should land as a prompt, not a judgement. It says New Zealand businesses are taking digital risk seriously, but a large portion still has gaps that could turn into harm fast, especially as AI adoption moves from pilots into customer-facing channels.



Why governance choices matter more than the threat itself

If you're reading this and thinking, "We're not a big target," New Zealand's National Cyber Security Centre would disagree. In its Cyber Threat Report 2025, the NCSC notes that, over recent years, it has dealt with about one incident per day that has the potential to cause harm at the national level, and warns that smaller organisations can be affected too.

The same report also describes why "not being big enough" is not a defence. You can be targeted because of what you have, what you know, what you stand for, or because you're a stepping stone into someone else.

So yes, the threat is real, but the bigger point is this, cyber incidents are now part of normal operating conditions. The differentiator is governance. The organisations that recover fastest, and protect trust best, are the ones that have done the thinking before the incident. Then there's the sheer volume. The NCSC reports 5,995 incident reports received during the 2024/25 financial year, with 331 triaged as having potential national significance.

Cyber risk has evolved, and boards need to catch up

The NCSC's 2025 judgements read like a checklist of what boards should be challenging management on.

State-sponsored actors targeting New Zealand, cybercrime "commercialisation", supply chain exploitation, and known weaknesses and unpatched vulnerabilities being used as easy access points.

If you're a CEO, that list points to a practical reality.

You can have excellent internal controls and still be exposed through a vendor. You can have good policies and still be compromised by a single weak identity or an unpatched system. You can have a capable team and still lose time because incident response hasn't been rehearsed.

And cyber harm is not only ransomware. NCSC's quarterly reporting shows how much loss comes from scams, fraud, and business email compromise. In Q1 2025, the NCSC recorded 1,369 incidents, and reported $7.8m in direct financial loss, with $6.5m attributed to scams and fraud, and around $5m linked to unauthorised money transfer incidents or business email compromise.

That matters because the most expensive incidents are often the ones that sit in the cracks between finance, operations, and IT. Governance is what closes those cracks.

AI risk is now part of the same governance conversation

Many boards are still treating AI as innovation. In practice, AI is also a risk surface.

It touches customer data, employee data, company knowledge, procurement decisions, and automated interactions that can impact fairness, accuracy, and trust. It can also create a new class of incident, a privacy breach without a hacker, simply through poor handling of personal information.

The Office of the Privacy Commissioner is direct on this. It states that the Privacy Act applies to everyone using AI tools in New Zealand, and that the best way to be confident you are upholding the Information Privacy Principles is to do a Privacy Impact Assessment before you start and update it regularly.

New Zealand's digital government guidance for GenAI reinforces the same point, privacy by design, PIAs for any testing or use, and robust risk assessment at all stages when personal information is involved.

So the governance question becomes broader than "Are we protected from hackers?" It becomes, "Do we know where our data is going, who can access it, and what automated systems are doing with it?"

Geopolitical risk now belongs in the governance conversation

The governance question is now broader than cyber, data, and AI alone.

Geopolitical risk has moved from the background to the operating foreground. It is not only a matter for government, foreign policy, or large multinationals. It now moves through the practical parts of business: energy prices, freight, supply chains, currency pressure, customer confidence, cyber exposure, trade policy, sanctions risk, investment timing, and the reliability of international markets.

The recent geopolitical Pulse work with CEOs and business owners across ANZ shows the shift clearly. 100% of respondents said they were more concerned about geopolitics and trade disruption than they were six months earlier, with 78% saying they were much more concerned. The leading business concern was global oil and energy price volatility, cited by 68% of respondents.

That is a material change in sentiment.

But the more important governance signal is not concern. It is the gap between concern and action. In the same geopolitical Pulse work, only 7% of organisations had made structural changes in response to geopolitical risk. Only 12% treated geopolitical risk as a core part of strategic planning. 55% said it was not a regular input, and 26% said it was considered only on an ad hoc basis.

That is the governance heart of the problem.

Leaders can see the risk environment changing, but many organisations are still treating geopolitical risk as something to monitor, rather than something to embed. They are watching volatility without always translating it into supplier strategy, pricing triggers, capital allocation, board reporting, crisis planning, or customer exposure analysis.

This is where cyber resilience becomes the natural bridge. Cyber is often the first place geopolitical risk becomes a board obligation because it already has clear governance consequences. State-linked cyber activity, supply chain compromise, data exposure, payment fraud, and AI-enabled misinformation all sit at the intersection of geopolitical instability and business resilience.

The implication for CEOs and boards is clear. Digital risk readiness now needs to include geopolitical awareness. Not as a separate geopolitical strategy, and not as a standing alarm bell, but as a practical input into normal governance.

The questions are straightforward:

- Do we know which suppliers, customers, markets, systems, and contracts are most exposed to external shocks?
- Do we have early warning indicators for energy, freight, currency, sanctions, trade disruption, cyber activity, and customer confidence?
- Does geopolitical risk appear in board and executive decision-making before it becomes a crisis?
- Do we know what would trigger pricing changes, supplier changes, capital delays, or customer communication?
- Can we distinguish between a headline risk and a material commercial exposure?
- Have we rehearsed how the leadership team would make decisions under external pressure?

This does not require every organisation to build a geopolitical function. It does require better rhythm.

A practical approach is simple: Map. Monitor. Manage. Map the exposures that matter most to the business. Monitor the early warning signals that could shift cost, supply, demand, or confidence. Manage the response based on commercial impact, not media noise.

For CEOs, this is the real shift. Risk governance is no longer only about defending the business from known threats. It is about building the capacity to respond when the external environment changes faster than the annual plan.

What “prepared” looks like, in practical terms

The Pulse responses are confidence statements. They’re not an audit. And that’s important.

A business can feel prepared because it has policies, or because it hasn’t had an incident yet. Another business can feel only moderately prepared because it’s more honest about what it doesn’t know.

So rather than treating the categories as labels, treat them as maturity bands.

Highly prepared usually means you can answer, quickly and confidently:

- who owns cyber risk at executive level, and how it is reported to the board
- what your top three “crown jewels” are, and how they’re protected
- whether you could recover core systems within an agreed timeframe
- whether supplier and third-party access is controlled and reviewed
- how identity is secured, including privileged access
- what your AI use cases are, where the data flows, and what controls exist

Moderately prepared tends to look like this:

- good intent and pockets of capability
- gaps in third-party risk, identity control, incident rehearsal, or AI visibility
- reporting that focuses on activity, not resilience outcomes

Minimally prepared often means:

- no clear ownership
- no tested incident response plan
- limited visibility over suppliers and data handling
- informal AI use across staff without guardrails

That last group is not “bad”. It is exposed.
And the cost of exposure is usually time, money, and trust.

A governance reset that works, without becoming a bureaucratic monster

This is solution mode, because leaders need it.

There are six moves that lift readiness quickly. They apply to enterprise and SME, and the depth changes, not the principle.

Move 1:
Put digital risk on the enterprise risk register, properly.

Not as a technical line item. As an operational and reputational risk with defined impact, appetite, and controls.

Move 2:
Name ownership clearly.

One accountable executive for cyber resilience. One accountable executive for AI governance. They can be the same person in some organisations, but the accountability must exist.

Move 3:
Build a simple "AI and digital register".

If you don't know where AI is used, you can't govern it. The IoD's AI governance principles make oversight and data governance a board responsibility, not a nice-to-have.

Move 4:
Rehearse the incident, don't just write the plan.

Run a tabletop exercise. Include finance, comms, legal, operations, and IT. Pressure-test decision speed, escalation, and customer communication. Do it again after you improve.

Move 5:
Treat third parties as part of your security perimeter.

The NCSC explicitly flags supply chains and hidden dependencies as a key threat factor. Supplier access, data custody, and incident obligations must be governed, not assumed.

Move 6:
Make privacy a starting point, not a footer.

The Privacy Commissioner's expectations are clear, Privacy Act applies, PIAs should happen before you start, and be updated regularly. If you're not prepared to do that work, don't use AI tools with personal information.

What this means for enterprise CEOs

Enterprise organisations have scale, complexity, and a bigger blast radius. You need governance that matches that reality.

1. Move from cyber reporting to resilience reporting.
Boards don't need a list of controls. They need confidence on outcomes, recovery time, detection capability, identity posture, supplier exposure, and incident readiness.

2. Run an AI governance baseline now.
Build the AI register. Categorise use cases by risk. Put approval gates in place for customer-facing AI and for any use involving personal information. Tie this back to PIAs and data governance expectations.

3. Treat business email compromise as a governance issue.
NCSC data shows how materially unauthorised transfers and business email compromise can feature in reported losses. Finance controls, dual approvals, and verification protocols should be tested like any other risk control.

4. Get ruthless about known weaknesses.
The NCSC explicitly calls out unpatched vulnerabilities as an "easy access" point.
Patch cadence, privileged access controls, and asset visibility are board-level questions now.

5. Rehearse breach communications.
Trust is won and lost in the first 24 hours. Have your customer and stakeholder communication plan ready and tested.

What this means for SME owners

SMEs don't have big security teams, and they often don't need them. They need strong basics, and a handful of non-negotiables.

1. Write a one-page cyber and AI policy.
What tools are allowed, what data is never to be entered, and when a human must check outputs. Keep it practical and visible.

2. Protect money movement like it's gold, because it is.
Business email compromise and unauthorised transfers are a real driver of reported losses.
Put in a simple verification step for bank detail changes and payments and never skip it when you're busy.

3. Backups and recovery, tested, not assumed.
If you can't restore quickly, you can't trade. Do a restore test, even once, and you'll learn more than any policy document.

4. Turn on the basics everywhere.
Multi-factor authentication, patched devices, password manager, staff training for phishing and scams. It sounds basic because it is, and it still stops a lot of harm.

5. Treat privacy as a front-door issue.
If AI tools touch personal information, the Privacy Act applies, and PIAs are the recommended discipline. If you're unsure, keep personal data out of public GenAI tools, full stop.

The CEO watchlist

If you want a quick read on whether your readiness is real, watch these signals over the coming months:

- how quickly you can make decisions in an incident
- whether you know your third-party and data exposures
- whether AI use is visible, governed, and aligned to privacy expectations
- whether finance controls are strong enough to withstand social engineering
- whether patching and identity security are treated as non-negotiables

The Pulse data is a clear prompt. New Zealand leaders are leaning into governance and digital risk, but a meaningful minority is still underprepared.

That's not a reason for fear. It's a reason for focus. Governance choices are the difference between a cyber incident becoming a hard week and becoming a defining failure.

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CHAPTER 7

LEADERSHIP ENERGY, CAPACITY, AND BURNOUT RISK

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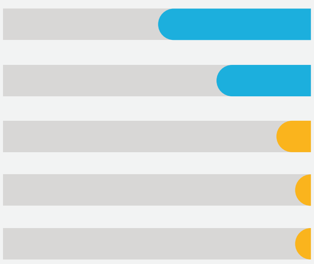
This question landed differently in the room.

When we asked leaders in January how they were feeling, the immediate feedback was honest and almost predictable. "You're asking me now, when I'm relatively refreshed." That matters. It changes how we should read the numbers.

Still, the data gives us something valuable. It gives us a baseline. It tells us what state leaders were in at the start of the year's real work, before the weight fully returns.

Here's what New Zealand CEOs and business owners told us:



50% said they feel energised and in a good place

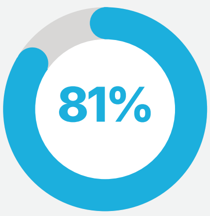
31% said they're somewhat stretched but coping well

13% said they're regularly exhausted but still functioning

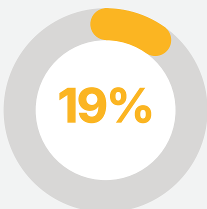
3% said they are close to burnout

3% said they have recently experienced burnout

So, in simple terms:



81% were in a "good or coping" zone



were already describing regular exhaustion or worse.

So, in January, 81% were in a "good or coping" zone. 19% were already describing regular exhaustion or worse.

That second number is the one leaders should sit with.

Because if one in five is already at a higher burnout risk when they're supposedly refreshed, the true strain later in the year usually doesn't go down. It rises.

How to read this result without tripping ourselves up

This isn't a "wellbeing is fine" result. It's a timing-sensitive snapshot.

January is often a reset month. The calendar is cleaner. The head is clearer. Some leaders have stepped away, even briefly, and come back with more capacity. That doesn't mean the system is healthier. It means the system has had a small pause.

And this is where it's important to hold a second data point in the background.

In our previous Pulse edition, conducted mid-2025, we captured a far more sobering signal, with a strong majority of leaders reporting that CEO mental health and wellbeing had deteriorated compared with two years earlier. The January 2026 result should therefore be read as a baseline, not an all-clear.

The message is straightforward. January answers reflect how leaders feel after a reset. Mid-year answers tend to tell the truth about sustainability.

Burnout is not only personal, but also operational

Most CEOs will read the Q4 results and think first about the human cost. That matters, and it should. There's also a business cost that doesn't get named enough. When leadership capacity drops, three things happen quickly.

Decision quality falls.
Not because leaders stop caring. Because tired brains simplify. They default to the familiar. They become more reactive. They take safe options, or they take shortcuts.

Standards drift.
This is subtle. It shows up in the "just get it done" mindset. In inconsistent follow-through. In meetings that become updates instead of decisions. In tolerating missed deadlines because confronting it feels like another demand.

The organisation copies the CEO's nervous system.
If the leader is constantly stretched, the business becomes more urgent, more interrupt-driven, more fragile. People mistake speed for progress. The middle layer carries the load, and then the load spreads.

This is why the wellbeing chapter isn't a soft chapter. It sits at the centre of performance.

And it connects directly to what we saw earlier in the Pulse.

- When 53% of leaders say the current "do more with less" intensity is not sustainable beyond 6–12 months, the strain is not theoretical.
- When 55% say productivity and accountability is their most acute people challenge, that's often what strained leadership looks like inside the system.
- When 33% point to middle leadership capability as the next most acute challenge, that tells us where the pressure is landing.

Burnout is rarely a separate issue. It's usually the outcome of an operating model that is asking for too much, for too long.

A useful way to segment the result

Rather than treating Q4 as five separate categories, it's more practical to treat it as three groups with different needs.

Group 1:
Energised (50%)

This is a strong starting position. The risk is complacency. Energised leaders can overcommit, assume capacity is infinite, and build a year that becomes unsustainable by design.

Group 2:
Stretched but coping (31%)

This is the largest "risk" group because it looks okay from the outside. People in this band often deliver. They often look steady. They are also one or two shocks away from tipping.

Group 3:
Regularly exhausted or worse (19%)

This is the urgent group. Not because they're failing. Because they are functioning while depleted. That's where health, judgement, and business risk meet.

The leadership agenda in the next phase of 2026 is to keep Group 2 from becoming Group 3.

What sustainable leadership actually requires

The mistake many CEOs make is to treat wellbeing as an add-on. Another item on a long list. Sustainable leadership is mostly structural. It's created through design, not willpower.

It comes down to six practical disciplines.

1. A smaller number of priorities defended relentlessly.

Too many priorities create a permanent feeling of falling behind. It also destroys accountability, because everything becomes "top".

2. Clear decision rights, fewer escalations.

If everything comes back to the CEO, the CEO becomes the constraint. Then the CEO becomes exhausted. Then speed drops across the business.

3. Cadence that reduces noise.

A weekly rhythm that solves real problems. Not endless updates. A cadence that clears the queue.

4. Standards that make performance easier.

Clear standards reduce rework, reduce conflict, and reduce decision fatigue.

5. A middle layer that carries leadership, not just tasks.

If managers can't coach performance and hold the line, the executive team ends up carrying too much of the people load.

6. Personal boundaries that are visible and normalised.

Not "work-life balance" slogans. Real boundaries that people can see and then copy.

What this means for enterprise CEOs

Enterprise leaders have a bigger machine to run, and more stakeholders. The answer isn't to carry it all personally. It's to build a system that doesn't require heroics.

1. Make leadership capacity a board-level conversation.

Not as a wellness check. As a risk and performance check. If the top team is depleted, strategy execution becomes unreliable. Put it on the agenda quarterly.

2. Run a workload and meeting reset for the top two layers.

Look at calendars, not intentions. Remove recurring meetings that don't produce decisions. Combine forums. Tighten pre-reading. Protect decision time.

3. Measure rework and decision delay as leading indicators.

If rework is rising and decisions are slowing, strain is already in the system. Fixing it early saves months.

4. Create a "no heroics" operating principle.

Define what happens when a team is at capacity. What gets stopped. What gets delayed. Who decides. This one move reduces silent burnout.

5. Support the middle layer deliberately.

Middle leaders are where pressure accumulates first. Give them rhythm, training for hard conversations, and clearer decision rights. It reduces escalations and it increases speed, which reduces load everywhere.

What this means for SME owners

In an SME, wellbeing is even more operational. If the owner is depleted, the business feels it immediately.

1. Make capacity visible.

One simple weekly check, what's on the list, what's realistic, what gets deferred. Don't rely on instinct.

2. Protect one "CEO block" each week.

A recurring time block for thinking, planning, sales, cashflow, or systems improvement. If you never create it, the business stays reactive.

3. Delegate one thing per month, on purpose.

Not everything. One thing. Admin, scheduling, follow-up, quoting, invoicing. Over six months, that becomes meaningful capacity.

4. Standardise customer communication.

Templates for updates, delays, scope changes. This reduces stress, reduces conflict, and protects trust.

5. Build a small support circle.

A peer, a coach, a mentor, a group. Leadership isolation accelerates burnout. Connection slows it down.

The CEO watchlist

This chapter will matter most when the year loads up.

If you want to know whether leadership capacity is becoming a risk in your business, watch for these signals:

- decisions taking longer than they used to
- a spike in rework, mistakes, and customer complaints
- managers avoiding hard conversations
- constant escalation back to the CEO
- leaders talking about "just getting through the next few weeks" as a default

The Pulse data shows a strong January baseline, and it also shows an early warning. One in five leaders is already operating close to the edge.

The goal is not to tough it out. The goal is to build an operating model, and a leadership rhythm, that keeps performance strong without consuming the people who carry it.

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CHAPTER 8
WHAT THIS MEANS FOR DECISIONS IN 2026

WHAT THIS MEANS FOR DECISIONS IN 2026

The New Zealand Pulse data doesn't give you a neat prediction. It gives you a leadership brief.

Confidence has lifted, but capacity is the constraint. AI is moving, but most organisations are still learning how to do it safely. Digital risk governance is improving, yet a meaningful minority is exposed. And while many leaders feel energised in January, a material portion already reports exhaustion, even before the year's pressure fully shows up.

Put simply, the next phase of 2026 rewards CEOs who can turn optimism into execution, without treating effort as the operating model.

The nine decisions that matter most

1

Choose where you will lean in, then protect it.
83% expect the environment to improve, and only 3% expect decline. That's a market that's ready to move. The risk is spreading that movement too thin.

Pick one or two growth priorities you can actually resource. Then name what you're not doing. This is how confidence becomes performance.

2

Stop asking the same operating model to carry more load.
This is the warning light. 53% are telling us their current "do more with less" approach is not sustainable beyond 12 months. That is not a motivation issue. It's a design issue.
The decision is whether you will keep squeezing output from effort, or rebuild how work flows so productivity becomes repeatable.

3

Treat productivity as a system, and accountability as the mechanism.
The data is unambiguous. 55% say the acute people challenge is productivity, performance, and accountability. Leaders are asking for consistency, not inspiration.

Accountability works when standards are clear, priorities are stable, and decision rights are clean. If you skip those foundations, you'll add reporting and still feel stuck.

4

Invest in middle leadership like it's a growth lever.
The second strongest signal is middle leadership. 33% selected it as their most acute people challenge. That's a third of leaders naming the multiplier directly.

If managers can't set expectations, coach performance, and hold the line, your strategy stays trapped at the top.

5

Move AI from curiosity to capability or stop pretending.
The Pulse tells the truth behind the hype. 55% are in early pilots or consultant-led initiatives. Only 28% say AI is broadly adopted or deeply embedded.

The decision is not "AI or no AI". It's "two use cases to scale, with governance, data discipline, and measurable value", or "no scale". Pilots without a path to production become noise and risk.

6

Treat digital risk readiness as a board conversation, not a tech update.
51% say they're well or highly prepared. 18% say they are minimally prepared or not prepared. That gap is too big to ignore.

The decision here is simple. Do you have clear ownership, visible controls, and rehearsed response, or are you relying on hope and good people?

7

Manage leadership energy as a performance input.
This is the part many organisations still treat as "nice to talk about" and "easy to ignore". Yet 19% report being regularly exhausted, close to burnout, or having recently experienced it.

Because this survey was run in January, it likely represents a best-case snapshot. Your real test is what happens when operational load rises. The decision is whether you build a rhythm that protects judgement and decision quality, or whether you accept fatigue as normal.

8

Build the dashboard that shows reality, not activity.
Across every chapter, the hidden risk is the same. Leaders mistake motion for progress. The fix is a small set of measures that show throughput, quality, cash, and capacity at the same time.

If you can't see those four together, you will keep solving the wrong problems.

9

Build geopolitical risk into normal decision-making, not crisis response.
Geopolitical risk is no longer something leaders can afford to treat as a background issue until it becomes a crisis. It now moves through the practical parts of business: energy costs, freight, supply chains, currency pressure, customer confidence, cyber exposure, trade policy, sanctions risk, and investment timing.

The recent geopolitical Pulse work with CEOs and business owners across ANZ showed a clear pattern: concern has accelerated, but adaptation has not kept pace. CEOs are not pricing collapse as the base case. They are pricing sustained friction, disruption, and uncertainty. The challenge is that many organisations are still more likely to monitor geopolitical risk than structurally embed it into strategy and board decision-making.

That gap matters.

If geopolitical risk only appears when something has already happened, the organisation is already late. By then, leaders are reacting to cost movement, supplier pressure, customer hesitation, cyber warnings, or policy shifts under time pressure. That is not resilience. That is improvisation.

The decision for CEOs is to build geopolitical risk into the normal rhythm of the business.

The practical framework is simple: **Map. Monitor. Manage.**

Map the exposure.
Identify where the business is most commercially exposed. This could include energy, freight, imported inputs, offshore suppliers, export markets, currency movements, customer concentration, critical technology, cyber risk, or regulatory dependency. The point is not to map every global risk. The point is to identify the risks that could materially affect revenue, margin, supply, cashflow, or trust.

Monitor the early warning signals.
Turn geopolitical risk into a recurring executive and board input. Define the indicators that matter: fuel and freight costs, exchange rates, sanctions, export controls, supplier delays, cyber activity, insurance costs, customer demand shifts, or policy changes. Monitoring needs ownership. Without ownership, it becomes noise.

Manage response based on probability and commercial impact.
Not every headline deserves action. CEOs need to separate what is loud from what is material. The response should match the probability-weighted business impact. Some risks require active mitigation. Some require supplier alternatives. Some require pricing triggers. Some require stronger cyber controls. Some simply require monitoring.

This is the leadership shift now required. The strongest organisations will not be those that react fastest after a shock. They will be the ones that have already built geopolitical awareness into the way they make decisions, allocate capital, manage suppliers, protect margins, and communicate with customers.

For 2026, resilience will not come from predicting every disruption. It will come from building a business that can see change earlier, decide faster, and adapt with less strain.

What enterprise CEOs should do next

Enterprise decisions need to be board-ready. Clear value, clear risk, clear accountability.

1. Set two horizons and lead both.

- Horizon A (next 90 days): stabilise execution, remove noise, tighten standards.
- Horizon B (next 6–12 months): targeted growth bets plus capability build.

Use the Pulse signals to keep your effort in the right place: confidence is up (Q1), sustainability is strained (Q2), and productivity is the people agenda (Q5).

2. Run an operating model reset, not a cost-out.
Your aim is work reduction and decision speed, not simply headcount reduction.

Start with three moves:

- cut low-value reporting and meetings
- clarify decision rights for the top recurring bottlenecks
- install a weekly execution rhythm that forces priorities to be visible

3. Rebuild manager effectiveness as a measured capability

Make middle leadership explicit. Define what "good manager" looks like. Train for the conversations, not the concepts. Track follow-through.

If one third of leaders are naming middle leadership as the acute challenge, it deserves a real plan, not encouragement.

4. Treat AI as a portfolio with gates

Given most organisations are still in pilots (Q3), your advantage comes from focus.

- pick two customer or operational use cases that matter
- define value targets, risk controls, and quality standards
- set a scale decision date, then commit or stop

5. Lift governance maturity for cyber, data, and AI together

One register. Clear ownership. Board visibility. Incident rehearsal. Third-party risk controls. Your governance posture is now part of your brand.

6. Protect leadership capacity at the top two layers

Strip the calendar. Reduce escalation. Make "no heroics" a principle. If leaders are exhausted, the organisation slows and standards drift. Q4 shows a meaningful minority already there.

What SME owners should do next

SMEs win through simplicity, speed, and disciplined cash. The big-company playbook often adds complexity you don't need.

1. Pick one growth focus and execute it hard

Your market may be improving (Q1), but your capacity is finite. Choose the offer, customer segment, or channel that will move cash and margin, then cut distractions.

2. Standardise the work that repeats

This is the fastest productivity lift in most SMEs.

- quoting
- onboarding
- scheduling
- invoicing
- debtor follow-up

Two pages of standard steps beats a thousand "quick questions".

3. Create accountability without bureaucracy

Small team accountability is simple:

- clear expectations
- weekly priorities
- quick feedback
- follow-through

Q5 tells us productivity and accountability is the real people issue. SMEs feel this first because there's nowhere to hide.

4. Use AI to remove friction, not to look modern

Given most organisations are still early (Q3), your advantage is being practical.

- faster customer responses
- better proposals
- admin automation
- improved scheduling and follow-up

Keep a human check for anything sensitive. Keep customer data safe. Keep it simple.

5. Put three non-negotiables in place for digital risk

You don't need enterprise complexity, you do need basics:

- multi-factor authentication everywhere
- secure backups with a restore test
- a payment verification step for bank detail changes

The data tells us a real minority are underprepared. Don't be in that group.

6. Protect your energy as the business asset it is

If you are the decision-maker, seller, and problem solver, exhaustion becomes an operational risk. This can't be ignored. Build one protected block each week for thinking, selling, and improving the system. It pays back quickly.

Watchlist for the next 6–12 months

These are the signals worth watching because they show whether confidence is turning into sustainable performance.

Market signals

- demand consistency, not just leads
- price sensitivity and discounting pressure
- payment times and cash collection trends
- sector divergence, where some customers accelerate and others stall

Operating signals

- decision speed (how long "simple" decisions take)
- rework levels (mistakes, churn, repeat issues)
- meeting load and reporting volume
- capacity pressure in your middle layer

People signals

- productivity trends in throughput, not busyness
- underperformance addressed early, or avoided
- leadership energy in the "stretched but coping" group, because it is the tipping point (Q4)

Technology and risk signals

- pilot sprawl in AI, too many tools and no scale (Q3)
- shadow AI usage, especially where data could be exposed
- cyber near-misses and control failures
- third-party access and data handling clarity

The Pulse data points to a clear leadership task for the next phase of 2026 and into FY2027. Confidence is returning. The winners will be the organisations that convert that confidence into capability, lift productivity through better design, scale AI with control, and protect leadership capacity so performance stays sustainable.

12

CONCLUSION

CONCLUSION

The New Zealand Pulse data tells a clear story. CEOs are cautiously optimistic, but the leaders who perform best now will be the ones who convert confidence into resilience, not just growth.

That combination, optimism plus strain, is exactly what makes this next phase of 2026 and beyond so demanding.

The January data showed confidence returning. The operating environment since then has shown why confidence now needs resilience behind it.

When conditions are tough across the board, the leadership task is endurance. When conditions start to improve unevenly, the leadership task becomes judgment. What do you invest in? What do you stop? What do you protect? What do you scale? And how do you grow without rebuilding the same fragility that the last cycle exposed.

The Pulse data suggests that many New Zealand businesses are now sitting at that inflection point.

Confidence has lifted, yet more than half of respondents say their current "do more with less" intensity isn't sustainable beyond the next 6–12 months. That's a warning that effort has been doing too much of the work. It's also an invitation, because operating model strain is fixable when leaders are willing to redesign how work flows, how decisions get made, and how accountability is held.

The people agenda has shifted too. CEOs are not primarily naming attraction and retention as the acute challenge. They're naming productivity and accountability. That is a mature diagnosis. It recognises that performance isn't constrained by headcount alone. It is constrained by clarity, standards, and execution rhythm. It is constrained by whether managers are equipped to lead people, not only tasks.

AI is the other signal that deserves real attention. Most organisations in New Zealand are already experimenting, yet the majority are still in pilots. That gap between pilots and scaled capability is where the opportunity sits, and where the risk sits too. The organisations that win will be the ones that pick a small number of high-value use cases, build the governance and data foundations properly, and scale with discipline.

Governance and digital risk readiness is improving, but it is not universal. One in five leaders told us they are minimally prepared or not prepared. In a world where cyber, privacy, and AI risk are now part of everyday business conditions, that level of exposure should sharpen the focus of every CEO and every board. It doesn't require fear. It requires ownership, controls, rehearsal, and a shared understanding of what "prepared" looks like.

Finally, there's the human thread. In January, many leaders reported feeling energised and in a good place, and that's encouraging. Yet a meaningful minority were already describing regular exhaustion or burnout risk even at the start of the year. Leadership capacity is not a soft issue. It is a performance input. When leaders are depleted, decision quality drops, standards drift, and the organisation becomes reactive. Sustainable performance requires sustainable leadership.

Highest conviction statements

1

Confidence is returning, but the recovery will not be evenly felt, and it now needs to be tested against volatility.
Leaders need optimism and discipline at the same time. Confidence should support ambition, but it must now be stress-tested against energy costs, supply chains, customer confidence, currency movement, and geopolitical disruption.

2

"Doing more with less" has reached its limit for many organisations.
The next lift in performance will come from redesigning the operating model, not simply asking people to push harder. A strained operating model has less room to absorb shocks.

3

Productivity and accountability have become the people agenda because execution is the real differentiator.
Strategy will not save a business that cannot deliver consistently through its managers and teams.

4

Middle leadership is now one of the strongest levers for sustainable performance.
Decision speed, standards, accountability, and execution rhythm all depend on whether the middle layer is equipped, supported, and trusted to lead.

5

AI advantage will not come from experimentation alone.
It will come from scaling a small number of valuable use cases with governance strong enough to protect customers, data, and trust.

6

Risk readiness is now a CEO and board responsibility across digital, cyber, and geopolitical exposure.
The issue is not only whether leaders are aware of risk. Across the broader CEO sentiment work, concern has accelerated faster than adaptation, with only a small minority having made structural changes or embedded geopolitical risk into core strategic planning.

A closing reflection

The purpose of The CEO Institute has always been simple. No business leader should ever walk alone.

The Pulse Report exists to bring that purpose into practical reality. It reflects the lived experience of leadership back to leaders. It creates clarity when the environment is loud. It helps CEOs and business owners benchmark their instincts against peers who carry the same weight, in the same market, under the same pressures.

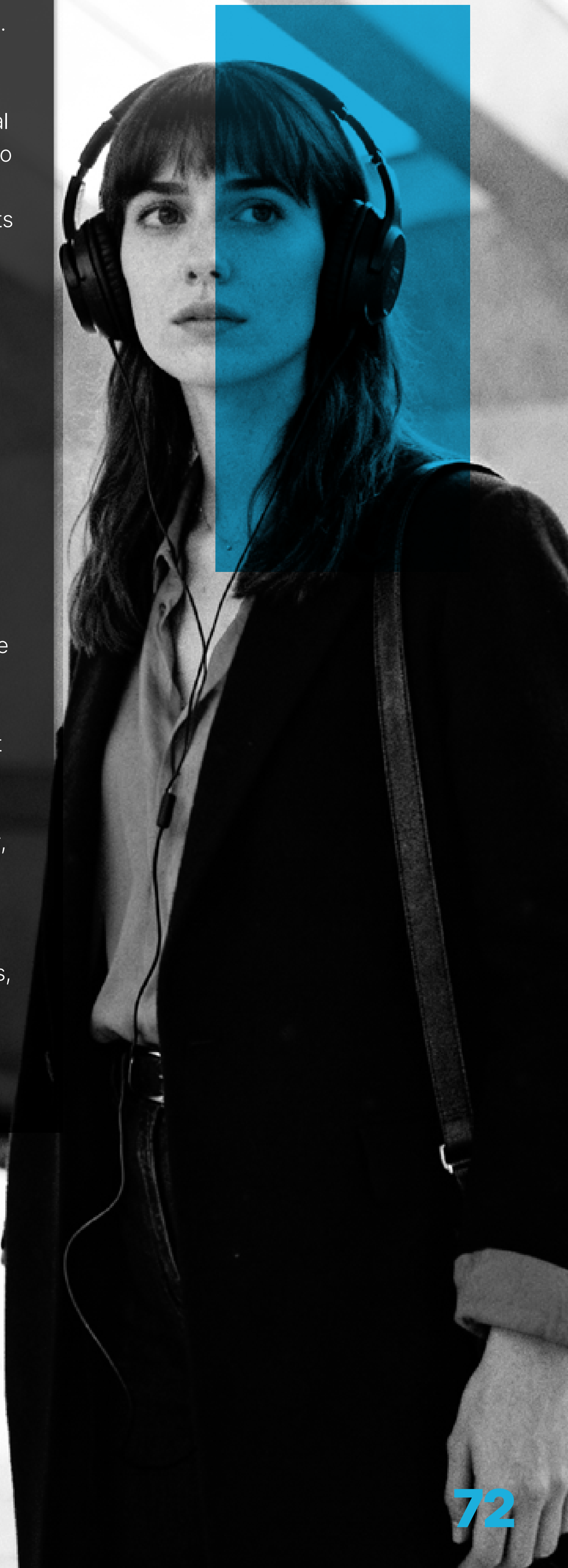
If you take one message from this report, let it be this.

New Zealand has momentum to build on, but momentum alone will not be enough. The next phase of 2026 will reward leaders who combine confidence with resilience, ambition with discipline, and growth with the operating strength to absorb volatility.

It will reward leaders who build capable systems, not just urgent activity. It will reward those who treat people as the engine, not the expendable input. It will reward those who strengthen middle leadership, scale technology with care, and bring risk into the rhythm of decision-making before it becomes a crisis response.

Above all, it will reward leaders who stay connected, clear, and grounded when the external environment becomes harder to read.

And for those who feel stretched, or alone in the decisions, remember this. Leadership was never meant to be a solo sport. The work is heavy, and it is shared.



CEO action checklist

This checklist is designed for two audiences.

Use the Enterprise CEO track if you lead a larger organisation with a board, multiple leadership layers, and formal governance structures.

Use the SME owner track if you run an owner-led or smaller business where speed, simplicity, cashflow and personal capacity matter most.

The checklist is structured across three timeframes:

- Do now
- Do next
- Build for 2026

Do now: next 30 days

Enterprise CEOs

1. Reset priorities and remove work.

- Confirm the three most important outcomes for the next 90 days.
- Create a visible stop list, including:
  - projects to pause
  - reports to remove
  - meetings to cancel
  - low-value activity to stop
- Ask each executive to identify and remove at least 10% of recurring work from their area.

2. Make operating strain visible.

- Create one weekly dashboard that tracks:
  - Throughput: what was delivered
  - Quality: rework, defects, complaints and customer issues
  - Cash: collections, aged debtors and working capital pressure
  - Capacity: critical roles, sick leave, overtime, vacancies and leadership load

3. Reduce decision drag.

- Identify the ten recurring decisions that most often escalate or stall.
- For each decision, define:
  - who decides
  - what principles guide the decision
  - when escalation is required
  - the maximum time allowed to make the decision
- Trial the new decision rules for 30 days, then embed what works.

4. Put AI guardrails in writing.

- Create a simple AI usage policy covering:
  - approved tools
  - data that must never be shared
  - human review requirements
  - rules for customer-facing or sensitive use cases
- Appoint one accountable executive for AI governance.

5. Run a cyber and payment control check.

- Confirm multi-factor authentication is active across all critical systems.
- Validate backups and complete a restore test.
- Tighten payment controls, including:
  - dual approval for material payments
  - phone verification for bank detail changes
  - clear escalation rules for suspicious requests

6. Check leadership capacity before it becomes a risk.

- Ask the top two leadership layers: what will break if we do not remove load?
- Reduce executive meeting load immediately.
- Protect time for decisions, not only updates.
- Identify the leaders most exposed to sustained pressure and intervene early.

SME owners

1. Pick one focus that drives cash.

- Choose one commercial priority for the next 30 days, such as:
  - pipeline
  - conversion
  - pricing
  - collections
  - repeat customer activity
- Park anything that does not directly support cash, delivery or customer retention.

2. Standardise two repeat processes.

- Write simple steps for:
  - quoting and follow-up
  - invoicing and debtor follow-up
- Use templates wherever possible.
- Reduce the time spent reinventing the same work.

3. Put three cyber basics in place.

- Turn on multi-factor authentication.
- Use a password manager.
- Set one clear rule: bank details are never changed without phone verification.

4. Set AI rules before using it.

- Do not enter personal customer information into public AI tools.
- Review all AI output before it goes to a customer, supplier or employee.
- Start with low-risk time savers, such as:
  - drafting customer responses
  - preparing quotes
  - summarising notes
  - creating simple checklists

5. Protect one weekly CEO block.

- Set aside one protected hour each week for:
  - sales
  - pricing
  - cashflow
  - planning
  - system improvement
- Treat this time as non-negotiable.
- Use it to move the business out of reactive mode.

Do next: next 90 days

Enterprise CEOs

1. Run a 90-day operating model reset.

- Choose two core workflows to improve, such as:
  - quote-to-cash
  - customer service
  - onboarding
  - claims
  - month-end
- Map handoffs, approvals, delays and rework.
- Remove friction before adding more activity.
- Publish the new way of working and enforce it.

2. Lift middle leader effectiveness.

- Write a one-page manager contract covering:
  - cadence
  - coaching
  - standards
  - escalation
  - decision rights
- Train managers in three practical conversations:
  - expectations and performance
  - feedback in the moment
  - development planning
- Establish a monthly manager forum to share problems, decisions and solutions.

3. Turn productivity into a measurable programme.

- Choose a small number of productivity levers, such as:
  - cycle time reduction
  - rework elimination
  - automation of manual tasks
  - decision speed
- Set targets and report progress weekly.
- Measure outcomes, not activity.

4. Move AI from pilots to two scaled use cases.

- Pick two use cases with clear value and manageable risk.
- Build the knowledge and data foundation before scaling.
- Define quality measures, including:
  - accuracy
  - escalation quality
  - customer satisfaction
  - time saved
  - risk incidents
- Decide to scale or stop. Avoid endless pilots.

5. Strengthen governance and incident readiness.

- Build one register covering:
  - cyber risk
  - AI risk
  - data risk
  - key third-party risks
- Run a tabletop incident exercise with finance, communications, legal, operations and IT.
- Clarify who makes decisions in:
  - the first hour
  - the first day
  - the first week
- Test whether customer, employee and board communication can happen quickly and clearly.

6. Create a leadership sustainability plan.

- Redesign the senior team cadence.
- Introduce clear "no heroics" rules, including:
  - what gets stopped when capacity is exceeded
  - what gets delayed
  - who decides
  - when escalation is required
- Track capacity signals such as:
  - overtime
  - leave balance
  - turnover
  - recurring exhaustion
  - decision delays

7. Add geopolitical resilience to decision-making.

- Add geopolitical risk to the enterprise risk register.
- Treat it as a live business input alongside:
  - cyber risk
  - financial risk
  - supply chain risk
  - workforce risk
  - operational risk
- Map where the business is most exposed, including:
  - energy
  - freight
  - suppliers
  - customers
  - currency
  - imported inputs
  - offshore services
  - key markets
  - cyber exposure
- Create early-warning indicators, including:
  - fuel costs
  - freight movement
  - exchange rate shifts
  - supplier delays
  - customer confidence
  - sanctions
  - trade restrictions
  - cyber activity
  - material policy changes
- Rehearse external shock decision-making with the executive team and, where appropriate, the board.
- Prioritise responses based on probability, financial exposure, operational impact and customer consequence.

SME owners

1. Build a simple weekly rhythm.
- Set Monday priorities, three maximum.
- Run a mid-week check on what is stuck.
- Review Friday outcomes, what moved, what did not, and what needs to change.
- Keep the rhythm short, practical and consistent.

2. Improve cash conversion.
- Tighten payment terms, follow-ups and aged debt.
- Standardise collections language.
- Introduce a weekly debtor review, 15 minutes is enough.
- Watch cash in days, not assumptions.

3. Raise standards without drama.
- Define what "good" looks like for:
  - response times
  - quality checks
  - customer updates
  - handovers
  - follow-up
- Give quick feedback.
- Follow through consistently.

4. Choose one AI use case that saves time weekly.
- Start with one practical use case, such as:
  - enquiry response drafting
  - quote preparation
  - scheduling and follow-up
  - simple FAQ support
  - summarising notes
- Track either hours saved or response time improvement.
- Keep a human review step for anything customer-facing or sensitive.

5. Reduce owner dependency.
- Delegate one recurring task permanently.
- Train a second-in-charge for day-to-day decisions.
- Build simple checklists so work is not stuck in your head.
- Remove one "only I can do this" task at a time.

6. Build basic incident resilience.
- Test that backups can be restored.
- Keep devices patched.
- Use multi-factor authentication.
- Create a simple one-page plan covering what to do if:
  - systems go down
  - a payment request looks suspicious
  - customer data may be exposed

7. Add geopolitical resilience to decision-making.

- Review supplier and freight exposure.
- Identify which products, suppliers, inputs or delivery channels would be most affected by:
  - higher freight costs
  - fuel volatility
  - delivery delays
  - availability issues
- Tighten quote validity and pricing triggers.
- Define when prices can be reviewed so you do not absorb unexpected cost increases silently.
- Protect cashflow by watching:
  - payment terms
  - debtor days
  - deposits
  - inventory commitments
  - supplier payment timing
- Identify backup suppliers before you need them.
- Strengthen basic cyber and payment controls, including:
  - multi-factor authentication
  - phone verification for bank detail changes
  - restricted access to key systems
  - stronger approval steps for payments

Build for 2026: next 6–12 months

Enterprise CEOs

1. Build capability, not only performance.

- Make middle leader development a strategic pillar, not ad hoc training.
- Build succession plans for critical roles.
- Strengthen internal coaching and peer learning.
- Measure leadership capability as part of business performance.

2. Modernise customer interaction.

- Use AI where it improves customer experience, speed or consistency.
- Keep clear human escalation for sensitive or complex situations.
- Measure:
  - trust
  - complaints
  - retention
  - response times
  - quality of resolution

3. Institutionalise digital and geopolitical risk governance.

- Shift board reporting from activity lists to resilience outcomes.
- Embed third-party risk management into procurement and vendor review.
- Maintain one view of cyber, AI, data, supplier and geopolitical exposure.
- Run regular rehearsals, not one-off exercises.
- Keep risk governance in the rhythm of decision-making.

4. Automate to create capacity.

- Prioritise automation where it removes manual work at scale.
- Simplify systems and data so AI and analytics can be trusted.
- Link automation investment to:
  - time saved
  - cycle time reduced
  - rework removed
  - customer experience improved
  - risk reduced

5. Build a sustainable operating cadence.

- Reduce unnecessary meetings.
- Improve decision forums.
- Create a performance rhythm that reduces noise.
- Protect leadership judgement and energy as strategic assets.
- Keep the organisation focused on fewer, clearer priorities.

SME owners

1. Build a simple, scalable operating model.

- Document core processes.
- Train others to run them.
- Remove "only I can do it" tasks over time.
- Keep processes simple enough that people actually use them.

2. Invest in tools that reduce manual work.

- Prioritise tools that improve:
  - scheduling
  - invoicing
  - customer communication
  - CRM discipline
  - basic automation
- Implement one tool at a time.
- Fully adopt it before adding another.

3. Strengthen trust through better governance.

- Create simple policies for:
  - data handling
  - payments
  - customer communication
  - AI use
  - supplier changes
- Maintain cyber basics.
- Treat controls as habits, not one-off fixes.

4. Use AI to lift customer experience.

- Use AI to improve:
  - response times
  - proposal consistency
  - follow-up
  - customer FAQs
  - internal checklists
- Build a simple knowledge base so the business communicates consistently.
- Keep human review where trust, judgement or sensitive information is involved.

5. Protect your capacity.

- Plan breaks before exhaustion forces them.
- Build a support circle, such as:
  - a peer
  - an adviser
  - a coach
  - a CEO group
- Protect time for thinking, planning and improving the business.
- A healthier rhythm makes growth more achievable.

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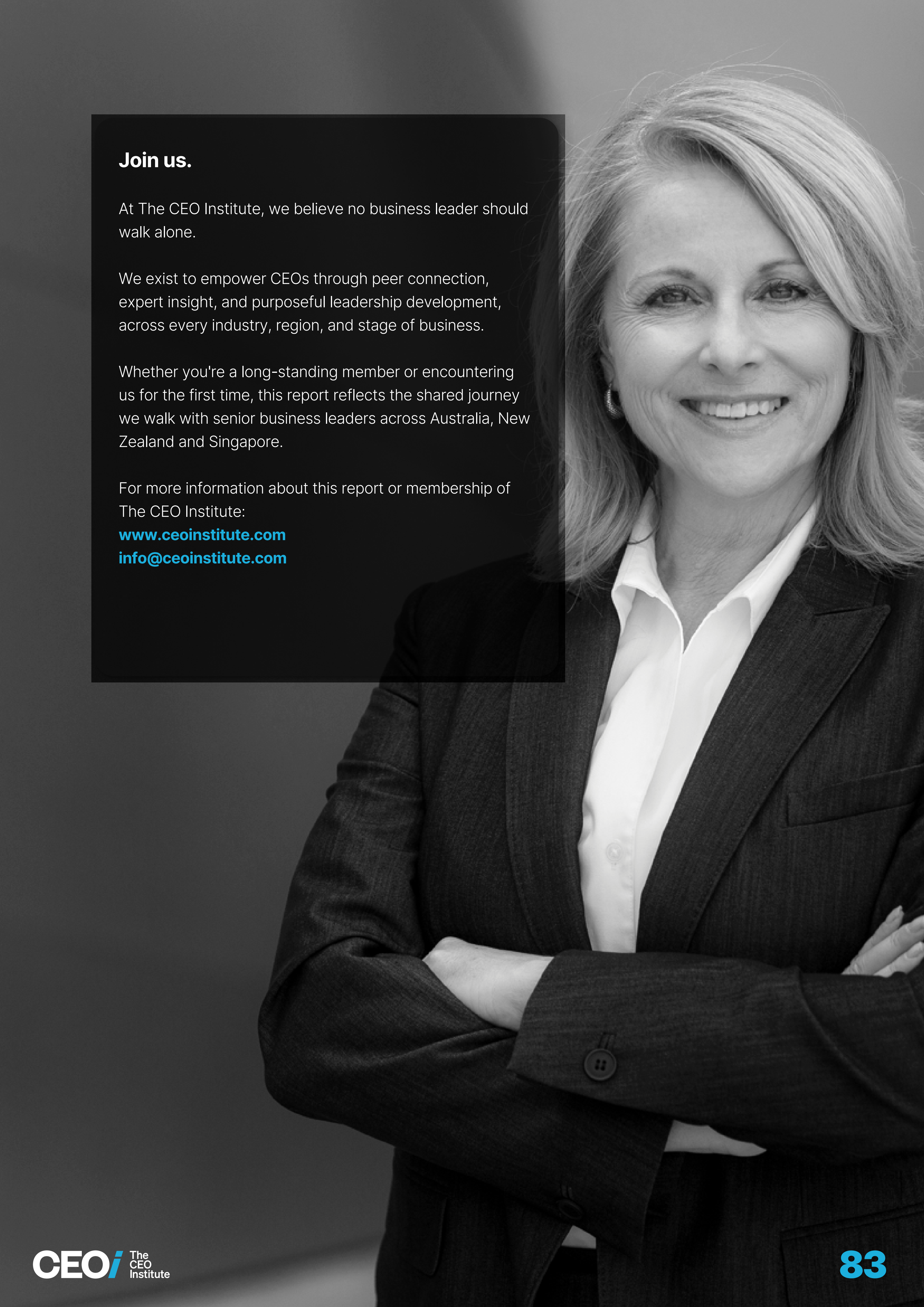

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