Boardroom

QUARTERLY MAGAZINE OF THE INSTITUTE OF DIRECTORS

SPRING 2024

Winning (and losing) at the board game | Have I added value? | Keeping your board match-fit | Building climatetech solutions | How to combat cybercrime

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“Strive not to be a success, but rather to be of value”

– Albert Einstein, famous physicist

What is the difference between success and value? Are they mutually inclusive? Success is what you see, value is what defines you. Success is materialistic, often temporary; values are selfless, always permanent.

Let’s interpret that in the world of governance: a board with value brings value to others. How do we define that value? Can it be measured?

This is what we explore in the spring edition of *Boardroom*, with a dive into the ‘value-adding board’, one of the Top 5 issues facing directors in 2024.

There is a common theme to a board that brings value – the whole is much greater than the sum of its parts. Those parts include institutional knowledge, experience, expertise, culture and diversity.

You need hard skills and soft skills. It is a team sport; there are no individuals. You need to play offence and defence – and play them well.

So, how do you get – and keep – your board match-fix? How do you test your value and evaluate yourself? Is there a missing link? Find out inside.

Speaking of diversity, a mentor and a mentee in our Mentoring for Diversity programme share their experiences with some confronting insights. You might need a mirror.

What was your carbon footprint like this week/month/year? A climatetech investor talks to us about tackling the ultimate game theory problem – climate change. He will share some more insights in building better solutions at our inaugural Climate Governance Forum in October.

And meet the “model member” who has joined the IoD Board as a Future Director.

Ngā mihi
Noel Prentice, editor

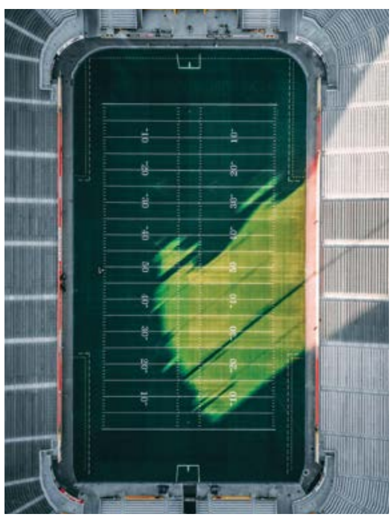
Boardroom *is not only a hit with members, but with the best designers in New Zealand. The IoD’s showpiece magazine is a finalist at the Designers Institute of New Zealand’s Best Design awards.* ***Boardroom*** *has been selected as a finalist in two categories – the editorial and books category and the business communication category. The Design Awards is an annual showcase of excellence in graphic, spatial, product, digital and motion design. The winners will be announced at a gala dinner in Auckland on Friday, 11 October.*

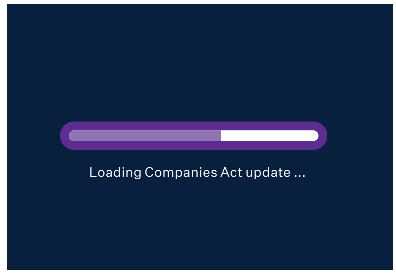
Best.

Best Design Awards Finalist 2024

In this issue

SPRING 2024

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VALUE-ADDING BOARD

The ‘missing link’ to good governance

Have I, and my board, added value today (and yesterday and into the future)?

AUTHOR:
GUY BEATSON CMInstD, GENERAL MANAGER, GOVERNANCE LEADERSHIP CENTRE, IoD

Many boards struggle to demonstrate their value and contribution to their stakeholders. They are often seen as a necessary expense, rather than a strategic asset. But it doesn’t have to be this way. With good governance practices, boards can become a powerful force for positive change and performance improvement.

What is the ‘missing’ good-practice governance that makes the difference between a board, even one of ‘all-stars’, and a value-adding board?

Poor governance practice by some raises questions for many about the value of governance. Any number of company and organisational failures are attributed to governance.

Fraud, accounting scandals, insider trading, paying executives too much and other organisational failures are attributable to governance failures. There is a long list of papers highlighting corporate governance failures at the highest level, including the likes of Parmalat, Volkswagen, Enron, WorldCom, One-Tel and UK Post Office. Closer to home, add the Pike River Mine disaster.

With this litany of poor governance, is it any wonder that directors and boards can often feel they don't add value or make a difference through governance practice, including investing in improving it?

And it gets worse because there are aspects of our system that reinforce this, including:

- An inadequate account taken of the importance of governance boards in funding decisions, notably not-for-profit, for purpose, social services entities. A 2019 Social Service Providers Aotearoa independent study, 'Social Service System: The funding gap and how to bridge it', recommended "the Ministry of Social Development, Oranga Tamariki and The Treasury investigate providing sufficient remuneration for provider governance boards and risk committees so providers have access to specialist expertise to support risk management and oversight". This points to a systemic failure to adequately recognise the value of governance.
- A trend to impose legal duties on directors (as officers) that merge the roles and responsibilities of the board and management. The IoD highlighted this trend in a 2019 *Boardroom* article, 'Balance of responsibility' and it has continued since then, including in the Incorporated Societies Act 2022 and in amendments to the Charities Act. Lumping management and governance into the same basket undermines the role that directors and boards play, and the value of governance.
- Directors being seen as simple 'agents' of company shareholders and society members. In a 2023 report named 'Responsible Leadership in Corporate Governance: An Integrative Approach', Monique Cikaliuk and fellow authors comment on the ". . . economic and legal understanding of directors as corporate agents of shareholder as principals . . ." They say in this view of governance, directors as agents operate within the existing corporate governance framework (that is, a specific social system) and typically are expected to behave in a "reactive, adaptive and transactional" way. In doing so, directors use only "ordinary" capabilities, as Professor David Teece describes them, solely focused on the current operations of a company or organisation, as opposed to dynamic capabilities through which directors and boards help their organisations to adapt to changing environments and take new opportunities.

> "With this litany of poor governance, is it any wonder that directors and boards can often feel they don't add value or make a difference through governance practice, including investing in improving it?"

These considerations led to 'the value-adding board' being one of the Top 5 issues for directors for 2024. We wanted two things to happen with this focus:

- The value of good practice governance in the private, not-for-profit and public sectors to be recognised by people within organisations, shareholders, funders and policymakers
- Directors and their boards to feel proud of the difference they make through improving their governance practice and to celebrate this achievement

It seems slightly odd to say this because it seems obvious – good-practice governance and boards do add value. And they add more value than might be suggested by what is outlined above.

Right up front, the *Four Pillars of Governance Best Practice* explains why governance matters:

". . . governance exists to help organisations achieve their fundamental purpose, as articulated and subscribed to by their owners (or members) and stakeholders. For companies, this is typically to maximise shareholder value. For other organisations, it may be to ensure they can pursue policy, non-profit, public good or commercial objectives. Directors with a well-developed understanding of corporate governance and commitment to continuous improvement can become effective decision-makers and drivers of performance."

Advantages of good corporate governance can include providing organisational leadership; ensuring accountability and transparency; lowering the cost of capital and increasing the value of a company; making investments more attractive, which in turn can lead to growth and more employment; producing better operational performance through better allocation of resources and better management; reducing the risk of financial crises that can have devastating economic and social costs; and ensuring stakeholder relationships are managed.

If this isn't value adding, it is hard to know what is.

This also explains KPMG New Zealand's 'What difference can directors make?: Aotearoa New Zealand Directors' Guide to Climate Governance'. This guide highlights the vital role directors play as overseers of risk and stewards of long-term value.

At the same time, empirically, it is much more difficult to find examples where there is a link between good governance practice (however defined) and improved organisational performance that bear out the value-add identified in the *Four Pillars*.

There is a good reason for this. Stanford University's David Larker and Brian Tayan noted in a 2023 article: "In the case of corporate governance, many important variables are not publicly observable to outside researchers, forcing them to develop proxies to estimate the variable they want to measure. It is extremely difficult to produce high-quality, fundamental insights into corporate governance because of these limitations."

Despite this, there is theoretical and empirical research that points to boards and directors adding value in many ways, most of which relate to the existence of a board and, more importantly, practices that are mostly 'unobservable', as Larker and Tayan identify. These include:

- Harnessing the power of a collective of different sets of skills and expertise
- Having the time to look over the horizon and out of the day-to-day rough and tumble, and managing a company or organisation
- Supporting chief executives (and their executive team) who have a generally 'lonely' existence and need all the support they can get
- Going beyond the compliance 'tick box' to focus on outcomes

> "There is theoretical and empirical research that points to boards and directors adding value in many ways, most of which relate to the existence of a board and, more importantly, practices that are mostly 'unobservable'."

The 'missing' or least forgotten link to improved company and organisational performance is governance practice.

What about diversity, surely that also makes a difference? You can have diverse boards, directors who have strong strategic capabilities, directors who have been fantastic leaders in their own right, and directors who are mostly lawyers and accountants who know the law and the accounting rules backwards. These could be seen as boards of all-stars.

Yet, it is possible to see all-star boards not performing well, not making a unique contribution and, as result, not adding value.

Why? Because in the midst of this is the practice of governance that is thought about deliberately and is tailored to the circumstances of a company or organisation, and can be changed to meet changing circumstances.

Board evaluations, using readily available tools from the IoD; ongoing personal reflection by board members; ongoing mentoring from experienced directors and capability development, including through governance development courses (all of which contribute to members' continuing professional development), all have a part to play in addressing this 'missing link'.

That way we get true value-adding boards that make a positive difference to the way our companies and organisations perform, with benefits for all of us now and into the future.

VALUE-
ADDING
BOARD

How to win the (board) game

AUTHOR:
NOEL PRENTICE,
EDITOR

The right mix of skills is critical for a board to bring value, says Westpac and a2 Milk chair Pip Greenwood MInstD.

Independent non-executive director Pip Greenwood MInstD says a board must be able to play offence and defence at a consistently high standard to bring value to their organisation.

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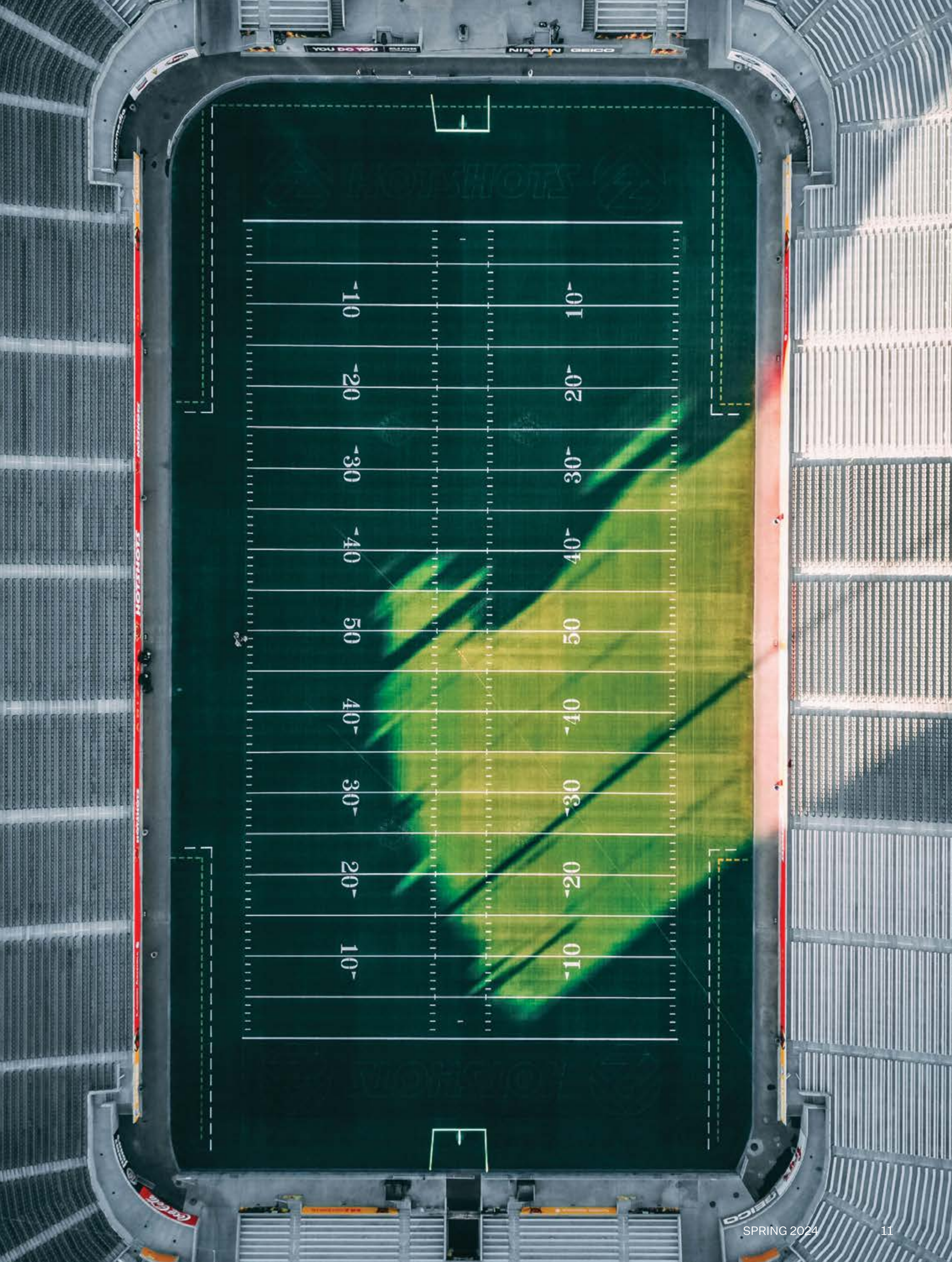
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NISSAN
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To achieve that gold-medal standard, she says a range of skills is needed at the board table – both hard and soft – along with institutional knowledge, specialist skills and experience across a range of industries.

"The board adds value by setting strategic direction, ensuring good governance, managing the risks associated with the particular company and supporting the CEO and management team," says Greenwood, the chair of Westpac and The a2 Milk Company. "The bottom line is the ultimate measure of the value the board is adding."

To be able to achieve this, she says it is critical the board has the right skills mix. "Industry experience on the board is non-negotiable and so are experienced and seasoned directors who have experience across industries.

"When looking for subject matter experts it is important they can make a broader contribution, otherwise the load of the board does not become evenly spread and puts performance at risk."

She stresses the need to have a combination of skills, saying: "There is a lot of focus on hard skills, completing the skills matrix, but it is important to have a combination of hard skills and soft skills.

"You cannot have people sitting around the table that can only contribute on one topic which may not come up at every meeting. That may be an extreme example, but it is important to think about broader contribution.

"Diversity is important, both in experience and in the way directors might think about an issue. This

"These are fundamental basic human characteristics. There is a lot of EQ required to be a good director. It is not just about IQ. I feel strongly about that."

Pip Greenwood MInstD

avoids groupthink, which can be a risk. You must be able to have healthy debate with your fellow board members."

While value can be hard to measure or quantify, Greenwood says you know it when you see it – or feel it – and when everyone is bringing their A game.

"You know when you are in sync with your management team. You know when it is good and when the conversations are of a high quality. It is like any environment or culture – when it's going well, you can feel it and everyone is contributing."

Conversely, when there is tension, disconnect or distrust, you can feel that too, she says. "These are fundamental basic human characteristics. There is a lot of EQ required to be a good director. It is not just about IQ. I feel strongly about that. Governance is a completely different skill set to the previous roles directors have had."

One of the most important values a board can bring is making sure you have the right CEO, she says, and the chair's role is to be a mentor and coach to the CEO. It is important to remember that the chair is not the CEO.

In a recent board effectiveness review, she says a manager made a comment about the board showing empathy and there was a good balance between support and challenge. The manager also said: "While they do not shy away from asking hard questions, you do feel they have got your back. You don't feel sick when you walk into the boardroom, but you don't feel too comfortable either."

"Isn't that the way you want to be?" Greenwood asks. "A healthy degree of respect. You are all part of the same team going in the same direction – it is not an individual sport. You are in a partnership with management, but you also have your own role to play.

"You know it is not adversarial, but you must be able to spot any issues. Some directors can go off on tangents and waste a lot of time on things that are not relevant or going to make the boat go faster. That said, there are compliance issues and non-negotiables you must deal with."

The board and chair need to focus on the right things and Greenwood says she spends a lot of time making sure there is the right level of information and detail in the board papers – "you're adding value by making sure you are focusing on the right things."

Understanding the organisation and fitting the culture is important, she says, as is the ability to be able to bring experience across different industries. "If you are a square peg around the board table, it can be very divisive for the whole group."

"You know it is not adversarial, but you must be able to spot any issues. Some directors can go off in tangents and waste a lot of time on things that are not going to make the boat go faster. That said, there are compliance issues and non-negotiables you must deal with."

THE OFFENCE

- **Strategic oversight:** The board helps management to set the long-term strategic objectives for the business. It then monitors the company's performance against that strategy and adjusts the strategy if, for example, market conditions change.
- **CEO recruitment and support:** Providing support and guidance to the CEO is really the role of the board. The chair is not the CEO and their role is to mentor and coach the CEO.
- **Management support:** Directors can bring a wealth of expertise from their fields. That can be of enormous value to the broader management team, providing support and guidance, particularly outside the boardroom.
- **Succession planning:** This is an important role of the board, both for the CEO and other senior managers, bearing in mind those senior managers are likely candidates for CEO succession so having a pipeline of talent coming through a company is critical. Research has evidenced that an internally appointed CEO is twice as likely to succeed in their role as an external candidate. This underlies the importance of having internal candidates for the role. That is not to say there may be times when a company requires a shift in focus that an external candidate may be able to bring.

THE DEFENCE

- **Risk management:** The board plays a key role in understanding the company's risks, setting its risk appetite, monitoring against that risk appetite and ensuring the company has appropriate controls in place to ensure it continues to operate within its risk appetite. Risk is a part of doing business and it is important both the board and management are clear on risk management that is appropriate for the type of business it operates.
- **Monitoring performance:** This includes approving budgets, monitoring financial performance and ensuring the company has the right resources to achieve its goals.
- **Governance and compliance:** The board is responsible for ensuring a company complies with its legal and regulatory obligations – for example, monitoring health and safety and making sure there are the appropriate processes in place.

A picture of poor health

Shocked by the data, a charitable trust is trying to find ways for rural communities to access healthcare.

As the Chair of the Healthcare Otago Charitable Trust, Paul Moodie CFInstD says his board's value-adding is trying to be the fence at the top of the cliff, not the ambulance at the bottom.

It's a well-known saying, but especially true in health, with the board constantly striving to improve the health outcomes in communities across a vast area.

Getting people access to healthcare is a massive challenge and cost, with more than 30 per cent of the population across the Southern District Health Board living at least an hour from a hospital. In 2018/19, the SDHB reimbursed more than $1.5 million in travel costs for hospital visits.

"I was astounded when we saw the data. We started thinking about better technology in rural hospitals, so people do not have to drive two hours or more, plus take time off work. We've battled with this. It's not easy to overcome," Moodie says.

"We're also trying to find a way, with Professor Garry Nixon [a medical practitioner in Central Otago], to influence young medical trainees to get into rural practice, and to support our rural GPs. How do we get them out there? We're trying to get in front of that."

Otago also has some of the oldest housing stock and one of the coldest climates in New Zealand, leading to hundreds of children aged 0 to 14 being hospitalised every year with housing-sensitive conditions.

The Trust has invested in the Cosy Homes programme, helping provide basics such as curtains, door stoppers and window seals. "We're trying to stop reoccurring hospital admissions of young people and the consequences of that for those who are poor," Moodie says.

Healthcare Otago is an important facilitator of healthcare. The Trust looks after about $24 million and allocates funds each year to charities around the region. Some of those charities are financially fragile, but they offer support to those who would otherwise fall between the gaps.

Trusts that are active in the community are constantly pressed for funding – they never have enough, Moodie laments. Adding value is trying to find financial stability, getting a strong balance sheet and reoccurring sources of income.

The life cycle for a trust is long and most are there for generations to come, unlike many companies. There are also a lot of legacy trusts, many with historic backgrounds and old buildings. Most are always receiving requests.

"They're asset rich and cash poor," Moodie says. "Adding value in those boards is more about investment

AUTHOR:
NOEL PRENTICE

strategy, making the most of what they've got and making tough decisions, such as releasing historic assets and freeing up cash for generations to come to use.

"Then you get the trusts that are well-heeled. Their challenge is about how to maintain their money and making sure they get the best use out of it. A lot of that is down to the quality of the applications they receive.

"How do they allocate that money? Do they look for entities that use results-based accountability to prove their outcome in the community? What's the criteria for giving money away? That can be quite challenging for a board, especially when the need is high. There are always more things that could be done."

The first rule of thumb, he says, is do your job. That also includes the simple things, such as new trustees understanding their trust and doing their research. Read the deed, he emphasises.

"That clearly states what the trust was set up for. Are you aligned to why the trust was set up? Often that's not the case, and I call that 'operational creep' where successive boards, however well-meaning, try to change or simplify things that aren't quite working right, and it shifts a little bit. After a decade, you can find that what this board is now doing is quite remote from what they were required to do under the trust."

At Healthcare Otago, Moodie says they often reflect on, 'What's our job?' What are we there for? Can we make that decision? Is it within our mandate?

"Luckily, on most trusts I'm involved in, one of our trustees is a lawyer who is great at making sure we 'stay in the lane'.

Moodie is also a believer of 'leaving it clean', where decisions are based on the trust's objectives, policies and procedures, along with its history – and an acceptance you are "simply a guardian for a period of time".

"You want to ensure the new trustees coming in have the guidance to understand what the trust is doing, how it reports, how it makes decisions, and the stress points around the role."

Moodie says it is up to the chair to ensure value has been added to a board meeting by reflecting on the decisions that have been made. "There needs to be a natural conclusion to every item on your agenda. I'd normally celebrate those and say we've done a great job today in allocating funds."

Like an athlete warming up for a race, he is a big believer in preparing for a board meeting. "Before a meeting, if you have a chance, reflect on either your strategy or objectives, or your culture. The things that are important to you. It helps to get your head in the game.

"A mental warm-up can bring focus to what your job is and be helpful, especially if you know a topic can be a bit contentious."

Moodie, who is a senior partner at Findex, also chairs Warbirds Over Wanaka, the international flying extravaganza which returned this year after being forced into a holding pattern since 2018 because of Covid-19.

"Warbirds is an interesting beast in that we only have a show every two years," Moodie says. "The focus of the board during those years was very much on, 'how do we survive long enough to get the next show under way?'

"Now I've taken over as chair, I want to go back to some of the basics and make sure we're OK with our purpose, our objectives, our ESG strategy, and our investment strategy. We need to ensure we are clear on all those matters, because without that it is hard to know if you're adding value."

65,608
KM SQUARED

The distance the Trust covers around the Southern District Health Board – bigger than Denmark or Belgium.

30%

of the community lives at least an hour from a hospital.

5.37
MILLION KILOMETRES

The travel the Trust reimbursed in 2018/19 through the National Travel Assistance Programme – the equivalent of travelling to the moon 14 times.

$1.5 MILLION

The reimbursement costs of that travel.

67,132 HOURS

The time spent in vehicles travelling to the hospital. For most people, they must be accompanied, meaning a day off work and possible accommodation for one or more.

1,121,622 KG

The cost to the planet in CO2 emissions

Note: Figures supplied from the Trust's 2020 strategy session.

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H A 2

T A R 3

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R S T R E 5

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How to test your value

To fully understand if you are adding value, you need to evaluate yourself through four lenses.

At this year's Institute of Directors' Leadership Conference in Christchurch, one of the regular online polls conducted with the delegates stood out – it showed half the boards who participated in the poll had not completed an evaluation.

Why do boards measure other parts of their organisation regularly, yet often ignore board performance? They regularly measure financial performance, pore over extensive and regular reports on how they are doing from an operational perspective and, in most cases, see data on employee experience.

So, how do we support chairs and directors to be successful and add value to the organisation through their board role? Peter Drucker's oft-quoted maxim, 'What gets measured gets managed', is as relevant to boards as it is to organisations.

It is difficult to know where a board needs to improve if it does not have any data on which to base its actions. Like all parts of the business, getting regular feedback to know what is needed to enhance value is critical.

What a board needs to know:

- What are your strengths? Where are the skills in abundance?
- What are the known weaknesses and capability gaps?
- Where are the blind spots, areas you may not realise are weaknesses or have potential for development?

There are three steps to having a constant value and improvement focus.

First, you need data and the only way to get data is through measurement. Just as we expect the business to have a continuous improvement focus and to

AUTHOR:
ALAN CASSIDY,
MANAGER GOVERNANCE SERVICES AND CONSULTING, IoD

constantly become more effective and more efficient, so must the board.

The only way to do this is through a regular evaluation and monitoring cycle. There has been an explosion in board evaluation and monitoring tools over the past couple of years, and when thinking about measurement it should be viewed through different lenses.

- **The behavioural lens:** what behaviours do we individually and collectively demonstrate in exercising our board responsibilities. What do people observe us doing, and what impact does that have on our fellow directors and the key stakeholders inside and outside the organisation?
- **The capability lens:** what skills, knowledge and expertise do we have, what gaps exist, how can we mitigate those gaps and what are the consequences on board performance?
- **The performance lens:** how do we know we are having an impact on the business, is the business better governed, is it meeting the expectations of stakeholders/ shareholders, and is the organisation aligned around strategy?
- **The operational lens:** is the board's infrastructure and systems and processes set up for effective decision-making?

Only focusing on one or two of these dimensions will not give you the full picture, and how and where your board can add value. To fully understand if you are adding value, you need to test and evaluate yourself on all four levels. Unless you are successful on all four you will not produce sustainable value.

Step two is how you translate that data and insights into action – the most important part of the evaluation process. This is expected of any part of a businesses, acting on insights into improvement areas, putting in place an action plan and delivering on that. Don't just measure because you feel you must, and it is in your constitution – measure because you are committed to adding value by acting.

The third step is, 'see what works and what doesn't'. If an intervention is not working, a board should have the agility and courage to change things. Progress should be regularly reviewed and monitored, and the action plan modified as more information appears.

Devoting valuable board time to 'where we added value' can seem indulgent when there are so many pressing priorities and demands. Undertaking a multi-dimensional measurement process can be time-consuming, which is one of the reasons why the most effective way for boards to get value from evaluation, but make it pragmatic and practical, is to follow a three- or four-year cycle.

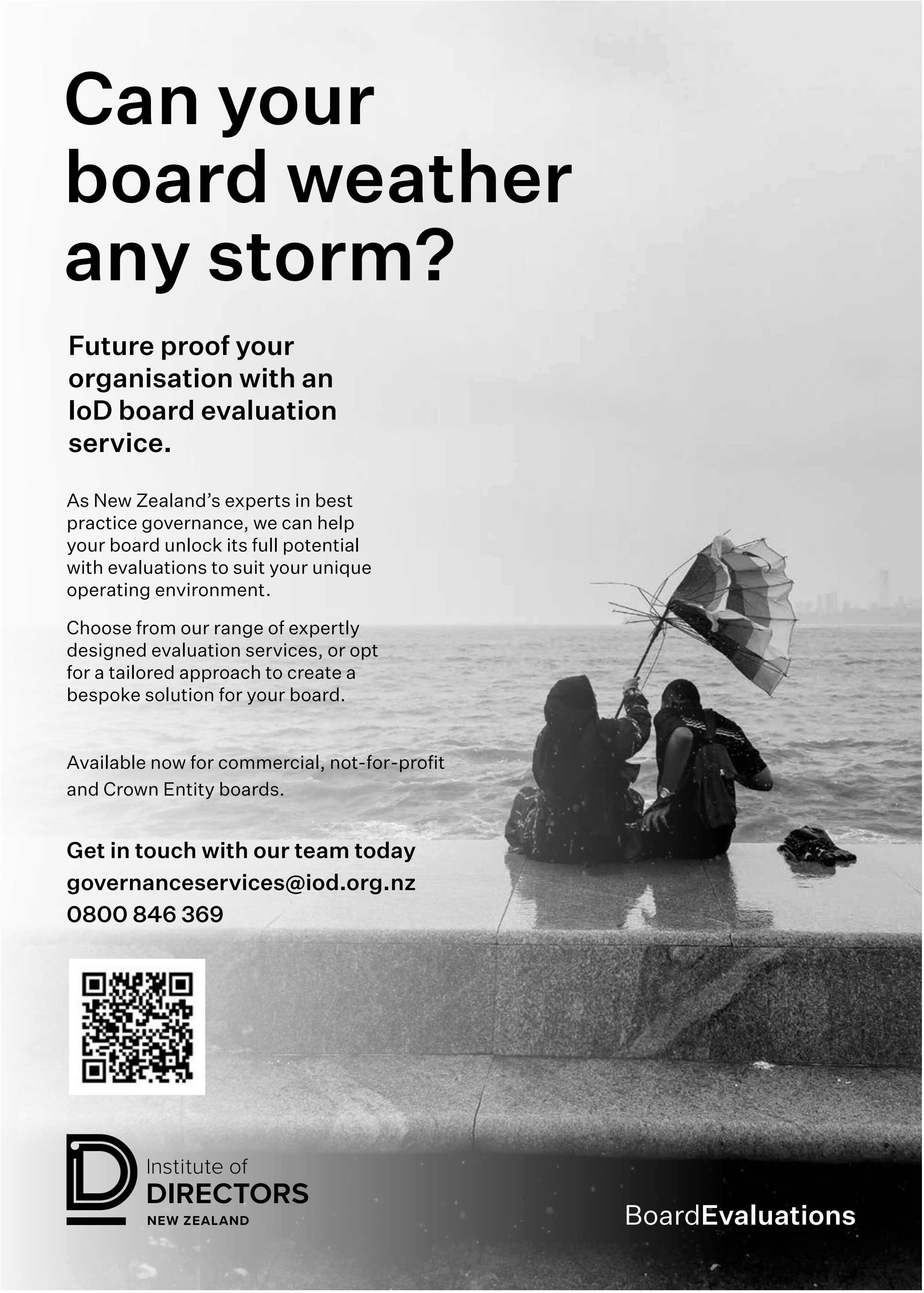
Do a deep dive evaluation on all four dimensions – behaviour, capability, performance and operations – in the first year to baseline your performance as a board and identify the areas you need to focus and work on.

In the next two or three years, conduct a pulse check survey on those key areas you have identified, as well as other lead indicators of board performance, then go back and do another deep dive evaluation on all four dimensions.

The reflection action cycle is common in learning and development. Why not translate that concept to the board cycle? Plan what you are going to do as a board, do the work, reflect on it and learn from the work experience and evaluate the results. Measurement through the four lenses is essential.

The results should be there for all to see – a better-functioning board with value at its core.

"Do a deep dive evaluation on all four dimensions – behaviour, capability, performance and operations – in the first year to baseline your performance as a board and identify the areas you need to focus and work on."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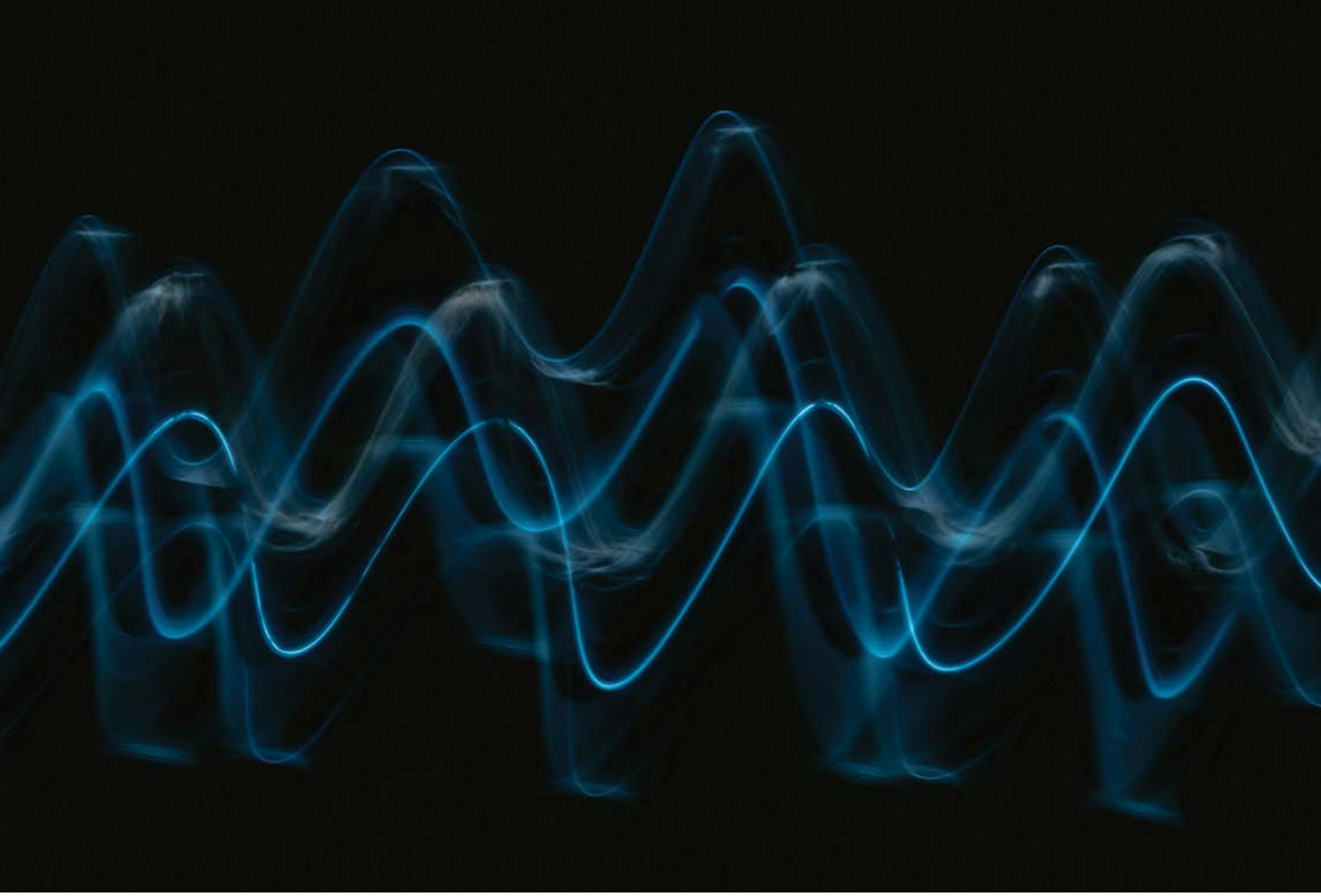

VALUE-
ADDING
BOARD

Listen up, here's the problem

AUTHOR:
JO CRIBB CFInstD

Photo by:
Pawel Czerwinski on Unsplash

It may be considered 'soft', but the skill of listening is hard, exhausting work.

Strangely, I often ponder what would be my answer if an alien life form ever asked me what value governance adds. From an interstellar perspective, governance could seem like a strange exercise: a group of disparate humans coming together at regular intervals to have discussions that lead to decisions.

I would answer that boards add value by making excellent decisions. Governance is team decision-making. Any strategy, for example, is a series of decisions about what the organisation will and will not deliver. So, the better the decisions, the more value a board adds.

Luckily, the research on what is needed for a group of people to make good decisions is clear: a diversity of views, different styles of decision-making (including challengers), trust (so board members openly share their insights without fear), and collective ownership and accountability for the decision-making process.

Good decisions are often the product of generative discussion when board members are open to each other's views, curious about different viewpoints, and create new collective insights from the wisdom of individual board members. The whole is much greater than the sum of its parts for these value-adding boards.

In the Institute of Directors' Leadership in the Boardroom course, the focus is on one of the fundamental building blocks of great discussions – the lost skill of listening – because many of us around board tables 'listen' with the sole purpose of spotting our turn to speak.

Commentators have observed that poor listening presents in several forms. 'The Preambler' will use long-winded lead-ins to questions that aren't really questions, clearly showing they aren't listening to the conversation.

You may even have 'The Answerer' on your board. They continually spout out solutions, usually motivated by a strong need to be right.

Or 'The Opinionator'. They listen with the purpose of determining if the speaker agrees with their (usually fixed) ideas or not.

Meanwhile, 'The Pretender' gives all the right cues they are listening intently, but they are really planning what they are having for dinner.

Effective listening involves trying to connect, understand and empathise with what is being said. It is surprising that the skill of listening is considered 'soft' because it is hard, exhausting work when done well. It's also surprising that given the importance of listening for discussion and decision-making that it rarely features as a key competency in director recruitment.

Hierarchy, conflict, dominating personalities, poor chairing, and the overwhelming desire to preserve relationships can all get in the way of good decision-making.

Ironically, so can board size. Research shows the more minds involved, the greater the risk of confirmation bias. Larger boards risk collectively seeking information that confirms the prevailing view. Seven members seems to be the magic number; anymore and the confirmation bias risk escalates.

So, summing up for my Martian mate, making good decisions is the answer to the question about how boards add value.

I'd also have to confess that humans do not necessarily value or invest in the skills – like listening – that are needed for good decision-making. I'd murmur this quietly so as not to point out this critical weakness and potentially open us up to a *3 Body Problem*.

"... many of us around board tables 'listen' with the sole purpose of spotting our turn to speak."

Jo Cribb CFInstD is an experienced director with a passion for the not-for-profit sector. She is also an IoD facilitator.

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When the music stops

AUTHOR:
JUDENE EDGAR CMInstD, DIRECTOR AND SENIOR GOVERNANCE ADVISOR, IoD

Removing a problematic or underperforming chair is one of the more challenging tasks a board may face.

We all aim to add value to our boards, but the chair is the lynchpin, providing leadership, developing the governance culture, ensuring there are strong communication flows between the board and management, and creating the vital link with the chief executive. The chair's behaviour and performance – good or bad – has a disproportionate impact on a board's effectiveness.

The fruits of successful leadership include stronger decision-making, employee engagement, increased productivity, positive organisational culture and enhanced financial performance. But as the saying goes, the fish rots from the head. Think Enron, Lehman Brothers, Boeing, BBC, Crown Resorts (Australia) and more.

While we can all have style and personality differences, poor leadership impacts on the ability of boards to work together and achieve consensus decision-making. A good leader is someone who can build trust and confidence, engage and motivate people, and influence others to work together towards a shared goal. To achieve this requires emotional intelligence, qualities such as empathy, integrity, humility and self-awareness, ironically generally referred to as soft skills.

We have all encountered bad bosses that have risen to the top despite having the wrong skills for a leadership role. We also recognise that leadership is dynamic, and the skills we expect and want from leaders have changed and expanded over time, as also recognised in some legal judgments.

The autocratic days of command and control are thankfully (hopefully) well behind us, replaced with recognition of the value of soft skills and the need for servant leadership, where people are put first.

Wakatū Incorporation director Miriana Stephens MInstD shared a saying she was taught when she was younger that sums up servant leadership perfectly: "If service is beneath you, then leadership is beyond you."

Without necessarily any reduction in hard skills, such as industry knowledge, technical skills and financial management, what brings these all together to make a good leader are people-centric skills, such as agility, adaptability, authenticity, innovation, creativity and relationship-building.

The CEO and chair have similar roles, albeit at different levels. And in the same way that you need to ensure the CEO is the right person for the role and hold them to account, the same applies to the chair (and board). While legally, all directors are equal, the chair is frequently referred to as 'first among equals', recognising their role in driving board effectiveness and best-practice governance.

Ultimately, the chair's role becomes untenable at the point they no longer enjoy the confidence of the board. The process of removing the chair will depend on the entity, legal structure, bylaws and mechanisms available. But even if these elements are stacked in your favour, it is a major event with repercussions inside and outside the boardroom, so it should not be taken lightly.

Like any significant corporate decision, you need to carefully consider the impacts, including brand and stakeholder implications, as well as business continuity. Focus on the organisation, not the individual. Ultimately, this is about what's best for the company. The chair's resignation or removal may stop problems from becoming worse and provide investors and stakeholders with the confidence they need.

Ideally, changing the chair should be done with sufficient lead time to enable a robust succession planning process to be undertaken. Where this is not possible, a robust process, even if severely truncated, still needs to take place, and legal advice may need to be sought and/or an independent third party engaged, especially if the chair is not prepared to go quietly.

There should be policies and procedures at hand to support the process, including code of conduct, board charter and performance evaluations. While board evaluations are becoming more commonplace, a separate evaluation of the chair's performance is an important element that shouldn't be regarded as an add-on.

An independent evaluation helps to remove any perceptions of bias, is more likely to unearth real concerns, and can support how the report is received and what is done with the information, particularly if a facilitated feedback session may be required. Seeking broader feedback from your CEO and executive team in relation to the chair's performance can also be beneficial.

Where the chair is appointed by shareholders or members, having annual performance reviews, including broader feedback on the chair's performance as well as transparency about meeting attendance, can help inform their re-appointment considerations.

As Mark Verbiest CFInstD told *Boardroom* in the summer 23-24 edition, "When directors don't seek feedback it often raises questions in terms of how self-aware they might be, where they genuinely think they have contributed and how effective they believe they might be."

However, you shouldn't leave concerns until the point where you feel that removing a chair is the only option. Regardless of how difficult it might be, direct and honest communication is essential. Try to address issues up front, either one-on-one, through the deputy chair, as part of performance feedback, or as a board.

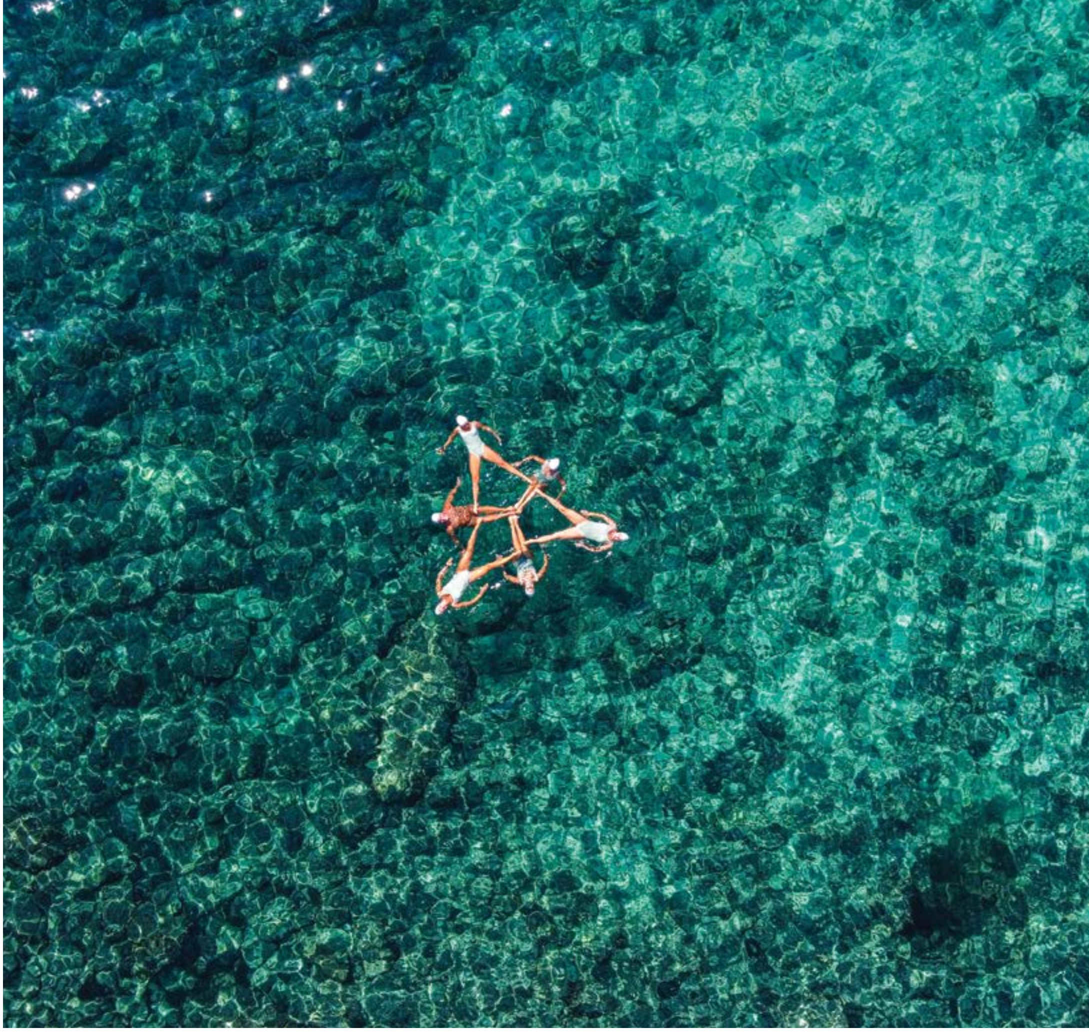
If the behaviour is new, listen and give them the opportunity to reflect on their behaviour, and seek to identify stressors or challenges they may be facing so they can be supported in their role, such as through training, mediation or a leave of absence.

If their behaviour or underperformance is an ongoing and/or serious concern, engage the rest of the board and ensure you have gathered concrete evidence and can identify specific issues that need to be addressed. A consensus about how to deal with the matter will be important to reduce the potential of further fracturing of the board and support the legitimacy of your claims.

Nonetheless, navigating the process can be hard. The situation needs to be handled with care, sensitivity, professionalism and confidentiality. Ensure transparency and that you are adhering to proper processes, such as convening and minuting a board meeting to decide on the best course of action. Do not make hasty judgements, but similarly, don't leave things until they are rotting.

"Regardless of how difficult it might be, direct and honest communication is essential. Try to address issues up front, either one-on-one, through the deputy chair, as part of performance feedback, or as a board."

Judene Edgar CMInstD is a Senior Governance Advisor in the Institute of Directors' Governance Leadership Centre. She is an experienced director and currently is a trustee with Network Tasman Trust and Rātā Foundation, and Chair of the Nelson Historic Theatre Trust.



How to align group dynamics

The chair needs to harmonise personalities and communication styles, so the sum of the whole is greater than its parts.

AUTHOR:
JACQUIE BOER MInstD

Are you in the process of applying for board roles? Sadly, my last experience ended with the dissolution of the board and the charitable trust it supported. It felt like a couple of wasted years.

Processing exactly what went wrong has taken some time. Meetings often seemed like an exercise in futility because we never seemed to get anything done. We had good intentions, we were serving a noble purpose, many board members represented significant stakeholders who wanted to see things happen. However, month-on-month it seemed we delivered very little value.

Why? Because we failed to identify the risks posed by our group dynamic. We had skills and experience to bring to the table, but our personalities and communication styles did not work together to catalyse us into action and deliver as a team.

As a PR consultant, I've undertaken many culture reviews during the past 10 years for fast-moving consumer goods, infrastructure and professional services businesses and have seen how constructively addressing group dynamics can powerfully align people in the service of their shared objectives.

Perhaps the very qualities that make us successful in our individual careers can make us ineffective around a board table. Being forthright, leading from the front, forming strong opinions, providing decisive advice, quickly identifying risks and suggesting actions tend not to be qualities that encourage diversity of thinking or the contributions of people who are more introverted by nature.

Expecting others to 'speak our language' – whether it is the language of personality, numbers, emotional intelligence, or indeed just the cultural language we grew up with – as the only way to get us to take them seriously, is a hiding to nothing.

Unfortunately, the process of board recruitment seems to lead down this path with its reductive focus on skill set rather than the broader benefits on mindset.

Has a board recruiter ever sought to understand your personality, for example, and how that might predispose you to working effectively with others on a board. The conversation tends to be, 'We need someone who is good at (insert professional skill set)'.

And yet boards are a team game. It is supposed to be about the group and its shared contribution. That's why we gather in a room (hopefully), rather than simply reading our board papers at home and emailing in our points or questions for central processing. The dynamic between the people in the physical space on the day matters.

So, when we talk about the value-adding board, instead of asking ourselves, 'How did I make a contribution as a result of my skills and experience?' to assess the value we have contributed, a better set of questions might be:

- How did I encourage other board members to speak?
- How did I ensure I really listened to what they had to say?
- In what ways was I able to consider different points of view and change my mind?
- How did I set aside my own point of view to really hear what the rest of the group had to say?

After all, we come to a board meeting to hear what others contribute, not to listen to the sound of our own voice.

Too often boards feel like a performance for the benefit of the chair. An ego-driven chair might pit board members against each other for the sport of it. A laissez-faire chair may let the meeting meander rather than guide it to keep everything as comfortable as possible. A dictatorial chair may consider a meeting a success when their position has been adopted on every point. We have all seen these kinds of chairs in action.

The value-adding chair, however, should work to make sure everyone in the room contributes so the sum of the whole is greater than its parts. Our role as board members is to support that mission by managing ourselves and our own behaviour to allow that to happen.

So, starting with myself, I'm going to practise asking better questions and listening better. I'll be listening for thoughts and opinions that aren't like mine. I'll be looking for people who speak a different language.

I'll be in the team not trying to lead it, and I'll be asking myself at the end of each board meeting, 'Did I add value?'

"Being forthright, leading from the front, forming strong opinions, providing decisive advice, quickly identifying risks and suggesting actions tend not to be qualities that encourage diversity of thinking or the contributions of people who are more introverted by nature."

Jacquie Boer MInstD is a director and PR consultancy principal. She has served as a trustee on a number of organisations and is currently a member of the Public Relations Institute of New Zealand (PRINZ) board and a PRINZ Fellow.

How to keep your board match-fit

From 'seeking the truth' to 'I've been thinking', there are ways to improve performance.

AUTHOR:
DR HELEN ANDERSON CFInstD

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Nigel Msipa on Unsplash

Creating a high-performing board is not 'set and forget'. There are changes in board membership, CE succession, changing senior team dynamics – and that's just the people side of the business. Strategy must also be agile and responsive. External geopolitical shocks, pandemics, cyber security, as well as more localised impacts, such as flooding, earthquakes and the rise of political activism, can make a strategy out of date in days, not years.

So, what are some practical tips for keeping the board match-fit?

SEEK THE TRUTH ABOUT HOW YOU'RE DOING
Board evaluations are one tool in the kit. These can be focused on individual director performance, whole board dynamics, or more targeted challenges such as board succession and potential chair suitability. Doing the same kind of assessment every year is a recipe for survey fatigue, so it is best to mix up who does the evaluation and what its focus is. All evaluations must have direct chair involvement and individual follow-up discussions. If the whole board agrees to follow-up actions and monitors progress, then it is showing commitment to becoming and staying a high-performing board.

GET THE WHOLE BOARD ON BOARD
Boardwide is a great tool to help everyone get on the same page. In many organisations, only a few directors are IoD members, so non-members are less up to date with emerging issues and don't get as much interaction with other directors. Joining the whole board up to Boardwide means attendance at conferences, courses and networking events is easier and cheaper. Supporting directors' development is a positive investment in quality governance for any organisation.

PUT YOUR STRATEGY FRONT AND CENTRE
Keeping the strategy live and relevant requires constant attention. While 'strategy day(s)' can be effective in creating or testing the strategy, it is more powerful for elements of the strategy to be constantly reviewed as part of the board's workplan during the year. Putting these discussions up front in the agenda and making sure there is sufficient time for consideration avoids the strategy being out of date soon after its creation. Having the visual 'strategy on a page' and the forward workplan up front in the board pack sets the scene for quality conversations.

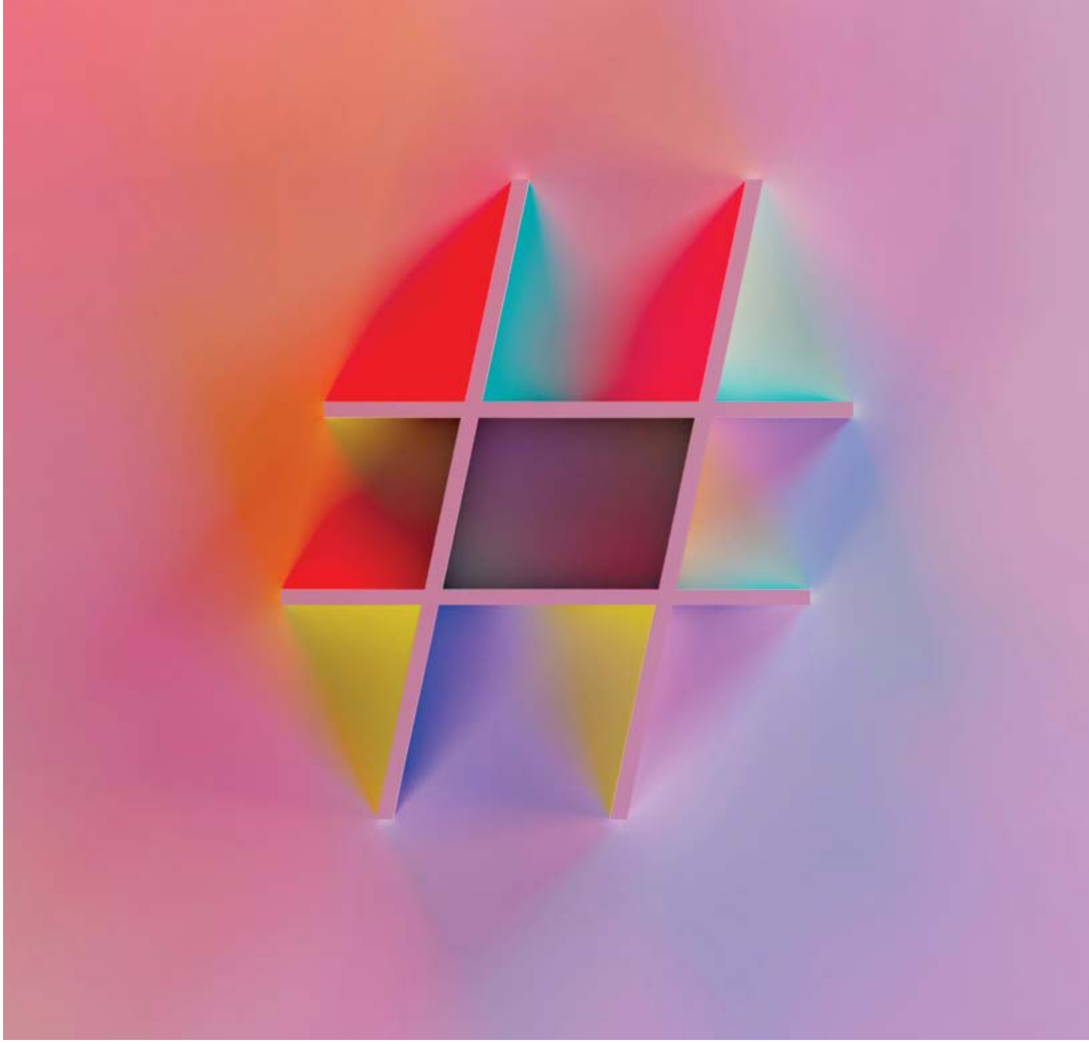
BRING IN BOARD INSIGHTS – 'I'VE BEEN THINKING'
Keeping the board match-fit also requires constant exploration of evolving opportunities and risks for the business. Directors often pick up emerging themes from the external business environment, so creating space for their outside-in lens can be powerful. An easy way to stimulate discussion is to assign one board member for each meeting to do a 10-minute (no more!) presentation on 'I've been thinking'. The opportunity to expand on their insights is appreciated by most directors, and management usually finds it valuable. Good chairing is needed to make sure everyone understands this is about ideas and provocation.

HANG OUT TOGETHER
It's an oldie but a goodie – the board getting together socially to strengthen trust and build insights into their colleagues' lives is powerful. When someone shares the good and tough stuff going on in their life and/or work in an informal environment, it gives helpful context to boardroom discussions. Meeting as a group for dinner or breakfast/coffee before the meeting also helps anticipate the contentious issues that the chair may need to manage. Bringing the professional self to the board table is much easier if the human self has been acknowledged.

FIRE UP FAST-FIRE FEEDBACK
Finally, reflecting on how the meeting went and how we added value as a board can be quick and easy. My colleague, Michael Ahie's tip: at the end of each meeting ask board members and management to have a two-minute discussion (in pairs) on the topic of 'What did we do well? What should we do differently?' Stick to two minutes. Feed this back into the group, and in less than 10 minutes you have reflected on board performance and have some insights into doing better next time. 'Do well/Do differently' can become a fun and important part of each board meeting.

> "An easy way to stimulate discussion is to assign one board member for each meeting to do a 10-minute (no more!) presentation on 'I've been thinking'."

Dr Helen Anderson CFInstD is the chair of Studio Pacific Architecture Ltd. She recently stood down as chair of Scion and as a board member of Antarctica NZ and has held numerous other private and public sector directorships.



Wealth creation: the mandate of the marketer

Professional marketers are a crucial, and often missing, component in board decision-making.

AUTHOR:
ANDREA MULLANE
MInstD

Photo by:
Planet Volumes on Unsplash

Any firm that exists to take its products or services to the marketplace is, by definition, a marketing company. Unfortunately, this is still news to many executives and directors.

Within the scope of governance, directors who are professional marketers contribute to the professional diversity of the board, adding value through expertise which is directly relevant to the board's functions – advisory, monitoring, oversight and ratifying.

French economist Jean-Baptiste Say (1767-1832) proposed it was the entrepreneur who directed resources to their most productive use, resulting in wealth creation. Jumping forward to Peter Drucker's book, *Management: Tasks, Responsibilities, Practices* (1974), he proposed the concept that the entire organisation be market focused.

A more recent definition of marketing is the four Ps: price, product, promotion and place (distribution). This concept may have impacted on the market orientation of the organisation to reduce marketing to a functional department, most often associated with promotional activities. Many people still hold this limited view.

Today, marketing is a highly sophisticated global industry which encompasses a range of commercial activities, including manufacturing, market research, packing design, digital communications, brand development, sales and e-commerce. Newer terms, such as supply chain (distribution and logistics) and value chain (pricing and value-add), are still just core marketing operations.

The mandate of marketing is wealth creation, where all activities are implemented and 'transcend the transactional' to create both medium- and long-term strategies that maintain competitiveness and future income. At senior executive level, marketing is strategically focused.

While the mandate of finance is to manage the firm's income, they don't create it, marketing does. It follows that if any organisation needs a chief of finance (CFO), it also needs a chief of marketing (CMO).

Professional diversity is one way to add valuable expertise which can contribute both to the oversight of management proposals and performance, and to robust board discussions by presenting alternate views which may facilitate improved decision-making and better company outcomes.

At board level, independent directors who are professional marketers add value to the board through their depth of knowledge and expertise in competitive strategy, which is crucial to the firm's performance. The proposed strategy document may lay out a single- or multi-year overview of market initiatives.

Reviewing and debating proposed competitive strategy relates directly to the board's involvement with developing competitive strategy (in consultation with senior executives) and monitoring its implementation and market results.

In sophisticated markets, strategies may need to be more ambitious, or more aggressive, especially in current economic conditions. The proposed strategy must address many complex factors, so a depth of knowledge is essential to analyse market forces, the drivers of competition and the creation of competitive advantages.

A major independent study of New Zealand's economy, completed in 1990 and named *Upgrading New Zealand's Competitive Advantage*, noted "the economy has fallen out of alignment with the mandates of modern international competition" and "New Zealand's institutions . . . have retarded progress . . . and company strategies still cling to past modes of behaviour". The study's findings are still relevant today.

The project director and one of the authors, Graham Crocombe, questioned why New Zealand seemed unable to compete successfully in the global economy. He also noted New Zealand companies were administered rather than led, and proposed the following factors which reduce competitiveness:

- Administrators replacing company founders/builders and entrepreneurs – their focus becomes maintaining the status quo, losing competitive focus and competitive advantage to rivals
- Fewer new initiatives, reduced innovation and less risk-taking (slow death to any company)
- Reduction of rivalry – as above
- Focus on increasing the share of existing pie (market) rather than growing the pie
- Reduction of employee motivation
- Rewards becoming unrelated to performance (especially achieving the company's market objectives)

If we accept most companies are marketing companies, then logically they

"While the mandate of finance is to manage the firm's income, they don't create it, marketing does. It follows that if any organisation needs a chief of finance (CFO), it also needs a chief of marketing (CMO)."

need CEOs who are themselves highly competent professional marketers.

Another way that marketing brings value to the board is to establish and ensure professional standards in executive leadership roles. In all the international markets where New Zealand trades and competes, we will be one of the smallest, with resources to match.

To present an ‘A Team’ of marketers who can compete against the best in the world, we must have expert professional marketers throughout the organisation, including CEOs.

Marketers can also contribute to a value-adding board by offering balance in terms of perspective. Many boards may be dominated by the financial concept of control and be top heavy with directors from finance and accounting.

I once remarked to a friend, “. . . the career path for accountants leads all the way to the board, the career path for marketers leads all the way to the airport”.

In finding a career path to the board, we should begin with recruiting CEOs who are professional marketers, best suited to leading our marketing organisations. More immediately, CMO roles can be established and filled by experts who can build and lead an ‘A Team’ of marketers who can compete and win. This depth of expert marketers could become a source of competitive advantage.

CMOs will then become viable chief executives and prospective directors who are able to contribute on many value-adding boards.

“Marketers can also contribute to a value-adding board by offering balance in terms of perspective.”

Andrea Mullane MInstD is the founder and managing director of Moxy Marketing. She holds a Postgraduate Diploma in Business (Marketing) and a Master of Management degree, both from the University of Auckland. Her master’s thesis investigated marketing in governance – NZX10 firms.

OPINION

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When tech goes wrong

Boards need to understand an organisation's capability and maturity to deliver technology programmes.

AUTHOR:
KIM GORDON MInstD

Photo by:
Pourya Jan on Unsplash

Cyber security has long been considered around the board table. And, more recently, AI has joined the 'IT' or 'digital' topics directors need to be across. However, despite many high-profile, large technology programme (and project) failures in both the public and private sectors, it is not often we see this area being considered in governance education or conferences.

This is also surprising given the increasing impact of technology-related change on organisations, whether it is the replacement of end-of-life systems, the moving of all things to the cloud, the continuing adoption of 'as-a-service' solutions and, not least, the increasing role of digital in all businesses.

The impact of technology programme failure goes far beyond the impact of a budget or timeline blowout. They are often the headline when programmes go off track, but the real impact is the delay, or the outright failure to realise the strategic opportunity or outcomes being targeted through that programme.

Loss of market share, loss of margin, increasing cost to serve and – very relevant for New Zealand – an inability to improve productivity are among some of the consequences. And that is before you even get to the ability to innovate through the application of technology.

So, what should directors be considering and raising in relation to technology programmes? The focus of boards is often outward – the software vendor, the service providers, the consultants. And, in relation to those third parties, considerations such as fixed price, 'one throat to choke' and 'skin in the game' tend to dominate, essentially transferring risk.

Less consideration is given to internal capability, such as the organisation's part in the programme. In fact, the role of the customer (the organisation paying for the technology and services) is a material driver of the success of a programme, if not the number one determinant of success.

This is the case irrespective of the commercial model (for example, fixed price v time and materials) and irrespective of the size and scale of the programme. This remains the case when a third party is appointed as the lead, or prime, for a programme.

As with any risk, programme delivery risk should be held and managed by the party with the greatest level of control over that risk. Terms such as fixed price or risk-reward (skin in the game) arrangements are of little value unless they are underpinned by a high degree of clarity in relation to programme scope, complexity, roles and responsibilities.

This clarity must be owned and driven by the customer – it is the customer who owns the investment and the benefits and therefore has the greatest incentive to achieve the programme objectives. No amount of commercial or contractual positioning will change this.

Given the criticality of the customer's role, the board needs to understand the capability and maturity of the organisation to deliver the programme. An impartial, objective, warts-and-all understanding is needed. And therein lies the challenge.

As with any maturity assessment, there are frameworks and methods of measuring programme delivery capability within an organisation. And, as with any organisational maturity, continuing measurement and delivery is required.

An understanding of that maturity is required when faced with the approval of a programme business case but, more importantly given the role of digital in any business, maturity is a key determinant of success in leveraging technology as an enabler of the organisation's strategic objectives.

The board's view of maturity should not rely solely on the executive's view. Again, no different to any other maturity measure within the organisation, the board needs to satisfy itself, through various means, that capability is being seen through an objective lens.

The board's understanding and continuing support for the development of digital capability is a topic in itself. Here are some points all boards should consider and raise when presented with a programme of technology-enabled change or strategic objectives within an

"As with any maturity assessment, there are frameworks and methods of measuring programme delivery capability within an organisation. And, as with any organisational maturity, continuing measurement and delivery is required."

organisation or by its customers:

- What is our role in this programme?
- What does this role mean in terms of the capability required to undertake that role?
- How has that capability been assessed and understood?
- What level of objectivity and independence underpins that assessment and understanding?
- Have we done this before? If so, how does the outcome of that past performance support our assessment and understanding?
- Does our capability meet the level required to deliver our strategic objectives?
- How does our view of capability compare with the view of our technology vendors and service providers?
- How does our performance compare to others in our sector or, importantly, beyond our sector to those with similar challenges and opportunities (for example, digital disruption from new entrants)?
- How do we know if the executive view of capability is robust?

These questions need to be carefully considered and evidenced. Boards should assess their approach to this by comparison to any other consideration of organisational capability or maturity.

Technical jargon, acronyms and, dare I say it, hype need to be pulled apart and understood in plain English and in the context of the business strategy, not the technology.

“An impartial, objective, warts-and-all understanding is needed. And therein lies the challenge.”

Kim Gordon MInstD specialises in technology consulting and is a managing partner in Ara Digital and a director at ACC New Zealand and the New Zealand Lottery Commission.

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Get active for your health (and safety)

Start with the right mindset – health and safety is an outcome of work – then establish best practice.

AUTHOR:
AARON WATSON,
WRITER/EDITOR, IoD

Caring more and trying harder is not delivering safer, healthier or more productive businesses, says Francois Barton MInstD, chief executive of the Business Leaders' Health and Safety Forum.

"Despite a huge increase in health and safety investment by government, sectors and businesses over the past decade, we're not seeing a sustained reduction of national work-related harm and fatalities," he says.

The Forum's latest report, State of a Thriving Nation 2024, says health and safety incidents cost the country $4.9 billion in 2023 (up from $4.4 billion in 2022). It shows nearly half of all New Zealanders have been affected by a workplace incident – to themselves, colleagues, family or friends – and these trends are neither new, nor really improving.

Barton believes if resourcing was the only ingredient for safer and healthier workplace performance, we would be seeing dramatically better results. "It's time for us to start learning from those making the gains – here and overseas," he says.

Against that sobering national backdrop, Barton notes there are significant numbers of businesses that are safer and healthier than they were five years ago.

What these organisations increasingly have in common is good understanding of the critical risks to their people and their essential controls; a sustained curiosity about the real work environment where these essential controls need to work; and a growing acceptance that health, safety and wellbeing, like productivity, are positive outcomes of work going well.

Boards and executive teams with these mindsets drive organisational practices that ensure finite resources and efforts are focused on the things that matter, and not frittered away on well-intentioned but potentially performative activity.

How a board understands and responds to injury data is a great example, Barton says. “The boards and executive teams of leading organisations I talk with all recognise that total recordable injury alone, like good intentions, can pave the way to hell.

“I know of some boards who still exercise a huge amount of energy and angst about lower levels of harm, like a twisted ankle, and by definition, deploy less energy and concern on the systemic and critical risks to people and the business. The sprained ankle and the fall from height each equal ‘one’ in a world of total recordable injury – but the difference in consequences can be literally life-changing.”

Board curiosity about how work is done, and not just imagined, is also critical, for the simple reason that health and safety is an outcome of work.

“I am really encouraged to see a growing appreciation by directors and executives, alike, in understanding the reality of work as done. Knowing the organisation has standard operating procedure for exclusion zones around forklift operations is interesting, but understanding that current warehouse capacity creates congestion that makes the exclusion zone impossible to achieve is invaluable. It allows for the right conversations to occur about congestion, rather than the simple temptation to see worker ‘non-compliance’ as the problem.”

Understanding work as done allows effective directors to understand and influence the dynamics and culture of the organisation they govern, including the effectiveness of critical risk controls.

“There is no single metric or method for directors gaining these insights – I see directors doing site visits; asking for and discussing proactive learning reviews from successes as well as incidents; undertaking critical risk deep dives with managers and frontline teams in the discussion; engaging with the health and safety committee and supplier groups; and more.”

Healthy, safe and productive work is not solely a technical issue that once fixed, stays fixed. It is complex, dynamic and ever-evolving – and thus demands sustained attention.

“Boards with the right mindsets deploying these practices deliver the best of what effective governance brings to the table – an understanding of context, broader oversight and ensuring efforts and resources are going into the right things.”

Barton puts the challenge simply – it is time we stop fixating on being “statistically safe” believing that keeps us legally safe. Instead, we need to stay critically focused on ensuring we are genuinely managing those things that have got the highest potential for harm. And our ethical and legal obligations to keep working people safe are aligned.

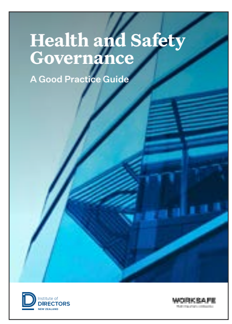
“All of this is why I’m so encouraged by the recently released Health and Safety Governance: A Good Practice Guide by the Institute of Directors and endorsed by WorkSafe NZ,” says Barton.

This new guide provides welcome clarity for New Zealand directors on how to meet their legal and, more importantly, ethical obligations to keeping our people healthy, safe and productive for the business, their families and the country.

“Making these mindset and practice shifts can, and will, deliver the change New Zealand needs. Closing the gap with Australia would deliver $1.4 billion in reduced economic drag every year, and that grows to $4.2 billion if we can catch the UK. We know what works; it’s time to deploy in practice.”

“The boards and executive teams of leading organisations I talk with all recognise that total recordable injury alone, like good intentions, can pave the way to hell.”

Francois Barton MInstD



The guide can be downloaded at iod.org.nz/resources-and-insights/guides-and-resources

Valuing H&S on the bottom line

Chris Alderson CMInstD has recently completed a thesis on how health and safety might be valued as an asset. While concepts such as goodwill, intellectual property and successful processes and systems can be considered intangible assets, health and safety is not captured on accountants' spreadsheets.

Alderson, CEO of Construction Health and Safety New Zealand and a chartered accountant, says most organisations view health and safety as a cost.

Despite awareness that human capital and capacity can add value to organisations – something that may be part of the discussion during mergers and acquisitions – health and safety does not make it onto the accountant's radar.

Alderson's thesis suggests there are three different 'buckets' of health and safety that could be valued differently.

First, catastrophic risks are those things that, while they rarely ever happen, could mean the organisation does not survive.

"Valuing that kind of scenario is a little bit like valuing insurance. You actually get no points for doing it well, but there's massive downside if you don't achieve the minimum compliance."

Second, critical risks are what are traditionally understood as major occupational health and safety failures – death, acute injury or other events that often make the news, he says. "In New Zealand, we know they happen 60 to 70 times a year, unfortunately."

Critical risk is an area of focus because events can be very visible. A recent case adds an extra layer of potential risk for New Zealand directors and organisations.

Police have initiated a prosecution under the Criminal Proceeds (Recovery) Act 2009 against Salters Cartage Ltd for the death of a welding contractor. The company has already been fined $258,750 and ordered to pay reparation of $128,074.21 for breaches of health and safety regulations.

Third, chronic risks are regular (often minor) injuries that are a consequence of working in industries which are physical so you can get a lot of 'walking wounded' from day to day.

For critical risk, valuation must include the potential penalties and bad publicity that can accompany serious failure, which chronic risk has a direct value in terms of productivity.

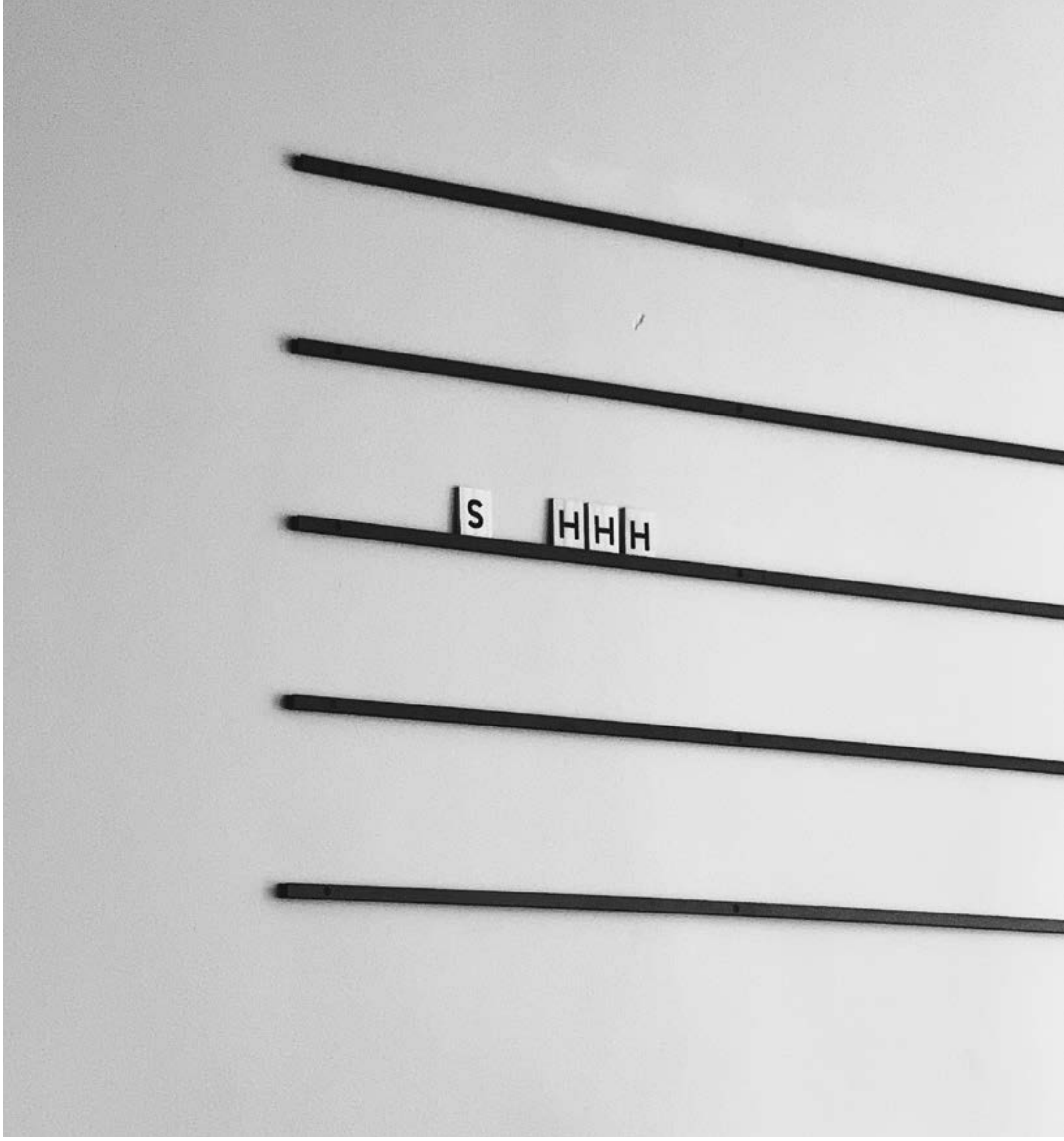
"What we find is, in most organisations, there is a linear relationship in every dollar you put into supporting your people from a physical and mental health perspective pays itself back four or five times."

To capture the value of health and safety as an asset would require the development of accounting standards, an accepted valuation method and a model that ties it to future cash flows, Alderson says.

"The work I did really suggests a conceptual model, but it also now needs to be empirically tested. It definitely could change the conversation. Instead of seeing health and safety as a cost of compliance, we'd see it as an investment and driver of bottom-line value."

"What we find is, in most organisations, there is a linear relationship in every dollar you put into supporting your people from a physical and mental health perspective pays itself back four or five times."

Chris Alderson CMInstD



Bringing clarity from chaos

In small to medium-sized entities, directors add value by testing assumptions and not being encumbered by limitations, says Elliot Royce MInstD.

AUTHOR:
NOEL PRENTICE

Photo by:
Jon Tyson on Unsplash

Cutting through the noise and offering perspective. That is how a board can add value, says business coach Elliot Royce MInstD, who specialises in governance, strategy and leadership.

From small and medium-sized businesses to working for one of the world's largest engineering firms, Royce says a critical role of a director and board is the ability to bring clarity from chaos.

"A lot of technical businesses, such as engineering, love to know all the minute details. Board members add value by cutting through that noise and distilling the disparate thoughts within individual minds in the team. This provides a clear picture of what success looks like, and how to work towards it strategically to add value to the business," he says.

"How do you map out what things look like in three-to-five years and how do you build the runway in terms of transforming that plan, then progressing towards that goal?"

For small and medium-sized entities, that clarity may be difficult to achieve because people in a business or owners of a business view matters through their own eyes. They add their personal thoughts to situations which then determine what they do or the actions they take, says Royce.

"In essence, those in the business view things from their standpoint. Where directors can really add value, regardless of the size of the board, is by testing assumptions and not being encumbered by limitations. They can add perspective.

"Often business owners limit themselves in terms of what is possible, but a value-adding director or board can suggest something else or see an opportunity and be brave enough to chase it."

He says the skill is being able to pick up little pieces of information and turn it into context for the business, asking questions that bring clarity or focus to the strategic intent, and then being able to take that quantum leap to feel the rush of success. "It's that electricity in the air when you're really succeeding and smashing it."

Royce has spent most of his career in senior leadership and executive roles in HR, predominantly in the engineering and construction industries. He was on the ANZ executive team for Jacobs, one of the largest engineering firms in the world.

He is a director of business management consultancy Beyond Potential, which he recently launched, with his first directorship experience being at The Urban Physio. He is also the advisory board chair for two medium-sized firms – indoor air testing and diagnostic company Airlab and an engineering design and compliance testing business, DE Group.

Royce offers board advisory and succession services, focusing on building robust governance frameworks and ensuring seamless transformations and transitions. He emphasises the importance of having high EQ to avoid getting into groupthink, and not being afraid to speak up, even if that means challenging where the board's direction is going. This can be particularly challenging where there are owners/primary shareholders within the business.

Royce believes directors can deliver an incredible amount of value, particularly in that small and medium space. Not only can they elevate people's capability to match the commercial requirements of a business, but they also enable the generation of superior commercial outcomes for both the top and bottom line.

Asked what it looks like to be a good director, he says he leans on the IoD's *Four Pillars of Governance Best Practice*, which champions effective culture, effective compliance, purpose and holding to account.

He says small and medium-sized organisations should make sure they have robust processes in place, so if, for example, a project gets delayed, there are buffers in place, and you are not caught "with your pants down".

"We have seen the damage done to some high-profile organisations that did not have good risk mitigation or risk management in place. That led to significant issues leading to cost blowouts and reputational damage."

"We have seen the damage done to some high-profile organisations who did not have good risk mitigation or risk management in place. That led to significant issues leading to cost blowouts and reputational damage."

Elliot Royce MInstD

Chalk and cheese? – or same but different?

Comparing the complexities of governance in the private and public sectors.

AUTHOR:
KEVIN JENKINS CMInstD

Photos by:
Sydney Rae and Jen Gunter on Unsplash

Chalk and cheese, an idiom denoting two things that can't be more different, originated in 14th century England when unscrupulous cheesemakers adulterated their product with chalk so it weighed more (*"Lo, how hey feignen chalk for chese"* in John Gower's Confesio Mantis, 1390).

A lot of people would say the same about governing in the private and public sectors. But is that the full picture? With the helping hand of several experienced directors with feet in both camps, here are some brush strokes.

Public v private sector is a broad brush – and I stick to that here – but we can't ignore the complexities below that.

There are different kinds of Crown entities, including some which are independent of government policy, such as the Commerce Commission. Most have regulatory powers, but these can take different forms. Some have substantial delivery functions, such as the NZ Transport Agency Waka Kotahi.

Most state-owned enterprises operate in competitive markets but some, such as Transpower, are a natural monopoly. Directors in each can have wildly different responsibilities.

Private sector companies can be publicly listed with all the reporting that entails, but there are also privately held companies, cooperatives with powerful shareholder entities (two layers of governance), trading companies owned by charities, and so on.

Māori entities in a range of forms have become a major force in business and generally.

What is public, private or not-for-profit is not always easy. However, most of us would agree the core of good governance – the legal framework, the *Four Pillars*, acting with good faith and in the best interests of the organisation – apply in all circumstances.

But here are some of the differences.

The board of a company – with the support of shareholders – can pivot its purpose, with a famous example being Nokia's transformation from forestry to mobile phones. The purpose of a public entity is set in law and further refined by often detailed letters of expectation and the like to boards from ministers. Public sector boards have less freedom to act. This is appropriate, given they often have regulatory or monopoly powers.

There is a long history of companies adopting a purpose beyond just profit, of course, nowadays best summarised by ESG. But they must make a profit to survive. Public entities are funded by taxes, industry levies, fees and the like.

We elect governments to make decisions in our long-term interests, and public entities are charged with implementing those decisions. Even where public entities trade in competitive markets, the argument for the Crown to own some or all that entity would usually be justified by, say, some form of market failure.

Many companies, including Māori entities, invest intergenerationally, especially those with heavy capital requirements. We have learnt to live with startups which prioritise market share and don't make a profit for many years. But ultimately, companies must return regular profits to their shareholders, and this can drive a great focus on shorter horizons.

Cut through the chatter, and the difference in measuring success in the public and private sector can be summarised as 'outcomes' versus profit. Profit is an outcome of course, but ultimately an easy one to define.

Defining regulatory outcomes, for example, can be a lot harder and, of course, highly debatable (will heavy, light or self-regulation deliver the best outcomes in your industry?). In practice, it might require academic-level evaluation and lots of challenges about attribution – what evidence links the activities of the entity to changed behaviours?

Regulation is different to competition, but public sector outcomes can take other forms too, such as long-term research or public health outcomes. Governing in these spheres can be more complicated than in the private sector, with multiple stakeholders with different and often conflicting agendas.

In a democracy, governments will adopt new outcomes and require public sector governors to redirect their entities to achieve them.

Public sector directors may present to Select Committees, in addition to reporting in some form to ministers and their monitoring agencies, with The Treasury, the Public Service Commission (including rules about CEO remuneration), the Department of the Prime Minister and Cabinet, the Office of the Auditor-General, Official Information Act requests, and so on, all having a role.

Listed companies have onerous compliance requirements and all companies have an array of regulations to abide by, but in aggregate the level of public scrutiny in the public sector is probably higher.

Crown entities have statutory responsibilities to give effect to the Treaty of Waitangi. This can take a variety of forms, including tailoring engagement and investment differently and ensuring outcomes are defined appropriately.

A good example of purpose, horizon, outcomes and Treaty obligations coming together with a focus on 'people', rather than simply customers, is Sport NZ. It is required by law to improve our lives by improving rates of physical activity, with specific population groups such as Māori, Pasifika, girls and women, and people with disabilities. Directors have a responsibility to account for equity of access and opportunity.

So maybe it's not chalk and cheese, but same but different?

"Cut through the chatter, and the difference in measuring success in the public and private sector can be summarised as 'outcomes' versus profit."

Kevin Jenkins CMInstD is an experienced director and commentator, fascinated by issues at the intersection of business, innovation and regulation.

Getting the best out of senior leaders

When a board pushes a vision or ambition, the organisation becomes inspired.

AUTHOR:
REBECCA JAMES,
EXECUTIVE GENERAL MANAGER, BUSINESS BANKING, ASB

Photo by:
Bernd Dittrich on Unsplash

Different boards work in different ways. While some may be actively involved in the co-creation of a strategy, others may endorse a plan developed by senior management. It is up to each organisation to develop its own cadence and tone to best execute its strategy.

I have had the privilege of working with several boards, including as a chief executive of an ASX-listed company and in senior executive roles in Australia and New Zealand. So, how can board members work to motivate and inspire senior leaders?

Boards should seek to support a management team in understanding, assessing and managing the opportunities and risks involved in executing the organisation's strategy.

As a senior executive, it is incredibly meaningful and motivating when a board pushes on an organisation's vision or ambition. From a management perspective, this clears the way and encourages big, bold thinking to drive the organisation to the next level.

There is an important care perspective that board members can add, driving the way an organisation prepares for, or responds to, a situation and ensuring the wellbeing of the CEO and senior leadership.

Chief executives of large, publicly listed companies are, at any one time, dealing with multiple increasingly complex issues, so it is crucial they have a supportive relationship with their board chair, and they can talk through the tough challenges.

Board members bring not just their skills and experience, but also their professional networks and connections to the role. A well-connected board member can help build an organisation's reputation through their network and use those contacts to benefit the business by introducing new partners, advisors, alliances and customers.

As the environment around us evolves, our organisations become more complex and our customers' needs more distinct, so it is imperative a diversity of views are represented around the boardroom table.

The boards of today are not simply looking at financial management, there is risk and reputation management, technology, and environmental, social and governance (ESG) aspects that require a cross-section of skills and views.

A diversity of age, gender and cultural backgrounds can ensure topics are dissected and debated from varying vantage points. Diversity can drive insight on emerging customer segments and technologies, and probe for a step change in thinking around traditional reward and recognition frameworks.

Some of the most effective boards get out of the boardroom and close to not only their organisation's customers but also, importantly, its people. A board can take the temperature by stepping away from head office and visiting regional offices or subsidiaries. Connecting with the team that is executing the strategy will be an important check on how it is filtering

> "Strong operational capability is no longer enough to ensure success. Dynamic capability is now required. It requires a different cadence and routine, and an openness to consider a broader set of scenarios."

through and how the organisation is performing.

The pace of technological change, the increasingly complex geopolitical environment and volatility driven by climate change demands different capability for boards and senior leaders. Strong operational capability is no longer enough to ensure success. Dynamic capability is now required. It requires a different cadence and routine, and an openness to consider a broader set of scenarios. More time needs to be spent sensing and discussing material shifts and the impact to business models, not just the smaller shocks.

Through the businesses I speak to, I've observed two points when senior leaders should consider establishing a board.

When a company is of a size and scale where, either through need or desire, it requires additional external capital, it is helpful to be able to demonstrate a certain level of independence through a board structure. Having good corporate governance in place can give lenders comfort and help speed up the delivery of capital, ultimately helping the business to grow.

Another occasion when a board could be considered is when an organisation's stakeholder set becomes larger and more complex. This is especially relevant for highly regulated industries, where board independence and oversight can be helpful in providing an additional layer of governance.

New Zealand is a nation of small and medium-size enterprises, and not every business will have a board. For those organisations, there are many informal channels, such as industry groups and chambers of commerce, where leaders can tap into information and support.

We connect our customers with Business Mentors New Zealand to match experienced business professionals to small business owners.

How high-performing boards stay ahead

AUTHOR:
SCOTT MCALLISTER,
SENIOR FIELD MARKETING MANAGER, APAC

Evaluating large volumes of data using technology is a major differentiator in effective oversight and governance.

The need for boards to show their value is more urgent than ever because time is money, and a high-performing board can be key to a company's growth.

The growing costs in running modern board meetings are mounting. Overseas research shows the cost of running a single board meeting can range from NZ$55,000 to $105,000 for a medium-sized organisation, and from $650,000 to $1 million for a large organisation.

This begs the question: how can boards ensure their efforts always add maximum value?

Many directors feel board meetings take up time that could be better spent elsewhere. Harvard Business School research in 2019 showed 35 per cent of time spent in board meetings is unproductive, with 73 per cent of directors found working on other tasks during meetings.

Additionally, the 'What Directors Think' report by the Diligent Institute found 19 per cent believe their board weakness links back to disengaged or underprepared directors. This might be addressed with solutions that encourage active engagement in board meetings.

Virtual meetings have shown promise in helping address attendance and engagement. Still, longer-term research is needed to confirm if the trend is sustained. Another action to enhance engagement is ensuring better preparation. When information is concise and digestible, it encourages debate which facilitates more meaningful decision-making.

Directors are constantly exposed to the same rapid changes in technology as workers in all industries. They must proactively equip themselves with knowledge and information to make strategic decisions in the face of constant disruption.

This challenge of understanding, and adapting to, the constant changes in technology was highlighted in the What Directors Think survey by *Corporate Board Member*. It reveals that alongside capital allocation, mergers and acquisitions, and other core business issues, cyber security and artificial intelligence have begun to dominate board agendas. AI is rapidly advancing, as are the risks and costs of inadequate cyber security preparedness.

Furthermore, the 2024 Cybersecurity, Audit and the Board report also names AI and cyber security as areas most directors struggle to oversee effectively because of a lack of specialised knowledge. The report identified similarities in companies that were best prepared to oversee these risks, noting boards with specialised risk or audit committees see better outcomes than companies that rely solely on the board for risk oversight.

Mitigating risks requires leadership with the skills and knowledge to effectively oversee and ask the right questions. At the same time, directors must ensure governance structures, such as risk or cyber committees, are in place to more effectively distribute oversight and provide additional supervision that boards, with so many competing priorities, cannot do consistently.

At a roundtable discussion with corporate governance leaders in Melbourne recently, one point of consensus was the need for relevant, reliable and timely data that aligns with business goals and strategic priorities for a board member to capably oversee governance.

Boards must strike a balance between operational and strategic discussions, with a bias to thinking strategically, and having the right data at their disposal is paramount. If directors are drowning in too much data, they may not find the valuable insights needed to think strategically. Instead, they will defer to operational questions.

Not all risks are equal, so the board must prioritise risks according to areas that require the most attention. Ensuring the board is using the right technology to run its meetings is paramount in ensuring directors can collaborate effectively on the right problems, share insights and data, and communicate seamlessly with other internal committees.

"Directors who capably deliver strategic value not only have access to, but also take full advantage of, these razor-sharp insights to add value consistently."

Value-adding boards employ solid frameworks. These ensure alignment and self-reflection that are the basis for good governance. This is achieved by first performing a needs-based assessment and research on best practices.

They gather input from all relevant stakeholders to draft a framework for the board to approve and adopt. They also have mechanisms for continued monitoring and a structured review process that includes self-assessments from board members.

With companies generating large amounts of data every day, technology has become an indispensable tool in providing effective oversight and governance, as it opens a streamlined path for the most critical insights to reach the board. This enables the board to be more proactive in making smart and strategic decisions. On the directors' part, an intelligent data consolidation platform saves time in identifying insights, while also enabling better decision-making.

As the world evolves at a breakneck pace, it also creates less certainty about what exactly good governance should look like and how boards can ensure they continually add value.

Fortunately, there are methods to ensure an organisation's governance frameworks are on the right track. For instance, boards that have a consistent system for self-assessment set their organisations up to become value drivers and outperformers.

The characteristics of highly productive boards include well-considered and always-evolving governance frameworks; access to in-depth insights into threats and opportunities involving the latest emerging technologies; and the right technology that enables efficient, effective and productive board meetings.

The quick and intelligent evaluation of large volumes of data via technology is a major differentiator in today's competitive landscape. Directors who capably deliver strategic value not only have access to, but also take full advantage of, these razor-sharp insights to add value consistently.

VALUE-ADDING BOARD

When the time is ripe for change

AUTHOR:
SONIA YEE,
SENIOR WRITER, IoD

An advisory board challenges family garlic growers to 'look at things from a different perspective'.

Vera Murphy first planted garlic for sale at a flea market in 1965, the seedlings of what was to germinate as a family business, Murphy's New Zealand.

"This is our family's 59th year planting garlic for commercial sale," says grandson John Murphy MInstD, who now leads the business with wife Jessie. A director for more than a decade, Murphy (who also chairs the board of Vegetables New Zealand) understands the opportunities and challenges the sector faces and the robust discussion needed at the table to ensure the livelihood of growers, their families and the wider community.

Growing up in the third-generation business, he pitched in during planting, harvesting and irrigation in the summer, and recalls being onsite with his father taking business calls on "a massive cell phone".

"I tagged along on a few sales trips with dad when I was a kid, and also looked after the phone a few times in my late teens when he was on marketing missions overseas," Murphy says of gaining insights into the business operation.

His parents never had any expectations of their son joining them, insisting he pursue his own passions. That saw "an ill-fated" short spell working in a public affairs company. "I wasn't a good enough writer to keep up and I didn't have the attention to detail or drive to become better when I was younger," he says.

What he did gain was valuable knowledge about the importance of good communication, a customer focus, corporate culture and having resilience through the day-to-day work.

"I also had a stint working for a District Health Board where I had extremely

Photo by:
Joe Green on Unsplash

supportive bosses who nurtured my business planning and governance skills," says Murphy of bringing this knowledge into the business.

"I saw a business that was in a dynamic and competitive environment where there was room for innovation, an opportunity to work on the land, to travel the world and, ultimately, to work with brilliant New Zealand food," he says.

Now immersed in all-things garlic, Murphy has helped to shape the structure of the company, taking the risk to bring new ideas and put best practice in place.

"What's been required is a focus on hard work and embracing change. The succession plan was to build a business that could stand in its own right. We've had some wonderful partners along the way, and have some fantastic staff," he says.

A decade ago, the company had five board members, two of them independent directors. But a need to remain profitable in the face of unpredictable weather and tighter capital, meant change was needed to survive. "It was a brutal time," he says.

"We had a huge amount of respect for the people who were helping us run the company. Unfortunately, when our market and growing conditions fundamentally changed, we needed to change as well."

Murphy says the need to aggressively rotate the land – to keep pests and disease under control and look after the soil – makes land ownership complicated and this effectively locks many growers out of the ability to earn capital gains or raise capital against land.

"There are other ways to raise capital, but we have to be pretty sharp to make it work," says Murphy.

The guarantee of production can also dramatically come to a halt with

"No one is there simply to fill a seat. They bring a fresh set of eyes with very solid financial skills, but also a wider understanding of company culture and business performance."

John Murphy MInstD

unforeseen weather events. "Generally, it's about getting enough sun and water at the right times, and then not having too much water when we're looking to harvest," he says.

"Growing is a massively risky business to undertake and that's why we need to be keenly aware of how conditions are changing – weather is probably our biggest worry. Sometimes with vegetable production, frankly, you feel silly for putting yourself at such risk.

"We need to build in the ability to adjust what we're doing to meet changing seasonal conditions. Growers all do things slightly differently, but we are determined to keep improving," says Murphy.

After what he describes as a very difficult five years, Murphy's New Zealand brought in an advisory board to take them through to their next incarnation. Their value-add has been their ability to "cut to the chase".

"No one is there simply to fill a seat. They bring a fresh set of eyes with very solid financial skills, but also a wider understanding of company culture and business performance. They are tremendously supportive, while also challenging us to look at things from a different perspective," says Murphy, adding they will look to formalise the board structure further in the future.

The family focus of the business adds complexity in some areas: "We have generations of of experience, which is extremely valuable, but this can be an impediment to listening to advice and making change when it's needed.

"Identifying your strengths and weaknesses, and setting clear expectations for family members, sounds easy – but it has its challenges. Having family working in the business and on the board can mean things are very upfront – or that you have underlying issues that fester. That's where fresh eyes are important."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*Results from Kordia's New Zealand Cyber Security Research Report 2024

Disrupting the status quo for a sustainable future

AUTHOR:
NOEL PRENTICE

Climatetech investor Oliver Bruce MInstD sees a golden opportunity for New Zealand to develop and export technologies that reduce emissions worldwide.

For Oliver Bruce MInstD, climate change isn't just a challenge – it's the ultimate game theory problem. Everyone pollutes, but the effects are felt in places completely unconnected to those that caused the problem. It explains why governments everywhere are struggling to reduce emissions meaningfully.

The answer, he says, is to build a better solution than the one causing the problem.

As a climatetech investor with a background at Uber and Blackbird Ventures, Bruce has spent his career identifying and backing companies that challenge conventional thinking and drive meaningful change.

Today, he believes New Zealand has a unique opportunity to lead in the global fight against climate change by developing and exporting cutting-edge climatetech solutions.

"New Zealand is a minnow in terms of global emissions, but that doesn't absolve us from acting. We have a moral obligation to our kids and to the world. Lots of countries look to us, and we need to be smart about how we act."

Being smart means recognising that electrifying the economy isn't just about reducing emissions, it is also sound business.

"When you can save money and reduce emissions, that's a no-brainer. Initiatives such as Rewiring Aotearoa are showing us the way forward by promoting large-scale programmes for solar and community electrification," he says.

"Solar and batteries are a classic example of climatetech that has just continued to get cheaper and cheaper, to the point now that the average Kiwi household will save more than $2,000 every year by putting solar on their roof and shifting to electrical appliances and cars. The savings will only grow more every year."

But the vision extends beyond New Zealand's borders. Bruce is convinced the greatest leverage lies in developing technologies that can be scaled globally to make a significant impact. "If we really want to make a difference, we need to focus on leverage.

"The biggest opportunity for impact, and the one that will make us richer as a country, is getting good at developing and exporting climatetech technologies that reduce emissions worldwide. This is how we can have a real impact."

Bruce points to companies such as CarbonScape, where he serves on the holdings company board, as an example of what is possible. "CarbonScape is leading the way in producing biographite for lithium-ion battery anodes using renewable timber byproducts. The technology is not just innovative, it's cost-effective, geography-agnostic and carbon-negative.

"In a world looking to reduce embodied emissions and transition away from concentrated and fickle supply chains, there is demand for millions of tonnes of this product.

"At scale, this one company has the possibility to mitigate the equivalent of double-digit percentages of New Zealand's entire gross emissions. And that's just one company. There are many such companies, and they will likely make us a lot of money. We should be doing everything we can to support them."

New Zealand's climatetech sector is already home to several companies that embody this leveraged approach. One company leading the way is LanzaTech, a sustainable fuels company that originated in New Zealand and is now listed on the Nasdaq.

"The biggest opportunity for impact, and the one that will make us richer as a country, is getting good at developing and exporting climatetech technologies that reduce emissions worldwide. This is how we can have a real impact."

Oliver Bruce MInstD

"LanzaTech is now a world leader in turning waste carbon into sustainable aviation fuel, which is 3-4 per cent of global emissions," says Bruce. "The opportunity in front of it is massive."

Other companies, such as Invercargill-based EnPot, are changing the way energy is used in industrial processes. "EnPot is transforming how smelters use energy to produce aluminum, letting them ramp power up/down by 30 per cent at very short notice," he says.

"This is exactly the kind of disruptive technology that can help countries around the world flood their grids with renewables and retire coal plants. They're screaming out for solutions."

Vessev, another standout, is developing hydrofoiling electric ferries with the help of America's Cup engineers. They are redefining what is possible in marine transport, offering a cleaner, more efficient alternative that could revolutionise the industry.

"They emerged into public and got $50 million of orders in a very short time – again, everyone is looking for solutions to these hard challenges," says Bruce.

As a director, his focus is on finding companies with the potential to disrupt the status quo. His experience at Uber, a company that transformed the transportation industry, and his role as an investor at Blackbird Ventures have given him a unique perspective on what it takes to drive change.

"I'm looking for companies and opportunities that, if they work, will fundamentally alter the market dynamics. Climatetech is ripe for this kind of disruption. We have the biggest industrial transition we've ever needed to make, and we need to make it in rapid time."

Even in the face of daunting challenges such as sea level rise and increasing weather variability, his optimism about the future is evident. “I’m super worried about these issues, but I prefer to focus on the opportunities. The future is going to be amazing if we can leverage our strengths and drive innovation in the right areas.”

Bruce’s involvement with CarbonScape and other innovative companies underscores his commitment to finding and fostering technologies that have the potential to make a global impact.

“The future won’t be won by offsetting – it’s like buying penance,” he says. “It will be won by driving down the cost of energy and developing solutions that are both greener and cheaper.”

For Bruce, the path forward is clear. “New Zealand has the talent and the ingenuity to lead in climatetech innovation. We have a moral imperative to act, but more than that, we have a strategic opportunity to make a real difference – for our economy and for the planet.”

Photo by: Ave Calvar on Unsplash

Climate Governance Forum

Oliver Bruce MInstD will join the IoD’s panel of speakers at the inaugural Climate Governance Forum in Auckland on 21 October. Leaders in climate governance and subject matter experts will explore the board’s role in governing climate change, looking at how to leverage opportunities and manage the physical and transition risks of climate change.

This will include balancing the various tensions such as short-term viability, long-term sustainability, maintaining social licence and changing stakeholder demands around the board table. Other topics will include climate reporting, regulation, stakeholder expectations, trade restrictions – and more.

Visit iod.org.nz/climate-governance-forum to book tickets, and for more information on the speakers and programme.

Finding the right fit

AUTHOR:
SONIA YEE

In making room for diversity, boards must look in the mirror, no matter how confronting that might be, says Barb Long MInstD.

There are unlikely to be many people who can say they have been interested in governance since they were little, but Barb Long MInstD is one of them. A participant in the 2023 Mentoring for Diversity programme, the Dunedin-based CEO is a presiding member of Trinity Catholic College and Deputy Chair of the Otago Community Trust.

"I grew up with my dad living a 12-step programme," says Long, who was two years old when her father stopped drinking. "This influenced my values, how to overcome challenges and a purpose in serving others.

"I grew up supporting other people . . . knowing that volunteering was something you did, and if you're able to, you give back," says Long, whose mother had been a volunteer in local committees and community initiatives. As a child, Long was involved in St John's cadets, which meant doing service at sports fields.

A former area manager for Plunket, Long has worked with boards for more than two decades and, more formally, over the past 14 years. When asked why she is drawn to governance, she says "it's having the ability to influence and make change for the greater good".

"It is where you get to use your skills and attributes to contribute to sustainable and improved outcomes, but it's also an opportunity for growth," says Long.

Last year, when Long was accepted into the Institute of Directors' Mentoring for Diversity programme with Melanie Templeton MInstD as her mentor, Long was focused from the get-go and came away with an ability to see her full potential, along with an acute clarity on what she can offer a board.

Photo by:
Dan Cook on Unsplash

"I learnt to look at my value proposition and, with Melanie as my mentor, I learned that I bring breadth and diversity, and how that can contribute to positive outcomes," says Long, who identifies as diverse.

As a lesbian, a parent and with a knowledge and awareness of those who are often marginalised and disadvantaged within our society, she says being able to bring a different way of seeing and thinking into the boardroom is an attribute.

"Sometimes I have to take that clear step back and go, 'I have some expertise in communities like disability, mental health and addiction . . . I can't speak for the whole community but there is an aspect of consideration that's being missed here'."

Long doesn't fit into what she refers to as a stereotypical director, especially in the formal context of a corporate board. But that in itself is changing today, with diversity and board composition increasingly important, as new skills and thinking are needed at the table.

Since completing the programme, Long has felt empowered and more confident to ask questions, taking that next step to harness her professional development. She has also been able to bring some newfound knowledge into the boardroom with other board members.

"I've been able to ask, 'What are our strengths? Would we be open enough with each other about our areas for development and how can we support each other with that?'"

Posing those bigger picture questions ensures the organisation is prepared for the future – and a step towards encouraging better governance practices. Long reinforces the importance of boards making time for growth and improvement.

"There are people on boards that are stronger in some areas than others and I think that's purposeful. So, own it. Sometimes you only get to do that stuff if you're throwing all the balls up in the air and starting again, or if your strategic focus is undergoing significant change."

If the board isn't facing challenges, she believes there can be a tendency for voices to go unheard and, when times are tough, it is vital that every perspective has a chance to be heard. But making room for diversity means boards must look at themselves in the mirror, no matter how confronting it might be to challenge some of their own thinking and unconscious bias.

"That's why having trust, respect and doing relationship-building is important, and often the mahi and the intensity of what's required on a board doesn't necessarily allow for that," says Long.

Now with far greater clarity and purpose, Long is taking time to explore potential options. What she won't be doing is settling for the wrong role or sitting on "a broken board".

"I don't want to keep going in as a 'fix-it person'," she says. While that might sound harsh, she says broken boards are difficult to navigate and often possess a lack of understanding about governance best practice.

"It's where people get too involved in operations – and that's what they like doing. It's lots of conflict, rather than having challenging conversations and reaching a resolution, because challenging conversations often have a purpose," she says.

Other red flags include multiple board member departures, unresolved issues, an inability to retain or recruit board members, and a general lack of cohesion. Where board members won't step up to the chair role or are unwilling to pursue any professional development to become more effective, is another red flag.

"I often end up as chair either because nobody else wants to raise their hand or I'm perceived as having those skills and expertise, but it's a lot of work. I've recently reduced my paid work slightly to start looking at my governance and, for me, it has to be about the next right fit."

"I learnt to look at my value proposition and, with Melanie [Templeton] as my mentor, I learned that I bring breadth and diversity, and how that can contribute to positive outcomes."

Barb Long MInstD

Find out more about the IoD's Mentoring for Diversity programme at iod.org.nz/membership/development-programmes

Growing diversity through diversity

From mentee to mentor, Melanie Templeton MInstD cuts to the chase over the demands of being a director.

AUTHOR:
SONIA YEE

Originally hailing from Scotland, Melanie Templeton MinstD has been living in New Zealand for 30 years. “I jokingly call myself a Skiwi – a Scottish Kiwi,” says the Wellington-based independent director who was a mentor in the IoD’s Mentoring for Diversity programme in 2023/24.

With Egyptian/Lebanese heritage, Templeton describes her background as diverse in culture and religion, and has family based in Canada, France and England. Equal parts down-to-earth and matter of fact, she communicates directly, sans any sharp edges.

“You can’t have prickly people on a board . . . prickly people who get prickly about things,” she says with a distinct Scottish accent. “That’s not going to work because you have to be able to take a step back and take a breath when you don’t agree with something someone has said.”

As a mentee in the MFD programme in 2018, Templeton says she knew exactly what she wanted to get out of it, including how to navigate strong personalities, troubleshooting and preparing for interviews for board roles.

Now as a mentor, she has enjoyed the two-way exchange that enables emerging directors to grow. Last year, she mentored Barb Long, “a great mentee who was open to listening and contemplating different ways of looking at things – and of looking at herself and how she might change her trajectory over time”.

“She’ll be a great director and will get on the boards that need her skill sets. I would absolutely recommend her for any board she goes for,” Templeton says.

Like Templeton, Long also had a clear view of what she wanted from the programme, including discussing one of the big questions: How do you balance an executive career with a board career?

Templeton cuts to the chase, likening it to having a part-time job on top of a full-time executive role, and cautions people against it because of the commitment and hours required. Inevitably, board time eats into personal and family life, and she wants people to be realistic about that.

Photo by:
Henrik Hjortshoj on Unsplash

"It's not easy. Board roles are demanding and something's got to give. It's not for everybody," she says.

For those executives that are seriously considering taking on governance roles, Templeton advises they negotiate at least some hours' reduction from their role to accommodate extra work needed for a board role because "it isn't the same as going for your next job".

"When you're early on in your director career, there's so much to learn and so many nuances around the board table. It's hard to break into, and you don't know what you need on your CV or what people are looking for. It's tough," she says.

As for what diversity means and what prospective candidates for the Mentoring for Diversity programme should consider, Templeton says rather than focusing on the diversity piece, it comes back to the one question: Why do they want to go into governance?

"Do you know anyone already in governance and have you spoken to them? And if you have, what have you learned that makes you interested in boards and governance, and becoming a director?"

While many organisations are grappling with either a push for diversity or figuring out their own definition of it, for Templeton it means a range of things. "It's not only cultural or gender, or age, it's also backgrounds, heuristics, education and societies or communities that you were brought up in – it's a way of learning," she says.

"When you're early on in your director career, there's so much to learn and so many nuances around the board table."

Melanie Templeton MInstD

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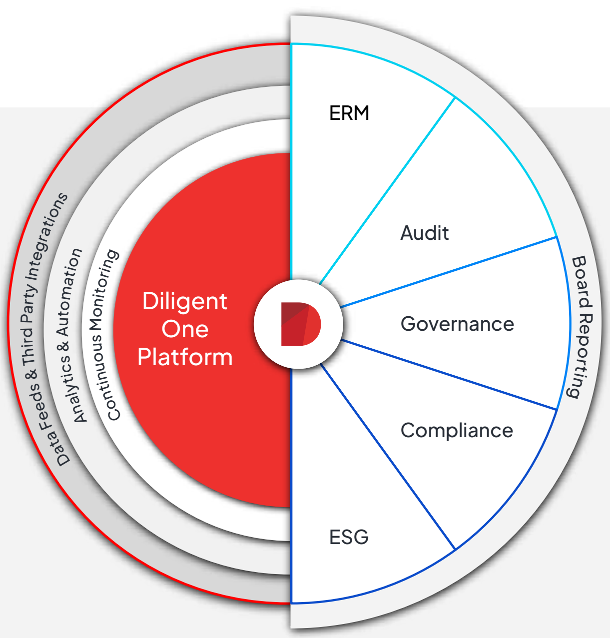


MEMBER PROFILE

Translating science into business

Biotech pioneer Maxine Simmons CMInstD says being open to different ideas is the source of innovation and good decision-making.

AUTHOR:
PATRICIA THOMPSON,
FREELANCER WRITER

Maxine Simmons CMInstD loves working with scientists and translating what great innovators have to say into business language.

The founder of one of New Zealand's first biotechnology companies, and with a governance career spanning more than 30 years, Simmons says she is attracted to boards based on their "technology and people".

"What I enjoy most about governance is bringing about great technology and that there are people wanting to buy it and use it. I love that rationale – technology must be novel and based on sound science and it must be interesting – because if it isn't interesting and no-one wants to buy it then it's not much use to anyone beyond an article in an obscure journal."

Simmons, who recently completed the IoD's Advanced Directors' Course, has held many influential roles in science commercialisation and early-stage biotechnology company development. She is a Companion of the New Zealand Order of Merit for her services to science, particularly biotechnology.

She says innovation is based on new ways of thinking and even in a successful business, nothing stays the same.

"You must be able to anticipate what is going to change and make sure the company is current. I like to challenge the status quo. Where you are as a company will not be where you are in a year from now. You must be able to respond and be adaptive."

She enjoys working with boards that are open to ideas and recognise that none of us know everything. "One of the things that makes a good director is being able to listen to different points of view. We need to be able to have a good debate and be respectful of others' opinions.

"I firmly believe all ideas are good, the power of ideas is very strong. As a board you need to take ideas and think about them and then come back. Being open to different ideas is the source of innovation and good decision-making.

"I don't mind if they don't act on what I suggest, but if they are prepared to listen and consider, and are open and interested in technology, then I want to help."

Simmons was raised "in an entrepreneurial family" so didn't regard setting up her own business, as a young MSc graduate, as unusual. That grew into a successful export business and she subsequently also set up and is a director of BioCatalyst, a biotechnology consulting company.

Interacting with her own board – her chair of that first company was former minister of finance Ruth Richardson – was her introduction to governance. However, as women scientists successfully building an innovative export business, she and her co-founder soon attracted the attention of government.

"One of the things that makes a good director is being able to listen to different points of view. We need to be able to have a good debate and be respectful of others' opinions."

"The government was very supportive of having scientists involved in governance and were pushing for more women and more diversity," she says.

"I have always had a passion for innovation and science, so one of my first governance appointments was as a director of the Foundation for Research Science and Technology. That was under the then Ministry of Science and was the funder of New Zealand science.

"I joined the board of Industrial Research Ltd, one of the Crown Research Institutes, which ultimately became Callaghan Innovation. I was also on the foundation board of Industry New Zealand, which merged with Trade New Zealand to become the current New Zealand Trade and Enterprise. That was a fascinating role."

Simmons generally found she was the youngest member of a board and one of few women.

"I was on the Advisory Board for Technology for Business Growth and the only biologist. It was me and about 10 male engineers. I remember thinking, 'they think very differently to me, they are very linear'. That was a revelation, that people thought in such different ways. But different ways of thinking is how you get innovation.

"I discovered I could cope with that and interact with people who think differently and that I enjoyed translating what great innovators have to say into business language. I also enjoy working for the best outcomes, so that's how it all started."

She remains passionate about getting the best outcomes in governance, particularly focused on science commercialisation and early-stage biotechnology company development.

Roles over the years have also included chair of NZBIO, a New Zealand representative on the APEC Business Advisory Council (ABAC), and executive director of Cure Kids Ventures, a seed and early-stage healthtech company investment fund.

She is also involved with diagnostic companies Pictor, as the chair, and IGENZ (director). Pictor is an in-vitro diagnostics company that offers a patented multiplexed platform for highly accurate and efficient testing of complex and infectious diseases for human and animal health.

This year, the company launched a ground-breaking test for the Mycoplasma bovis (m.bovis) cattle disease which was detected in New Zealand in 2017. The test, now available globally, may allow for the elimination of individual animals rather than entire herds, significantly reducing the impact of the disease on farm businesses.

Simmons has led the board in enabling the company to pivot to new markets, drive investor fundraising, evolve into a slimmer operating model, and position it for future growth and expansion.

"It is complex technology and right up my alley because I did my training in immuno-chemistry – so antigen antibody interaction. Pictor is right in that space.

"It is making it more accessible in the area where people are looking to detect lots of biomarkers and get more information about disease, and doing it through markers in blood and saliva to quickly detect disease and infection."

"I was on the Advisory Board for Technology for Business Growth and the only biologist. It was me and about 10 male engineers. I remember thinking, 'they think very differently to me, they are very linear'."

However, she says participating in governance for innovative science-based technology "isn't for the faint-hearted".

"I must be very confident about the technology and the role I can play in transforming the way diagnostics are delivered. It isn't easy to get the right team, in the right place at the right time," she says.

"It is a heavily regulated industry, so it takes a long time to get to the stage where you have met all the regulatory requirements, and it is not easy to get funding pre-commercialisation.

"You can't do that all within New Zealand, so it has been an interesting journey to internationalise the Pictor board. We have board members from the UK and US, too, and our managing director is from the US."

IGENZ is a privately owned, accredited clinical laboratory delivering innovative diagnostic genomics services. "The two scientist founders needed to scale up their laboratory side," she says. "I love working with scientists and I'm enjoying helping them with the early business discipline."

Simmons does worry that, to a degree, New Zealand may have taken its foot off the pedal in new thinking and acting on innovative ideas, and would like to see more advanced directors involved in early-stage companies.

"We need to start new ventures. I understand why people might not be attracted to that, but looking back at my connection with the science community, from a New Zealand perspective, perhaps we are not embracing innovation as much, or keeping it current and fostering innovation. I think we have slightly lost our way and that worries me."

Believing and achieving

Monique Forbes CMInstD, the first Future Director on the IoD Board, finds her zone – being her best version and making an impact.

AUTHOR:
NOEL PRENTICE

Instilled with the belief at school that she can achieve anything, Monique Forbes (Ngāti Hounuku, Tainui) CMInstD is determined to be the best version of herself that she can be.

Whether that is empowering young rangatahi, launching her own consultancy business, seizing governance opportunities, or being a solo parent, the Auckland-born and bred Forbes gives everything her best shot.

Her own empowerment started in the third form at her all-girls high school, where they were taught there was no limit to their thinking. “In our world, we came to believe there was nothing that existed that was going to stop us from succeeding. You can be whomever and whatever you want to be.”

But there was always that expectation of achievement. “Achievement looks different for different people,” she says, “but it was to be the best version of yourself that you can be. And, I guess, I have always tried to be that.

“One of my guiding principles is that I’m going to live my life to make the biggest difference I can within my capacity.”

Forbes has often been in the right place at the right time – when landing her first job and her first board role – but knows her knowledge, skills and experience are transferable, allowing her to work at different companies.

She has not been scared at jumping industries, whether that is in aviation, advertising, renewable energy, or utilities and financial services. It was at one of these companies that a CEO imparted some wisdom that led Forbes to her calling.

“He was an advocate of finding something in your personal life that is bigger than yourself. It’s not just about you. I was looking for what that could be and stumbled upon it while surfing the internet.”

Forbes watched a documentary named *In the Zone*, the story of American Terrance Wallace who in 2011 launched the InZone Project, aiming to transform the lives of disadvantaged Māori and Pasifika teens by moving them to supportive homes in zones where they could attend top Auckland schools.

“It just spoke to me and my immediate reaction was, ‘how do I get involved? This is where I can have an impact.’ I reached out to the chair and there happened to be an opening on the board at the time. I’ve been volunteering for nearly four years now.”

“With that super diverse, younger generation coming through, boards need to understand the value of diversity and not to feel threatened by it through a lack of knowledge or understanding.”

Forbes says it was not intentional to start her governance journey this way – it was more about trying to use her skill sets and knowledge to have an impact on the next generation coming through.

“To quote [sociologist and demographer] Professor Paul Spoonley, the demographics in New Zealand are changing and so will the leaders of tomorrow,” she says, citing statistics that, over the next two decades, almost 20 per cent of New Zealanders will be a member of an Asian community, more than 20 per cent will self-identify as Māori and another 11 to 12 per cent will identify as Pasifika.

“With that super diverse, younger generation coming through, boards need to understand the value of diversity and not to feel threatened by it through a lack of knowledge or understanding.”

Despite having no governance experience, Forbes was helped at InZone by a good onboarding process, and a strong chair who sat on multiple boards across many industries. “I was exposed to that best practice and learned a lot quickly,” she says.

“The chair ensured everyone around that table was heard. People were encouraged to speak up. Everyone had a unique viewpoint based on their background and experience. That environment created a safe space. It comes back to the culture of that board and the respect held for each other.”

Forbes also stepped off the board into an interim CEO position to fill a gap for five months, experiencing the operational side and reporting back to the board. “It just gave me a different perspective, I loved it,” she says.

“I love learning and sometimes having to unlearn things that have become outdated. It’s so important to have an open mindset, no matter at what stage you are at in governance and be brave enough to also unlearn and relearn.”

She says she has always been "very ambitious", and the pressure attached to that comes from within and her personality type.

"I have always set goals, rightly or wrongly – 'By the time I'm X years old, I want to be this, this and this, in my professional career'. I've always been that type of person, but now I've realised you shouldn't put age limits on yourself.

"I'm not overly risk adverse. If something goes wrong, try something else. What is the worst thing that can happen? Someone says 'no' or you get a rejection."

That attitude served her well when looking for her first job. She showed up on spec at Qantas one day and handed her CV to the receptionist. By coincidence, the marketing coordinator had just resigned and they were looking for someone.

"The stars aligned for me that day. My CV landed on the marketing manager's desk and that was my first job. My career just evolved from there.

"I was only seven months into that marketing role before I was promoted to business analyst, so I needed to learn how businesses were run. I was doing everything from market share analysis to revenue forecasting and planning."

Realising that the major decisions were being made at head office in Sydney, Forbes crossed the Tasman and spent more than eight years working there.

For the past 24 years, she has worked predominantly in C-senior roles in big complex, publicly listed companies in Australia and New Zealand, with her last management position on the executive team at Heartland Group, specialists in finance and banking products.

"Once I've finished my management career, full-time governance is my ultimate goal," she says.

HOW MY WORLDS CAME TOGETHER AT THE CDC

Like many aspiring directors who attend the IoD's Company Directors' Course, Monique Forbes CMInstD wondered how the five days of intensive skills building would impact her career – and life.

The marketing, customer and digital executive leader, who joined the IoD Board as a Future Director in July, was surprised.

"To be honest, I didn't really know much about the IoD as an organisation. But I had heard about the CDC and it turned out to be the most amazing 'aha, connecting' moment for me. It was the coming together of my worlds, learning more about what good governance means and the impact it can have on people, organisations, communities and the planet.

"Then, when I joined the IoD it felt like I had found my people. It is an organisation with an incredible vision and purpose. It has opened a new world for me. I would say I found my learning place – from the people I meet to the content that is produced, whether it is webinars, in-person events, toolkits or courses."

After completing the CDC, she quickly went on to sit her Certified Member qualification but says there are things she would have done differently in the first six months of her first board role – "Reading the constitution or deed as the first document!" she laughs. "It's the 101 of starting on a new board."

The IoD Board received 33 high-calibre applicants for its Future Director position, says Chair Ross Buckley CMInstD, with Forbes' strategy, marketing and customer experience seen as a valuable addition to the skills already sitting around the table.

"Forbes was able to showcase her experience, competency, and mana from both her senior corporate and leadership roles, as well as her experience in governance on a 'for purpose' entity.

"She demonstrated great passion for the IoD which was supported by her recent Chartered Membership status and her attendance at numerous IoD events and courses – she is a model member," says Buckley.

Institute of DIRECTORS NEW ZEALAND

Future Directors

Master of the Moanaverse

Don Mann MInstD, CEO of multimedia entity Pacific Media Network, is drawn to change and disruption.

AUTHOR:
CAS CARTER,
FREELANCE WRITER

Governance is in the DNA of Māori-Tongan director Don Mann MInstD whose public and private life have both been focused on long-term planning.

The middle child of a Māori mother and a Tongan father, Mann says governance comes naturally from being exposed to leadership and decision-making at an early age.

Currently Chair of his whānau roopu, he also has governance roles at Literacy Aotearoa (Co-Chair), Sky City Auckland Community Trust and the Rising Foundation.

Mann's whānau has operated very much like a board with five living generations, plus future mokopuna to think of and plan for.

"We have a cooperative way of working; our thinking is strategic and long-term, considering the next generations and we have a consensus model of decision-making," he says.

Mann stood out from an early age, carrying the same name as his top-level rugby league-playing father, which was both a challenge and a blessing at times.

After being a police officer and detective, he set his heart on sports management, becoming New Zealand Rugby League's marketing manager and GM of the Warriors franchise, and then working on Auckland's economic development strategy.

"I loved the police. I was able to complete a Bachelor of Business there, as well as working alongside experienced Māori police officers who helped me find my feet."

In 2020, as the Covid pandemic took hold, Mann took a leap into relatively unknown subject matter to run ethnic broadcaster Pacific Media Network. He initially turned down the job offer, thinking that media was, and is, facing incredibly challenging times. Then he looked backwards and had a rethink.

"I stopped and asked myself what's the point of having management and governance experience, if not to serve my own community?

"What was the point of 13 years of being a police officer and detective, 13 years managing professional sport, working in economic development (at Auckland Tourism, Events and Economic Development) and building a governance career? If you don't utilise all those experiences to give back, they just become a vanity project."

"Broadcasting and media are a means to an end. Our trust deed considers the prosperity of Pacific people, building New Zealand's identity as a Pacific nation and developing a pipeline of Pacific broadcast excellence."

The lightbulb moment was when Mann realised the role was far more than being a multimedia company boss. It was part of his heritage.

"Broadcasting and media are a means to an end. Our trust deed considers the prosperity of Pacific people, building New Zealand's identity as a Pacific nation and developing a pipeline of Pacific broadcast excellence."

The 30-year-old Pacific Media Network was founded by Pacific migrant leaders who needed a media vehicle to support the Pacific population to settle and thrive. "My father and my grandparents are migrants who developed an attachment to the radio network to keep connected to Tonga.

"It was also a way to support the next generation growing up in Australia and New Zealand. For example, dad's older brother George leveraged the radio station to help establish the Tongan international rugby league team."

But Mann was also interested in the challenge of working in a disruptive industry. "I've always been drawn to change and disruption. And there was a lot of change going on. It was a time when two of our mainstream media – Stuff and NZME – were looking at merging and then Sinead Boucher bought Stuff for $1. Meanwhile, then broadcasting minister Kris Faafoi was considering merging TVNZ and Radio New Zealand."

Mann drew on his connections, including the media network he had developed while with the Warriors. Other relationships he leveraged were with Tongan journalist and leader Sefita Hao'uli, founder of Radio 531pi, and Robert Kahn, managing director of Indian station Radio Tarana.

But Mann wasn't going into the media environment with rose-tinted glasses – his biggest priority was maintaining viability against the backdrop of economic uncertainty. That meant looking at where they faced competition and, most importantly, what their unique offerings were.

"We have the same macro challenges as mainstream media. Our audiences consume media in multiple ways, global platforms dominate advertising revenue. And we're challenged to maintain relevance to our respective audiences in the face of social polarisation and the likely rapid adoption of generative AI.

"We've also got our own unique challenges and opportunities. We've got the fastest growing population, a young audience and a highly diverse community which is bilingual across multiple Pacific languages. We're a highly diverse community. We operate in 11 languages, 10 of which are Pacific.

"Just because we have a 30-year history of Pacific language broadcasting, we can't take it for granted that Pacific audiences will stay with us. Our relevance and value depend on our ability to respond and transform to our people."

The job of transitioning from a linear radio broadcast to a globally relevant Pacific multimedia entity involved two key governance decisions: a 100 per cent Pacific content strategy and a global multimedia strategy dubbed 'The Moanaverse'.

The new direction turned them to their core reason for being – to make content by Pacific for Pacific. This helped differentiate them from other competitors in the market.

"For example, if you look at urban-youth broadcasting there were three major radio entities – NZME's Flava FM, Media Works Mai FM and our Niu FM. Our approach meant Pacific youth would have 100 per cent guaranteed programming about Pacific people, arts, culture and identity.

The Moanaverse strategy required understanding their audience both

"Just because we have a 30-year history of Pacific language broadcasting, we can't take it for granted that Pacific audiences will stay with us. Our relevance and value depend on our ability to respond and transform to our people."

domestically and the approximately 15 million Pacific people globally.

Once they were clear the Pacific Media Network was an international organisation, they developed relationships with media giants Meta and Google. Meta offered an accelerator programme providing a grant and guidance to build their award-winning digital platform pmn.co.nz, while the relationship with Google is commercial, ensuring their content is valued and paid for.

That said, their agreement leaves the door open for any future collective bargaining that might develop following the Fair Digital Bargaining legislation currently before Parliament.

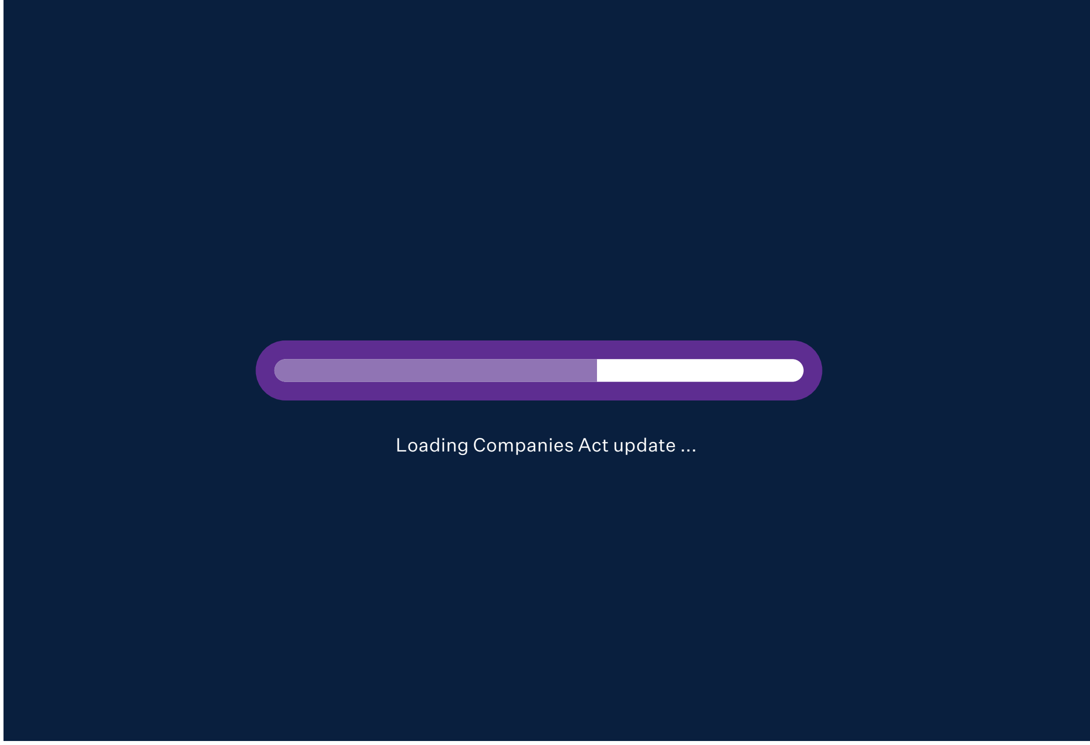
Mann is quick to celebrate the network's achievements, some of which are recruiting and training 36 Māori and Pacific journalism cadets and the highest rotation of local music compared to all other radio stations in New Zealand.

But that is a double-edged sword because as quickly as they recruit and train their people, the big recruitment drives by mainstream networks such as ABC Pacific in Australia are luring staff away.

"That raises many questions about workforce development and retaining talent, but also if there are more collaboration opportunities with global broadcasters."

Balancing a full-time executive role with his governance responsibilities has its advantages for Mann who says the roles feed off each other. "I just have to be very deliberate about preparing myself before meetings to get my head into what role I have that day.'

"Being on both sides of the table as a CEO or as a board member has helped me develop empathy and an understanding of others. I always take time to self-reflect and ask myself, 'have I been a good governor, and have I fulfilled my role properly?'"



Modern companies, modern rules

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The proposed reform of company law in New Zealand should be advanced promptly to modernise the 31-year-old Act.

In an encouraging move, the Government announced plans to "modernise, simplify and digitise" company law in New Zealand. These reforms, set to unfold in two phases, seek to address longstanding issues and adapt the Companies Act 1993 to meet the needs of businesses operating in the present day.

The first phase will involve the introduction of several proposed reforms to the Companies Act, including:

1 Reforms that aim to modernise corporate governance, such as:
   - revising the definition of a 'major transaction' to exclude transactions that are solely about the company's capital structure
   - introducing a 'notice of access' regime which would allow companies and insolvency practitioners to put pertinent information on a webpage for shareholders and creditors to access digitally, rather than having to post notices, annual reports and other documents to all shareholders
   - providing companies with a streamlined process for reducing their share capital without requiring court approval.

2 Improvements to corporate insolvency law in New Zealand, such as:
   - extending clawback periods for transactions with related parties to four years
   - recognising long service leave as a preferential claim
   - formalising a power to levy companies to help pay for the Official Assignee to wind up failed companies
   - implementing other recommendations of the Insolvency

Working Group (such as offering some protection for gift card and voucher holders).

3 Amendments that will combat illegal business practices, such as phoenix behaviour – where companies dissolve and reincorporate to avoid paying debts – including by assigning company directors and general partners a unique identification number to help track corporate histories.
4 Changes that protect the personal privacy of company directors and shareholders by giving them the option to remove their home addresses from the Companies Register, replacing them with an address of service. This move aligns with broader privacy concerns and aims to provide a more secure environment for those involved in company management.
5 Reforms that will focus on increasing the uptake and use of the NZBN. It is proposed that this will help to reduce the administrative burden on businesses, prevent scams, and facilitate digital transactions by more easily verifying a business identity.

The reforms do not include a Beneficial Ownership Register (proposed by the last government in an attempt to provide better visibility of individuals who control companies and limited partnerships). MBIE ". . . will provide an update on this project in due course".

The changes to the Companies Act are designed, says Commerce and Consumer Affairs Minister Andrew Bayly, to make New Zealand an easier and safer place to do business: ". . . we need to ensure our companies are not hamstrung by out-of-date laws and onerous red tape, while also making sure there are safeguards in place to deter bad actors and dodgy business practices."

Legislation for the phase one changes is intended to be introduced in 2025 and will go through a select committee process, so there will be an opportunity for interested parties to have a say about the proposed changes.

"When compared to the reforms in phase one, the issues related to director duties in phase two will require deeper consideration before going through the legislative process."

The second phase of reform, also due to kick off next year, will require a comprehensive review conducted by the Law Commission, focusing on director duties, director liability, penalties and offences, and enforcement mechanisms.

It will look specifically at the issues raised in the *Mainzeal* litigation, where the Supreme Court emphasised the need for the Companies Act to strike an appropriate balance between encouraging directors to take prudent business risks and providing protection for creditors.

Striking this balance under the current legislation can be difficult, and the Supreme Court endorsed the earlier view of the Court of Appeal that a review of the director duties provisions would be appropriate. The Government's announcement regarding phase two will therefore be welcomed by existing and intending directors.

We commend the two-phase approach. Many of the issues to be addressed in phase one will be helpful to the business community and so should be advanced promptly to 'modernise' our 31-year-old Companies Act.

The reform follows engagement with company law experts that identified concerns with the present regime, as well as earlier recommendations made by the Insolvency Working Group. This engagement has ensured the specific issues targeted are those which have raised public, judicial and academic concern.

When compared to the reforms in phase one, the issues related to director duties in phase two will require deeper consideration before going through the legislative process.

The Government has recognised this and we agree a review by the Law Commission is an appropriate step. We hope that reform around director duties considers overseas options, including the use of the 'safe harbour' mechanism found in the Corporations Act in Australia that provides protection for directors of distressed companies who are taking appropriate professional advice during a restructuring process.

FROM OUR PARTNERS

Five things boards can do to help combat cybercrime

Identifying, quantifying and treating cyber risk can be a complicated undertaking.

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Photo by: Thisisengineering on Unsplash

The working world is increasingly digitised, and cybercriminals are forever employing more sophisticated tactics to exploit businesses. The consequences, should they succeed, range from mildly inconvenient to catastrophic.

Just a few years ago, cyber security was dismissed as an IT problem in need of an IT solution, beyond the scope of the board's responsibilities. Today, directors in general are recognising they should approach cyber security as both a strategic business enabler and an enterprise-wide risk management issue.

Yet, despite climbing the list of priorities, cyber security remains a daunting prospect for many boards. Whether it's a scarcity in expertise, a lack of awareness of the cyber risk landscape, or the very real challenge of translating this complex and dynamic field into business context, the resulting lack of scrutiny and management at the board-level is still putting many companies at risk.

Here are five things directors can do to add value at their next board meeting:

Take a risk-based approach: Understanding what business functions and information you are trying to protect, and how they could be impacted in an incident, is the critical first step for directing effort and budget. Cyber risk is in a constant state of flux as threats and their potential impacts evolve and change.

There are fundamental approaches to managing cyber risk; for example, effective incident response planning can reduce a wide range of risks. However, as cyber threats evolve so should your organisation's focus. Maintaining an understanding of the threat landscape enables your board and organisation to adapt over time.

Get clear on how to communicate cyber security: Most businesses have thousands of vulnerabilities that might expose you. As a board, you need to be clear with management about which risks require your attention, what you need to know about them, and how you want that information presented in a way that is useful.

By communicating your needs for reporting clearly, the people who are at the frontline, managing your organisation's security controls, have a blueprint for how to distil complex information in a way the board can understand and act on.

Understand the board's role in incident response: The board plays a critical role in incident response management before, during and after an incident. Failing to plan is planning to fail. Robust preparation for an incident improves your chances of minimising impacts. An incident response plan to guide how you should respond to a range of risks, threats and disruptive events is imperative.

In addition to guidance on detecting, analysing, containing, eradicating and recovering from an incident, it should include criteria by which management should inform and consult the board. When an incident occurs, the board should provide oversight of the crisis management team's response, looking for blind spots and ensuring the response is properly resourced. Particularly in the absence of a tested plan, an incident may be extremely stressful, technically overwhelming, emotionally and financially draining and completely unfamiliar for your management team.

Boards should keep a close eye on the performance of their team to avoid exposing the company to further risk or impact. Depending on the scale and severity of the crisis event, the board's role may change from oversight to leadership, should the board need to exercise its decision-making powers (for example, getting external support if the board feels its internal teams need expert guidance). Finally, it is critical the board has a thorough understanding of its legal responsibilities and keeps abreast of changing regulatory requirements. Regulatory bodies, such as the Financial Markets Authority and the Privacy Commissioner, may require notification, as do some insurers.

"Board members can become an 'attack surface' if they sit on multiple companies and don't use different systems to segregate and store information."

Develop a high-level understanding of how big trends are impacting security: Boards should proactively engage with emerging trends so they can anticipate new and developing threats and respond accordingly. Cloud-based cyberattacks have massively increased in the past year. Companies are putting more of their critical workloads on the cloud, and malicious actors have responded by pivoting to cloud-specific attacks. The same applies to legislative and regulatory trends overseas because chances are they will make their way to our shores, too.

In Australia, for example, we are seeing an increasing amount of class action lawsuits and new cyber security regulation with culpability falling on the shoulders of CISOs and CEOs. New Zealand legislation is relatively light, but there is an increasing expectation of a duty of care for how companies manage their customers data. We may see these expectations enforced through legislation or the courts – cyber regulation may be on a similar trajectory to the health and safety responsibilities placed on directors.

Brush up on personal cyber security hygiene: Board members retain and store large amounts of critical and confidential company information. This can pose a significant threat if that information is not managed safely. What's more, board members can become an 'attack surface' if they sit on multiple companies and don't use different systems to segregate and store information. In addition to all the usual precautions, such as multi-factor authentication and being aware of potential phishing attacks, board members should ensure company information is segregated and encrypted in transit and at rest.

Cyber security is a holistic business risk that touches your organisation's technology, people and processes. You don't need to be an expert to add value to conversations at the boardroom table. Rather, in addition to making cyber security a regular agenda item at board meetings, simply implementing these five easy steps will go a long way to reducing your organisation's risk.

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