Boardroom

QUARTERLY MAGAZINE OF THE INSTITUTE OF DIRECTORS

AUTUMN 2023

Institute of
DIRECTORS
NEW ZEALAND

Understanding mental wellbeing | Faster than the speed of change | Chair-CEO connected by trust and respect | Radioactive scare highlights risk | Sports chairs lift their game

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"Success today requires the agility and drive to constantly rethink, reinvigorate, react and reinvent."

– Bill Gates, American technologist, business leader and philanthropist

Modern boards need to govern faster than the speed of change. Board agility will become even more important as the world – and New Zealand – spirals from one crisis to another. Innovative and quick thinking is needed, alongside the ability to rapidly learn, adapt and evolve. This is the message in this autumn edition.

First off we ask the question, are directors getting younger? It's happening in the US, but maybe not in Aotearoa – yet. However, our data shows a significant trend in younger members joining the IoD.

Mental wellbeing is an issue boards will be wrestling with for a long time, but they first need to broaden their understanding and what it means, says a health and safety forum executive director. It is not "code for people being mentally broken or having ill health".

Now we are living in a new abnormal, how does a board equip itself for unknown unknowns? One of our partners makes some suggestions on expecting the unexpected.

Trust and respect are the two most essential elements in the chair-CEO relationship, say Spark chair Justine Smyth and CEO Jolie Hodson. They give us some insights into their special relationship.

Directors need many strings to their bow, but how many are skilled in negotiation? A Chartered Member and accredited mediator/negotiator tells us why it should now be considered a corporate competence.

New Zealand is a nation of small businesses but many SMEs are too small to afford a board. Some struggle to find professional advice when they run into difficulties or need to expand. Help is at hand. We also talk to one SME which has a mentor/advisor to call on when big decisions need to be made.

An alarming 3,000 people are living in modern slavery conditions in New Zealand on any given day. The question is, where does it exist in a business and associated supply chain? A human rights lawyer says boards need to act now.

One of the highlights of our year is the Leadership Conference (early May) and this year's keynote address will be from Canadian businessman and Rio Tinto chair Dominic Barton. He talks to *Boardroom* about a missing radioactive capsule, New Zealand punching above its weight, his relationship with his CEO and what he hopes to achieve while in Aotearoa.

Inexperienced chairs are kicking goals thanks to a 'horizontal governance' initiative where 45 National Sports Organisations and Regional Sports Trusts are being connected and armed with the tools and confidence to meet the challenges and risks faced nowadays. We talk to the project leader and three chairs who are all in the ballgame.

Mention Queenstown and you immediately think of holidays and skiing, lakes and scenery, fine food and wine – the list is endless. But the "one-trick pony" town suffered greatly in the pandemic. Now a tech entrepreneur and growth company chair says the tourist mecca needs to hitch its wagon to another industry. The mayor and Destination Queenstown are right behind his grand plan.

As hosts of climate governance initiative Chapter Zero, we have teamed with leading impact consultancy Ākina, which says sustainability and caring about the environment have been elevated to a new level. "The planet is going to survive; the question is whether people can live on the planet," says its CEO.

Member Sean Sweeney has worked on transformational projects including Te Papa in Wellington and now City Rail Link in Auckland. Building trust, treating people properly and delivering on his promises has brought him to the door of governance.

Engineering fellow Dr Sina Cotter Tait crossed that threshold many years ago and sits on a number of boards involved in infrastructure. She says "co-governance is a conversation we have to have at a national level".

Ngā mihi
Noel Prentice, editor

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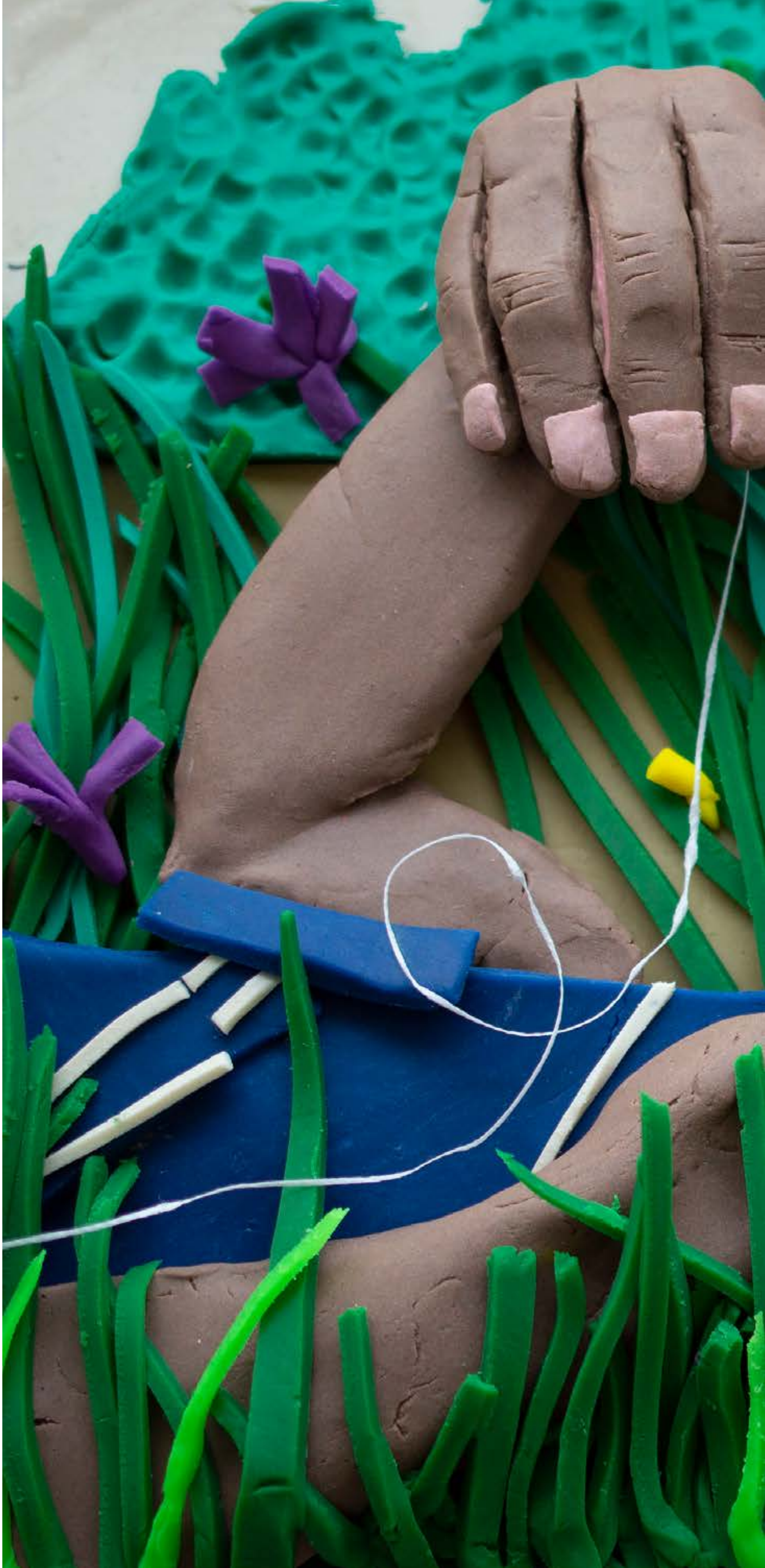
REINVENTING, REBRANDING AND REIMAGINING

It started as a wallpaper cleaner to save a business and has now become one of the most famous toys and a household name. Play-Doh is a part of every child's upbringing and a creative tool loved by all. First invented in the 1930s, it was reworked, rebranded and marketed as a modelling compound, and officially introduced in the mid-1950s. Now, Play-Doh is used in schools as an arts and crafts modelling tool – and found under many Christmas trees and at birthday parties.

It has also proved an inspiration for London-based artist Eleanor Macnair. She takes both iconic and lesser-known photographs and reconstructs them into 3D sculptures crafted from Play-Doh. Her approach is playful and inquisitive.



Artist Eleanor Macnair's Play-Doh rendering of Gordon Parks' original photograph, Boy with June Bug, Fort Scott, Kansas, 1963. © copyright Eleanor Macnair

eleanormacnair.com

Are directors getting younger?

AUTHOR:
AARON WATSON,
IoD WRITER/EDITOR

US data shows the average age of directors has fallen since the start of the pandemic. What's happening in New Zealand?

The average age of board members in the US has been dropping since the onset of the pandemic, recent research shows, reversing a decades-long trend of corporate boards growing older.

Researchers are not sure what is driving the demographic shift but suggest baby boomers may be hastening their exit from the workforce, while companies are seeking younger, more diverse directors with expertise in contemporary issues such as cyber security and ESG.

Bloomberg data shows the average age of board members at Russell 1000 companies was 61.8 years in October 2022, down from 62.5 years in 2019. This was the third straight year of average age decline.

In terms of the number of older directors still serving, the data shows the percentage of US companies with an average board age of 65 is down to 19.5 per cent (the lowest it has been since 2011).

The NZX does not collect information on the age of listed company directors, and Statistics New Zealand's data does not clearly delineate directors in governance from sales directors or film directors, so exactly what is happening in the New Zealand governance community is unclear.

However, data on the IoD's membership shows little change in the average age of our members (the majority of whom serve on New Zealand boards).

The largest age cohort of IoD members is 50-59 years, with the peak coming near the middle, giving an average age for an IoD member (in 2022) of 53 years.

2025

Alpha

2013

2012

Gen Z

1997

1996

Millennials

1981

1980

Gen X

1965

1964

Boomers

1946

1945

Silent

1928

YOUNGER GENERATION

Where there has been a significant trend is in the age of new members joining the IoD. There is more interest in governance now among younger people, with those in the 18-to-39-year age group making up 32 per cent of new members in 2021, up from 19 per cent in 2014.

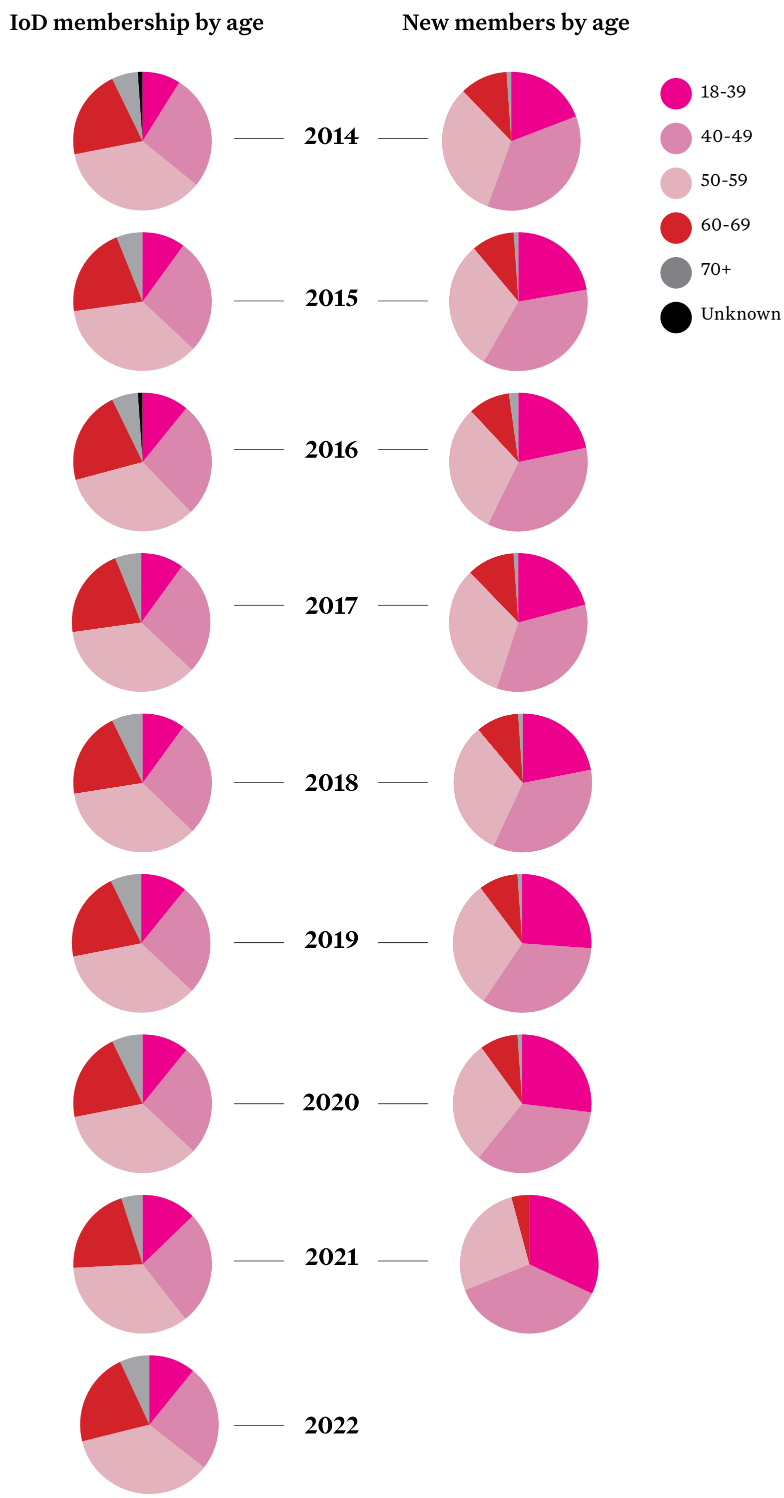
Concurrently, the percentage of older people joining the IoD has decreased, with those in the 60-to-69-year bracket making up just 4 per cent of our new members in 2021, down from 11 per cent in 2014.

So it is possible the average age of directors in New Zealand is starting to come down, or is on track towards that.

IoD members appointed to NZX Top 50 company boards between October 2020 and September 2021 had an average age of 61 years.

US data shows the average tenure on boards has also been dropping over the past decade. In 2021, the average tenure of independent directors on S&P 500 boards was 7.7 years, down from 8.7 years in 2011.

Again, data on New Zealand boards is scant, but the IoD's 2022 Directors' Fees Report, conducted in association with EY, found the typical length of a directorship was six years. But some stay a little longer. The longest-serving director who responded to the fees survey was elected to their current board in 1985.



BENEFITS OF YOUTH

Younger directors are considered a source of new ideas that could help a company navigate challenging future conditions, says Kelly McGregor, Service Manager, Board Appointments at the IoD.

The service assists boards in finding the right candidates for vacant positions. This includes matching the skills, knowledge and experience of potential candidates with the needs identified by the relevant board.

"There are a number of reasons why younger directors are sought after. It could be around new and quickly evolving technology – younger directors are usually still in executive positions and current with the changing landscape. Sometimes it's around the organisation's customer base and wanting to reflect that demographic on the board," McGregor says.

"I have also had clients of family businesses that, as the founder hands the business down to the younger generations, are wanting more directors on the board who are in that younger age group."

While unable to confirm that the average age of directors is dropping, McGregor says boards that value diversity of thought are increasingly interested in having a mix of generations.

"We know for sure that directors see better decision making coming from a diversity of views and ideas around the board table. This was noted by 73 per cent of respondents in our 2022 Director Sentiment Survey.

"Historically, the diversity focus was more on gender and ethnicity, but it now includes not just age and stage but also background; whether someone has worked in certain industries, grown up in different countries and/or environments. It's very broad."

Refreshing the talent pool

The IoD has a number of programmes that aim to encourage and support a broad range of people into governance. These run independently of our continuing professional development programme.

Our Future Directors' programme aims to develop the next generation. The programme provides an opportunity for people with governance potential and ambition to participate on a host of boards. These boards include NZX and non-NZX listed companies, state sector boards and not-for-profit organisations.

Through the Emerging Director awards, our branches support the development of directors by providing a mentor, granting money for professional development and bestowing a free one-year membership of the IoD. Prize packages vary across different branches.

Our Tuakana Teina Chair Mentoring Programme, in partnership with Community Governance NZ, connects chairs in the NFP sector with members experienced in chairing a board to help strengthen governance in the community sector.

Experienced directors can take advantage of our Mentoring for Diversity. This helps them step up to a non-executive director role on a large private company or public sector board, an NZX-listed board or a trustee for a large not-for-profit organisation.

What is wellbeing?

Boards and organisations need to broaden their understanding of mental wellbeing, says Health and Safety Forum executive director Francois Barton.

AUTHOR:
SONIA YEE,
SENIOR IoD WRITER

Photo by:
Simon Lee on Unsplash

“A common challenge I see boards and senior leadership teams struggle with is, is what do we mean by mental wellbeing?” says Business Leaders’ Health and Safety Forum executive director Francois Barton MInstD.

The wellbeing conversation has become increasingly important over the past five years, he says, and one of the consistent issues within many organisations is a narrow understanding of what wellbeing is.

Barton, a co-founder of the forum, says this limits the scope for strategically addressing the issue. “What we struggle to do at a board and strategic level is hold the conversation long enough so we are on the same page.”

Often, wellbeing is defined through a need to promote healthy eating, or at the other extreme, suicide prevention, with little else in between, he says.

"What is absolutely true for directors, boards, CEOs and senior leadership teams is that mental wellbeing is universal, and for leaders to do their leadership work well they need to be well in themselves."

Francois Barton

Organisations are operating on a view that wellbeing is "code for people being mentally broken or having ill health", and Barton says this is where opportunities will be missed.

Mental health issues have been on directors' radars for the past two years, with 85 per cent in 2021 and 81 per cent in 2020 regularly discussing workplace mental health and wellbeing, according to the IoD's Director Sentiment Survey. In 2022, 70 per cent of those surveyed approved initiatives to help address the issues (down from 72 per cent in 2021).

Launched in 2010, the forum is a not-for-profit organisation committed to improving the performance of workplace health and safety in New Zealand. Its strategy and services are structured around the framework of the World Health Organisation (WHO).

"It's universal and every person at work – and in the world – has wellbeing and is moving up and down a continuum of being unwell through to thriving, all of the time," Barton says.

He says work has positive and negative impacts on workers' wellbeing, and it is important for leaders to understand what that looks like in their organisation. That enables management to minimise what work factors are driving the negative impacts and embed the positive factors.

"There is no stigma about people thriving. So we need to be embracing and amplifying that full spectrum of the wellbeing conversation, too."

Covid-19 continues to reveal a long-term impact on wellbeing – one that has become a wider social issue. But Barton wants to be clear it is not the role of an organisation to take 100 per cent responsibility for a person's wellbeing.

"But work is one of those [contributing] influences, so it's looking at the risks around what that work creates, and the impact it has on our people's wellbeing. It's under-explored because the focus becomes about the individual, and not about the work that staff are asked to do."

In order to implement purposeful strategies, Barton says it is important to identify where people are being harmed, and where they are not.

These areas can include workload; staffing levels; a sense of purpose in the job; having the tools and equipment to do the task; workplace flexibility; work-life balance; matching skills to the work; the relationship of staff with management; and feeling safe to express your opinion without feeling marginalised.

"These are not stigmatised issues – that's work," Barton says. "But what organisations tend to do is fly over the thing they can control and influence, and ask people to take responsibility themselves. We tend to blame when things go wrong and celebrate when things go right, and learn way too little in between."

He says another untapped opportunity is directors should be examining why there is resilience in one team and not others, and learn where the line is green.

One area that also requires more work is within business-leader circles where speaking up about personal experiences of mental health and wellbeing and addressing the issues has yet to become part of company strategy. This is an area Barton says needs more support and the same universal approach needs to be taken on the issue.

In response to this, and in particular off the back of Covid-19, the forum launched a new initiative called 'Be Well to Lead Well' – a programme that gives leaders a sense of their own wellness.

"What is absolutely true for directors, boards, CEOs and senior leadership teams is that mental wellbeing is universal, and for leaders to do their leadership work well they need to be well in themselves," Barton says.

The 2022 Director Sentiment Survey showed only 41 per cent agreed their board had discussed the wellbeing of its board members in the past 12 months.

No secret formula to workplace wellbeing

AUTHOR:
SONIA YEE

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Isabella and Zsa Fischer on Unsplash

"There is not as much of a stigma around wellbeing as pre-Covid," says Kāpiti-based Jaqui Taituha Ngawaka MInstD (Ngāti Maniapoto, Ngāpuhi).

Ngawaka is a board member of the Mental Health Foundation of New Zealand and Emerge Aotearoa subsidiary Mind & Body Ltd. She also has a management background in iwi and Māori organisations, and has held several 'for-purpose' governance roles.

"One of the silver linings of the pandemic is how obvious wellbeing has become to people, but also the impact that different changes can have on people's lives," she says.

As a result of Covid-19, Ngawaka has noticed an increase in social awareness with more workplaces actively

“You have to be a bit brave about the approach [or strategy] and if you ask people what they want, you need to do your best to make it happen.”

Jaqui Taituha Ngawaka

participating in campaigns such as Pink Shirt Day, along with activities and events in schools and other public spaces. Sectors such as farming and construction have also created more campaigns within their industries addressing the importance of wellbeing.

But when dealing with an issue that can be so different for every individual, and where organisations are wrapping their heads around the much wider scope of what wellness means, Ngawaka believes one strategy for boards is to include those with ‘lived experience’ in the discussion.

It is more common for those with what Ngawaka refers to as ‘lived experience expertise’ to be found working in organisations offering targeted services around mental health, including in leadership positions and on boards.

She says recruiters should not shy away from considering those from diverse (including neurodiverse) and ‘lived experience expertise’ backgrounds when making board or management appointments.

Some of the outcomes of diverse recruiting at leadership level includes greater empathy and more open conversations that enable people to feel more comfortable with bringing their whole self to work.

Ngawaka says it is also about putting people before profit, including how an organisation recognises the value of people when it comes to measures such as productivity and customer satisfaction. “You can still be profitable and provide great service when you are developing and supporting diversity in your organisation,” she says.

But keeping wellness on the board agenda in the first place is also the right step to change. “It’s about prioritising it, just as you would the key issues on a risk register, or including wellbeing as part of your strategic statement.”

In a post-Covid environment where hybrid working models have been used to lure new talent, the same opportunities that enable a better work-life balance have not been made available for everyone.

Construction, farming, service-based industries and the health sector are showing greater signs of worker fatigue, and continuous staff shortages. Implementing successful wellbeing strategies will require a different approach.

Ngawaka suggests boards consider alternative supports that alleviate stressors through, and from, work. This might include offering assistance with transport or placing more emphasis on ensuring the workplace is somewhere that employees feel valued and want to stay.

She says talking to those on the ground will also illuminate the areas where people may need support. This will also clarify areas of focus and the strategy for the board. But she emphasises that quick fixes should be avoided because there will not be a one-size-fits-all solution.

“You have to be a bit brave about the approach [or strategy] and if you ask people what they want, you need to do your best to make it happen,” says Ngawaka of providing appropriate support solutions.

For those boards trialling new programmes and looking for the right solutions, it may take some time. So how should they recognise if a strategy isn’t working? “Whānau voice,” says Ngawaka, coming back to the importance of understanding the issues from those on the ground.

“If the people you are trying to help are telling you it’s not working, or you aren’t getting any response, then it’s not working. It’s not easy, but the issue is so prevalent we can’t avoid it, or not think about it. Like most things that we know we need, but we don’t know how, we just have to make a start.”

The value of lived experience in leadership

AUTHOR:
SONIA YEE

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Social Cut on Unsplash

"Optimal wellbeing is when nothing stands in your way of who you are destined to be," says Dr Filipo Katavake-McGrath MInstD (they/them). "I'm Pacific, Māori, an economist with an interest in actioning gender diversity, and a senior public servant."

Katavake-McGrath is sharp, warm and articulate. They smile as their words tumble out quickly to keep up with a racing mind. Without prompting, Katavake-McGrath shares their background. A survivor of childhood trauma, sexual and physical abuse is part of their lived experience, but one that has motivated them to work in the wellbeing sector.

"I live with PTSD and major depressive and anxiety disorder," Katavake-McGrath says with disarming candidness.

Not that any of this has limited their ability to achieve at the highest level. Katavake-McGrath's career path has included roles in the finance sector, journalism, marketing and management,

"One of the biggest obstacles in bringing the whole self to leadership is that we've had a tradition that only a certain definition of person has been allowed to hold a position of leadership."

Dr Filipo Katavake-McGrath

with board roles sprinkled in between. Their lived experience also contributed to a doctorate exploring how government policies affect wellbeing without having a full understanding of it.

In their most recent role as director, Wellbeing System Leadership and Insights at Te Hiringa Mahara/Mental Health and Wellbeing Commission, Katavake-McGrath's background was seen as a valuable professional strength that complemented the other strings to their bow. But the doors haven't always been open.

"One of the biggest obstacles in bringing the whole self to leadership is that we've had a tradition that only a certain definition of person has been allowed to hold a position of leadership," Katavake-McGrath says.

Social attitudes towards wellbeing and mental health have shifted the conversation, allowing locked doors to fling open. These days, the topic of wellbeing is more closely aligned with inclusion and diversity. And with positive changes taking place, the definition of wellbeing has slowly started to expand, which has led to a greater understanding of the issues.

"The term we use to describe wellbeing is having a life that's influenced by systems such as housing to education, access to income and taxation, and having a life that is positively influenced so all the systems in place enable a person to live the life they choose to live," says Katavake-McGrath.

Now with society facing myriad changes brought about by Covid-19, there are some transitions that aren't quite happening fast enough in business, according to Katavake-McGrath. "We have so many businesses and entities who are about collating multiple sets of outputs and defining them as outcomes – that's how business success looks today."

Looking back on pre-Covid days where staff were fixed to their desks, or in operational roles, and trapped for eight hours a day, Katavake-McGrath believes this has now become outmoded. "It is the quality of the output that matters," Katavake-McGrath says of the shift in thinking that needs to take place in an environment that has shifted everything we once knew.

For Katavake-McGrath, the pandemic was life-changing. Now living with Long Covid, it means they need an aspirator, along with support when walking. Tiredness is also a factor, along with persistent brain fog.

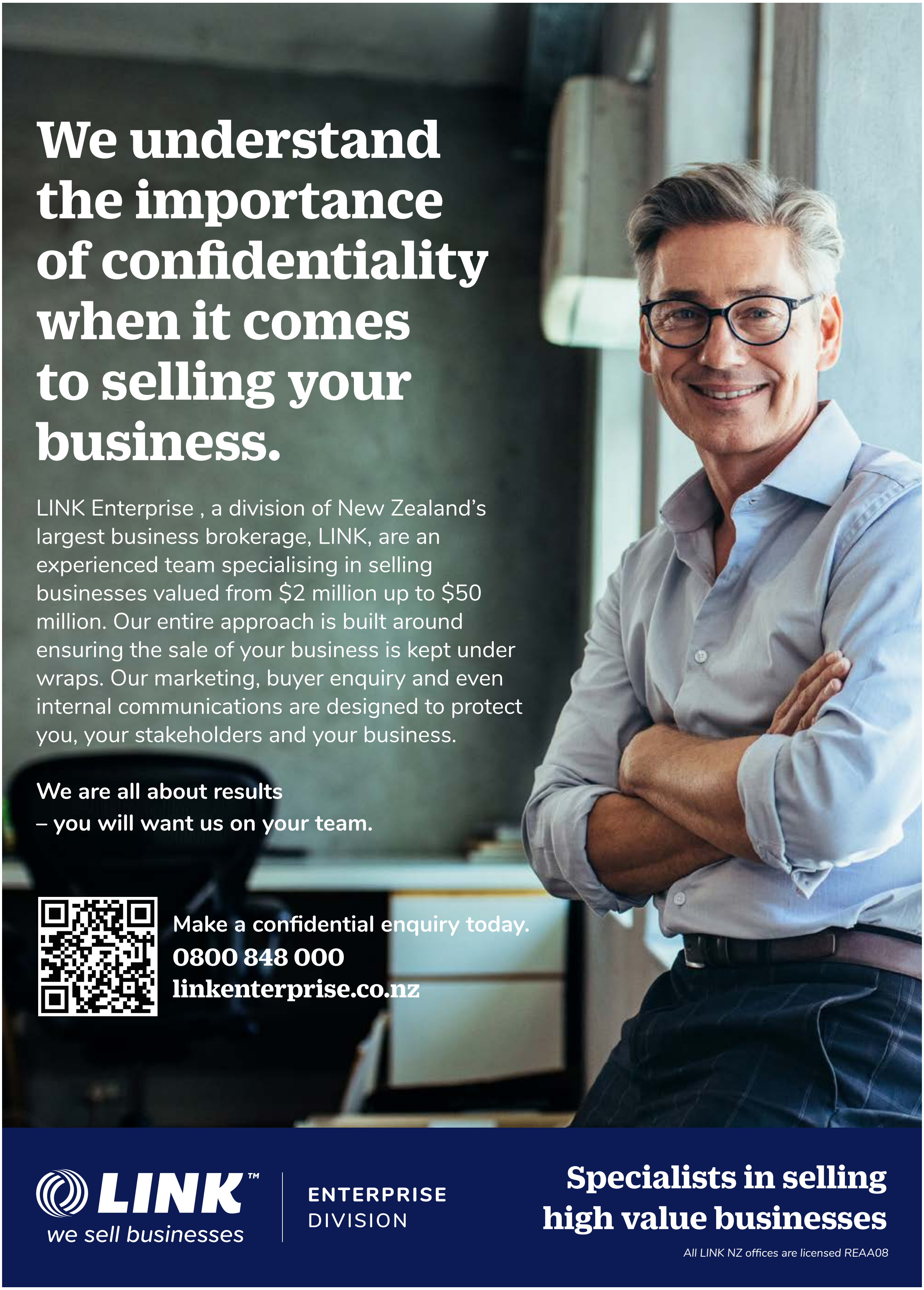
With Long Covid research gradually emerging, the full effects are still unknown. But Katavake-McGrath knows that changes in the workplace will need to be implemented to adapt to a differently abled workforce whose abilities and energy levels may not be the same as before.

"One thing we do know [about Long Covid] is that a vast majority of sufferers are going to have it for life – there is morbid stability in that," says Katavake-McGrath.

One of the biggest challenges for boards and businesses is addressing their risk tolerance with human resourcing. Katavake-McGrath says boards could look to redesign their employment systems to accommodate a changing workforce. This can be through creating different types of contracts and staff structures, reassessing how deliverables are operated, and offering more support to executive teams.

"[People] are a huge profit and loss item, but staffing flows are so erratic at the moment. The risk tolerance is based on how much you invested and when you invested, and how far away you are from ROI."

The advice from Katavake-McGrath is to not rush in. "It's definitely a time where calm heads need to prevail, and having diversity of perspectives in this situation [will make room] for healthy, reasoned debate, but also for all participants to recognise we're all making it up as we're going along."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Sparkling connection

Spark New Zealand chair Justine Smyth CFInstD and CEO Jolie Hodson talk to *Boardroom* about their special relationship and how they tackle the tough issues.

1. How would you describe your relationship?

SMYTH: "Through a variety of governance roles, I've seen how critical the CEO/chair relationship can be. Mutual trust and respect are the most essential elements – they oil the wheels of the many and varied interactions a chair and CEO need to have. Jolie and I have built this relationship based on trust, which means we have no qualms tackling the tough conversations, but importantly we can also have a laugh at the end of the day. We also have a shared ethos of hard work and being prepared, which is essential when it comes to the variety of issues and decisions that come across our desks."

HODSON: "You have to have trust in each other's judgement, have clarity around how the two roles interact and be transparent in your expectations of each other. One of the things that stands out for me is the way Justine and the wider board support my leadership, while also being able to constructively challenge us when they need to. Striking this balance is no easy skill, but Justine consistently manages to walk this line, which ensures our leadership team can perform at its best."

2. How do you work effectively together and navigate the challenges?

SMYTH: "This all stems from clear expectations and effective communication. If you are aligned on where you expect to land – and can have an honest conversation about what's going on – you can work through any crisis or knotty decision. We are both frank by nature and happy to talk things through, so we generally get to the heart of the issue pretty quickly. If there are challenges, it is also important that Jolie knows I have her back."

HODSON: "A clear strategy and agreed priorities will take you a long way. I find that when we've done the work to clarify what we are doing as a business, this gives us a framework for how we address and work through challenging situations and decisions. Keeping Justine and the board informed and updated in an appropriate way is essential – I operate on a 'no surprises' policy."

3. How are you able to have frank conversations?

SMYTH: "Creating a safe environment where all voices, including opposing ones, can be heard around the board table is an important part of the role of a chair. There are things I do to establish this from day one working with a new board member, such as being really clear on how we operate, and ensuring contributions are actively welcomed. I am not one for director conversations outside of the boardroom. I like everyone, including the CEO, to hear what every director is thinking and feeling. But there's also an element of building trust through working together over time."

HODSON: "We've put a lot of effort into building a culture at Spark where open conversations are encouraged – that's very important to me in the kind of business I want to lead. So I view it as part of my leadership to role-model the behaviours we want to see. When it comes to my relationship with Justine as chair, being able to be clear and direct is critical to all effective working relationships – and our relationship is no different. Justine also encourages this around the board table, so we have an open forum where we can discuss issues directly with each other."

4. With a sector that continually evolves and innovates, what are the challenges of keeping on top of transformation?

SMYTH: "This is one of the most challenging and exciting things about being on a board of a technology business. It is vital for our board to have deep expertise in our core and growth markets and to be well-versed and connected into what we are seeing evolve in other markets. New opportunities and threats are constantly emerging, and it is incumbent on us to be bringing our thinking and awareness of the changing environment into the boardroom. I'm proud to say we have an amazing board with a diverse range of skills, functional experience and geographical coverage. This makes it easier to share our varied experiences. It is important we measure our progress and performance against our peers to ensure we are high performing – and we also take time to get out into other markets and learn from our international partners and peers."

HODSON: "This is really make or break in a technology business – our sector never stands still – and so we make sure we are connected into the wider sector, both locally and offshore, and also that we are investing in innovation out of our own business as well. Spark is a business that enables others to make the most of what technology can bring to the table, so our investment in emerging technologies is very much focused on helping our customers experiment and develop new use cases that solve business problems – whether that's through 5G, Multi-Access Edge Compute, data analytics and AI or cloud services. We also are focused on how we continue to transform the way we work as a business – with our move to Agile in 2018 a great example of this."

5. Last year Spark had to refund millions to customers over a wire maintenance service. How did you handle that situation and what was the impact on the brand?

SMYTH: "When Spark discovered the wiring maintenance issue, it moved quickly to investigate what had occurred and took appropriate steps to rectify this, including refunding all eligible customers and working hard to contact all eligible former customers. As a board we received a recommendation from management on this response and we were supportive of the customer-centric approach to resolving the issue. We also discussed with management, 'what can we learn from this?'"

HODSON: "As CEO, I look at this from two perspectives: how do we do the best job we can to ensure we fix mistakes when they occur, and then how do we prevent them happening again? We are very focused as a leadership team on how we reduce complexity in our business because complexity creates the conditions for these kinds of errors to occur. As a result of this experience, we have implemented a number of new processes that will help us avoid these kinds of issues. In terms of impact on the brand – in our experience the most important thing from our customers' perspective is that when we make a mistake, we own it and we make good on it, and we believe that is what we have done here."

6. What did being named Deloitte Top 200 CEO of the Year in 2022 mean to you?

HODSON: "I was extremely honoured and proud to be recognised in this way. However, it was also a reflection of the great team I have built around me and the wider Spark whānau. We have built a great culture and a business that is truly focused on its purpose of helping all of New Zealand win big in a digital world.

SMYTH: "I was so pleased to see Jolie recognised for her significant achievements. The judges highlighted not only what she has achieved during her time with Spark, but also how she has delivered those achievements. And this is what sets Jolie apart – her focus not only on performance and results, but on creating a more equitable and sustainable Aotearoa along the way."

7. What is the board's role in succession planning and bringing on talent?

SMYTH: "Succession planning is one of the most important roles of the board and so it is something we discuss regularly. In addition to board succession planning, where we are focused on the right mix of skills, experience and diversity, we actively engage in CEO succession planning. Through the Human and Resources Board subcommittee, we also spend time every year on talent and succession planning for key leaders more broadly. Understanding our talent and encouraging movement across roles to develop people with broader business perspectives and range of skills is a key focus as this supports our wider leadership capability. We are proud of our focus on internal talent development and progression – of which Jolie herself is an excellent example, having joined as CFO in 2016 and working in a range of leadership roles prior to being appointed CEO."

8. Does a career in governance beckon and what is the board's role in helping you achieve your goals?

HODSON: "As an executive director, I have the opportunity to demonstrate my governance capability through this role. I'm sure governance careers may be something I will look to in the future. For now I'm very much focused on giving my all to Spark. It is a particularly special place. I am passionate about the role we play in connecting New Zealanders to the things that matter to them and supporting businesses to become more productive and sustainable through technology. In recent weeks, our climate change challenge has become even more apparent. I believe there is a role for Spark to play in helping navigate how we respond to a more volatile climate as a country – through the digital infrastructure we invest in, the new ways we can use technology to support decarbonisation, and how we ensure no one is left behind in an increasingly digital world."

Art of negotiation

Negotiating skills tend to be learnt on the job but can allow dangerous shortcuts or counterproductive behaviour. Look at it as a corporate competence.

AUTHOR:
DAVID FERGUSON, CMInstD

Photo by:
ryan-searle on Unsplash

Most boards include directors who are experienced at negotiating commercial deals. Individual negotiation skills are a critical skill set, especially when a fluid commercial environment demands agility. However, directors should look more broadly at how negotiation can add greater value to their organisations. Three questions to ask are:

1. How are negotiations conducted across the organisation?

Negotiation tends to be treated as an individual skill set with legal, financial or technical expertise called in as needed. However, a small number of companies approach negotiation as a corporate competence and are reaping the benefits.

"In some ways it didn't feel like a negotiation – you bought into the programme. They had it well mapped-out and brought people into the process seamlessly to communicate the nonnegotiables, manage the relationship, and work on solutions. It just looked so professional. Our own organisation was never that smart," says a multinational talking about their Australian rail provider.

It illustrates the carefully planned and coordinated approach that some companies are taking to negotiation. Companies harnessing the benefits of coordinated team negotiations set up their frontline negotiators for success by providing a support team for one-off major deals. For more frequent lower-value deals, efficiency of the process is key.

Negotiation skills tend to be learnt on the job but can allow dangerous shortcuts or counterproductive behaviour to develop. The idea of 'meeting in the middle' may work when haggling to buy a car, but can waste opportunities to 'grow the pie' (Chris Voss' book *Never Split the Difference* says it in the title).

Consistently aggressive approaches to negotiation damage long-term business relationships and the use of 'tricks' such as 'good cop/bad cop' or one final 'nibble' at the end become predictable and damage reputation. The challenge is to harness existing talent while providing a framework across the organisation for creating and capturing value in internal and external negotiations. Structured preparation using a checklist is a good start.

Negotiation of deals tends to be delegated to individuals from one function. Not involving others may save time but sacrifices the potential benefits of a deal that is best for the organisation. One executive describes the coordination challenge as 'making sure everyone stays in their swim lane' and avoid ad hoc involvement that disrupts the negotiation plan.

"Consistently aggressive approaches to negotiation damage long-term business relationships and the use of 'tricks' such as 'good cop/bad cop' or one final 'nibble' at the end become predictable and damage reputation."

2. How can directors support their CEO?

CEOs are constantly negotiating to reach agreements that strengthen support from partners and allies, ensure support from shareholder groups, secure sales and supply, or with regulators to ensure the right to operate. Negotiation goes well beyond formal meetings. From early contact to supporting a long-term relationship, agreements underwrite cooperation that allows the company to continue to create value. Boards can support their CEO in negotiations by providing authority, challenging strategy and providing access to networks of influence or intelligence.

Limited authority is a valuable tool and is often used in negotiations even where it doesn't exist. It buys time to decide whether to agree to a proposal and if the response is negative then it demonstrates it has been thoroughly considered and preserves the relationship. Ego should not prevent the use of, 'I understand what you're proposing but I'll have to consult the board'. Alternatively, 'how can I expect the board to agree to those terms' puts the pressure back on the other side to defend their proposal.

Crafting a comprehensive negotiation strategy will benefit from the breadth of experience within a board and being challenged on assumptions behind the strategy. For larger deals involving multiple parties, sequencing and judicious timing are key. *Kissinger the Negotiator* is an excellent read on crafting negotiation strategy, and how the best negotiators zoom out to the strategy and zoom in to their counterpart.

Directors can expand the CEO's network for gathering critical information, understanding context and reality checking ahead of key negotiations. As Mark Twain put it, "it's not what you don't know that kills you; it's what you know for sure that ain't true".

3. How does the board reach internal agreement?

> "A negotiator should observe everything. You must be part Sherlock Holmes, part Sigmund Freud."
>
> **Victor Kiam – American entrepreneur and chairman and president of Remington Products.**

Some of the toughest negotiations take place within a group. Negotiating with another organisation involves clear and acknowledged differences in interests. While directors have a duty to act in the best interests of the shareholders, organisation and stakeholders, how they translate those interests into decisions will differ. Even with strong board alignment there are likely to be differing opinions on how to meet defined interests.

Conflict of ideas is healthy and productive, but benefits from negotiation principles of separating the person from the problem, focusing on underlying interests rather than defending positions, creating options and using objective criteria. Given directors are 'on the same team' they may not recognise they are effectively negotiating.

Diversity of thought is important for high-performing boards, but to harness the benefits it is important that board members develop effective rules for negotiating to achieve high-quality decisions.

Negotiation courses at Harvard frequently include union reps with the company paying their course fee; companies want their union reps to be skilled negotiators. Good agreements are more likely when everyone has a strong negotiation skill set.

How to improve your negotiation performance:

1. Choose the time, venue and room set-up to positively affect negotiation dynamics.
2. Consider other parties that may be involved and their potential influence.
3. The first three minutes sets the direction of a negotiation; invest time preparing.
4. Ask 'why' questions; then listen for that vital piece of information or hidden interest.
5. Negotiations require patience; there is a right time to push for agreement.

David Ferguson is an accredited mediator/ negotiator at TableTalk, which helps organisations create and capture greater value from agreements. He has 30 years international negotiation experience, completed Harvard's Advanced Negotiation course and has a doctorate in negotiation.

Sustainable. Motivated. Ethical.

AUTHOR:
SONIA YEE

Being a small business has its advantages but there are also missed opportunities when values do not align.

It's the middle of February when I speak to Shyr Godfrey about what it means to be agile in a world that continues to change. Given that Cyclone Gabrielle has wreaked havoc across the North Island – claiming lives and destroying homes, livelihoods and businesses – it seems more pertinent now than ever.

Godfrey and her husband Brent run their factory in Silverdale, 30km north of Auckland on the Hibiscus Coast. They are the two directors of their award-winning nut butter company, Forty Thieves. They were not affected by water damage, but a power cut meant the factory couldn't operate for two days.

"In some ways Covid has prepared New Zealand for a state of emergency," Godfrey says.

From a governance perspective, their team's wellbeing is important. They now use an app named Sling, which enables the team to look out for each other, in case someone needs help.

And while the cost of closure has impacted the business, it was important that staff were paid, leaving the pair to figure out whether insurance, or some other form of finance, would cover the loss.

Investing in their team has been vital, and ensuring they feel valued and have a sense of purpose has been integral to its success. Godfrey says they look for opportunities to upskill those who want development, hold individual review sessions and team-building activities. Faced with inflation and a rising cost of living, they are reassessing wages to ensure their people are paid sufficiently.

Regular health and safety inspections also take place, and staff are rigorously tested and trained in order to operate machinery.

Forty Thieves launched seven years ago as a family-owned business – as directors of the company they are also hands-on when it comes to the operational side. But while they have yet to appoint a board, Godfrey says it is on their mind. When they want to make big decisions they have an experienced business advisor/mentor to call on.

Godfrey comes from a design background and her husband worked in finance before they set up Forty Thieves. Both wanted to create a health-conscious product inspired by their travels together, and one that was built on a foundation of sustainability. As a small business, that was easier to implement.


FORTY THIEVES
FORTY THIEVES
SALTED MACADAMIA
FRAGILE GLASS JARS
PEANUT BUTTER SMOOTH
Naturally packed with hidden gems
www.fortythieves.co.nz

When they started, Godfrey says the premium nut butter market was growing and had one or two players. They were motivated to offer something that would set themselves apart. "We wanted to make sure we had sustainable packaging and we knew we wanted to use glass."

Forty Thieves uses 90 per cent recycled glass, Forest Stewardship Council-approved paper labels made from 30 per cent post-consumer waste, and lids made from recycled materials. Through their bank, they were also supported to offset their carbon through an assessment tool, Toitū Envirocare. "We were able to assess all of our carbon and once we knew how much we were using we were able to offset it all."

In doing so, they contribute to the restoration of native forests around New Zealand. They have also swapped plastic bubble wrap for boxes designed to protect the glass jars when shipping, without the need for additional wrapping, other than brown paper.

As a food producer, they also wanted to address waste reduction. By combining the smooth and crunchy peanut butter remnants from the machines, they were able to fill jars of 'Second Chance' butter, which is distributed to food banks, along with Pest-Free Hibiscus Coast, a subset of Forest and Bird where it is used for trapping.

But there is a downside to having strong ethics – missed opportunities. "It's a bit of a problem because it meant we were closed off to new product sales and new markets because the idea didn't align with our values."

Godfrey describes an idea they had for snack packs after discovering eco-friendly pouches. But the aesthetics didn't sit well when competing alongside similar products, so it was dropped.

They may revisit the idea later, but it will rely partially on consumer awareness around the 'true cost' of packaging where, in some instances, glossy wrapping is used for products that are supposedly eco-friendly or sustainable.

She says they need to be very careful about where they invest their money, especially in terms of new equipment and technology. "We upgrade as much as we can, try to stay smart and not have too much cash sitting in machinery that isn't being utilised."

Being a small business, having oversight of governance issues and being so hands-on operationally is a lot of work. But one thing that motivates the business owners and their team is winning awards, which gives everyone a sense of meaning and purpose.

"It helps us [and our team] understand that what we're doing is unique . . . and that when we did the 50 versions of the product to get it right, it was all worth it," she says.

Forty Thieves has won a number of awards, which Godfrey says reinforces the quality of their products, but also conveys to potential retailers and exporters they take what they do, very seriously.

New Zealand remains their biggest market, but they now have demand from Asia, specifically Singapore, Taiwan and Malaysia.

"What we have learnt is they are interested in a more Western-style breakfast and they are using our spreads the way we are using them in the West, not so much for cooking.

"Being small, one of the pros is we can jump straight in and things happen very quickly, whether it be growing a product, creating new ones, or cutting them," she says.

"We can create limited edition products and if they are successful we can run them out to stores within a few weeks."

"Being small, one of the pros is we can jump straight in and things happen very quickly, whether it be growing a product, creating new ones, or cutting them."

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Supporting SMEs through change

Directors are well placed to help New Zealand's small businesses turn adversity into opportunity.

New Zealand is a nation of small businesses. The SME sector is a vital part of our economy and society, employing 42 per cent of the workforce.

Many SMEs are too small to afford a board. Some struggle to find professional advice when they run into difficulties or need to expand.

Being able to access an outside perspective was crucial to the survival of Nelson-based GK Events Hire. Owners Gareth and Kim Rosser took on a mentor at the end of 2019. Their aim was to try to better understand the mechanics of their business. Their aim was to try to better understand the mechanics of their business.

When Covid-19-induced Alert Level 3 restrictions were announced, the cancellations came thick and fast. The need to evolve the business at pace was critical so ideas were passed among the three until they identified an opportunity.

The business had vehicles used to transport event equipment. They pivoted to add freight services to their business offerings. Starting small, they expanded rapidly as demand increased for goods to be delivered to homes. GK Freight became the growth aspect of their operation and has been fully booked since 2021.

The mentoring relationship has continued as they thrive on the ever-changing nature of challenges that entrepreneurs face.

Professional directors are well placed to provide expertise to SME owners, who work hard to maintain their businesses but don't always have the knowledge or experience to navigate through difficult economic times, or take advantage of opportunities that arise.

Change is the only constant. It's as much as a piece of advice as it is a warning. Those that can read the winds of change are rewarded and those that can't often get left behind.

One of the most memorable examples was the fall of the once mighty Kodak as it failed to recognise the rise of digital photography and saw its multiple years of global dominance fade into memory. It's a striking example of what happens when you either don't know or, worse still, ignore what's happening around you and, ultimately, to you.

As the challenges of recovering from lockdowns become clear, and the threat of a recession looms large, mentors are in demand. Identifying potential threats to a business and turning them into opportunities is something a mentor can help support. Having an independent pair of eyes across business challenges has proven time and time again to deliver insight and value.

A mentor is a guide, an advocate, a sympathetic ear and a catalyst for change. Ultimately, they help shorten someone else's learning curve in business. Imbued with immense trust, the mentor allows an individual to see the inner workings of a business with the stated intention of guiding them towards success.

Mentees and mentors are paired with each other through a matching process to ensure a good fit from the first instance. Catch-ups and meetings can be as regular or infrequent as both parties feel is required, and whether it is done in-person, or online.

Founded in 1991, Business Mentors New Zealand is an independent not-for-profit organisation supporting business owners in advancing their business capability and capacity.

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NEW ZEALAND

You can find more information at **businessmentors.org.nz**

Donning a miner's hat

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PETER GRIFFIN,
FREELANCE WRITER

Photo by:
Irina Iacob on
Unsplash

A needle-in-the-haystack search for a missing radioactive capsule in remote Australia made Rio Tinto and its chair, Dominic Barton, look deeper for other obscure risks.

Canadian businessman Dominic Barton has forged a hugely successful career spanning the globe and roles in academia, diplomacy and the world's biggest companies.

But there's one failure that still rankles and which is indelibly associated with New Zealand of all places. "I've tried to climb Mt Cook twice," says Barton, the 60-year-old chair of minerals giant Rio Tinto and equity investor Leapfrog Investments, who also served as Canada's ambassador to China from 2019-2021 and ran McKinsey & Company's global operations during the final third of his 32-year career at the leading management consultancy.

"The weather didn't work. Even if it had, I'm not sure I'd have made it," admits Barton, who might make it third time lucky on Mt Cook in May when he visits New Zealand for the first time in nearly a decade. Barton will present the keynote address at the Institute of Directors' 2023 Leadership Conference (4-5 May) in Auckland.

He has accumulated many high-profile Kiwi friends in his travels around the world, including Sir John Hood, the former vice-chancellor of the University of Oxford, and New Zealand's former ambassador in Beijing, Clare Fearnley, who Barton valued as a "mentor figure" during his own stint as a diplomat.

A visit to Rio Tinto's iconic aluminium smelter at Tiwai Pt will also be on the cards, coming just as the world's second-largest metals and mining company makes its long-awaited big call about the plant's long-term future. So Barton is no dispassionate observer of New Zealand business and politics. His interest stretches all the way to the deep south.

Having watched New Zealand's reputation grow as he worked as an executive and board director in China, South Korea and Singapore, Barton borrows one of our own cliches to describe New Zealand's place in the world.

"It punches mightily above its weight," he says. "I'm not just talking about commodities, but about the New Zealand brand for high-quality, nutritious, safe, healthy food." The "silver fern badge", he says, has become synonymous with quality. "If you made electric vehicles I'd presume they'd be good."

Barton's tenure as ambassador to China came at a time of deteriorating relations between Beijing and Ottawa. He was instrumental in negotiating the release of the "two Michaels" – Canadians Michael Spavor and Michael Kovrig, who China detained in 2018 on suspicion of espionage.

Earlier that year, Meng Wanzhou, the chief financial officer and rotating chair of Chinese telecommunications equipment giant Huawei and daughter of

founder Ren Zhengfei, was arrested at the request of US authorities for alleged business dealings with Iran in violation of trade sanctions.

The ‘swap’ of Meng for the two Michaels ended a diplomatic row, but the government of Prime Minister Justin Trudeau has taken an increasingly hawkish approach in its relations with China.

Despite the growing tensions, Barton sees countries like Canada and New Zealand, who are allies in the Five Eyes security intelligence pact, increasing their business with the world’s second-largest economy.

“I think this idea of decoupling is just ridiculous,” he says. “The US and China, in spite of where the relationship is, had record trade last year. Canada, I think, was similar.”

Barton has been impressed by New Zealand’s diplomatic stance on China. Huawei was effectively banned from building 5G mobile networks but New Zealand has avoided the type of punishing trade tariffs that have seen the collapse of Australian wine exports to China.

“What New Zealand is doing seems to be working very well,” Barton says. “We have to be able to walk and chew gum. We can trade, we can compete and not like certain things that countries are doing. We sort of have to be ambidextrous.”

The ‘deglobalisation’ some geopolitical experts predict as US-China tensions worsen is unthinkable, says Barton. “The impact on the global economy would just be phenomenal. Rhodium Group put out an analysis of a potential blockade of Taiwan by China. It would cost [the global economy] US$2 trillion.”

He, nevertheless, considers that scenario “low probability, high impact”, making it one that governments and businesses still need to prepare for. He sees trade in critical technologies, such as the semiconductors the world relies on Taiwan to produce, decreasing as the US and other countries build their own factories to shore up their supply chains.

‘DON’T BLAME SHARE’

Rio Tinto’s board and management faced a crisis of a very different kind in January when a tiny radioactive capsule, usually contained in a gauge for measuring the density of iron ore feed in a Western Australian mine, fell off the back of a truck.

Barton was on a flight from Madagascar to Toronto when we heard about the missing capsule. He credits Simon Trott, who heads up Rio Tinto’s iron ore business, for leading the company’s response, which began with a decision to quickly go public. “We just got it out there and said, ‘we are sorry, we are doing everything to find it’,” says Barton.

While the loss of the stainless steel capsule, measuring six millimetres by eight millimetres, was the fault of a contractor, which Rio Tinto is required by law to use to transport it, the mining giant took full responsibility. “Don’t blame-share it, just take it. Then communicate it,” Barton advises.

The search began with an emergency taskforce using radiation-detecting technology to sweep the isolated road the Perth-bound truck had taken – a mammoth task given the trip covered 1,400 kilometres.

Dominic Barton will present the keynote address at the IoD’s 2023 Leadership Conference in May.

“We said we had to be totally honest with each other. If I’m doing something that irritates him, we’ll just talk about it. Nothing accumulates. He’s very open to feedback.”

“Thank God they found it,” says Barton. “That road is like going from the top of Great Britain to the bottom. It could easily have fit into the tread of another truck going in a different direction.”

The size of the capsule and the remote location where it was found – on the side of the Great Northern Highway near the town of Newman, 1,100km north of Perth – meant the risk to public safety was very low. But it made headlines around the world.

The procedures for transporting the capsules have been overhauled and Rio Tinto is looking deeper across its complex mining and metals business for other obscure risks. “I never even knew we had a Caesium capsule to test iron ore throughput in a mine,” says Barton. “It made us think, what other risks are there that we don’t know about?”

NEW BROOM

Barton began serving as chairman in May, 2022, to assist with a cultural reset at the mining company that had delivered record profits in previous years, but also become mired in controversy.

Rio Tinto sparked international outrage in 2020 when it blew up ancient and archaeologically significant caves in the Pilbara region of Western Australia that were inhabited by Aboriginals up to 46,000 years ago, to clear the way for the expansion of its Brockman 4 iron ore mine. A parliamentary inquiry recommended law changes to prevent the future destruction of similarly important cultural sites.

The new chief executive, Jakob Stausholm, also had to deal with the fallout from another independent report, which identified systemic bullying, sexual harassment and racism at Rio Tinto.

Stausholm and Barton certainly represent a new broom. Barton says there were three things that were crucial to forming a successful working CEO-chair relationship between himself and Stausholm.

"[First] We said we had to be totally honest with each other," Barton remembers. "If I'm doing something that irritates him, we'll just talk about it. Nothing accumulates. He's very open to feedback."

Number two is regular communication between the pair and that is integral to maintaining that openness.

"It doesn't mean it's every day, but it's several times a week and we have a good chunk of time just to talk and reflect on what's happening," Barton says. "Jakob was in Davos [at the World Economic Forum]. He called me after day one just to tell me about the people he was meeting and what he found interesting."

Finally, Barton makes sure to foster an approach where the chair and directors try to help the management team fulfil its ambitions for the company. "We're not just sort of watching and ticking boxes," he says.

"I like Jakob, I like what he stands for. He has totally embraced the whole purpose of this company, which is to provide the minerals for the energy transition."

ESG ADVOCATE

For one of the biggest mining companies in the world, decarbonisation ought to be a dirty word. But Barton is well known for his advocacy of ESG (environmental, social and governance) initiatives, which he believes have come a long way in the last decade.

Crucial to that, says Barton, has been major investment companies such as BlackRock and Vanguard, which manage around US$17 trillion in assets between them, requiring more action on ESG by companies they invest in.

The next evolution, he adds, requires better standardisation of auditing

> "When we declare our targets on decarbonisation, there are people actually evaluating that and saying they actually did it, or they didn't do it. At Rio Tinto we think in 20-30 year timeframes. I'm 100 per cent convinced there is going to be some version of carbon pricing."

processes to prevent companies from greenwashing their activities.

"When we declare our targets on decarbonisation, there are people actually evaluating that and saying they actually did it, or they didn't do it," Barton says.

"At Rio Tinto, we think in 20-30 year timeframes. I'm 100 per cent convinced there is going to be some version of carbon pricing."

Which makes Tiwai Point, a producer of some of the world's highest quality aluminium and 85 per cent powered by clean hydropower, one of the jewels in Rio Tinto's crown.

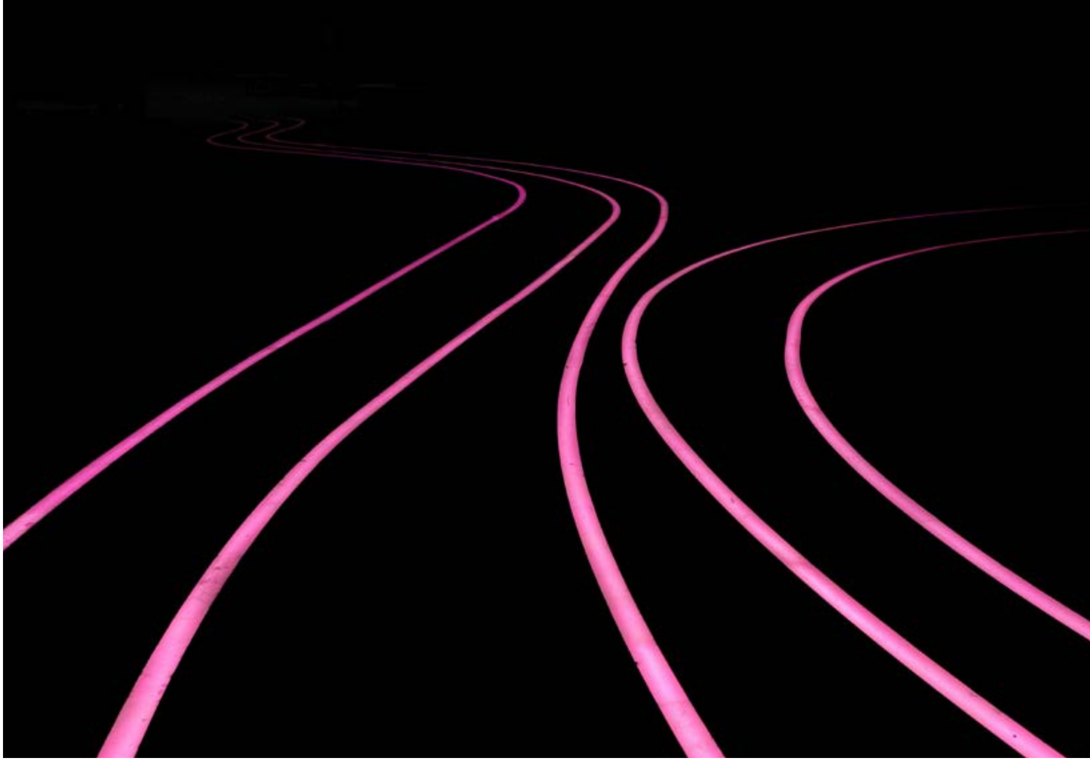
"Green energy-fired metal" is the only sustainable future for Rio Tinto, Barton says. "Consumers want that, Apple will want that in their phones. We think it's really important for our business, but we also have to recognise there are competing alternatives for the use of that energy."

That's one of the key reasons Barton is eagerly anticipating his New Zealand visit as negotiations between Rio Tinto and employees, power generators and government agencies, reach a critical final phase.

"I want to be in New Zealand, to see it and to understand more about it," he says. "We are biased, but we think this is a very good use of that energy. It can create a lot of value for the country, but we have to make sure we demonstrate that."

It's about that catchphrase increasingly heard in boardrooms around the world – social licence.

"We have to make sure if we're users of that scarce energy that it's creating a lot of value and jobs, and at the same time we are protecting the environment. I think at times we've just been sort of working on the land and not recognising that broader responsibility."



Expecting the unexpected

AUTHOR:
HAYDEN WILSON, CHAIR AND PARTNER

Photo by:
Fredrik Solli Wandem on Unsplash

DENTONS KENSINGTON SWAN

Now we are living in a new abnormal, how does a board equip itself for unknown unknowns?

In the early days of the pandemic there was a lot of talk that life, as we knew it, might be about to change, perhaps forever. People talked about the new normal. Three years on, it seems the more apt expression might be the new abnormal.

Each passing month has brought a fresh shock, a fresh upheaval, something new to upend the smooth order of things: a global pandemic, a war in Europe, geopolitical tension in Asia, weather events, earthquakes and cyber threats. Each has to some degree had an impact on our people, our customers, physical assets, and our ability to do business. In an increasingly globalised and interdependent world, there is almost no such thing as significant change that will not affect your organisation.

And each passing month seems to bring more. We know climate change and adaptation, technological disruption and a rebalancing of the work environment are certainties. They are the known unknowns, to use the Donald Rumsfeld formulation.

But the unknown unknowns – the ones we haven't yet thought about – may bring the largest convulsions. For a board, they stand to demand the most of all: the most adaptation, the most agility.

How does a board equip itself for unknown unknowns? A relevant articulation, credited to Charles Darwin but probably not his words, is this: "It is not the strongest of the species that survives, nor the most intelligent. It is the one that is most adaptable to change."

In this new state things, in this new abnormal, what will make a board most adaptable? How does it develop the agility necessary to adapt to constant change? Let's consider some possibilities both for preparation and for execution.

PLANNING AND PREPARATION
At least half of the challenge is mindset. There will be challenges and upheavals you simply can't yet anticipate. You need to know your board will have the competence and capacity to deal with them. In assessing your preparedness, you might ask the following questions:

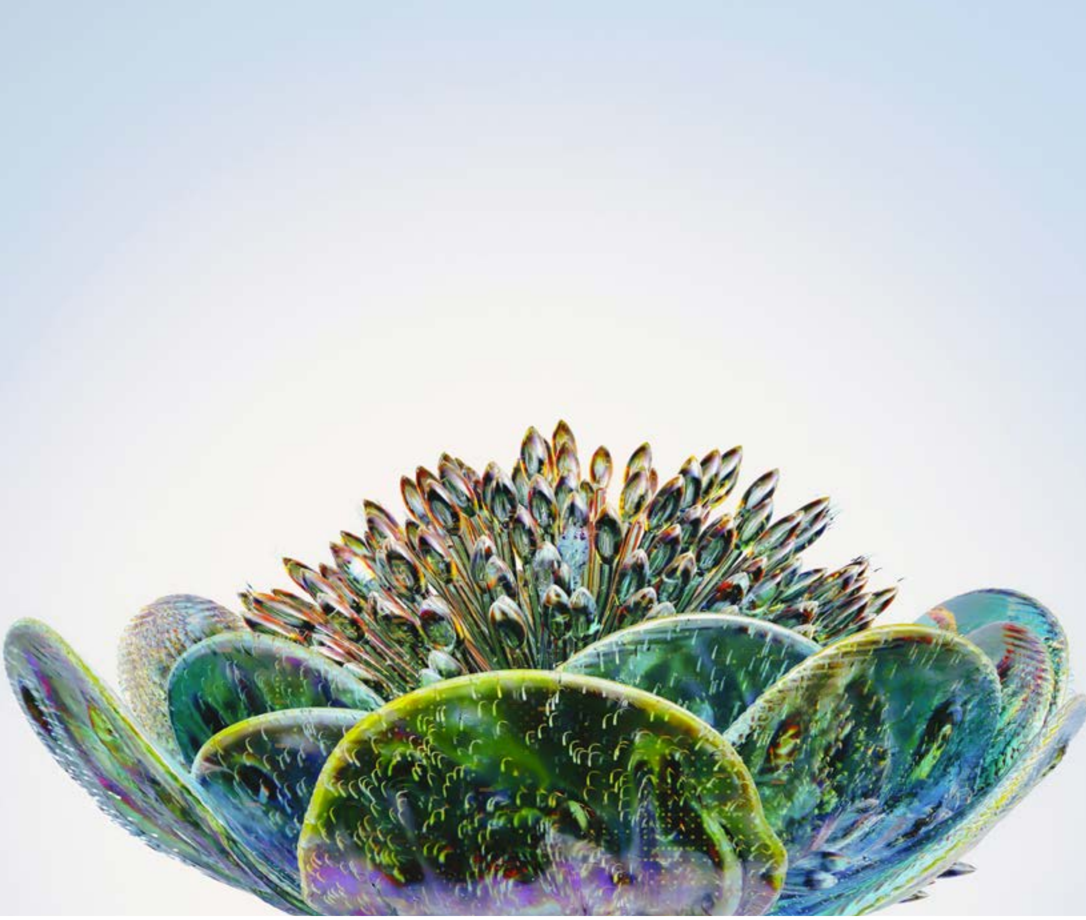
1. Who are you as a board? Do you have a diverse range of voices and experience? Will the voices you have around the board table be the ones you need tomorrow?
2. How do you operate? This is a question in the largest sense: not in terms of whether you use Teams or Zoom, but in terms of, for example, issues that come to the board. How are they determined? Does the board drive them, or management, or both? How quickly can you move from information to decision? What systems and processes do you have in place to avoid groupthink?
3. How well do you know your business? Most people would say pretty well (or they shouldn't be in the role), but what about your suppliers' business? Where do they source those silicon chips that you depend on, for example? How do they get from them to you?
4. How much time do you spend as a board looking to the future horizon? Where might those challenges be coming from? How do you balance business as usual with future planning? What information sources does your board have outside of the day-to-day BAU?
5. Do you practise your crisis management plans, or are they in a folder in the third drawer down in the archives room? Plans are all well and good. However, anyone who has run scenario exercises knows that plans rarely survive contact with reality wholly intact. Practice may not make perfect, but it certainly can make improvement.

> "Boards need perspective that can't be achieved if you are in the weeds. Your role is to identify the issues that need decision, the information you need to make them and the levers to ensure decisions are implemented when they are made."

EXECUTION
When change does come, and it will, how do you respond? Even a well-prepared board will face challenges it did not expect. What you do now matters. Here are some key considerations:

1. Govern, don't manage. Under stress, the temptation for many is to get our hands on the problem and try to solve it ourselves. That is not the board's role. Boards need perspective that can't be achieved if you are in the weeds. Your role is to identify the issues that need decision, the information you need to make them and the levers to ensure decisions are implemented when they are made.
2. Know what you don't know. What external expertise do you need to fill the gaps your board has in its expertise? Most importantly, use external expertise to challenge the things you think you know well. Doing this effectively requires established, trusted relationships with your key advisors. Now is not the time to be upskilling your advisors on your business.
3. Be disciplined. You need to accept you will never have all of the information you would like before you make a decision. This is particularly true for board chairs. In a crisis a chair needs to facilitate a full discussion but needs to know when it is time for a decision to be made.
4. Learn. Crisis over? Don't just go back to BAU. Debrief with (and without) management. Identify what worked, what didn't, and what you need to do differently. Each encounter with the unexpected is training for the next.

CONCLUSION
It used to be often intoned in political and economic debate that business craves certainty. That may still be so, but we can no longer expect it. In this new abnormal, these issues have become more than what a good board should do. Expecting, and being prepared for, the most unexpected has now become basic best practice.



From fragile to agile

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Photo by:
Deepmind on Unsplash

Modern boards need to govern faster than the speed of change. Sadly, many cannot. With a troubling 2023 forecast, unlocking digital board agility will be crucial to weathering what's to come.

The Agile methodology has rapidly evolved from its original software origins to become an industry-agnostic revolution in organisation flexibility, collaboration and rapid iteration. The term "agile" is now business colloquial, as organisations are forced to keep pace with rapid global change.

With directors facing the brunt of business pressure, it is no surprise that agile thinking has made its way into the boardroom. Today, boards need to engage cross-functional and self-organised teams to rapidly learn, adapt and evolve alongside stakeholder needs.

Adopting digital and analytical board tools is arguably the most vital step to improving board agility. The right technology empowers boards beyond workflows, by surfacing critical insights, fostering deeper understanding and obtaining more diverse business perspectives.

However, it can be a challenge for board teams to identify the right combination of software tools and techniques to effectively discharge their stewardship responsibilities in the new digital world.

Boardroom technology, which has made remote decision making possible, will continue to evolve and drive agile board capability. Many boards have already succeeded in digitising existing operational processes such as signatures, document creation, sharing and review.

Now, as they aim to grow more sophisticated and strategic in their digital approach, boards and corporate secretaries must explore how they can take advantage of digitalisation to access a wider set of real-time data.

Agile boards require data that goes beyond financial and operational information. They need everything from ESG performance, industry trends, cyber security intelligence, and legislative and regulatory developments – all available in near real time – to support swift decision-making. The acceleration of digitalisation represents an opportunity for boards to take a leap forward, leaning on platforms to support their work.

However, embracing greater digital adoption in the boardroom is not without risk. The New Zealand Business Digital Index report found 48 per cent of businesses identify concerns about information security as the largest barrier to digital enablement.

The increased flow of high-value data means that directors and board documents become increasingly attractive targets to malicious actors. The digital tools used to share secure governance documents, communicate confidential information and vote need to be both invaluable and invulnerable.

Tools such as the GRC Platform enable board members and executives to collaborate with confidence. The Board & Leadership Collaboration solution enables leadership teams to communicate swiftly and effectively, to make agile decisions and to mitigate security risks — free of the insider threat.

With Diligent's suite of secure applications, all workflows fall under the same security umbrella, driving operational efficiency and mitigating cyber risk. These industry-leading solutions help boards act with greater agility by changing how work gets done at the executive and board levels.

As a result, boards are better prepared to pivot quickly and make informed decisions as unforeseen challenges arise. Equipped with the right data at the right time, these agile boards, and their organisations, are ready for anything.

The time has well and truly come when digital adoption must move from a board agenda item to an all-encompassing attitude to unlock true agility.

"The time has well and truly come when digital adoption must move from a board agenda item to an all-encompassing attitude to unlock true agility."

Modern slavery exists, but where?

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SONIA YEE

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Jose Martin Ramirez Carrasco on Unsplash

An alarming 3,000 people are living in modern slavery conditions in New Zealand on any given day. UN Guiding Principles are a perfect starting point for boards to consider what human rights policies and processes are appropriate.

"There is money to be made in exploiting workers and in a lot of cases it comes down to cutting costs, being able to do it and getting away with it," says Gemma Livingston, a human rights lawyer who has worked in criminal and commercial litigation across the public, private and community sectors in New Zealand and Australia.

Livingston joined KPMG New Zealand last year to lead their business and human rights and social impact work. She recently led the human rights portfolio for a global law firm's national pro bono practice in Australia, engaging with not-for-profits, businesses and the public sector throughout the consultation and implementation of the Australian Modern Slavery Act and the New South Wales Modern Slavery Act.

Livingston says one of the worst cases she came across was where a man was brought to Australia on the promise of 'good work'. Employed at a restaurant, he was forced to sleep and wash there, having been locked in the restaurant.

"He became quite sick and one of the people who attended the restaurant started asking questions. Unfortunately,

KPMG

by the time he got help he was so sick he ended up passing away before he received the justice he deserved," Livingston says.

The man's passport had been withheld and he was unaware of his visa rights. His employer used this as a form of control. But sadly, these experiences of deception, exploitation and coercive control are not isolated.

Livingston says there are factors that increase the risk of worker exploitation. This can include sourcing goods from high-risk geographies, risky business models, such as subcontracting out employment and working with vulnerable communities. Risk factors for New Zealand can include migrant workers being hired by third-party contractors to work on temporary visas. In those situations, there is often a level of trust built up between the recruiter and the worker. But without always appreciating their legal rights – and often with language barriers in place – these workers may be vulnerable to exploitative conditions.

"It's not to say that all companies that hire migrant workers are exploiting them . . . but there are absolutely pockets of people taking advantage of workers here in New Zealand," Livingston says.

How prevalent is the problem in New Zealand and why do boards and businesses need to be concerned?

The latest global estimates of modern slavery released in 2022 by the Walk Free Foundation, the International Labour Organisation and the International Organisation for Migration estimate there are almost 50 million people living in situations of modern slavery. The most recent data, specific to New Zealand, estimates there are 3,000 people living in modern slavery conditions on any given day.

Even more alarming, according to research conducted by World Vision NZ, every household in New Zealand spends an average of $34 a week on 'risky goods' that are linked to forced labour and/or child labour.

"We often think of children working in mines or people in garment factories chained to a desk and working ridiculous hours. But it could actually be the mum down the road working harmfully long hours for a cleaning business, not being paid what she should be and not understanding her rights."

One of the contributing factors to modern slavery and forced labour is a lack of understanding and awareness from both consumers and businesses.

"We often think of children working in mines or people in garment factories chained to a desk and working ridiculous hours. But it could actually be the mum down the road working harmfully long hours for a cleaning business, not being paid what she should be and not understanding her rights. She may not believe she has a voice to speak up about her working conditions and does not know where to seek support," Livingston says.

In New Zealand, there have been increased media reports about the working conditions of Recognised Seasonal Employer (RSE) workers. These workers can be considered vulnerable due to the conditions of their employment. An RSE visa is attached to an employer so if workers are being treated badly and exploited they cannot simply leave the employment. This can perpetuate a situation where workers do not feel they can speak out.

Is modern slavery more likely to be a problem in bigger companies? And with New Zealand largely made up of SMEs what are the chances of finding it in their business or supply chains?

"That is one of the intricacies of the proposed modern slavery laws in New Zealand where you have a lot of small- to medium-sized businesses compared to overseas jurisdictions where modern slavery legislation is only being applied to large companies. However, there is rarely a question of whether modern slavery exists in a business and its associated supply chain, but rather where does it exist? That is the reality of the world we live in," Livingston says.

That might be the one wake-up call that business needs to hear, but Livingston says there will be a connection somewhere.

"Even the most amazing companies

“Even the most amazing companies that have been involved in the social impact space will still find suppliers that will cause challenges and risks they need to address.”

that have been involved in the social impact space will still find suppliers that will cause challenges and risks they need to address,” she says. “But with appropriate governance and human rights frameworks, mitigating risks is achievable.”

There are, of course, industries where it is harder to investigate every tier of a supply chain. In the garment industry, for example, an article of clothing may have travelled through five different countries from where the cotton is picked, processed, dyed and then made into clothing, stored for distribution and shipped around the world. But Livingston says that by looking at risk factors in supply chains and setting up systems to prevent and address the risk of adverse impacts on human rights, businesses can impact change. Livingston says boards and businesses need to take responsibility for their operations and look at where their risks might lie.

“It will take collaboration across government, industry and civil society to facilitate change, but we can see this occurring in other countries where industry stakeholders are working together to ensure supply chains are sustainable. If we are serious about lowering levels of modern slavery from 50 million people, businesses and consumers need to take more responsibility.”

In a world where every aspect of doing business is becoming more complex, the question for boards and businesses is, should human rights be prioritised over finance?

Livingston says people should not run a business if they are treating people badly, regardless of the type of visa they are on, what language they speak or the conditions of their employment contract. What business wants to be associated with exploiting people? However, despite the UN Guiding Principles on Business and Human Rights (UNGPs) being enacted over a decade ago, modern slavery numbers continue to rise and businesses are not taking responsibility.

“Rather than just being a compliance issue, the benefits of acting ethically and identifying and addressing human rights risks are a business opportunity. There are real benefits beyond doing the right thing, including attracting and retaining talent.

“Employees are seeking businesses that align with their values and investors and consumers are increasingly scrutinising businesses’ social impact credentials. Business transparency and supply chain due diligence enables end purchasers to have confidence in a business and can help shift consumption patterns towards more ethical producers.

“As more modern slavery legislation comes into force globally, New Zealand businesses will need to report on their own activities when exporting to other countries or working with businesses that do have due diligence frameworks,” Livingston says.

“The UNGPs provide the perfect starting point for boards to consider what policies and processes are appropriate for their business to address potential human rights impacts. Transparency in supply chains takes time, but simple measures can be taken in the short term to help guide businesses on where potential risk areas might lie, such as completing a Modern Slavery Diagnostic Assessment.”

Livingston’s request for businesses is to not wait until it is mandatory to consider human rights.

In 2022, the Ministry of Business, Innovation and Employment sought feedback on modern slavery and worker exploitation legislation for New Zealand. It is yet to be seen when modern slavery legislation will be enacted in New Zealand, but the need for it is evident.

Future **Directors**®

Making the boat go faster

Full-time director Sheridan Broadbent says the Future Directors' programme put the wind in her sails.

When asked what drives her, Auckland-based Sheridan Broadbent CMInstD says it was her father who ignited something in her very early on. It made a big impression and still remains with her. "My father would ask me every day, 'How did you add value to your company today?'"

Broadbent started her career as an office junior, but says her dad's question was firmly rooted at the forefront of her mind, and even then it was something she took very seriously.

"[It's the] feeling of helping make the boat go faster, and supporting the creation of something that customers value and will endure," she says.

These days, Broadbent is a full-time director who adds value for shareholders and stakeholders every day. She is on the Spark board (non-executive director), Manawa Energy (independent director), and an independent chair of Pipeline & Civil.

She was in an executive role when she took the plunge to explore governance and applied for the Future Directors' programme. That was in 2017.

Broadbent was placed with Auckland International Airport as her host board. There she would find herself sitting alongside Richard Didsbury, Justine Smyth CFInstD, Joan Withers CFInstD and Sir Henry van der Heyden CFInstD, whose knowledge and experience Broadbent describes as "incredible".

"Having exposure to the level of experience that folk like Richard Didsbury had in their background blew my mind,"

AUTHOR:
SONIA YEE

she says, adding she felt fortunate to be paired with a board of "considerable depth and breadth who were very generous with their time".

It was the first year for Auckland International Airport to participate in the Future Directors' programme with Broadbent on a 12-month placement. She says although the framework and mentoring process was being created as they went along, the experience is something she wouldn't trade.

"It was fantastic, hard work, interesting, instructive, fun and meaningful. [It was] terrific to learn about governance and the expectations that a board has of management."

Broadbent saw immediate benefits of the programme, including benchmarking high performance across a number of fronts – cultural, technical and procedural, and it fed directly into her executive role.

"I was able to work with my, then, CEO to craft better board papers and support more insightful discussions at board level."

Broadbent has been on a number of commercial, NGO and peak body boards since, and says each opportunity was supported by her experience as a Future Director.

She says those considering participating in the programme need to have first cut their teeth on significant leadership experience with some strong positive and negative experiences to draw on.

"I see a few folk out there wanting to skip from middle management roles to governance because it looks fun and easy, and they think it is a well-paid gig. It is certainly not easy, not always fun, and not well paid for the hours you need to put in."

She reinforces that these positions should never be seen as "gigs" but taken seriously because of the huge responsibility and duty to shareholders who are entrusting the board with their money. They also need to be committed to always strive to do their best as part of a governance team.

"It is hard work with enormous fiduciary responsibility and requires an absolute commitment to investing in continuous learning about your sector, your regulatory environment, your competitors and your underlying markets or technology enablers."

For boards considering participating in the programme, Broadbent says those that consider themselves a high-performing board would benefit enormously and should view it as a meaningful act of investment into good governance.

"You should do this for your country, your economy, your customers and your business," she says.

She adds that a move in this direction is valuable if organisations have a high-performing CEO they want to develop, and getting them onto an external commercial board would benefit their development.

For Broadbent, the programme cemented a path in governance. She says the biggest takeaway was understanding that culture matters and this is influenced by the chair – the most important steward of high-performing board culture.

So what does that look like?

"A culture of interest, shared ambition and trust is really important, not just for the board to operate at a high level, but for the team comprising the executives and the board," she says.

Broadbent refers to an article by governance strategy consultant and academic, Dr Denis Mowbray, who outlines the traits of a high performance 'third team' as synergy, trust and confidence.

"That is true in my experience, but sadly it is not always present," Broadbent says.

"I see a few folk out there wanting to skip from middle management roles to governance because it looks fun and easy, and they think it is a well-paid gig. It is certainly not easy, not always fun, and not well paid for the hours you need to put in."

Value of mentorship and succession planning

Business powerhouse Joan Withers says taking on a ‘future director’ brings immediate capability enhancement – it’s a ‘no-brainer’.

Joan Withers CFInstD has spent more than two decades as a professional director and more than 25 years working in the media industry, including two CEO positions at The Radio Network and Fairfax Media.

She is chair of The Warehouse Group and has also held chair positions at Television New Zealand, Auckland International Airport and Mercury NZ. But it was 26 years ago that she initially made a decision to move from a CEO position to step into governance.

“In 1997, there were not many women on boards and I was fortunate many boards were actively looking for qualified women to join them . . . but there was still quite a lot of reticence,” she says.

At the time, Withers was well known to Treasury through her CEO role at The Radio Network where she had led the sale process of the Crown’s ownership of Radio New Zealand’s commercial radio stations.

Withers says the approaches came thick and fast, especially for Crown board roles. One of her first directorship roles was on the board of Auckland airport, then 51 per cent-owned by the Crown. She was mentored by highly regarded director Tony Frankham and lawyer Peter Clapshaw DistFInstD.

“The impression they made on me was enormous because they were always impeccably prepared. I took my guidance from them. Tony, in particular, taught me a lot about the role of a director on the Audit and Risk committee. They both read every single paper of the board pack, which is a practice I have always followed,” she says.

An advocate for Emerging Directors, Withers says one of the biggest challenges for women coming out of executive roles is learning which offers to turn down. A potent example is where the candidate has highly sought-after specialist skills, such as IT.

“They will be targeted by head-hunters and recruiters, and frequently they’re in a situation where they are expected to evaluate the opportunity very quickly,” Withers says.

AUTHOR:
SONIA YEE

> "If you are a senior executive looking at going into governance, you have to think realistically about how long it is going to take to pick up a number of roles, and even with a fairly full portfolio you're still going to have a great deal of difficulty coming anywhere near to your executive remuneration."

Today, there is visible change happening around the boardroom, including a greater push for diversity. Many boards are also looking for younger directors to fill highly coveted spots.

But are there enough roles to go around and how competitive is the playing field?

"The market has paid lip service to diversity for a long time and gender diversity was the first element we had to address in parallel with increased ethnic diversity," Withers says.

She says boards are more conscious about age profile and life experience, and says there are plenty of opportunities for new voices to make their way in corporate governance. A downside is a likely pay cut.

"If you are a senior executive looking at going into governance, you have to think realistically about how long it is going to take to pick up a number of roles, and even with a fairly full portfolio you're still going to have a great deal of difficulty coming anywhere near to your executive remuneration."

For some, that might be a challenge. But beyond dollars and cents, are there more opportunities in some sectors than others?

While the lure of the tech industry and start-up space might look exciting, Withers cautions that governance in that sector still comes with very clear directorial responsibilities and risks where directors will potentially be liable if things don't go to plan.

"As a generalisation, smaller companies are not so well protected in terms of the governance infrastructure that larger companies tend to have available to them . . . [for instance] a highly experienced CFO and in-house expert governance resource such as general counsel."

Instead, Withers suggests seeking out roles on larger Crown boards where there are well-developed protocols and systems already in place.

Getting involved in the Future Directors' programme is also another way to get your foot on the governance ladder. With strict legal protocols, it ensures incumbents are never "deemed directors" and not pulled in if anything goes wrong.

The Warehouse Group is one of the longest-standing participants of the programme, which takes future directors on for an 18-month term. "It's a brilliant way to learn and understand what governance is about because you'll sit beside very experienced directors and they will all be bending over backwards to assist and mentor you," she says.

As a company, The Warehouse Group is very specific about the sorts of skills they are looking for. "Candidates need to really want to do it and have the support of their employer. The most important thing is they have the time to dedicate and the intellectual capacity to go up the learning curve very quickly," Withers says.

Future directors need to contribute fully to board activities, including reading all board papers and attending key audit and other committee meetings. Withers says they also need to be vocal and learn the art of posing sometimes challenging questions without offending the recipient. Importantly, they have to be receptive to being mentored.

Crucially, the Future Directors' programme also significantly benefits the organisations that get involved. Withers sees it as "a no-brainer" because the appointment means there is an immediate capability enhancement around the board table.

"I cannot understand why companies don't get involved. The amount of value the host company gets is enormous, and the objective of the founders of the scheme – Sir Stephen Tindall DistFInstD, Michael Stiassny CFInstD and Des Hunt FInstD (Retd) – was to increase the pipeline of young directors coming through who can then be better prepared to sit on company boards," says Withers.

Lifting their game

A 'horizontal governance' initiative by Sport New Zealand is helping inexperienced chairs step up to the plate.

AUTHOR:
NOEL PRENTICE

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Victor Freitas on Unsplash

Forty-five National Sports Organisations (NSOs) and Regional Sports Trusts (RSTs) across New Zealand are being connected and arming themselves with the tools and confidence to meet the challenges and risks faced in boardrooms.

'Vertical governance support' – one-on-one Sport New Zealand (SNZ) partner relationships – is well-established in the sports sector, but SNZ launched a governance community-building initiative in April 2021 focused on 'horizontal governance support', contracting experienced sports administrator and former New Zealand cricket star Martin Snedden as the project designer and leader.

Snedden is facilitating the building of relationships between participant chairs and creating the opportunity for them to share experiences and learn from each other. The 64-year-old has been given a free rein by SNZ

– there is no tried-and-tested recipe for this horizontal governance model.

"It's a real test and learn project in the sense that I experiment quite a bit and I'm not too worried if some things don't work. It's really just about trying various things. I've backed my own instincts that this project is helping lift quality of sports governance," says Snedden, who is chair of New Zealand Cricket and on the board of the International Cricket Council, and an experienced former CEO.

"It's extremely important we continue to build the strength of sports governance in New Zealand."

At the heart of the project is a framework enabling people to participate in a way they enjoy without feeling obligated or burdened.

"I'm really conscious that almost all of the chairs are volunteers, each giving huge amounts of time and energy to their organisations. Without exception, they are good people trying to do a great job. In the most part, they've accepted the position of chair and they haven't really quite known what they're walking into. Once they are in the role, they suddenly realise they've bitten off a hell of a lot. It is a tough job and often very invasive.

"It's been a real education for me. One of the things I've learnt is there is no correlation between the size of an organisation and the quality of its governance leadership. I am seeing fantastic examples of people who are

"Good chairs know you're always learning and you have got to open yourself up to that. I've seen a really big shift in our group to absolutely accepting this, and enjoying it too."

really good governors looking after small sports in New Zealand. And they have a real appetite to learn so they can do their jobs even better.

"There's no hierarchy within our group. If the sport you come from happens to be rugby or cricket, that doesn't put you in any more important a position than table tennis or the pony clubs."

Snedden says he is not trying to replicate or duplicate any governance models. SNZ, through the likes of governance and planning consultant Julie Hood, already offers excellent support to its partner organisations. Creating a strong aligned link with SNZ's governance programme is critically important.

Much of what Snedden does is to help chairs enjoy the role, placing a strong emphasis on further development of "soft governance" skills.

"My philosophy is to concentrate on relationships and what I call governance EQ. It's not strict formal learning, but more relaxed, situational learning opportunities. We feed off each other's experiences. With 45 chairs, or chair designates, there's a lot of experiences that people have had – good and bad. And we can often learn as much from the least experienced chairs as from the most experienced."

Snedden says an emerging example of the value of horizontal governance is biculturalism, including the Treaty of Waitangi and relationships with Māori. "It's an incredibly tricky area if you're trying to do it by yourself," he says.

"Embracing biculturalism in a genuine and effective way is not a one-size-fits-all, cut and paste exercise. My role is to facilitate the sharing of stories from various chairs and boards grappling with this, drawing out their experiences, flushing to the surface clues about ways to tackle this opportunity and also awareness of some of the pitfalls that are avoidable."

From a first-year emphasis on creating relationships, trust within the group is strong and chairs are now comfortable sharing information – including their problems – with one another, and seeking help knowing they are operating in a safe and confidential environment. "That's what this is about," Snedden says, "getting people talking, listening, and doing things with each other. As a group, we identify topics of strong common interest. There's a lot of stuff that is common to everyone."

The new Incorporated Societies Act 2022 is a current focus, with more than 9,000 entities in the sports sector needing to re-register by March 2026. "We are using our group to take a coordinated approach to how organisations at a national and regional level, and even at club level, can move towards a position where they re-register under the new act in a timely and legally compliant manner.

"Instead of NSOs all going off and getting their own legal advice – and getting a million lawyers involved – we are striving to create a collective approach where we can hold each other's hands as we gradually work our way through this. The new act

Jeff Broughton
CMInstD

Help in hiring a CEO

When Sport Otago were looking for a new CEO, board chair Jeff Broughton CMInstD knew help and advice was only a phone call away. Two of the group in the 'horizontal governance' project had just been through the process.

"We could share job descriptions, talk about the recruitment process and salary expectations. It was just massive," he says. "I really value those connections. On many occasions when I've had an issue I've just picked up the phone and said, 'Hey, we're dealing with this at the moment, have you been through it before?'

"These are trusted relationships and we can speak in confidence – being able to learn from what others have done in that situation, what worked well for them, what mistakes they have made and what they would do differently next time."

Broughton says he had also leaned on project leader Martin Snedden for advice in specific situations and praised the leadership and "overarching" support from Sport New Zealand.

"There's an absolute want from chairs to connect and collaborate. Everyone comes from different backgrounds, but for many it is, like me, their first substantial chair role. As a chair, especially of a not-for-profit organisation, we don't necessarily have all the resources, and often have to roll up our sleeves and use our skills to support the board and management. Being able to come together, connect and collaborate, share resources and build those networks is highly valuable."

Broughton, an accountant by trade but now working as a strategic business advisor, estimates that 80 per cent of the issues across Regional Sports Trusts and National Sports Associations are "pretty similar so it makes sense to leverage that".

"The challenge going forward is trying to keep the momentum. There is a reasonably high turnover of chairs, so we've always got new people coming through. The majority of chairs are in a voluntary capacity so it is critical to keep the content meaningful and relevant."

He hopes the impact of the project will help lift the standard of governance in the sector and ultimately the outcomes their organisations are providing to their communities.

Jana Rangooni
CMInstD

Collaboration at the core

When the 'horizontal governance' concept was floated, Paralympics New Zealand chair Jana Rangooni CMInstD thought a high degree of buy-in and engagement would be needed, along with people feeling like they were responsible for being part of the process – and not "participants".

She has not been disappointed. "There's been a huge amount of cooperation and collaboration, with a high degree of trust. Conversations are open and honest. Many are taking responsibility for trying to make it work and be effective for everybody.

"[Sport New Zealand chair] Bill Moran and [group leader] Martin Snedden have provided good leadership in bringing it together and reaching a good balance in driving it, but also allowing it to be organic and evolving to the needs of the group, rather than having some preconceived ideas around achievements and outcomes. Anything that makes me a better and more effective chair helps the organisation," she says.

The biggest value for Rangooni has been in developing board-to-board relationships with other NSOs. "Our organisations work well together, our CEOs have strong relationships, but there's not a strong stakeholder connection at a board-to-board level. Relationships have been operational; now they are also at governance level."

She says some of the areas that have been useful include a better understanding around the potential impacts of the Incorporated Societies Act 2022. The project has also brought into focus where boards are at on their Māori cultural competency journey. They are sharing their experiences and not afraid to ask for advice.

She says one of the big conversations at her board is wellbeing – for Paralympians, those on the pathway, everyone in the organisation and the board. The chair is not immune.

"Being a chair is lonely at times. There's a lot of issues you are dealing with, including being a sounding board for the CEO and supporting the CEO on behalf of the board. You're trying to do a good job ensuring the board functions really well."

This group is a safe place for a chair, especially a new one, to reach out for advice if needed, she says.

applies to every single incorporated society so everyone needs help."

Snedden, who was previously CEO of New Zealand Cricket then Rugby World Cup 2011, says that, in many ways, sports sector governance is no different to any other sector. Governance is an art to be learnt, not something you can just develop instinctively.

"I regularly emphasise this to our group. In the sports sector you have a raft of chairs of NSOs and RSTs who are highly skilled and have really good daytime jobs. But that's not enough. Being a really good CEO or running a successful business isn't teaching you enough about governance. Chairs really have to commit to continuous governance learning. And sometimes that's hard for people who are confident and successful in their day jobs – and lives.

"In my time in sports governance I have seen many examples of resistance to learning – chairs and directors thinking they know enough. Good chairs know you're always learning and you have got to open yourself up to that. I've seen a really big shift in our group to absolutely accepting this and enjoying it too."

Many of the issues the group discusses are people related and Snedden says the CEO/board relationship is critical. "Clarity of roles and mutual expectations is vital, as is having empathy for the CEO. Chairs have to be able to look at it through the eyes of a chief executive as well as through your own eyes as board chair," Snedden says.

"Likewise, you are going to have a lot of boards with difficult directors in their midst. And there's a risk that you just ignore that and carry on regardless, thereby impeding the board's ability to function effectively. Some of our conversations have been about finding ways of drawing those disrupters out, understanding what makes them tick and, where necessary, laying down a challenge, testing whether the disruptor is prepared to be a team player or whether they should get out of it.

"We've spent some time on how you go about setting up a recruitment process to appoint your directors. How do you ensure you're searching for skills and experiences that you need within the mix around your board table? And again, we just keep using the experiences that exist within our group. We don't need to go look much further."

The push for younger directors is part of Snedden's vision, including encouraging future chairs to attend huis and meetings when their incumbent chair is busy. "I've been gradually building up membership of this group. Once someone comes along, I don't let them go." His theory is that if they enjoy governance experiences when they are in their 20s and 30s, it increases the possibility they will stay connected to sport governance during their lifetime.

"You've got to find ways of ensuring that you have a diversity of thinking around a board table. But it's the combination of diversity and inclusion that is critical. Diversity without inclusion won't work. Diverse thinkers around the board table need to be embraced and empowered to contribute and influence."

Chris Arthur

Playing at a 'different level'

Two-time Olympian and former Black Sticks captain Chris Arthur says she has had to lift her game to meet the expectations of being a chair.

Being in the company of the 45 chairs in the governance community-building project made her realise the importance of the role and the impact for the sport. "It was like a boot up the backside, really. It made me think, 'Wow, I've actually got to up my game,'" says Arthur, who is "giving back" as chair of Table Tennis New Zealand. "The more I got into it, the more enjoyable it became because you actually felt like you are making an impact and a difference."

Arthur is Head of the Performance Life Coaching Team at Sport New Zealand. She has experience in leadership roles and on boards and committees, but says this is a "different level again".

"It gave me permission to go hard to own it, to set the agenda and not just be a passenger, to hold other board members to account, to reflect on our performances, and to make sure we were totally aligned with our operations team – particularly with the CEO. I can't speak highly enough about it – from increasing motivation to the whole networking aspect."

Arthur says "suddenly having other people talking about the same struggles" made her realise she wasn't alone and that it is right to trust your own instincts, and to push harder to get what you want.

"I'm someone that loves growing and learning. This is something I can get my teeth into and actually develop as a craft or skill set. Being an independent brings a different dimension too, because you can ask the naive inquiry questions. And you don't necessarily have all the baggage."

Table Tennis NZ is one of the smaller NSOs, but no less important. "I got the position by default, really. It wasn't something I sought. I was shoulder-tapped," she says. "But I can't believe how much I've enjoyed it."

Reinventing Queenstown

AUTHOR:
NOEL PRENTICE

Tech entrepreneur and growth company chair Roger Sharp says the 'one-trick pony' needs to hitch its wagon to another industry.

As the tumbleweeds swirled around the streets of Queenstown during the pandemic, tech entrepreneur Roger Sharp decided the time had come for the tourist mecca to diversify.

Sharp had long ago hitched his horse to the "one-trick pony" and its boom-bust economy – chairing ASX-listed digital travel company Webjet (as well as global software company Iress and Lotto New Zealand) from his office on a hilltop opposite Coronet Peak.

The need for change in Queenstown was hammered home during a fact-finding trip across the Pacific Northwest and Rockies in the United States last year. Sharp visited more than a dozen mountain towns diversifying their economies through building tech ecosystems. The message was clear: diversify and grow, or die.

According to a study commissioned by Sharp and his team, Queenstown's reliance on tourism in 2021 stood at around 60 per cent of GDP (which was just under $3.3 billion), with tech generating less than 2 per cent, versus a national average of around 7 per cent. Further research showed the level of tech as a percentage of GDP in major tech cities around the world ranged from 15-25 per cent.

It is hard to imagine Queenstown ever in a death spiral but Sharp warns that another pandemic – or something even worse – could have end-of-(tourism)-life implications.

Sharp is the founder of North Ridge Partners, a technology-focused investment bank in Sydney and Singapore which works with technology companies across the Asia-Pacific. He has always seen the great potential for Queenstown to become a tech town – and harnessing the energy and resources of high-fliers quietly living in the hills and at least 200 techies working remotely for overseas companies. No one knows the true number, but Sharp believes that is the tip of the iceberg.

There are a number of organisations and businesses in the district playing a role in the sector, including Startup Queenstown Lakes and Remarkables Park, but the region has never had a plan for the tech sector, and the activities of its various actors have never been co-ordinated.

The Queenstown Tech project is a private not-for-profit enterprise, backed by Sharp; the Ministry of Business, Innovation and Employment (MBIE); the Queenstown Lakes District Council; and the University of Otago. It has engaged a full-time researcher, an executive director, and a team of university professors to work on a 20-year plan.

A white paper has been written and is being reviewed. It will then go to a panel of senior business people in tech for their input. Then comes the consultation with participants in the sector in New Zealand and around the world, followed by a public consultation and engagement with the local council to ensure it is consistent with the council's long-term diversification plan.

A not-for-profit trust has been formed – the name Whakatipu Hangarau ('Queenstown Technology') gifted by Ngāi Tahu, South Island's principal iwi.

"One of the big lessons from the overseas trip is that you are never going to be able to talk to every person in town, but you want to at least provide people with an opportunity to understand what is proposed and provide comment.

"Overseas experience has been that the best way to get support from communities is to explain that if we're successful, their children will never have to leave town to get high-paid, world-class jobs, or they'll be able to come home to those opportunities after their OE."

"This must be done because there will be another Black Swan event. We have to have something else here, or we're going to suffer badly again. We need to do it and we can do it. Necessity is the mother of invention."

Sharp says they have the support of Mayor Glyn Lewers and all the way down into the communities. "Everyone I have spoken to around the district says, 'If only we could offer a career path for our kids here so it wouldn't break up our family'.

"We haven't encountered any resistance. There's been the odd person who has said, 'Oh, do you really think it's possible?' Most have said if we can pull it off, it will be transformational for our town. There is a caveat that we have to be realistic and really thoughtful about this process. The enablers have to be in place. We don't have enough affordable housing and we don't want to increase car density dramatically. It is high economic impact versus low social impact."

The good times have certainly returned for Queenstown but hospitality is still struggling to find staff. Australian visitors are back in force, but not the Chinese market. More foreign workers are arriving but cannot find accommodation.

As the tourism boom returns, Sharp says the risk is that everyone quickly forgets the past three years and the need for diversification. "This must be done because there will be another Black Swan event," he says. "We have to have something else here, or we're going to suffer badly again. We need to do it and we can do it. Necessity is the mother of invention."

The Australian market is very important to the project because of the economic union with 25 million people and the cultural familiarity. Australians do not need a visa. They can buy a home and work in Queenstown. Americans do not have the same privileges.

Sharp says he could name dozens of chairs or CEOs of top companies, typically tech, in Australia who have homes in Queenstown, or at a minimum have a very strong opinion of Queenstown. "They see it as the only genuine alpine region within a short flight. They see it as a very cool place and an absolute differentiator, from an employer perspective, to be able to offer something special to their staff.

"A survey done before the pandemic identified between 80 and 100 remote tech workers within the community, working for foreign companies. The Mountain Club, a local co-working space and community has, I believe, at least 200 members, mostly in tech, but I believe that's the tip of the iceberg.

"You've got silent contributors like me. I'm a remote worker, chairing two large Australian tech companies for years out of Queenstown. I have never really talked about it. Part of the challenge is to try to identify how many workers we have in the hills and in the valleys. The truth is, no one knows."

Remote working and work from home is now the status quo, and setting up in cool locations such as Queenstown will become even more popular.

"The combination of having an environment that's the envy of many, an ability to work from such an environment and an opportunity for companies to differentiate themselves by saying, 'Oh, we've got a hub in Queenstown', it's a good cocktail," says Sharp. "There is no formula that says how to do this, how to approach it. So we are making it up as we go, but it is based on sound logic and a lot of research."

The project may be a private enterprise, but it is strictly not-for-profit. Sharp has resisted appointing a "symbolic" board straight away.

"How we govern the trust is a really interesting issue. We have a code of conduct, we have set out some operating principles. When it was first announced, there was a bit of pressure to appoint an appropriately diverse board quite quickly. I have resisted forming a governance unit until we have a strategy, we have funding and we know who all our stakeholders are. Until then, it is myself and Whakatipu Hangarau executive director Ron Clink, who is on secondment from MBIE, with input from key partners."

"The combination of having an environment that's the envy of many, an ability to work from such an environment and an opportunity for companies to differentiate themselves by saying, 'Oh, we've got a hub in Queenstown', it's a good cocktail."

Once the white paper is complete the plan is to set up a development agency to build the tech ecosystem – including everyone from education to venture capitalists, to platform, service and property companies. The "best people" from the participants will be considered for the board, depending on experience, diversity and composition.

"The idea is you have an effective group of governors around the table who can actually get things done. So a global platform company says, I would like to move 50 people to the wider region. She or he can lean over and have a direct discussion with the person who built 30,000 affordable apartments for Amazon, Microsoft or Intel on the West Coast of the US and say, 'Are you able to build those for us?' We're focusing on assembling a group of people who can get it right.

"Now that will be very popular in some quarters and possibly less so in others. We have to be innovative to make this work and above all, we have to be effective. There is no magic fairy in Wellington with a magic wand sprinkling cash on Queenstown saying, 'Let's do this'."

Sharp's connection to the region is deep. His family origins are in central Otago with his forebears arriving in Roxburgh in 1874. And he stresses he is not in it for the money.

"As much as I'd like to, I don't own a huge tract of land in the valley that I'm trying to turn into a tech metropolis. I have no vested interest. To the contrary, it's time-consuming and costly, but that's OK. There is a goal here, which is do something for the community."

Reinventing Queenstown

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That Photo Guy on
Unsplash

Urgent need for change

“With the tourism tap turned down to a trickle, it became immediately clear we needed alternative industries to provide ongoing employment and income for our communities.”

Glyn Lewers

Mayor Glyn Lewers says Queenstown has known for a long time that diversification is essential. In 2015, the Economic Development Strategy positioned it as a high priority. However, Covid-19 has made the case for change “even more compelling – and urgent”.

“With the tourism tap turned down to a trickle, it became immediately clear we needed alternative industries to provide ongoing employment and income for our communities,” Lewers says. “We faced a significant community crisis, with thousands of people slipping through the gaps in the welfare system. It was an incredibly difficult time, but it was a valuable catalyst.”

He says their research shows that Queenstown is one of the least economically diversified places in the country. It is heavily reliant on tourism and economic diversification is “not a quick game”.

An economic diversification plan is being finalised, while a new destination management plan, ‘Travel to a Thriving Future’, has been launched to ensure tourism is community and environment centric, taking a regenerative approach and seeking to give back more than it takes. It has a bold goal of achieving carbon zero by 2030.

“The destination management plan and the economic diversification plan are the two sides of the coin – our way forward to achieve the community’s vision for a thriving, zero-carbon community that provides opportunities for all,” Lewers says.

Based on data from Infometrics, tourism contributed 21 per cent to GDP in the district in 2021, but is soon expected to return to its pre-Covid-19 level of 40 per cent, he says. It was directly responsible for 31 per cent of all employment in 2021 and is expected to return to the pre-Covid-19 level of 55 per cent in the near future. “This is significantly higher than the national average in both regards, but the true figures are likely higher still due to the relatively narrow definition of tourism that is used,” he says.

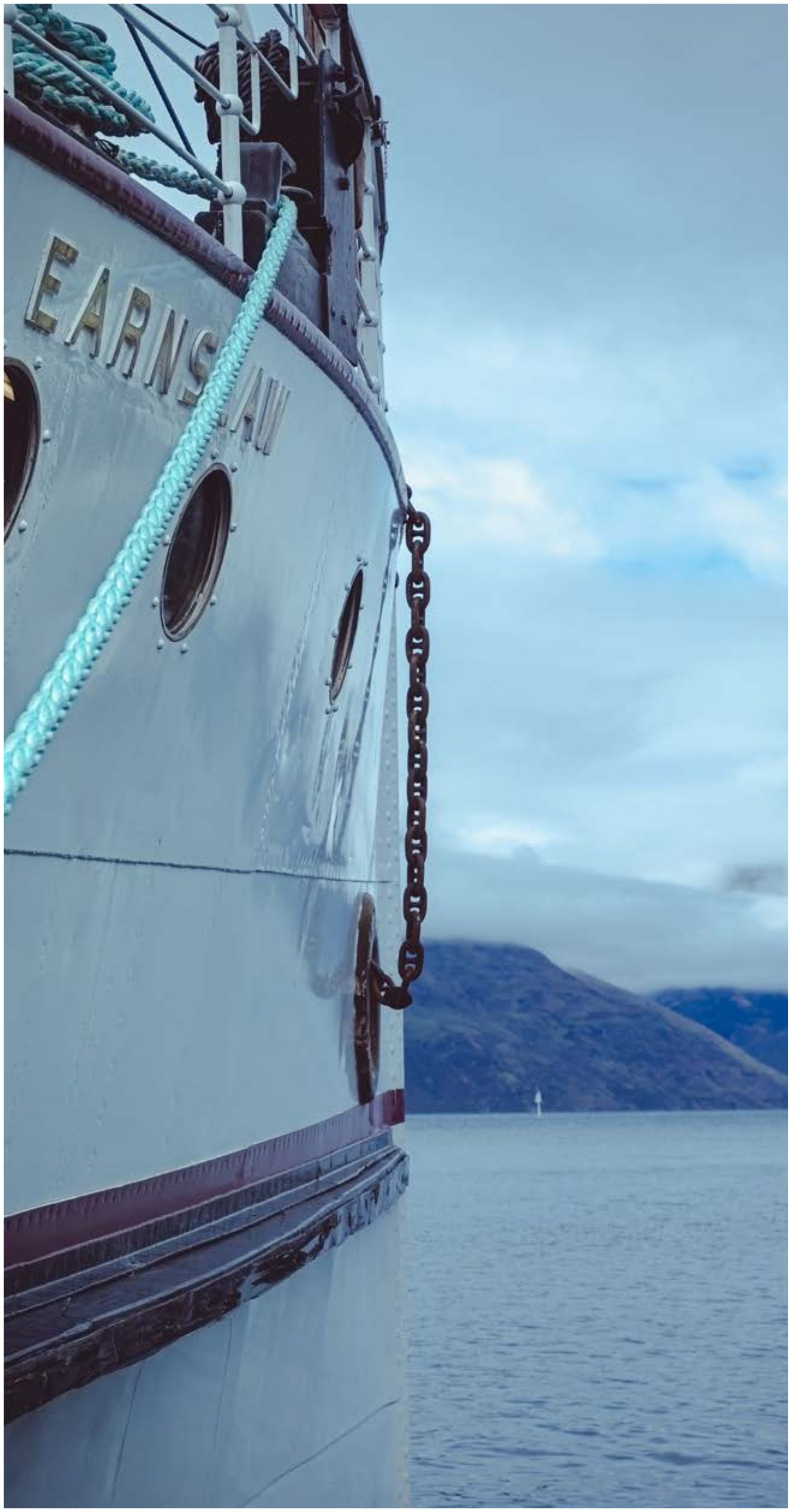
Lewers says they are 100 per cent behind the development of a tech sector in Queenstown, but they want to avoid any one industry holding the dominance it does now. “It’s important we aim for a good balance and mix. We have always strongly supported the development of the film and screen industry in the district and there’s a fledgling centre of conservation expertise and alternative energy building here, too. There’s room for a range of exciting industries that fit our values, but it’s likely that tech will play a role in most of them.”

Many of Queenstown’s challenges relate to the complexity of housing, transport and the need to decarbonise. He says they need to keep working with the energy system to make sure there is enough power availability coming into the area over the next 10 years to enable electrification and attract businesses with a low carbon footprint.

“We dream big about decarbonising aviation so that our progressive business leaders want to be based here, and we need to ensure we have the best possible comms and connectivity available. Demand for housing far outstrips supply and the usual interventions rarely work, but we need to keep running at that problem with our central government colleagues, so our future families and workforce can afford to be here.

“We want tech to find a great home here and feel welcome, but we don’t want to end up with the hyper-inflated housing market of Silicon Valley. We need to watch and learn from the mistakes of others and navigate the best path forward for our communities. Our partnership with Kāi Tahu will be instrumental in helping us keep a strong focus on wellbeing and intergenerational equity throughout.”

Reinventing Queenstown



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Excio

Laying a golden egg

"We've had a chance to sit back and reflect. The tech sector or tourism tech sector has always been here, but it's small and niche. There's been no clearly defined strategy of how to build that and grow the pie."

Richard Thomas

Destination Queenstown chair Richard Thomas CMInstD says "tourism will probably always be the main game in town", but he sees the potential for a booming tech industry.

The world-renowned tourist magnet is quickly recovering from the pandemic but is still badly hampered by labour issues. An increase in the minimum wage and fair pay agreements coming into force could make that even more challenging for businesses.

"There is a lot of excitement in the district around the opportunities that Covid has given us," Thomas says. "We've had a chance to sit back and reflect. The tech sector or tourism tech sector has always been here, but it's small and niche. There's been no clearly defined strategy of how to build that and grow the pie."

Until now.

A 20-year plan for Queenstown to become a tech town is being hatched by tech entrepreneur Roger Sharp and Thomas is right behind it.

"Roger and his team are the sort of people that set goals and achieve them," Thomas says. "I'd certainly back them to make it happen, whether that takes 10 years, or 15 or more.

"The tech industry can certainly grow and to a point where some of the revenues generated come off a much lower capital base than perhaps the traditional tourism sector."

Thomas says there has been a lot of commentary about Queenstown having all its eggs in one basket, and "when you have 80 per cent of your visitation coming from international tourists, that's partly true".

"However, there is a lot of industry that's spun off the back of tourism that's always been here, including film, wine, education, tourism tech, high performance sport and health wellbeing.

"One of the challenges we've got as a district is to strengthen those industries, and help them stand up so if we get into a situation like this again, we won't be so heavily impacted."

Tourism has bounced back a lot quicker than anyone ever expected, he says, but the labour pool is shallow to arid-like. "We have something like 1,500 jobs across the district available. Everyone was impacted heavily [by Covid] and shared a lot of pain. We lost a lot of good talent from the region – a lot being highly skilled foreign workers."

Thomas feels they were wrongly tarnished with the brush of paying low wages when "we were always having to pay above market or above minimum wage and living wage to get and retain staff in Queenstown because it's an expensive place to live".

The customer experience was also impacted because businesses had to dial back their operations and offerings.

Thomas says another challenge is the energy supply and a power infrastructure needed to enable the Queenstown Lakes District's regenerative tourism destination management plan to become a carbon-zero visitor economy by 2030. "There's one line in. It is at absolute capacity now and nearly broken."

He says the pandemic also made people realise the biggest asset they have is the environment they live in. "It's about our place, our people and our prosperity. We need to look after them all. It's pretty straightforward."

Richard Thomas is also a director and owner of business consultancy Redwulff Ltd, a director of Skyline Enterprises and a director of tourism-tech marketing company Bookme Ltd.

How franchising works

AUTHOR:
CALLUM FLOYD
MInstD

Franchising has proven its resilience in tough times, highlighting the need for good system governance.

The arrival of fast food giants KFC, Pizza Hutt and McDonald's in the early 1970s saw franchising, as we know it, hit our shores. It has become a real New Zealand story, with more than 70 per cent of franchising brands now homegrown.

Franchising involves small and big business, with directors, entrepreneurs and managers exploring and implementing franchising across an ever-diverse range of sectors. Prominent industry groupings include general retail, food and beverage retail, accommodation, building and construction, business and home services, and trade services to mention a few.

Franchising is not an industry per se, but an organisational form established by conventional small business, large business (including private, public and SOE) and a number of co-operatives – the latter of whom often have members simultaneously owning a franchise unit as well as a stake in the overarching business.

Well-known homegrown brands include MTF (Motor Trade Finance), Columbus Coffee, Four Square, PAK'nSAVE and New World, Harcourts, Signature Homes, Green Acres, BurgerFuel, Laser Plumbing & Electrical, Stirling Sports and Mitre 10.

As quantified in a recent survey by Massey University, some 590 franchising brands and an estimated 32,000 franchisee-owned units in New Zealand now account for $36.8 billion in turnover (or $58.5 billion including motor vehicle sales and fuel retail).

INVESTMENT AND INCENTIVES

A wide range of entrepreneurs and companies continue to consider franchising their business, largely as a method of expansion and/or more efficient and productive remote unit establishment and management. Within this, key levers include franchisee investment in a local operation, meaning a franchisor can expand faster than they could otherwise while generating returns from the brand

Photo by:
klara-kulikova
on Unsplash

> "The key motivations for buying a franchise were greater income and wealth-building potential, better life balance, and more security and stability."

within the territory – assuming the franchise is well structured. For some large companies, franchising is also a way of reaching into smaller and remote territories that help build out national coverage – areas that are harder to reach or on a relative basis be smaller businesses.

But while franchisee capital is often considered an important advantage, it is most often the incentives for franchisees (when compared to salaried managers) that is most important. The incentives mean franchisees often establish and operate more efficiently and productively – more effectively organising local resources, be those premises, vehicles, and team development and rostering.

Down-stream they often provide better prospects for customers, convert sales, generate repeat custom, and manage local operational efficiencies. Indeed, for numerous companies and sectors, the concept of incentives from local ownership is of such importance many companies would not have expanded unless their units were franchised. Thus, franchising is sought to help drive a bigger and more sustainable business – and, of course, some franchisors strategically balance risk and reward by owning and operating a proportion of their networks themselves, while franchising others.

MOTIVATIONS FOR BUYING A FRANCHISE

The recent Survey of New Zealand Prospective Franchisees, conducted by Franchize Consultants and Franchise New Zealand media in late 2022, explored the perspectives of 173 people looking to invest in franchising, with a proposed level of investment ranging from under $25,000 to over $500,000. Fifty-six per cent of those investing more than $300,000 were expecting total owner returns to be more than $150,000. A large number were looking to invest and operate the franchise with another party.

The key motivations for buying a franchise were greater income and wealth-building potential, better life balance, and more security and stability. Meanwhile, the main appeal of franchising, versus establishing an independent business, were a proven business system, established and recognised trade name of brand, and start-up and ongoing support and training.

For prospective franchisees, key reservations for investing at this stage included the cost of the initial investment and funding access, income levels and return-on-investment considerations, and current market conditions, such as dealing with a pandemic and staffing challenges (particularly finding reliable staff).

TRENDS IMPACTING FRANCHISING

A Franchising Confidence Index survey of franchisors shows they rate their top five challenges to franchise system development in 2023 as access to finance (for their franchisees), finding franchisees, finding staff (for franchisees), rising operating costs and investor confidence. Top opportunities for 2023 were subdued, with references to better availability of sites on better terms, opportunities to reduce costs, new product development and multi-unit franchise owner development.

Franchisors also identified major trends most likely to impact on their business in the next 5-10 years. The future regulatory environment and changing customer expectations were identified as the top major trends. Other trends included changing community expectations, changing demographics and diversity, supply chain transparency, climate change, water and other resource management issues, and artificial intelligence.

New Zealand's evolving regulatory landscape and resultant uncertainty on how it will be interpreted is of increasing concern for many franchisors, particularly in a country which is well-suited to franchising given the geographic dispersion of towns and cities, and the ease of doing business. Examples include Cartel Amendments to the Commerce Act, The Fair Trading Act's "Unfair Contract Terms" regime, extended to many B2B contracts from 16 August 2022, and the Assisted Entry Work Visa, which features much more restrictive requirements for new franchisees compared to an independent business start-up.

GOVERNANCE CONSIDERATIONS

Franchising has proven its resilience during tough times, including franchisors and franchisees trading, innovating and surviving through Covid-19, battling lockdowns and operating despite severe staff shortages. Notwithstanding the challenges, many continue to provide extensive support to franchisees, while juggling the need to research and adapt to wider trends.

The tough balance of managing the short, medium and longer term trends highlights the need for good franchise system governance, and a governing team that recognises the nature of franchisor-franchisee stakeholder relationships. That is because franchising involves a more complex relational and commercial situation, involving more invested and independent-thinking franchisees when compared to a company-owned chain with more compliant company-unit managers.

Any changes proposed, even if small, need to be well thought-out. There's an adage in franchising that while you can 'tell a manger' of a change, you need naturally to 'sell to a franchisee' on any proposed changes, given their investment. While a company chain can just make systemwide changes, a franchise network must invariably bring franchisees on a highly considered change management journey.

"The tough balance of managing the short, medium and longer term trends highlights the need for good franchise system governance, and a governing team that recognises the nature of franchisor-franchisee stakeholder relationships."

STRUCTURES THAT HELP CHANGE

Many medium-to-large franchise companies will have a Franchise Advisory Council (FAC), a special group comprising both franchisee and franchisor representatives. FACs invariably have a core purpose involving advancing the mutual interests of both franchisees and franchisors in the long term. Aligned, they will often have objectives including discussing opportunities for improvement, considering proposed changes, better understanding one another's perspective, and so on.

In the current environment, franchise company boards would do well to think strategically on how they consider the structure, operation and focus of the FAC. That is because the FAC can help a board (like its management) understand the franchisee perspective, including key issues, opportunities and insights. Accordingly, a board should naturally have an interest in the FAC's focus and meeting outcomes – to the extent a board should be thinking strategically about FAC focus, at any point in time.

None of this is to suggest a FAC should be closely directed/managed by the board. On the contrary, a FAC's success is often dependent on franchisees recognising the FAC as a structure that legitimately advances the interests of franchisees.

Nonetheless, the board should be interested in making sure such a potentially valuable group structure, for franchisees and franchisor alike, can maximise potential mutual advantages in the long term. In some cases that will mean short-term franchisee-interested issues might be prioritised, while in other cases more macro group-focused objectives (like changes to comply with recent legislation) will be forefront.

Dr Callum Floyd is managing director of Franchize Consultants (NZ) Ltd and attended the IFA Franchising Convention in the US in February.

Pushing on open doors

AUTHOR:
SONIA YEE

Photo by:
David Hofmann
on Unsplash

Sustainability and caring about the environment have been elevated to a new level.

"The planet is going to survive; the question is whether people can live on the planet," says Ākina CEO Nicola Nation.

The Ākina Foundation has been working towards the development of sustainable social enterprise and climate initiatives for almost two decades. But as corporate businesses are now in a race to take action, the question becomes: is it too late?

"In hindsight, yes, because there is always more we could have done more quickly," Nation says. "But we are where we are, and it's imperative to do this now."

What gives her hope is that she no longer has to explain why we need to care about this issue. "It feels much more like sustainability and caring about the environment is not just the responsibility of a tree hugger in an organisation, or one lefty green-voting person. This has become much more mainstream and elevated. So we are pushing on open doors with organisations that are asking the hard questions."

ākina

The Ākina Foundation, formerly known as the Hikurangi Foundation, was established in 2008. Set up by the Tindall Foundation and the Todd Foundation, it underwent a rebrand in 2014. Nine years on, the not-for-profit has transitioned from a pure climate impact focus to addressing systems and structures around social and environmental initiatives based on the international model of social enterprise.

Ākina works with a range of organisations that are motivated to do more for people and the planet. The foundation publishes an annual impact report, highlighting key impact areas of Ākina's work, including climate action, reduced inequalities, decent work, and good health and wellbeing.

"When we talk about impact, what is the positive, social and environmental change that comes about because of an activity or an action?" asks Nation.

With ESG reporting high on the board agenda, it is integral for companies to action strategies that enable their survival. And now, with the devastating impacts of climate change and extreme weather events, the matter is urgent.

The impacts of climate change are wide reaching and will encompass everything from social equality, access to food, warm housing, and access to education.

In 2022, the foundation became Chapter Zero's impact partner to advocate and set goals for behaviour change at the director and board level. In addressing the issues, it will require not only heavy-duty thinking around board tables, but strategic action through socially and environmentally led decision making.

So, what would some of the positive changes or outcomes look like for boards?

According to Nation, we would see an increased focus on climate issues; separate climate change committees being established; boards taking responsibility and owning the issue; action plans and targets being put in place, including mitigation and adaptation strategies; and the allocation of funding and changes being reflected through reporting.

> "It feels much more like sustainability and caring about the environment is not just the responsibility of a tree hugger in an organisation, or one lefty green-voting person. This has become much more mainstream and elevated."

"And that's not just because it is mandated to the top 200 listed companies in New Zealand, but because organisations and directors believe that it's the right thing to do," she says.

For those organisations struggling to get their head around reporting, Nation reinforces, "Don't let perfect get in the way of good". She says reporting can include a combination of quantitative and qualitative data to see what is happening and where the changes need to be made. Telling the story behind the changes also allows people to connect with the issue – and its positive outcomes.

"A combination of data alongside interviews with people will help to lift the stories by talking about the positive impact on someone's life," Nation says.

Solving ESG issues and the associated reporting will require tailored individual strategies for each organisation based on their size and outputs. But one thing is certain, organisations are feeling the heat and some are under more pressure than others to get it right.

"Air New Zealand and Fonterra are two of New Zealand's biggest companies with the largest carbon footprints and they are working hard to understand what they can do to retain their social licence to operate through being good corporate citizens," she says. "[That means] understanding and measuring their social and environmental impact, while contributing to New Zealand's economy and staying alive as businesses."

Chapter Zero New Zealand
The Directors' Climate Forum

Visit chapterzero.nz

Staying on track

From Te Papa in Wellington to City Rail Link in Auckland, Sean Sweeney has juggled extreme uncertainty and political pressure.

AUTHOR:
CAS CARTER, FREELANCE WRITER

It's not difficult to find out about Sean Sweeney MInstD. A quick Google search and you'll discover regular blogs and opinion pieces about the company he leads. The CEO of City Rail Link in Auckland is inspiringly clear about the importance of communication and openly slams his industry for what he says is an appalling job at explaining the uncertainty of major projects to stakeholders.

"Many in our industry make out that projects are going to be delivered easily, seamlessly, and with a high degree of certainty, but major construction deals with massive uncertainties that literally cannot be worked through until we get into the 'doing'. So we try to explain what's going on, why it's hard and how we're making progress."

A good example of this is the blog Sweeney penned last year following his revelation to Parliament's Transport and Infrastructure Select Committee that the project will be over time and over budget. Despite this, Aucklanders are still giving what may well be the largest project of its kind in the country a 70 per cent approval rating.

Sweeney's decision to be a proactive communicator goes right back to his first project management role at The Museum of New Zealand Te Papa Tongarewa in the '90s which faced strong public criticism that it was either unnecessary or should be in Auckland.

"We spent eight years leaning into a terrible political headwind. On any given month anyone could write an opinion piece saying why Te Papa was useless and why it would fail, and until we delivered we couldn't rebuff that argument.

"I realised then that is how major projects are. The press has to write stories and if you don't give them your side, they'll just fill in the gaps. And there were plenty of people wanting to have an opinion."

His theory is the average person is ignorant of projects, therefore building up some knowledge and political capital to explain why it is necessary and how they're going to achieve it will stand them in good stead when they face major challenges.

Like the rest of the world, the City Link project's challenge was the onset of Covid-19. Sweeney explained that to the Select Committee early last year. He focused on keeping the project running without worrying about time and cost, instead focusing on his employees that span 45 different nationalities, including 250 international staff. He has been told by government officials the company did better than most with getting workers back into the country, therefore keeping the job going.

His background was perfect for the Covid crisis. Sweeney has learnt how to work in an environment of extreme uncertainty and political pressure, while getting the best out of people. His career has spanned large-scale infrastructure projects, including project manager at Carson Group in New Zealand, executive director of Major Projects Victoria, head of construction at Grocon, founder and managing director of Atelier Projects, and CEO of New South Wales Justice Infrastructure.

In a highly charged political environment that many may steer away from, Sweeney is in his element leading the City Rail Link project where both Central and local government are the main stakeholders.

"All these projects come with politics because they are large and are spending public money. And with these projects, politicians often nail their colours to the mast and will either be criticised – as Phil Twyford was for KiwiBuild – or their reputation will be enhanced."

"Continually throughout my career I've had senior people take me aside, show an interest in me, stand beside me, open doors for me and protect me politically when things got difficult."

Sweeney is well aware the projects he has worked on would not have existed without early political support. "Projects get started because you get in a minister's ear and explain why this needs to happen for public good, then more ministers need to agree through the Cabinet process where it will either succeed or fail to get funded. You can't deny that this is about selling visions to people and explaining how they will be enhanced along the way."

Over and again, Sweeney has witnessed how infrastructure projects have transformed cities. Te Papa changed the perception of Wellington internationally and domestically, as well as increasing visitor numbers and stay, and the well-known transformation of Melbourne from a city best seen in the rear-vision mirror to a popular destination. He believes Aucklanders won't truly understand the benefits of the new rail until they experience the ease of moving around suburbs for work and leisure.

Sweeney's career has developed through serendipity, strict planning and a large dose of reality. The Te Papa opportunity came about when he needed a job following the sharemarket crash, his wife was pregnant and like many good Kiwi stories, it started with a conversation at a barbecue.

He laughs at the memory that later he was chosen by museum staff to manage the development, construction and installation of the exhibits because he was "the least annoying" of the project managers on the job. Internationally, this is usually the most high-risk part of a museum development, often coming in 100 per cent over time and budget. Sweeney completed the project with six months to spare and $5 million under budget.

He comes back time and again to his learning at Te Papa and singles out museum project director and head of exhibition Ken Gorbey, who was a strong influence and transformative in understanding how to get the best out of people. "Continually throughout my career I've had senior people take me aside, show an interest in me, stand beside me, open doors for me and protect me politically when things got difficult."

Now the boot is on the other foot with Sweeney singling out employees who he believes are worth investing discretionary effort in. But it is his background and upbringing that has helped influence his decision to set up a social outcomes project at City Rail Link. His parents were '10-pound Poms' who settled in a state house in Tītahi Bay.

For Sweeney, living in the beach settlement in the 1960s was paradise: walking distance to where he could go fishing and swimming. "Fortunate enough to dodge some of life's nastier bullets," he was the first in his family to go to university and says he is now pleased to be able to do something about the luck and opportunity that proved elusive for some of his Tītahi Bay peers and those in similar places.

The social outcomes project, which helps train young people and then helps them get jobs and keep them, is a blueprint Sweeney would happily share. But he warns that it takes a massive amount of pastoral support. He learnt this first as head of construction at Melbourne company Grocon, which had a programme training and finding jobs for people who were close to heading down a criminal path or homeless.

"The common view to address this problem is you find these people, you give them a job, you pat them on the back and walk away, but that just doesn't work. You need to do far more to support them. You see these kids and the battle they must overcome just to turn up for work every day. I grew up in a town with people like that who were my classmates.

"There are good kids slipping through the cracks in New Zealand big time. I took a view that we're a big construction project, we're a mega employer and our industry is short of resource. So, surely, somewhere in there, there must be a mechanism that provides these kids with a chance."

Sweeney is proud of the success rate of more than 80 per cent of the recruits getting and retaining jobs. "It is not uncommon that they are the first people in their wider whānau to have a job."

While Sweeney's CV boasts a successful career, it was not without a few false starts. Thrown out of teachers training college, he spent two years fixing cash registers until "an epiphany that the world didn't owe me a living". High marks studying a New Zealand Certificate of Engineering (NZCE) got him bumped into the third year of an engineering degree in Auckland where he had the "traumatic experience" of learning differential calculus when his last formal maths had been in sixth form.

Later, working in Australia, he signed up to a master's degree after realising he was the only one of his peers who didn't have postgraduate qualifications. He was then talked into doing a PHD by an academic who Sweeney says was "completely lying" about the amount of work necessary. This wasn't before an interview with a panel of academics "playing tag to beat me up", just to prove he was capable of completing it. He did.

While Sweeney describes his career as "lucky", he also admits to strict planning and following the "audacious goals" of working at a high level, internationally, on big projects.

Those goals have taken him to re-imaging petroleum company BP in the Australasian market. He was then sent to the US to turn around a project rebranding petrol stations where his new colleagues told him: "We want you to know we're completely opposed to you being here. I had to rapidly build up trust which I learnt to do by treating people properly and delivering what I said I'd do."

The next steps for Sweeney could be a directorship where he believes he could make a difference.

"There are good kids slipping through the cracks in New Zealand big time. I took a view that we're a big construction project, we're a mega employer and our industry is short of resource. So, surely, somewhere in there, there must be a mechanism that provides these kids with a chance."

Troubled waters

Engineering fellow Dr Sina Cotter Tait says understanding co-governance is a learning journey for a lot of boards.

AUTHOR:
NOEL PRENTICE

The issue of co-governance is at a difficult stage but a conversation will have to be held at a national level, says engineering fellow Dr Sina Cotter Tait MInstD.

Cotter Tait, a champion for diversity, Pacific peoples and community projects, sits on a number of boards involved in infrastructure, and one in particular that engages with Māori and the contentious resource of water.

"I suppose we're in that really difficult stage where people are getting their misunderstandings and fears out of the way," the civil engineer says. "Co-governance is a conversation we have to have at a national level.

"I'm on the board of an irrigation company and co-governance is a topic we have to talk about. None of us is Māori. I certainly don't have an authority in engaging with iwi, but moving our company in a [right] direction, we need to do that. I can see a real opportunity – and a risk as well – for boards that have the kind of understanding and bigger world view around these co-governance conversations."

Cotter Tait says for organisations dealing with infrastructure involving water it is very much at the forefront because of the government's Three Waters Reform programme.

"It is a tricky space that we're going to have to navigate. Legislative change is always difficult and understanding what the impact is going to be and how it might change your operation and reporting obligations. That's one aspect of it.

"For an organisation to fully understand co-governance, the philosophy of it and what it means and what it doesn't mean, that's a learning journey for a lot of boards."

Cotter Tait, who was elected a Fellow of Engineering New Zealand – Te Ao Rangahau in 2022, says there is a lack of resources and ways to upskill.

"The last thing we want is for everyone to hit the local marae and ask to be taught this stuff because there just isn't the capacity in Māoridom to support organisations to suddenly come up to speed with all things Māori.

"For water engineering in particular, most of us aren't Māori. So we have to come up to speed with what the water reforms will mean for our work. There's a huge need there for organisations and directors to be mindful of."

This means even more responsibility for CEOs, who are busy trying to manage risk, cyber security and changing social values, along with their normal duties.

"Boards have to remember we are asking a lot of our CEOs now. Cultural competence is really a big ask for a lot of our CEOs and our executive leaders. It's something I've observed and I'm not quite sure what the answer is, but I'm quite sensitive to the fact that some of this change is going take a lot of time. As a director we have to have some patience and support our executives as we all learn together."

Born in Christchurch, Cotter Tait spent the first 10 years of her life growing up in Port Moresby, Papua New Guinea, after her father, also an engineer, left New Zealand to find work. "My mum is from Samoa, which is where my Pacific heritage comes from. My father's family actually goes back lots of generations here in Ōtautahi, Christchurch."

"It is a tricky space that we're going to have to navigate. Legislative change is always difficult and understanding what the impact is going to be and how it might change your operation and reporting obligations. That's one aspect of it."

Torn between a career in law and engineering, Cotter Tait opted for the latter because she was passionate about water. "But I really enjoyed the contract management side of things, which probably wasn't that surprising since I had considered law."

She values her engineering degree highly, saying it is incredibly valuable because it teaches you discipline around systematic thinking and critical thinking that is "incredibly useful" in the boardroom.

By the time she finished university she was married to John (also an engineer) and had a two-year-old child. Satisfying her ambition, she did an MBA at Canterbury University, helping her define her strengths.

"And that's the first time I heard about this thing called governance, through the MBA. I jumped on my kids' school board, which was a real experience in lots of ways, good and bad. I was then incredibly fortunate to be appointed onto the Christchurch City Holdings' intern director scheme, placing me on a board for two years as an intern. I learned a phenomenal amount."

Now Cotter Tait is in a happy space of combining her technical understanding – infrastructure – with her values around community, along with her roles in a number of engineering boards.

Most recently she joined the Ōtautahi Community Housing Trust, which provides social housing in Christchurch. She has also joined the board of a civil construction company and an irrigation company, both in Oamaru.

As a leader in her field, Cotter Tait says the number of women in engineering – either civil, mechanical or electrical – has room for improvement. And even more so for Pasifika and Māori.

New Zealand has a membership of 22,000 professional engineers – and fewer than 6 per cent are Māori and/or Pacific. “We’re certainly very under-represented,” says Cotter Tait. “And there are so few of us who are chartered.

“It’s a complex issue. It goes right back to the number of Māori and Pacific coming into university, and affected by the number of students doing the hard physics and calculus subjects in high school.

“There’s this pipeline, which I’m interested in from a governance point of view. I’ve sat on school boards but I’m also involved in industry advisory groups at university. When you are looking at these different points along the chain, you can see it’s a systemic issue.

“There’s lots of things that need addressing. The statistics I’m seeing in the education sector at the moment, I don’t see that changing anytime in the next decade. I see that as a lost opportunity because our society is changing.”

Cotter Tait says she sees a real value proposition for boards to have Māori and Pacific whakapapa in the boardroom, “because there’s this kind of cultural grab of issues that society is trying to deal with”.

As a minority in the engineering world, it was an environment where she did not feel comfortable – and that has transferred to boardrooms.

“I don’t necessarily feel like I share the same background as other people in lots of ways. I’m a curious, nosy person who is keen to understand things. I’m also keen to see if I can help. I seem to have this tendency to gravitate towards spaces where there aren’t many people who ‘look’ like me.”

Cotter Tait, who has just joined the IoD’s Pacific Advisory Group, says cyber security is an issue that concerns her, along with climate change.

“Every board I’m on is struggling with climate change and what it means for us, how effective we can be and what kind of urgency we need to place on it. But the one that really has me worried is around cyber security. It’s a huge opportunity with some of these new tools but we seem to lack the regulatory framework. We’re also exposing ourselves potentially to a whole lot of risks we don’t fully understand. How do we protect ourselves but move forward at the same time? It is really challenging,” she says.

“Every board I’m on is struggling with climate change and what it means for us, how effective we can be and what kind of urgency we need to place on it. But the one that that really has me worried at the moment is around cyber security.”

“Some of the regulations coming out of Australia are quite alarming – the financial penalties you could face if you don’t have the right measures in place are huge. And potentially quite frightening. To maintain a basic level of cyber security, there is probably a lot more than people realise.”

The ability of boards to be agile points to the massively broad and complex nature of governance for most organisations, she says, and being able to shift from thinking about internal issues to strategic issues – all in the same four-hour meeting. “That’s an agility in itself.”

But she says it is important to be able to balance the long term and the short term, important versus urgent, and that sometimes a 100-year view is necessary, citing the irrigation board she sits on.

Cotter Tait says you cannot be an authority on everything and board meetings are a process of continuous learning. “Sometimes I learn a lot more than I wanted, but in a changing world you have to be open to changing your position or mind.”

Her motivation is delivering community impact and she is not interested in organisations that exist purely for profit.

“The construction company I’m involved in is 100 per cent-owned by Waitaki District Council so all the profits and dividends go back into the local economy. The Ōtautahi Community Housing Trust delivers social housing and is effectively not for profit. If you’re contributing to that important work, even in a tiny way, it is really cool and incredibly rewarding.

“It’s making people’s lives better. That’s what we’re here to do.”

Work:Space

Rick Hoskin MInstD says the first thing you will notice about his desk is that, because he is blind, it is free of paper. There are no folders, letters, memo pads, or in or out trays. On his desk is a Google Home Mini, an Amazon Echo Show, two laptops, and chargers for his iPhone and Apple watch. He has a small digital recorder for taking phone messages and a landline. His guide dog, Banner, is constantly at his side on the floor.

"I am constantly using the Echo and the Home for spelling, calculating, synonyms, and general web information," he says. "I find the verbal engagement with the internet more concise and quicker. Being totally blind, I have downloaded Freedom Scientific's Jaws software. This is a remarkable application which makes the entire Microsoft suite totally accessible, as well as internet search engines such as Chrome, Bing, Yahoo and Firefox."

Hoskin, the former chair of Blind Low Vision NZ Board, is surrounded by some of his favorite furniture, including a couple of Parker Knoll wingback armchairs, and an antique nest of tables from the Regency period. Framed to one side of the window is his ONZM certificate and medal, awarded in 2022. Nearby is a selection of about 40 single malt whiskies, which beckon him in late evening.

Hoskin, a retired physiotherapist, says having your work station set up correctly is so important. He has spent many hours over the past 35 years giving advice on ergonomics and postural back care. "I found men generally more blasé about looking after themselves, the results of which come home to roost insidiously years later," he says.

"When I sold my physio business, it had a staff of about 20 physiotherapists and half a dozen people in admin. My office was half the table in the back room. The client was more important than a great desk set-up. Even as chair of the Royal New Zealand Foundation of the Blind, I had no pretentions about my work space, generally finding a corner somewhere to do whatever needed doing."

Hoskin has written a novel, *At Any Cost* – a murder, kidnap and revenge story based around megalomaniacs vying for the America's Cup. He has also written storylines for several children's picture books, and a novel for young teenagers named *Double Trouble*. He is three-quarters of the way through writing a sequel to his first novel.

Hoskin lives in Birkenhead, Auckland, where there is constant birdsong, little traffic and only the occasional dog bark. "Working on my own, with my wife at work or out and about, my dog brings life into the room," he says.

How to effectively target your risks

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Photo by:
Sigmund on
Unsplash

Cyber protection is never a 'set and forget' situation, and never drop your guard in the face of economic uncertainty.

Working in cyber security, you might expect me to say "cyber security should be your top priority". But the reality is that directors have many competing responsibilities – cyber is certainly among them – and we have to be realistic that the top priorities shift, especially when navigating uncertain and difficult times.

Despite encouraging signs from some players in the global economy, there is a distinct possibility of recession in New Zealand through 2023. Whether or not the economy contracts, a wide cross section of business owners and directors are front-footing it by hoping for the best but planning for the worst.

Our businesses have just been through three years of truly terrible times. While economic impacts through any major event are uneven, with some prospering but many suffering awfully, the bigger picture really is one of pain. Belt-tightening in these circumstances isn't just understandable, it is essential for long-term longevity.

Running the ruler over all expenses is never a bad thing, and it is likely that budgets pertaining to IT and information security are among the expenditures under review – after all, financial wellbeing must come first. When considering what costs need to be trimmed, bear in mind that cyber security is a fundamental part of running businesses today and is a constantly changing risk that needs to be built into your risk profile.

Cybercriminals aren't immune from what's going on in the world either. For many, cybercrime isn't a hobby or pastime, it's a full-time job. In some cases, cybercrime is committed by people working in brick and mortar offices, within organisations structured in much the same way as legitimate corporations.

This means cybercriminals are always hard at work, looking for opportunities and victims from whom they can extract money, especially in difficult economic times.

Cyber protection is never a ‘set and forget’ situation. Over the past three years, many companies have stepped up the focus on cyber security in the wake of the sudden (and now enduring) shift to work-from-home arrangements, and in response to escalating cyber breaches.

By now, it’s well known these shifts changed and expanded the threat surface, with many scrambling to apply the necessary attention to security provisions. Most have now made those necessary investments and adjustments.

But these adjustments and investments aren’t one-offs. Whether operating individually or in organised groups, cybercriminals never rest on their laurels. Their methods, tools and ingenuity constantly evolve as they seek out new ways of getting into your systems (and bank balance). The technology we use also evolves constantly, along with the way we use it. This exposes or creates new weaknesses which must be addressed to stay a step ahead of the attackers.

And then there’s the people factor. Human error is variously estimated to be behind 80 per cent to 95 per cent of cyber breaches, according to the Verizon 2022 Data Breach Investigations Report and IBM Security Services 2014 Cyber Security Intelligence Index Report. The susceptibility of employees to social engineering never goes away. Even as new tools emerge which could enhance hackers’ ability to get into your systems, it’s still human ingenuity and human infallibility posing the biggest threat.

SOUND ADVICE IN A TIGHTENING MARKET

Cyber security is very much a journey and not a destination. Never drop your guard in the face of economic uncertainty because any interruption or financial loss is likely to be felt far more keenly when the cupboard is already bare.

The key to protecting your cyber security is a sharp and unrelenting focus on the basics, including:

- A risk-based plan.
- Updated and appropriate software.
- Firewalls and software configured to take advantage of built-in features such as multi-factor authentication.
- Determining which applications and assets are essential and protect them accordingly.
- Creating a risk register, identifying the top risks faced by your organisation and spelling out how to mitigate them.
- Conducting a review of all tools and services in place and any that are unnecessary or duplicated.

A threat assessment in what is a constantly changing environment is advisable and may influence adjustments to the services and tools in your inventory. Consider outsourcing part or all of your cyber security requirements. This can help with costs in some circumstances, provides flexibility, and standards-based services for peace of mind. When doing this, always ensure you are maintaining a suitable security posture.

I’m not telling you to make cyber security your main priority during these difficult times. But do examine your spend and make sure you are focused on the right areas.

Knowing your cyber security is taken care of shouldn’t be an afterthought. Even if the economy is retreating, the hackers aren’t slowing down.

“The susceptibility of employees to social engineering never goes away. Even as new tools emerge which could enhance hackers’ ability to get into your systems, it’s still human ingenuity and human infallibility posing the biggest threat.”

Investing for the future

New Zealand directors need to stay the course and keep an eye on the global ESG landscape.

AUTHOR:
NIGEL ANNETT, EGM CORPORATE BANKING

Photo by: Christophe Hautier on Unsplash

Climate change is a topic that is increasingly on board agendas and we are seeing progress in the transition required. In some areas New Zealand can claim to be leading, notably the world-first legislation mandating climate-related disclosures for our largest companies.

But the global landscape in relation to ESG (environmental, social and governance) is evolving rapidly. To remain competitive New Zealand directors and business owners need to be flexible to the global shifts, and we need to ensure our business sector is equipped with the support it needs to adapt.

The impact of the mandatory disclosures on New Zealand businesses will be significant. While only our largest entities are directly in scope of reporting requirements (including listed issuers and banks), the impact will cascade through the economy.

Organisations that are required to disclose need to understand and report greenhouse gas emissions across their end-to-end value chain – from suppliers through to customers. For banks, this means the financed or 'Scope 3' emissions relating to their business lending.

This is leading to in-depth conversations with customers to understand their transition pathway and will inevitably drive the development of further sustainable finance offerings to help businesses reduce emissions and tackle climate risk.

Mandatory disclosures will drive transparency and increased scrutiny from the market, but will also drive innovative responses to aid transparency. For example, we are seeing a range of new B2B carbon measurement solutions and platforms, responding to the growth in demand from companies in the supply chain and customer base of larger organisations.

We are also now seeing other markets and close trading partners, such as Hong Kong, Japan and Singapore, follow with their own mandatory reporting regimes. The UK has already mandated climate disclosure and Australia's Treasury is consulting on a scheme.

Many organisations will need to report in multiple jurisdictions, so it is critical there is consistency between standards applied in different countries. Helpfully, New Zealand's External Reporting Board (XRB), which sets our disclosure standards, has been explicit about the need to monitor these international developments.

About 200 finance issuing entities in New Zealand are also beginning to make climate-related disclosures and, in 2022, ASB released its first Climate Report 12 months ahead of schedule, outlining the risks for customers.

Standards and comparability between markets will need to extend beyond compliance. Last year, New Zealand trade delegations to the US and Europe received a strong message that our exports will need solid sustainability credentials if we are to compete internationally.

Last December, the EU introduced the world's first carbon tariff which will apply to high-emission imports such as iron, steel and cement. Primary produce is not in scope, but this signals strong intent and direction of travel globally. That this was passed during the cost-of-living crisis and increased energy insecurity shows sustainability is not something that can be deprioritised until other problems are solved.

Regulators are also taking steps to understand climate impacts on financial stability. The RBNZ is increasing its efforts to stress-test bank balance sheets to understand vulnerabilities, which will likely lead to increased capital requirements for lending to higher emitting sectors and those businesses slow to transition.

As a result, the finance sector must play a supportive role to ensure capital flows to sectors committed to transition to lower emissions. A good example is transport, where New Zealand's light vehicle fleet is acknowledged as among the least efficient in the developed world.

The government's 'feebate' scheme is encouraging household uptake of EVs, and the market here is now starting to develop. According to Stats NZ, in early 2022 the value of imported EVs for personal use more than tripled to $543 million. Hybrid electric vehicles and plug-in hybrids increased more than 60 per cent ($242m) and more than 140 per cent ($46m) respectively. New Zealand's top-selling vehicle in September 2022 was an EV, and in early 2022 electric bus imports overtook diesel buses, for the first time.

Innovation around finance products is a developing area to support this growth. One of ASB's sustainable finance products is targeted specifically at low carbon initiatives, providing a more competitive rate to companies investing in technologies to lower emissions. For homeowners, the Better Homes Top-Up offers a competitive interest rate for lending to fund energy-efficient home improvements or vehicle purchases.

Although we are facing into the climate crisis, the critical ESG issues concerning investors and policy-makers are broader than climate, encompassing biodiversity (the focus of the recent UN COP15 conference in Canada) and human rights concerns, such as modern slavery.

The EU, UK and Australia already have legislation that requires organisations to report on their modern slavery risks and how they are addressing them. Modern slavery legislation is now also in the pipeline for New Zealand, with consultation closing last year.

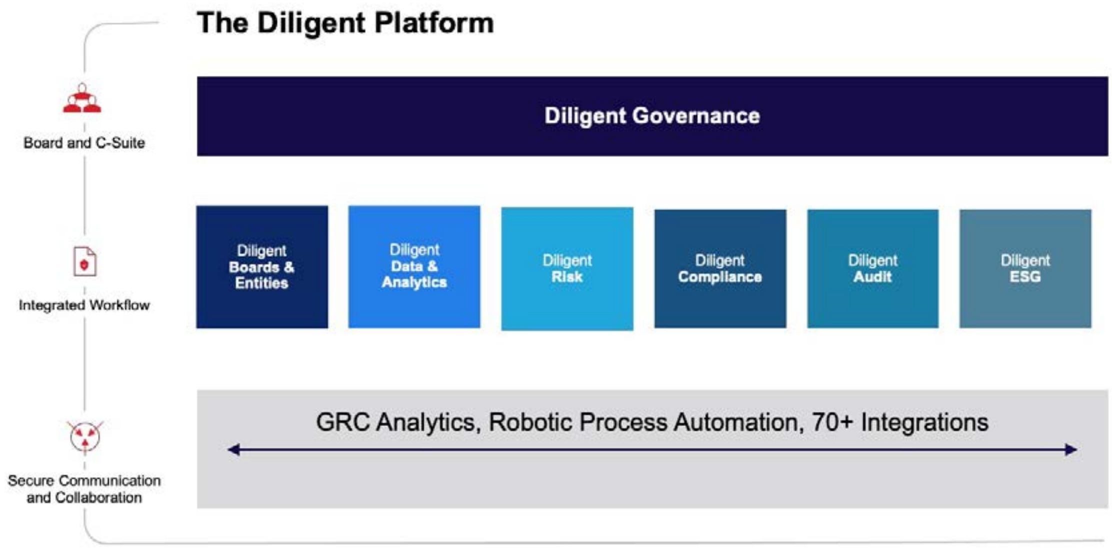
In the business community across all sectors, we are witnessing a huge upsurge of interest in ESG and the benefits it can deliver. It is important we maintain momentum regardless of what other priorities emerge. Deferment is not an option; investing in sustainability now is vital to ensure we have a resilient and prosperous New Zealand in the future.

ASB published its FY22 Climate Report last September, which can be viewed at asb.co.nz/about-us/sustainability

Diligent

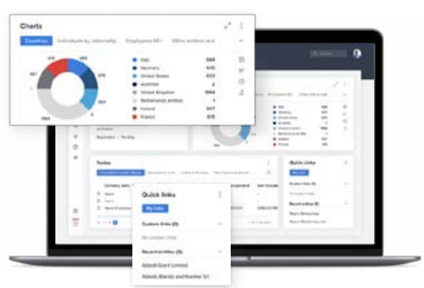
As organizations operate in a more complex business environment, they need to navigate more risk than ever before. But leaders can turn these risks into a strategic advantage with a modernized approach to governance.

With the Diligent Governance Platform, organizations can bring their most critical data into one centralized place. By leveraging powerful analytics, robotic process automation, and unparalleled industry data, the board and c-suite get relevant insights from across risk, compliance, audit and ESG teams that help them make better decisions, faster and more securely.



Boards & Entities

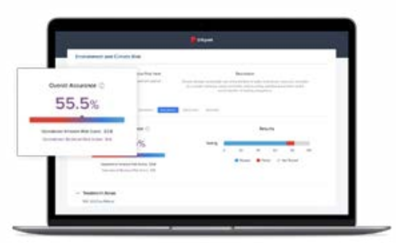
- Power your board with the data and intelligence they need to make better decisions. Diligent Boards provides directors with transparency into their organizations while powering productive board meetings. Directors can effectively and securely collaborate throughout the year to help advise the organization.



- Fuel better decision making by providing the right information at the right time to the right individuals. Diligent Entities ensures General Counsels and legal teams can drive value by creating a single source of truth to manage entities, subsidiaries and corporate records. With world-class organizational charting, dashboarding, API's and built-in data health checks, we ensure our legal leaders are always in a position to be more effective business leaders.

Diligent

Risk



- Identify, assess and remediate risk in a single, comprehensive platform that provides visibility into your organization’s risk posture. Apply a unified methodology based in best practices, deliver alignment across the organization, and provide insights for executive decision making.

Compliance

- Embrace a culture of compliance while protecting your organization’s brand with Diligent Compliance solutions. From helping employees understand and comply with your internal policies, to seamlessly evaluating, onboarding, monitoring and managing third parties, Diligent Compliance solutions ensure your organization is acting ethically at every level.

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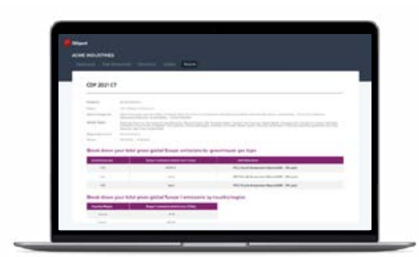
ESG



- Set and surpass your environmental, social and governance goals by bringing all your ESG data into one centralized place within the Diligent Platform. Monitor and act on current and future ESG risks, calculate and report GHG emissions across Scope 1, 2 & 3, gain clarity on your third parties, and evolving regulations. Foster collaboration among ESG stakeholders across your entire organization and develop a culture of continuous improvement on your ESG goals.

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TIME FOR BUSINESSES TO HIT THE RESET BUTTON

After five years of significant disruption, there are now signs of a market reset from offshore with new market forces and changes coming our way, according to a report, 'D&O insurance: Hitting the reset button'.

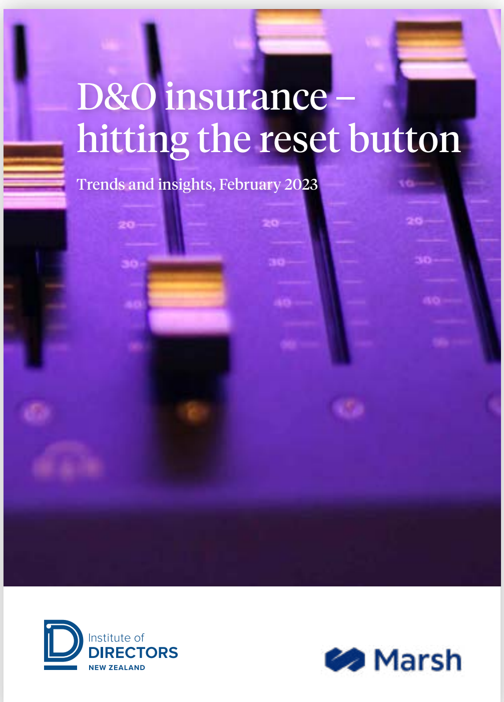
The report, released by the IoD and Marsh NZ, says a recent trend shows insurers are becoming more flexible and pricing has started to stabilise. This comes as welcome news for directors after the pandemic and economic instability triggered a premium uplift in the D&O insurance market.

"However, D&O insurance is not a proxy for governance and an increasingly important part of the due diligence that insurers undertake includes understanding organisations' governance structures and processes," says Guy Beatson, general manager of the IoD's Governance Leadership Centre.

Previously, the insurer's focus was on the quality of the risks they underwrite, which was based largely on the financial performance of the entity seeking cover. But today, there is an increasing emphasis on the risk profile of the directors, officers and overall governance of the respective entities.

Beatson says D&O conversations need to be led by the board so they are aware of what the policy entails, including company structure, coverage of directors, limits, trends in litigation and settlements in their industry sector, and confidentiality and non-disclosure requirements.

The IoD's 2022/23 Directors' Fees report found 89.5 per cent of organisations provided directors with liability insurance. While that percentage is high, the question might be, is it enough?



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iod.org.nz/resources-and-insights

COOLING THE CHATTER AROUND CHATGPT

Every technology has its limitations. Like it or loathe it, ChatGPT has been hyped as the next game-changer. The artificial intelligence chatbot, launched last November, can answer questions or complete complex tasks within seconds and sound eerily like an intelligent human response.

But it is not as powerful as it's touted to be, says one of our members, Anthony McMahon. He is an advisor with Target State, which specialises in guidance and support on digital transformation and technological risk mitigation.

McMahon lists eight reasons why, starting with ChatGPT being only as good as the questions you ask it. Humans have the capacity to hear the question underneath the question, while ChatGPT can only answer what is asked. Humans also have the potential to read non-verbal cues, which is essential in strategic decision-making.

He also points out that it cannot consider whether something is a good idea for your unique situation; it is a starting point and cannot do the work for you or keep you accountable; its responses lack finesse and the human touch; the answers appear objective but are often biased; it is not infallible; or a replacement for human intelligence.

McMahon also says innovation and inspiration often happen by accident in the in-between places. ChatGPT cannot daydream, have a long shower, or take itself paddle boarding. These repetitive activities allow our prefrontal cortex to slacken the reins, so we gain a dopamine hit and give our brain a creative shot at forging new connections.

Therefore, he concludes, its limitations are significant and it cannot replace human creativity and critical thinking.

RECOVERY TOOLKIT FOR HELPING IN A CRISIS

The IoD has put together a recovery toolkit for boards to steer their organisations through crisis and ongoing disruptions to operations. As a starting point, the Four Pillars of Best Practice Governance provides useful guidance in relation to the board's role.

All boards and their organisations should be prepared. It starts with the early response, coaching and guiding your team. Don't try to play the game for them. The board needs to be kept informed so they are ready and able to provide management with direction or guidance on key matters.

Maintaining relationships and building trust and confidence with key stakeholders will have a big influence on the recovery outcomes for the organisation. A crisis requires rapid decision-making in an environment of heightened uncertainty and risk. Decision-making processes need to reflect these changed circumstances.

Prepare for the long haul. Crises invariably last longer than initially anticipated and ripple out to have unforeseen ramifications on the business, either directly or through staff, customers or suppliers.

Health and safety risks are usually heightened. While people may want to take heroic actions or trade-off health and safety to achieve quick results, directors' duties and liabilities are not suspended in a crisis.

The Four Pillars also highlight the potential for financial distress. This can happen in the context of recovering from a crisis, including a natural disaster.

View the toolkit in full here: iod.org.nz/news/articles/guidance-for-boards-supporting-their-organisations-to-recover-from-a-natural-disaster/#

Chapter Zero NZ going from strength to strength

More than 850 directors have signed up for Chapter Zero New Zealand, which celebrated its first-year anniversary on 3 March. The chapter is hosted by the Institute of Directors and is part of a global network of professional directors across 50 countries focused on understanding, and acting on, climate change.

Our dedicated website (**chapterzero.nz**) has received more than 90,000 page views – showing the growing awareness in the governance community and the business community more generally – and we have 1,000 followers on LinkedIn. Five foundation partners have been welcomed to the team.

Chapter Zero NZ Steering Committee chair Dame Therese Walsh CFInstD says "over the past year it has been encouraging to see so many directors getting involved in the climate conversation".

"This is a really big issue that requires honest conversations and a will to find practical solutions. That's is what Chapter Zero NZ exists for – to help directors understand how their organisations fit into the bigger picture and to leverage global knowledge to find better ways forward."

This year, New Zealand's largest financial institutions will be required to report on their 2023 emissions profiles and climate-related risks under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act. This is the first mandatory climate reporting regime anywhere in the world, and those disclosures will appear in the 2024 reporting season.

Chapter Zero NZ has also conducted its first national climate governance survey, with an aim to draw valuable insights and allow the chapter and its partners to better focus on areas that will provide the most value and support." A summary report is expected to be published in April.

The chapter will host a breakfast event in Auckland on 31 March, which will feature an address from Leader of the Opposition Christopher Luxon. He will share the National Party's plans for addressing climate change.

This will be followed by a director's panel on the topic of board structure and composition (one of the fundamental principles of effective climate governance) with practical insights on how boards are managing their approach to climate.

Chapter Zero New Zealand
The Directors' Climate Forum

Chapter Zero New Zealand recently celebrated its first anniversary as part of the global Climate Governance Initiative.

Take a closer look at the progress over the past year.

90,000+

page views of chapterzero.nz

5 Foundation Partners

welcomed to the team

We heard from

40

New Zealand & international experts

850+

New Zealand directors signed up as supporters

1,000+

followers on LinkedIn

Become a supporter now, access resources, guides, and the latest curated climate governance news at **chapterzero.nz**

Chapter Zero New Zealand
The Directors' Climate Forum

Hosted by
Institute of DIRECTORS NEW ZEALAND