Boardroom

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Riding (and catching) the waves: the top 5 issues facing directors in 2025 | Mind over machine: how to future-proof your organisation as AI takes hold

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“One machine can do the work of 50 ordinary men. No machine can do the work of one extraordinary man.”

– Elbert Hubbard, American writer and philosopher

The new year promises a set of challenges and opportunities like no other for directors and boards, as we highlight in the ‘Top five issues for directors in 2025’.

From adapting to stricter governance standards and climate regulations to harnessing the latest in artificial intelligence and digital technology, there will be no rest for directors.

The ‘Top 5’ is produced by our Governance Leadership Centre in association with ASB, with insights from the Director Sentiment Survey. It reflects our analysis of wider emerging trends domestically and internationally. The issues will all resonate in one way or the other: Return on capital, governance reform, climate as a competitive edge, quantum leaps ahead, and the high-performing chair.

Across the globe, key themes are reshaping the business environment, with a KPMG survey highlighting 88 per cent of enterprises are undergoing transformation to keep pace with the digital era.

Boards have a lot of balls in the air – one of the most explosive being AI, with another “serious hype cycle” sweeping the world, as one technologist tells us.

We seem to have reached the point where AI is understood and being implemented, even if it threatens organisations and workforces. But it is the pace of change that is frightening as we move through the stages of AI, from narrow (now) to general and then to super. That is the day when machines can talk to each other, with the threat of them becoming sentient.

Also prepare for Q-day, the moment when quantum computers can crack the strongest encryption algorithms. All of which raises the temperature on the ethical boundaries that need to be set now, says a computer engineer who specialises in AI and natural language processing.

For boards, the challenge is to plan for a future where digital transformation continues to push the pace of change. The potential rewards are mindboggling, judging by a report designed specifically for New Zealand by Microsoft and Accenture, which shows generative AI adoption is expected to add $76 billion per year to our economy by 2038.

Opportunity also comes knocking for directors by turning upcoming climate-focused regulations into strategic advantages. For exporters, that means ensuring sustainability is embedded in your governance and operations, or you face being shut out of international markets, says New Zealand Trade and Enterprise.

Ngā mihi
Noel Prentice, editor

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In this issue

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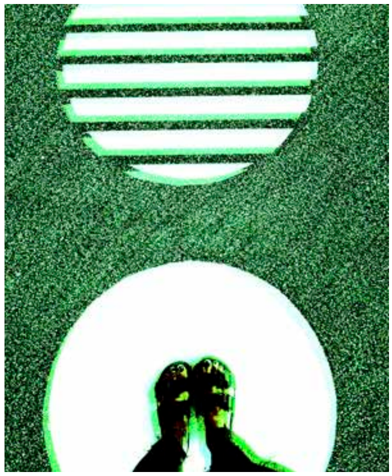

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The top 5 issues for directors in 2025

AUTHORS:
GUY BEATSON, GENERAL MANAGER, AND **SUSAN CUTHBERT,** PRINCIPAL ADVISOR – GOVERNANCE LEADERSHIP CENTRE

For New Zealand directors and boards, 2025 presents a unique set of challenges and opportunities, from adapting to stricter governance standards and climate regulations to harnessing the latest in artificial intelligence and digital technology. As the economy stabilises, directors will need to focus on building resilience, optimising returns and fostering effective leadership to steer their organisations through a shifting landscape.

As directors and boards look towards 2025, the mood is shifting. After years of crisis management, a new phase is emerging. While the global economy shows signs of stabilising, the path forward is anything but straightforward. Inflation may be cooling off and interest rates steadily reducing, but businesses still face the realities of tighter credit and hesitant consumer spending.

New Zealand's economic recovery feels cautious. Directors are balancing today's challenges with tomorrow's opportunities.

In boardrooms, the conversation has changed. As one director put it, "We have weathered the storms; now it is about seizing the openings that follow". This is grounded in optimism, built on the knowledge that change is inevitable, and those who see the openings can shape the future.

Across the globe, key themes are reshaping the business environment. KPMG's 2024 Global Transformation Survey highlights that 88 per cent of enterprises are undergoing transformation to keep pace with the digital era. Artificial intelligence, digital tools and the entire ecosystem they create are transforming industries, offering new efficiencies but also demanding strategic oversight. For boards, the challenge is to think beyond immediate pressures and plan for a future where digital transformation continues to push the pace of change.

Meanwhile, the shift to a low-carbon economy is accelerating, particularly in those countries we trade with. Directors who recognise this will see opportunities in everything from energy efficiency to sustainable product innovation. This is the time for boards to set the pace, not just keep up.

The 'Top five issues for directors in 2025' outline the critical areas of focus for boards looking to navigate this evolving landscape:

1. **Return on capital:** Directors will need to navigate short-term financial challenges by strategically balancing prudence and ambition, leveraging resources to maintain stability while laying the groundwork for future growth and resilience.
2. **Governance reform:** Directors and boards will have to navigate governance reforms, including changes to the Companies Act 1993, the Charities Act 2005 and the Incorporated Societies Act 2022, by aligning board practices to comply with new duties, liability standards and transparency requirements, while balancing these with proactive adoption of good governance practices that reinforce accountability and meet stakeholder expectations.
3. **Climate as a competitive edge:** Directors have the opportunity to leverage upcoming climate-focused regulations, such as New Zealand's XRB standards (with direct and indirect impacts), and international frameworks such as the EU's Carbon Border Adjustment Mechanism (CBAM), to turn compliance into strategic advantages, ensuring climate strategies bolster brand reputation, enhance (or at least continue) market access, and foster operational efficiencies amid global shifts.
4. **Quantum leaps ahead:** Boards can position for rapid technological advancements by integrating AI and, before we know it, quantum computing into strategic and risk management plans, investing in digital literacy and adopting quantum-resistant cyber security measures to safeguard data and leverage these technologies for competitive advantage. Boards will also need to ensure there is flexibility to adapt to future developments.
5. **The high-performing chair:** High-performing chairs, with chairs of board committees as their board partners and successors, are vital for guiding boards through complex challenges, ensuring strategic alignment, fostering a culture where diverse viewpoints are effectively harnessed, and supporting the CEO through complex challenges, while adapting to heightened expectations and maintaining strong governance and cohesive board dynamics.

1.

Directors and boards can drive returns across financial, human and natural resources, while balancing caution with opportunity to build resilience and unlock future sustained growth. In seizing this opportunity, directors and boards will need to consider the interests of shareholders. This means balancing competing priorities of shareholders foregoing short-term dividends to make medium- to long-term investments, the interests of minority shareholders and making the case for raising new capital. There are similar considerations for not-for-profits in their context.

Return on capital

With financial pressures still a reality, directors are focused on finding ways to deliver solid returns on capital. New Zealand's economy is on a slow path to recovery, inflation is easing, interest rates are on a downward trend and there is a chance of modest growth. These changes open the door for rethinking strategies and making investments that could pay off in the long run, even as industries, such as retail and construction, continue to feel the pinch of weak demand.

While today's conditions might feel a bit steadier, directors cannot afford to become complacent. It is about being smart with capital in all its forms – financial, human and natural resources – and finding those opportunities that boost efficiency and build resilience, while also building a buffer against the risks that remain. Investment plans that were put on hold during tougher times might be worth revisiting.

Many company boards will need to consider how to handle ongoing pressure for dividends rather than preserve capital for future investment. Similarly, not-for-profit boards will need to think about whether and how to use reserves – for example, seeking funding for additional or ongoing frontline services now, versus investments to deliver more services in the future.

In the public sector, ministerial expectation letters, including the Public Service Minister's enduring letter of expectations, emphasise that public sector boards should thoroughly understand their entity's cost drivers and performance against key outcomes. Boards are also required to report on these matters and deliver evidence and evaluation to show progress against expectations, including regular evaluations of their own performance. These expectations are similar to the return on capital and funding invested for companies and the not-for-profit sectors.

Part of the story is also raising capital (for companies) or seeking additional funding (for not-for-profits). Some companies are already doing this – for example, Auckland International Airport's $1.4 billion capital raise.

Now is the moment to think strategically about where to focus for the future, without losing sight of the need to weather the short-term financial and economic turbulence.

WHY IT MATTERS

The economic climate asks a lot of directors. So do stakeholders. Directors and their boards need to juggle financial pressures, changing labour market conditions and changes in policies on climate and natural resources, while setting their organisations up for lasting growth and meeting demands from shareholders and a wider group of stakeholders. With inflation starting to settle and interest rates reducing, there is a chance to think beyond immediate needs and take a fresh look at how to invest for the future. It is not just about investing in the usual places, it is also about investing in people, culture and communities to create a more holistic and sustained approach to growth. Stakeholders – notably shareholders, funders and the people being served – want boards to think creatively and look beyond the quarterly numbers.

Targeted investments in digital transformation and workforce skills can pay off quickly and build a foundation for the long haul. With some of the pressure easing, it is a good time to invest in those tech upgrades or training programmes that might have been on hold, and focus on making the organisation more adaptable, turning careful spending into a smart, strategic tool.

For the not-for-profit sector, where tight budgets are a constant, this is an opportunity to make better use of social capital, making the case for the outcomes they deliver for the community and seeking ongoing and additional funding. Building deeper ties with community partners can open new ways to secure support, whether through local business collaborations or community-backed initiatives. Innovative funding tools, such as social impact bonds which link money to specific community outcomes, can help ensure financial performance is tied closely to mission-driven goals. In short, this builds and secures the 'licence to operate' before it needs to be called on.

Options such as green bonds or partnerships with iwi-based investment funds are becoming more appealing, especially as interest grows in investments that benefit society. This allows directors to attract investors who want a return, but also want to see their money make a difference.

Boards and directors should also keep an eye on possibilities such as mergers, acquisitions or joint ventures (for both companies and not-for-profits), which can open doors to new markets or cutting-edge technology. These moves can help build resilience, giving boards the flexibility to adjust even when demand is uneven or unpredictable.

BOARD FOCUS, ACTIONS AND DISCUSSION FOR 2025

FOCUS	ACTIONS	DISCUSSION
Scenario planning for strategic growth	• Work with management to develop simple scenarios to test options for future investment and growth • Assess those options which are most common to each scenario • Learn from the climate-related disclosure scenario development experiences of climate-reporting entities	• What potential shifts in the economy or industry trends should we be preparing for? • How can the board use scenario planning to identify risks and opportunities, ensuring the strategic direction remains agile and responsive?
Reevaluate capital allocation	• Review plans for allocation of capital over the next 5-10 years • Ask management to advise on the current capital allocation approach and an analysis of extent to which it is fit for purpose in relation to the scenarios developed • Decide on a new capital allocation to deliver on medium-term opportunities	• How can we ensure our capital is working as efficiently as possible? • Are there opportunities in digital transformation, automation, or expanding into new markets that could deliver short-term efficiencies and long-term strategic benefits? • How might different types of capital – financial, human, and social – be better leveraged to achieve our goals?
Exploring diverse capital-raising opportunities	• Identify opportunities that might not be realised without new sources of finance/ funding • Ask management about potential sources of capital to fund these opportunities • Decide on those capital sources that will be pursued	• What new financing models could support our growth? • How might the board support the attraction of investors interested in social or environmental impact alongside financial returns?

Getting the strategy right for an upturn

AUTHOR:
NICK TUFFLEY,
ASB CHIEF ECONOMIST

The 2024 *Director Sentiment Survey* revealed boards are managing a balancing act between current short-term financial and economic pressures – with low demand perceived as the main risk – and being positioned to take advantage of an anticipated upturn. It can be tempting to focus on short-term cost control when times are tough, but directors should try to understand the trade-offs they may be making.

I would encourage boards to make sure they are appropriately balancing the short term versus the long term. When there is a lot of financial pressure, we tend to focus on cutting back costs at the expense, potentially, of being able to maintain capacity or to ensure we are in a good place to leverage an upturn.

The survey found 52.2 per cent of directors expect the economy to improve over the next 12 months, up from 28.3 per cent in 2023. This is the highest level of optimism since the survey began in 2014.

While the mood is justified by lower inflation, and the Reserve Bank easing interest rates, it is unlikely we will see a rapid economic bounce. We are more likely to see a gradual uptick in consumer spending as interest rates continue to fall.

Directors identified cost of living/inflation as the main risk to the economy (41.6 per cent). Households, which is where a lot of the pressure has been, are going to feel relief from higher mortgage rates to different degrees, and at different times. The gradual improvement will be dictated by people rolling off a relatively high fixed-rate mortgage onto a lower one and having more cash available to spend. And we will see a global environment that is generally getting better.

Boards will need to anticipate where their organisation fits within this trend and develop a strategy accordingly.

A potential dampener of household spending may be the unemployment rate, with the potential for further job losses in the short term likely to make households cautious. We still have businesses which are restructuring.

While our population has been growing faster than we have created jobs, in part due to immigration, unemployment is likely to peak at around 5.5 per cent by the middle of next year.

Domestically, directors' concerns around political and policy uncertainty are likely to ease this year. Political and policy uncertainty was the second most-commonly cited risk facing organisations (14.5 per cent), just 0.2 percentage points behind the leading risk – low consumer demand (14.7 per cent).

I expect we will see the policy direction in New Zealand become a little more settled. We have seen a lot of reversing direction from the previous government's policies and quite a few announcements of change coming up, but we have not yet seen that change defined. We should see more clarity in 2025.

Internationally, there are a few clouds of uncertainty hanging around, given the US election outcome.

So, a successful business strategy for the next 12 months will have to balance financial challenges with the need for directors to lift their eyes to the future. Part of that is being focused on how we can use and leverage technology, and understanding more fully how it can shift the dial through greater efficiency and productivity.

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Directors and boards will face increased scrutiny of governance – practice, duties and liability – with reforms across multiple pieces of legislation reshaping accountability, transparency and the alignment of board activities to stakeholder expectations.

Governance reform

Governance is in the spotlight in 2025, with a series of reforms reshaping expectations – governance practice, duties and liability – for directors. Updates to the financial services and health and safety frameworks, along with changes to the Charities Act 2005 and the Incorporated Societies Act 2022, all point to a heightened emphasis on governance standards and practice. Building on earlier legislative changes, further changes have been signalled in the Companies Act 1993, to be undertaken in two phases. The second phase, focusing on directors' duties, liability and enforcement, is, in part, sparked by the Mainzeal Supreme Court decision. This review offers a rare chance to revisit and refine the principles that guide directors' duties and governance practices. It means a sharper focus on upholding professional standards, governance practice and accountability.

WHY IT MATTERS

The Companies Act review is an opportunity to modernise a governance framework that has remained largely unchanged for decades. Phase one of the reforms will focus on modernising, simplifying and digitising the legislation, as well as removing the requirement to publish company directors' residential addresses on the Companies Register. Directors will need to become familiar with the requirements and the opportunities the changes will create. The changes should make it easier for companies to operate and raise capital and ease the burden on directors which has increased year on year, particularly for listed company directors.

Alongside the more immediate legislative shifts, phase two of the proposed changes, a review of directors' duties by the Law Commission, aims to clarify directors' responsibilities, particularly in managing financial risks and ensuring greater transparency. Some of the reforms may help to simplify compliance, but they come at a time when stakeholders expect boards to demonstrate stronger governance and take a more active role in oversight. While the nature and enforcement of directors' duties across a range of organisations may change, expectations of good practice governance, and boards adding value and being accountable for their actions, are likely to remain, if not increase.

On the global stage, there is a clear move towards greater transparency. In the UK, the recently published version of the UK Corporate Governance Code (2024 Code) requires companies to report on their approach to governance. This includes a focus on board decisions and their outcomes within the context of the company's strategy and objectives. It also emphasises the importance of transparent and effective governance reporting, aligning board activities with the company's strategic goals. For New Zealand directors, it is about aligning their approach to governance with these evolving standards and being ready to demonstrate how they are meeting regulatory requirements and stakeholder needs.

Directors need to think beyond legislation and regulation in New Zealand and globally. With the pace of technological and societal change outstripping regulation, directors are increasingly faced with gaps that formal rules do not yet cover. This means looking beyond the statutory minimums to embrace voluntary codes and best-practice frameworks. These tools can help boards anticipate emerging risks and build trust with stakeholders. Directors' leadership in these areas is crucial as they navigate a landscape where formal regulations often lag real-world developments.

> “Directors need to think beyond legislation and regulation in New Zealand and globally. With the pace of technological and societal change outstripping regulation, directors are increasingly faced with gaps that formal rules do not yet cover.”

BOARD FOCUS, ACTIONS AND DISCUSSION FOR 2025

FOCUS	ACTIONS	DISCUSSION
Impact of the Companies Act review and other governance-related reforms	• Seek periodic and ongoing advice from legal advisors about changes in legislation and regulation, particularly in the Companies Act 1993, and wider review of directors’ duties, as well as other potential changes in legislation (including in health and safety and the financial sector) • Read articles and other material from the IoD and its legal sponsor, Dentons, to keep track of proposed legislative changes and related developments	• How might we engage with the Companies Act review – phases one and two? • How are we keeping in touch with other reforms that impact governance practices and ensure implementation?
Aligning governance with shareholder and stakeholder expectations	• Prepare and publish a governance statement outlining the board’s governance approach, intended outcomes and how the board views the best interests of the company/organisation	• How can the board ensure our approach to governance is transparent and meets shareholder and stakeholder demands for accountability? • What initiatives could help the board demonstrate the value that strong governance adds to our organisation?
Adopting voluntary codes and best practices	• Explore voluntary governance and best-practice frameworks for AI and other technology to keep ahead of regulation and other developments. • Do the health and safety self-assessment for boards and individual directors	• What skills and knowledge do the board need to make the most of voluntary governance codes and best-practice frameworks, such as ethical frameworks for AI and other technology? • How can these tools help the board address gaps that regulatory frameworks may not yet cover?

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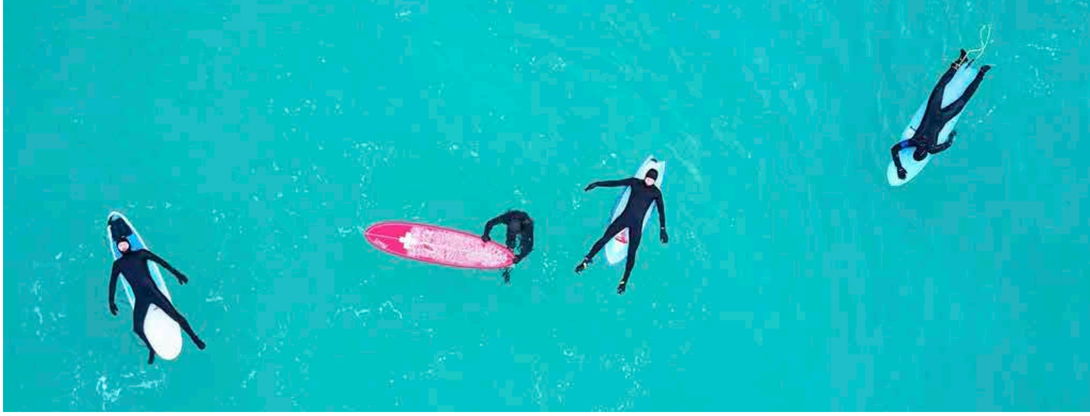

Adapt and modernise: How to navigate the reforms

AUTHOR:
MARY-JANE DALY CFInstD

Governance reform planned for 2025 signals a clear shift towards enhancing governance standards and accountability in New Zealand. This comprehensive approach challenges boards to adapt and modernise their practices, and adopt a more holistic approach to governance, including the need for boards to exercise enhanced caution and accountability in managing financial risks and corporate obligations.

This increased focus on fiduciary responsibility and transparency aligns with a global movement which emphasises transparent governance reporting, aligning board decisions with corporate strategy, and demonstrating outcomes.

For directors, the heightened accountability places us in a dual role: first, delivering strategic oversight to the company and, second, as guardians of sound governance and facilitators of an evolving regulatory environment.

While some aspects will be simplified, the net impact of this increasing complexity of obligations can also impact on board effectiveness if not well balanced against our core accountabilities of having a clear vision for the business and developing and overseeing the execution of the organisation's strategy.

Boards need to have a clear vision of what they want to achieve, stay with it and have all the governance and management structures working towards achieving it. We must be well-informed of changes in legislation and proactive in implementing best practice. This includes having the systems and processes to support regulatory obligations.

Another important aspect of these reforms is the expectation for New Zealand boards to align governance activities with stakeholder interests. This requires boards to articulate and communicate their governance approach transparently. By preparing and publishing governance statements, boards can demonstrate their commitment to accountability and align their actions with both shareholder and broader stakeholder expectations.

For example, a board that consistently reports on its governance objectives and outcomes helps build trust and clearly communicates the value that robust governance brings to the organisation.

Looking forward, boards in New Zealand must adapt to rapid technological and social changes that regulations often struggle to keep pace with. Embracing voluntary codes and best practices, especially in areas such as artificial intelligence and emerging technologies, can allow boards to address gaps in current regulation.

Such foresight will enable directors to anticipate emerging risks, prioritise ethical considerations, and build stakeholder trust by demonstrating a commitment to responsible governance beyond the minimum statutory requirements.

We need to remain cognisant of the need to continually elevate our governance practices. For independent directors, the challenge lies in ensuring we are not only responsive to regulatory mandates but are also forward-thinking leaders in governance.

By cultivating a proactive, informed, and transparent governance approach, we can effectively navigate the complexities of these reforms and enhance the resilience, accountability, and reputation of the organisations we serve.

Mary-Jane Daly CFInstD, an independent director, is Chair of AIG Insurance New Zealand Limited, Chair of Fonterra Shareholders Fund, and a director at Kiwibank and Kiwi Property Group.

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Johny Goerend
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3.

As international regulations increasingly link market access to sustainable practices, boards that proactively embrace climate-focused strategies can turn compliance into a powerful competitive edge. Tentacles from these international developments and New Zealand's climate reporting requirements will increasingly reach local companies and organisations. This will mean having to think about supply emissions and other climate-related information and data. More than just compliance, this will be an opportunity to consider and meet customer and community needs and expectations, and work through ways to improve productivity.

Climate as a competitive edge

New Zealand led the way with mandatory climate-related disclosures. Other countries have caught up and are responding to the climate change challenge, both with adaptation measures and carbon emissions reductions. In its May 2024 economic survey, the Organisation for Economic Cooperation and Development (OECD) said New Zealand needs to take a more systematic approach to reducing emissions and adapting to climate change-related extreme weather. This includes further refinement of the Emissions Trading Scheme (ETS), funding and building more resilient infrastructure and a long-term energy strategy.

This is about more than just action by governments. One of New Zealand's leading chairs observed that it is important to respond to market signals and, ultimately, the consumer is the regulator. The chair also noted that despite (or perhaps because of) financial pressures on businesses, this is the very time that businesses need to be looking at nature (including in relation to climate change) and moving to protect their businesses from potential loss of entry to markets.

Climate-related information and data can help identify opportunities for delivering more value to customers/people being served and demonstrate meeting community expectations. This relies, however, on moving beyond the 'eyeometer' – calculating using your eyes – to better quantification and verification of data to support board decision-making. This is consistent with the evolution of global regulations and the expansion of mandatory climate disclosures under frameworks/standards, such as the External Reporting Board (XRB) standards. These requirements support businesses to assess their governance, climate risks and climate opportunities, and build them into their overall strategy. While compliance does bring additional costs, aligning climate initiatives with operational efficiency and meeting stakeholder expectations creates opportunities to stand out and secure market access, locally and internationally.

This is especially significant for New Zealand, where more than 80 per cent of export value is tied to countries with mandatory climate-related disclosures. There are also implications from New Zealand climate-related disclosures, where customers and suppliers will increasingly be asked for emissions and other climate-related data by major businesses (including banks, financial institutions and fund managers) as part of their reporting on Scope 3 emissions (those outside their company) and climate-related risks.

WHY IT MATTERS

In this context, the regulatory environment for climate governance, in New Zealand and internationally, is becoming more demanding, making climate strategy a central priority for directors. Domestically, the XRB standards now apply to around 200 large companies and financial institutions to disclose climate risks, scenarios and transition plans, pushing businesses to be more transparent about how they manage their environmental impact. In parallel, Australia's regulations are aligning with the International Sustainability Standards Board (ISSB) and extend reporting requirements to large publicly listed and private companies, and large asset holders, such as superannuation entities and funds. For companies with operations in both markets, this alignment creates an opportunity to develop a consistent approach to reporting – one that meets compliance requirements while also crafting a compelling sustainability story. This also opens opportunities to better serve customers and shows how community expectations are being met.

The emerging requirements are not just in Australia. Various types of mandatory climate reporting now extend from Europe and the United Kingdom to Japan, through much of Southeast Asia to China, and into Canada, the US states and the US federal government. Increasingly, these requirements, following the Taskforce for Climate-Related Financial Disclosures

(TCFD framework) and ISSB requirements, will seek emissions and other climate-related information from New Zealand suppliers to companies in these countries.

Given the importance of these countries to New Zealand's trade, these regulations are more than a compliance burden; they offer a pathway to turning climate action into a strategic advantage. The ETS has recently seen a gradual rise in carbon prices, which could present challenges but also incentivise investment in emissions-reducing technologies that lower costs over the long run. The Climate Change Commission's advice suggests further price increases are likely, offering a strong reason to invest early in renewable energy and efficiency measures.

The European Union's Carbon Border Adjustment Mechanism (CBAM) now places tariffs on imports with high embedded emissions, such as concrete and aluminium. However, this challenge also brings a strategic opportunity. Businesses that shift to lower-carbon production can maintain market access and strengthen their competitive position.

Investing in nature-based solutions (NbS) and biodiversity can provide advantages that go beyond compliance. The Government has pointed in this direction in the discussion document for the second emissions reduction plan and its climate strategy. Initiatives such as regenerative agriculture and sustainable land use will not only generate carbon credits but also boost brand reputation. This is particularly valuable for sectors such as agriculture, forestry and tourism, where healthier local ecosystems can translate into stronger competitive positions and deeper community connections. Directors also play a crucial strategic role in managing how resources are used, such as through efficient water and land management.

BOARD FOCUS, ACTIONS AND DISCUSSION FOR 2025

FOCUS	ACTIONS	DISCUSSION
Turning compliance into opportunity	• Assess brand reputation with customers and supply chain partners • Support management to orient disclosure requirements and questions about climate information from customers and suppliers towards opportunities	• How can the board help the company align with climate-related disclosure requirements, such as the XRB standards, in a way that creates a strategic advantage? • What steps can the board take to ensure the company's climate strategy not only meets compliance but also enhances brand reputation and operational efficiency?
Adapting to shifting global markets	• Ask for a scan of climate-related reporting and other requirements domestically and from other countries relevant to your business, and an analysis of their impact • Add these considerations to board strategy and direction setting	• With new trade regulations, such as the EU's CBAM, how might changes in international markets affect our company's business? • How should the board consider these shifts when looking at the company's supply chain and production processes, even if the company/organisation is not directly exporting?
Accessing green finance for sustainability goals	• In conjunction with achieving a resilient return on capital, consider new ways of lowering the cost of capital linked to climate and other sustainability financial products offered by banks and other funders	• What role could green bonds or sustainability-linked loans play in funding climate-related initiatives? • How could this help us meet financial objectives and environmental commitments?
Embracing nature-based solutions	• Explore options for nature-related emissions reductions from the second emissions reduction plan that might support the company/organisation to respond to climate change	• What opportunities exist for integrating nature-based solutions, such as regenerative practices or ecosystem restoration, into the broader climate strategy? • How could this approach enhance market position and stakeholder relationships?

Climate as a brand hygiene factor

AUTHOR:
SARAH OTTREY
CFInstD

"The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today." (Hamel and Prahalad, 2010)

The concept of competitive advantage is a key driver of my approach to organisational success. It is the first attribute I examine when completing due diligence on a prospective board or advisory, or employment role. It determines how easily the business will be able to sustain its performance, as well as grow.

It is a simple question. What do you or your organisation, or your brand, do that is better and different?

In the early 1980s, Harvard professor Michael Porter coined the concept of competitive advantage – "anything that enables you to charge higher prices or secure lower costs or both." Forty years later the principle still applies, but the context has softened and broadened.

Competitive advantage is what makes an organisation unique, compelling and more successful than its rivals. This could be innovation, cost advantage, customer service or brand strength. It is the unique mix of attributes and execution that sets it apart.

There is no disputing that consumers expect organisations to take seriously their sustainability responsibilities.

PWC's 2024 International Voice of the Consumer Survey (20,000 consumers in 31 countries) found 85 per cent were experiencing first-hand the disruptive effects of climate change and prioritising consumption that integrates sustainability-focused practices. More than 80 per cent said they were willing to pay more for sustainably produced or sourced goods, while 46 per cent said they were buying more sustainable products to reduce their own footprint, as well as 32 per cent eating different foods and 31 per cent travelling less or differently.

Consumers are assessing organisational sustainability practices tangibly, looking at production methods (40 per cent), eco-friendly packaging (38 per cent), increasing fruit and vegetable consumption (52 per cent) and making a positive impact on nature and water conservation (34 per cent).

So, if 85 per cent are prioritising sustainable consumption and 80 per cent are willing to pay more, then surely a brand can charge more to cover the cost of its climate transition or sustainability efforts. Climate and sustainability, on the face of it, is a competitive advantage.

But here is the rub and it's called the value-action gap. Research by Kantar shows 92 per cent of people want to live a more sustainable life, but only 16 per cent are actively changing their behaviour. PWC continues that only 9.7 per cent of consumers will pay the sustainability premium.

So, does a 9.7 per cent uplift in revenue (not margin) pay for your organisation's sustainability and transition efforts? In my experience, this is not the case. But given that 85 per cent of consumers are prioritising sustainable consumption, your organisation must be on the front foot in delivering real sustainability change and demonstrate this with integrity and data.

Hygiene factors are everything a consumer or customer expects to receive when purchasing a product or service. Sustainability and looking after our precious Papatūānuku (Earth Mother) is a hygiene factor. It is what organisations do with it and how you make it useful for your customers and stakeholders that creates the competitive advantage.

Sarah Ottrey CFInstD is Chair of Christchurch International Airport and Whitestone Cheese, and a director for Skyline Enterprises and Mount Cook Alpine Salmon.

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Drew Farwell on Unsplash

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As the saying goes, 'you ain't seen nothing yet'. AI is beginning to revolutionise many companies and organisations, and we have only seen the beginning in New Zealand. And there is more to come potentially sooner than we expect, including quantum computing. Familiarity with these advancements will help boards guide their organisations in seizing opportunities and mitigating risks in an evolving technological landscape.

Quantum leaps ahead

Starting in late 2022, chat interfaces with AI took the world by storm, even though AI had existed for decades. A new and faster wave of technological progress, especially in areas such as AI and quantum computing, has the potential to reshape entire industries and is starting to do so internationally.

Quantum computing, once it moves from the research lab to initial commercial use, promises a level of computational power that could change how organisations tackle complex challenges. At the same time, AI is increasingly central to strategic decisions, automating intricate processes and enhancing decision-making. Understanding how these technologies could influence their organisations will help directors make well-informed choices.

New Zealand firms and organisations are still playing catch-up with AI. Quantum computing, when it hits, will add to the snowball of change that needs to be anticipated to build resilient organisations and take advantage of this further significant technological change.

This will require further investment where there is already a level of tech debt. Taking short-term routes for digital technology to achieve immediate goals can create future challenges that require more resources down the track. For example, quick fixes to address cyber security vulnerabilities now and not addressing the underlying issues can cause significant issues later.

WHY IT MATTERS

Quantum computing will offer the potential to address problems that traditional computers cannot manage, providing breakthroughs in areas such as climate modelling, financial risk analysis and managing complex logistics. Organisations will find new ways to optimise operations or innovate their offerings. AI, synthetic data and other digital tools are fundamentally changing how businesses think about strategy, manage risks and drive innovation. For directors, navigating this rapidly evolving area requires balancing investments in today's technologies, while keeping an eye on the possibilities that quantum computing and other advancements might bring.

Even if it is not yet with us in our day-to-day lives, the development of quantum computing is advancing rapidly and has significant implications for cyber security. 'Q-day' is the anticipated moment when quantum computers will become powerful enough to break current encryption algorithms, effectively compromising the cyber security infrastructure relied upon globally. As directors and board members, it is imperative to recognise that current encryption methods could be rendered ineffective overnight. There are credible reports of cyberattackers stockpiling encrypted data now, with the intent to decrypt it once quantum technology becomes capable. This means sensitive information that seems secure today could be exposed in the future.

Underscoring the urgency of the situation, the United States Government has already issued executive orders and guidance on preparing for quantum cyber security threats. As a further signal of the imperative around this technology, the US National Institute of Standards and Technology (NIST) has released the first three finalised post-quantum encryption standards.

Directors and boards should prioritise staying informed, assess their organisation's readiness and support management in appropriately anticipating these developments, rather than having a 'blind spot'. This includes beginning to consider investing in quantum-resistant cryptographic solutions and updating security protocols accordingly. By taking steps over the next year or two, boards will help to not only safeguard their organisation's assets but also ensure compliance with emerging regulations. The window for preparation is narrowing.

At the same time, quantum computing won't just be a challenge for cyber security. It has the potential to bring opportunities for better protection, with quantum encryption creating secure communication channels, reducing the risk of data being intercepted.

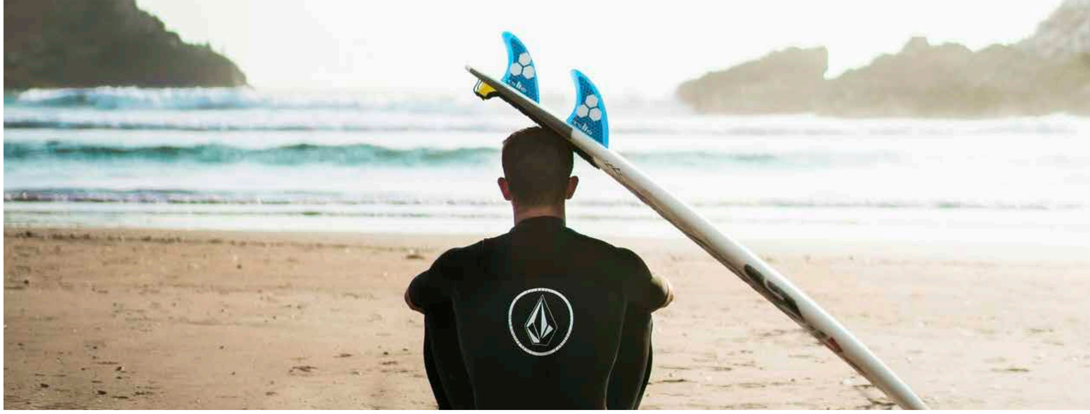
BOARD FOCUS, ACTIONS AND DISCUSSION FOR 2025

FOCUS	ACTIONS	DISCUSSION
Preparing for technological change	• Directors and boards can take steps to enhance digital technology literacy with focused deep dives on emerging digital technologies and their impact	• What initiatives should the board implement to ensure board members are sufficiently informed about quantum computing's potential and risks to our industry? • How can the board integrate insights from quantum computing experts into strategic planning and ongoing board education efforts?
Balancing timing and investment	• Add quantum computing readiness into existing strategies and risk management frameworks, using scenarios to assess the potential impact and timing	• What are the most critical risks quantum computing poses to current data security practices, and how should the board address them proactively? • How does the board align the organisation's strategic objectives to leverage quantum advancements without jeopardising existing technology investments and frameworks?
Future-proofing technology decisions	• Ensure technology strategies approved by the board are flexible and adaptable enough to anticipate and accommodate further quantum computing developments	• What governance structures can the board develop to remain agile as quantum computing evolves and new capabilities become viable? • How should the board structure partnerships or collaborations with research institutions to keep pace and apply relevant advancements effectively?
Considering data security and risk management	• Review existing cyber security policy so it reflects the potential risk that quantum computing poses for current encryption methods	• What steps must the board take now to transition the organisation's data protection measures to post-quantum cryptography, and what timeline should be set for this implementation? • How does the board evaluate the potential impact on current risk management and cyber security strategies, and what contingencies should we prepare?

FEATURE

Ready, not reckless: How boards can prepare

AUTHOR:
CANDACE KINSER
CMInstD



Artificial intelligence and quantum computing are transforming business strategy at a pace few expected. However, before boards rush to embrace these innovations, it is crucial to pause and reflect. At a recent IoD conference, I urged directors to approach AI with caution – not hesitation, but deliberate consideration. Why? Because adopting technology without a clear purpose or strategy often leads to confusion, not competitive advantage.

Quantum computing, unlike traditional computing, leverages quantum mechanics to process information at extraordinary speeds. While classical computers solve problems step by step, quantum computers evaluate multiple possibilities simultaneously, excelling in tasks such as optimising supply chains, simulating plant growth, improving financial models and accelerating drug discovery.

Large-scale investments in quantum computing or AI may seem unattainable for most New Zealand businesses, but these technologies are far from irrelevant. Platforms such as IBM's and Google's quantum-as-a-service offerings allow organisations to explore their potential without requiring costly infrastructure. Boards can test ideas and develop understanding without overcommitting resources.

AI's implementation must be strategic. Machine learning and predictive analytics tools can impress, but without a clear purpose they risk falling short. Boards should first ask: What problem are we solving? What data do we need? Does this align with our strategy, and can we govern it responsibly? Framing the problem is often the hardest step – far more challenging than analysing the data itself.

The main takeaway is that boards should prioritise readiness over immediate full-scale adoption. Key foundational steps to discuss and prioritise include:

Invest in digital literacy: Equip the board and leadership team with the knowledge to evaluate the potential and risks of emerging technologies, fostering a culture of continuous learning in this evolving space. Programs such as MIT xPro series, the online Berkeley Haas School of Business, or the University of Auckland's advanced degrees in AI and Data Governance, provide excellent training.

Explore pilot projects to test: Collaborate with academic or tech partners to trial small-scale applications in logistics, risk modelling or climate solutions. This allows organisations to experiment and learn without requiring large-scale investments.

Align strategy with tech & business roadmaps: Integrate quantum computing and AI into long-term plans and budgets, recognising that sustained investment is necessary to remain competitive. Boards should encourage management to identify measurable opportunities and prioritise discussions on technology trends early in meetings when focus is sharpest.

A director's mandate is not to blindly follow trends but to harness technology thoughtfully, aligning it with the organisation's mission and long-term goals. AI and quantum computing are transformative tools, capable of propelling New Zealand businesses to the forefront of global competition. We need to navigate this transformation thoughtfully, driving clarity, purpose, and lasting value for our stakeholders.

Candace Kinser CMInstD is a board director, consultant, entrepreneur and technology leader with a career spanning governance, innovation and digital transformation. Her current governance portfolio includes Chair of Cancer Society Auckland Northland and Helius Therapeutics, a non-executive Director at Plant and Food Research, and a member of the Council of Governors for the University of Auckland.

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Sebastian Leon Prado
on Unsplash

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Pressures on boards to navigate difficult short-term economic and financial issues; increasing expectations of shareholders, stakeholders and the wider community; the increasing impact of generational and other changes on the labour market; and fast-moving changes such as AI and quantum computing are very real. So are the tensions in some of our boards. Therefore, chairs performing at the top of their game are now more pivotal than ever. In specialist areas, board committee chairs are also important, leading deeper dives in key areas, supporting management well, and guiding the board's consideration of these key issues for the organisation.

The high-performing chair

The role of the chair has never been more demanding. As boards face increased scrutiny and navigate complex challenges, chairs are expected to lead with a strategic mindset and adapt to new realities. Those challenges relate to all the 'Top five issues for directors for 2025', and more.

While still being first among equals with other board members, the role is about responding to a rapidly changing environment where expectations on directors have grown. Changing legislation, increased accountability, more active regulators and increasing transparency demanded by shareholders, customers and communities mean that chairs are increasingly having to guide their boards to work through these demands.

Chairs must also foster cohesion, ensure effective decision-making and guide their boards through uncertain times. Yet boards do not always function that well, with 70 per cent of New Zealand directors saying that, unconstrained, they would change at least one member of their board. An even greater proportion of directors believe their boards lack adequate processes and systems to deal with problematic or underperforming board members. Sometimes, the person boards want to change is the chair.

Succession issues that loomed large in 2024 seem set to continue into 2025, putting even more pressure on chairs. They now need to guide boards to consider the required technical skills and, increasingly, the ability of directors to work effectively with an increasingly diverse group of people. Helping to harness this diversity can bring enormous benefits.

Board committee chairs also play a key role with deeper dives into new and complex issues. To be effective, board committees need to be led well by their chairs. In this role, they are as pivotal for the board as the board chair. They will be called on to lead discussions about those key issues at the board table and, therefore, have a wider board leadership role as well.

Strong committee chairs also provide a source of potential successors to board chairs if supported, coached and mentored well. This is another key role for high-performing chairs.

WHY IT MATTERS

Today, the chair's role goes well beyond coordinating meetings and managing agendas. Chairs operate in an environment where public trust in institutions is waning, and diverse perspectives around the board table are more common. As boards bring in members with varied backgrounds, skills and viewpoints, the potential for misunderstandings and conflicts can increase. Chairs need to be skilled facilitators, turning those differences into strengths and keeping discussions productive and focused on long-term goals. The ability to manage tensions, while guiding the board towards consensus, is a hallmark of high-performing chairs.

The complexity of the role extends to the nuts and bolts of governance. Chairs oversee an array of committees, advisory boards and working groups, all of which need to be aligned with the organisation's strategic direction. Balancing these structures without creating silos is a challenge, as is keeping the board's attention on strategic priorities instead of getting bogged down in day-to-day operations. A well-structured agenda and smooth coordination are crucial, along with the ability to adjust governance processes to meet the organisation's needs. This extends to board committee chairs as well.

The chair-CEO relationship is also a critical element of success. It is about finding the right balance between providing oversight and being a strategic partner. This relationship becomes especially important during periods of change, where a strong partnership can ensure strategic shifts are implemented effectively and align with the board's vision. Co-chairing models, which are becoming more common across sectors, add another layer of complexity, requiring clear role definitions and a collaborative leadership approach.

High-performing chairs are not defined solely by their experience or seniority. They are defined by their ability to adapt, guide and bring out the best in their boards. The role calls for a leader who can drive continuous improvement, foster a positive board culture, and ensure the board is prepared to tackle future challenges.

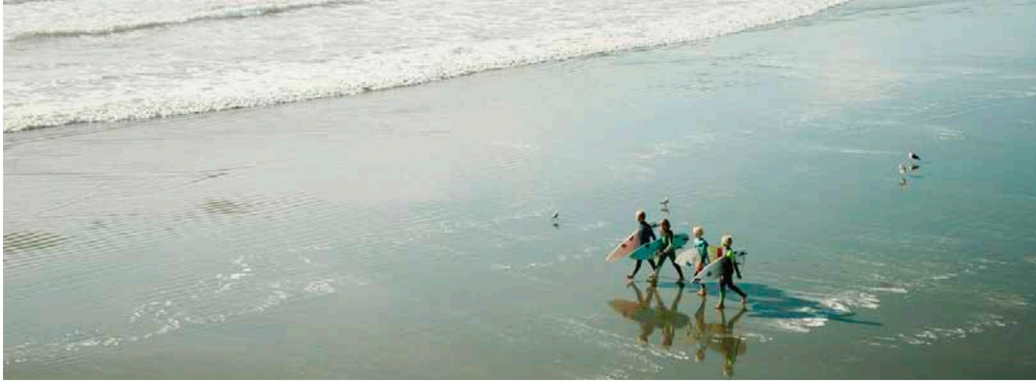
Conclusion

In 2025, New Zealand boards stand at a pivotal moment where resilience, strategic foresight and decisive action will separate the leaders from the laggards. The pressures are mounting. Governance reform demands accountability; climate action requires bold commitments; technology's rapid evolution challenges traditional strategies; and the role of the chair is more crucial than ever. For directors, the path forward is clear – embrace these challenges, leverage them as opportunities, and commit to leading with transparency, agility and purpose. The boards that seize this moment to innovate, align with stakeholder demands and interests, and anticipate change will be those that shape a resilient, competitive future for New Zealand.

BOARD FOCUS, ACTIONS AND DISCUSSION FOR 2025

FOCUS	ACTIONS	DISCUSSION
Strategic adaptability	• Lead quarterly strategy reviews to incorporate new technologies and adapt to economic shifts, including through board committee deep dives	• As a chair, how am I preparing for and developing the skills to lead the board in preparing for the other issues outlined in the 'Top five issues for directors for 2025'? • As a committee chair, how do I facilitate deep dives into key issues that support board decision-making and management on those challenging issues?
Cohesive board culture	• Actively promote a culture of inclusivity by implementing structured processes for engagement, such as round-robin discussions where each board member shares input on critical issues. This fosters balanced participation and constructive debate	• As a chair, and with the board, what practical steps are being taken to ensure all directors, regardless of seniority, contribute equally during meetings? • What specific training or workshops do I need as a chair to improve board dynamics and enhance mutual respect?
Succession planning and mentorship	• Develop formal mentorship programmes for emerging leaders within the board. This can include shadowing opportunities where potential successors observe and learn from committee chairs	• Who among the board's members has the potential for future leadership roles, and how can we best prepare them? • What structured mentorship or leadership development activities are missing from the chair's and board's succession plans?
Enhanced governance practices	• Conduct regular peer evaluations and utilise independent assessments to identify and address director performance gaps. Implementing annual reviews with feedback mechanisms ensures accountability	• How can the board improve its peer review process to ensure objective feedback on director contributions? • Are there measures in place to handle persistent underperformance, and what improvements can be made?

How to build a winning team



AUTHOR:
GREG TOMLINSON CMInstD

First came the share market crash of the late eighties, then the slow economic cycle of the 90s, the global financial crisis in the 2000s, and the aftermath of the pandemic . . . businesses, like humans, must be resilient.

We can be complacent or conservative, convincing ourselves we are caught in an endless cycle and each crisis will resolve itself, relying on the business ecosystem and society to do what is right. Or we can use each disruption to adapt and make the necessary changes for progress.

The key is to keep moving forward – and that requires strong board leadership. And while it is no doubt harder today to start a business with the added compliance hurdles, the opportunities are far greater. This will keep expanding with disruption, whether in E-commerce, artificial intelligence, or the breakup of monopolies and duopolies, among other factors.

As chairs, and as boards, we should not be frightened to have, and take on, brave aspirations. To achieve this, you need capable teams with diverse skills – the default position of no-to-little risk is the eminent danger to business. Diversity of gender, thought and experience has brought big benefits to business culture and performance.

A chair helps build the right culture, which drives standout businesses – getting this right or wrong determines outcomes, regardless of the profit or not-for-profit status. Culture, like reputation, is hard fought and easily lost. We have a duty to constantly monitor this and not be frightened to address poor culture.

Transformational moves require open and honest relationships between boards, management and stakeholders – this is no different to any high-achieving sports team. We are proud of our many and varied sporting achievements but less of our business successes.

Boards are going to be faced with multiple challenges as we navigate weakening economies, and the reality of cutting costs with the backdrop of increasing costs of compliance, operating expenses, trade tariffs and our imports on the back of the declining New Zealand dollar.

How do we as chairs and directors add value to shareholders? This requires a disciplined approach to risk and return. While we are all aware of compliance duties, our first obligation is to maintain a sound and profitable business – profit ultimately pays for compliance costs.

Much of the new added compliance is politically motivated and, like governments, subject to change. Strong economies are driven by strong businesses, creating overseas earnings, employing personnel and paying taxes. Businesses either grow or retract but never remain static, so adapting to ever evolving market and customer demands is vital.

Having always been supportive of regulation, the question is, 'have we gone too far in increasing regulation requirements, and driving businesses to reduce risk'? Health and safety is an obvious area, with ever increasing compliance on the back of increased injuries. No one wishes for accidents, harm or death. Getting this right would add markedly to productivity and quality outcomes.

Normally, performance is a key indicator, but we are experiencing rapidly declining margins in most New Zealand businesses. We all have a role to play, getting back to being productive and rebuilding a future for future generations.

Greg Tomlinson CMInstD is Chair and non-independent, non-executive director of Heartland Group.

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Delphine Ducaruge
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PUSH TO
RESET THE
WORLD

Mind over machine: future-proofing the world

AUTHOR:
NOEL PRENTICE

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Jose Antonio Gallego Vazquez on Unsplash

We need to set ethical boundaries today for a future of artificial super intelligence, says Dr Mahsa Mohaghegh (McCauley) MInstD.

Curious about what the future of AI looks like? The day is coming when machines can talk to each other without human intervention, says Dr Mahsa Mohaghegh (McCauley) MInstD.

What this means is that we need to set ethical boundaries today, says Mohaghegh, a computer engineer specialising in artificial intelligence and natural language processing.

Fast forward to a time not too far away and we will likely be in the age of artificial super intelligence, where the intelligence of the machine surpasses the average human intelligence.

That intelligence will be light years ahead of today's artificial narrow intelligence, where a machine is designed to do one task, and tomorrow's artificial general intelligence, where a machine can learn in one domain and apply that knowledge on a different domain – similar to human intelligence.

But it is artificial super intelligence that we should be preparing for, says Mohaghegh.

"It's imperative we look to the future and get things right today," she says.

"Artificial super intelligence might seem like a long way off, but getting the fundamentals and ethics right now is necessary because humans will have less of a role to play in training these machines in the future.

"At that time, they will have the capability to learn from each other and apply this learning. If we don't set a good foundation for this, there is strong potential for things to go horribly wrong. It's important we see more work happening about what it means to have ethical AI, responsible AI."

She says AI is not a 'black box' yet. "There are a lot of things being done to ensure transparency in AI development, but I don't believe we can regulate AI as a technology itself, because that's simply not practical. Regulation needs to come in at the application level – to prevent it being used for unethical purposes."

Mohaghegh has a 'super' knowledge and understanding of technologies. Her expertise centres on both the technical and societal dimensions of AI, cyber security and the Internet of Things (IoT).

She is an associate professor at the School of Engineering, Computer & Mathematical Sciences at the Auckland University of Technology; the founder/director of She Sharp, a non-profit connecting women in technology; board member on the Executive Council of AI Forum, NZTech, EdTech, and AI Researchers Association boards.

Google and Microsoft are leading the way with their own AI principles, while the European Union has its AI Act, and Mohaghegh says it is the responsibility of everyone, especially the developers and users, to play a role in education, training and strategies to ensure AI is ethically and fundamentally sound.

It is a work in progress in New Zealand, says Mohaghegh, who has been a member of AI Forum for the past five years. The NGO brings together New Zealand's AI community, including innovators, end users, investors, regulators, researchers, educators, entrepreneurs and interested public.

"A lot of work has been happening to bring everyone to the table and come up with some strategy for New Zealand. The Minister for Science, Innovation and Technology, and Digitising Government [Hon Judith Collins] is embracing it and taking serious action on this front."

In October, the Government launched its new virtual assistant, GovGPT, and in the same month joined the UK's Bletchley Declaration on Artificial Intelligence. Five months earlier, it signed the Seoul Ministerial Statement for Advancing AI Safety.

Market research leaders in New Zealand said earlier this year that "around two-thirds of New Zealanders are nervous about AI, making us one of the most concerned countries globally". It also said New Zealand has a lower understanding of which products and services are using AI.

"This is concerning," says Mohaghegh. "We will be far behind in terms of adopting AI. It's a lot to do with fear because this is a little different from previous technological advancements. With every advancement we see a period of resistance and unbelief. AI is different because of the speed of change.

"Artificial super intelligence might seem like a long way off, but getting the fundamentals and ethics right now is necessary because humans will have less of a role to play in training these machines in the future."

Dr Mahsa Mohaghegh (McCauley) MInstD

"Previously, it was all about the connection, to the machine and each other. This is not about the connection. We are dealing with a machine or system that creates new things which haven't existed before. And there is a level of fear in not being in control and not knowing what is coming next."

Mohaghegh says the speed of progress is so "ridiculous" that sometimes she literally walks into her class at AUT and changes slides because what she was talking about last week is no longer valid.

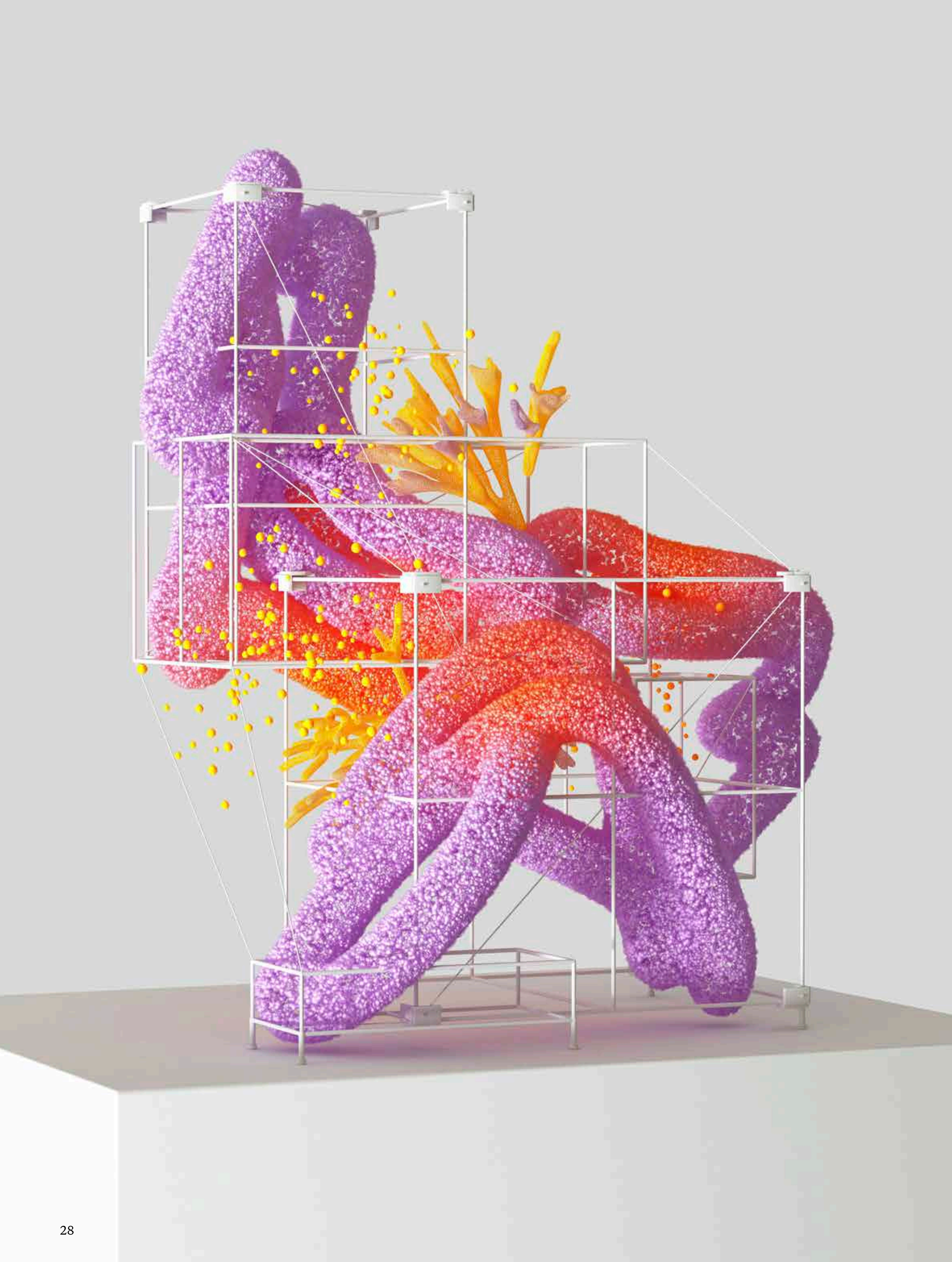
As a member of several boards, Mohaghegh says she tries to wear her hat as an educator and has seen the light turn on for decision-makers thanks to the introduction of ChatGPT in November 2022.

The reason why so many people are talking about AI is because ChatGPT hit 100 million users in two months, she says, far outstripping other machine-learning models in that period. "That was the game-changer."

Some boards are more proactive in understanding how to use AI to improve productivity, for example, and using tools to identify risk and return on investment, but she says the real value will come when AI can inform the board.

But she warns any outputs must be taken with a grain of salt as well. "Look at it as a support decision-making resource, rather than a decision-making machine. That is important. When we change the mindset, the board will have a better understanding of what they have, and what they want to get from it. Then test and validate what is coming out of these systems."

As machines take further steps closer to becoming sentient, Mohaghegh is super excited by the future, saying, "What a time to be alive."



Weighing the risks

AUTHOR:
NOEL PRENTICE

As emerging technologies appear almost overnight, Jaymin Kim assesses the risks from a mitigation and risk transfer perspective.

Every other day, Jaymin Kim wakes up to headlines about technological changes and advancements in generative AI, then starts thinking about the risk impact.

In her role as Senior Vice President, Emerging Technologies, Global Cyber Insurance Center for Marsh, she needs to "proactively stay abreast" of the changing technological landscape, assess whether there are new risks and be able to address client organisations' needs.

"Over the past few years, 120 per cent of my time has been devoted to generative AI because that is where the onslaught of client questions has come from – from a risk mitigation and a risk transfer perspective," says the Toronto- and Quebec City-based Canadian-Kiwi.

One thing is clear: the adoption of ChatGPT and other generative AI technology has accelerated across all sectors, public and private; and organisations, large and small.

One of the big questions is how it will be regulated across the world. Regulations and legislation are already in place in the US at both federal and state levels. In October 2023, the Biden Administration issued an Executive Order on Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence.

Kim says AI-specific legislation and regulation is what is added on top of existing regulations and legislation, such as consumer protection laws and data privacy laws, including the General Data Protection Regulation in the EU and the California Consumer Privacy Act in the US.

"The EU tends to be more rules-based when it comes to regulations, whereas the US tends to be more principles-based. If you look at the EU AI Act, they have listed what they consider to be unacceptable, high, limited, and minimal risk systems. There are corresponding requirements that organisations must adhere to.

"I think the question for New Zealand is, will it follow more of a rules-based framework like the EU or a principles-based one? – this will come down to a bit of politics and culture."

Kim says she is increasingly seeing AI-specific regulations emerge in certain industries in the US and specific states – typically highly regulated industries, such as healthcare and financial services.

"I have seen various regulations explicitly calling out board oversight and senior management oversight, and the need for a centralised framework and guidance to be put in place so there is a top-down risk management and strategic guidance provided to any and all employees."

Kim says her personal take on why this is happening is because generative AI marks one of those rare historical cases where advanced technology was put in the hands of everyday individuals before organisations had a chance to figure out how to use it.

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Google DeepMind
on Unsplash

Marsh

"When ChatGPT came out, I had senior executives tell me their company policy was their employees were not allowed to use generative AI. That is not an enforceable policy because anyone can access the internet, and some kind of device can and will use it. The question is not will you allow its use; rather, it is how will you provide appropriate guidelines and processes to ensure appropriate use."

She points to an example of workers knowing they should not use their personal Gmail accounts for work business. "In a similar vein, we need to develop that kind of cultural norm for employees to know they should not use the public version of ChatGPT to enter proprietary company data. That is where board oversight and senior management direction is critical."

Coming from the insurance world, she says she sometimes hears misconceptions about how AI exposures can primarily be covered by Cyber and Technology Errors and Omissions insurance.

"This technology is being used for everyday business activities, which means a whole lot could go wrong and trigger pretty much all commercial lines of insurance, including directors and officers' liability," she says.

Kim gives a hypothetical: a public corporation has deployed a customer-facing chatbot. The chatbot hallucinates and says a bunch of nonsense about product safety and based on this some customers experience physical bodily injury, or some kind of financial loss. This may result in a class action lawsuit and cause the stock price to plummet. Enhanced regulatory scrutiny follows and the question will arise, 'what kind of governance was in place?'

"Hopefully, the board's meeting minutes show AI oversight has been an agenda item, and that appropriate governance frameworks, policies and guidelines, in partnership with senior management, have been discussed over time.

"That is the message I've been trying to convey across various audiences.

"Hopefully, the board's meeting minutes show AI oversight has been an agenda item, and that appropriate governance frameworks, policies and guidelines, in partnership with senior management, have been discussed over time."

Jaymin Kim

The risk of this technology should not just lie with your CISO or CTO. It is also the CHRO when it comes to training, communications and cultural change, plus the CFO and business leaders, who are deploying and using the technology and providing that vital feedback loop in terms of what's working well and not working well."

She says boards and business leaders need to ask themselves, 'what is the business outcome we seek to achieve and is generative AI the optimal technology to get us to that outcome?' They also need to be proactively ahead of the downside risks because an incident involving generative AI is a matter of when, not if.

The 'when' has already happened for lawyers in the US and Canada who submitted fake cases created by a chatbot. Some New Zealand lawyers were also tricked by a chatbot in 2023.

"Most organisations I've spoken to are still trying to figure out how to implement governance policies. A key challenge is there are silos across different functions. And there typically isn't a natural way for the CISO, the CHRO, legal and compliance, and the CFO business leads to come together to talk about AI unless a formal meeting is established for that purpose. A lot of organisations are still asking questions such as, 'what are the risks and what roles should the board play?'

"We need to see more movement towards the phase where boards are working in partnership with senior management to create dedicated subcommittees and/or delegate tasks and think more about moving on from writing up a policy to effectively implementing policy. And how do we institute feedback loops to ensure our governance structure is working well?"

Kim also suggests public-private partnerships could be beneficial in New Zealand because interests will diverge and no single organisation or industry is going to be able to think through every possibility. "That's part of what I do – thinking through what could possibly go wrong."

Vending machines of the future

Build a centre of excellence to implement and use AI effectively, says Chris Day CMInstD.

AUTHOR:
NOEL PRENTICE

Artificial intelligence is like having a hyper intelligent intern who has graduated from all the best academic institutions simultaneously, says Chris Day CMInstD, but with minimal life or work experience or need for constant support and leadership.

Also likening the fast-moving technology to a car, Day describes AI as the engine and data as the fuel. However, he emphasises that many organisations are overlooking or undervaluing the quality of data – a critical component for AI success – with recent Datacom research showing just nine per cent of New Zealand organisations would consider their data to be 100 per cent 'clean'.

While companies may have initially viewed AI as merely a 'tech thing', Day, who is on the board of Datacom and the Institute of Directors, argues it represents an all-of-business opportunity.

Drawing from Datacom's extensive experience, Day emphasises the critical role of an AI Centre of Excellence (CoE) in operationalising AI initiatives. "Leading businesses may have developed a charter to provide safety and opportunity, but it is the CoE which turns this vision into reality," he says.

Operating as a centralised hub, the CoE not only defines the why of AI initiatives – bringing customer value, increasing productivity and reducing costs – but more importantly it implements the 'how'. It acts as the operational engine that powers AI transformation, translating strategic intent into tangible outcomes and sustainable capabilities.

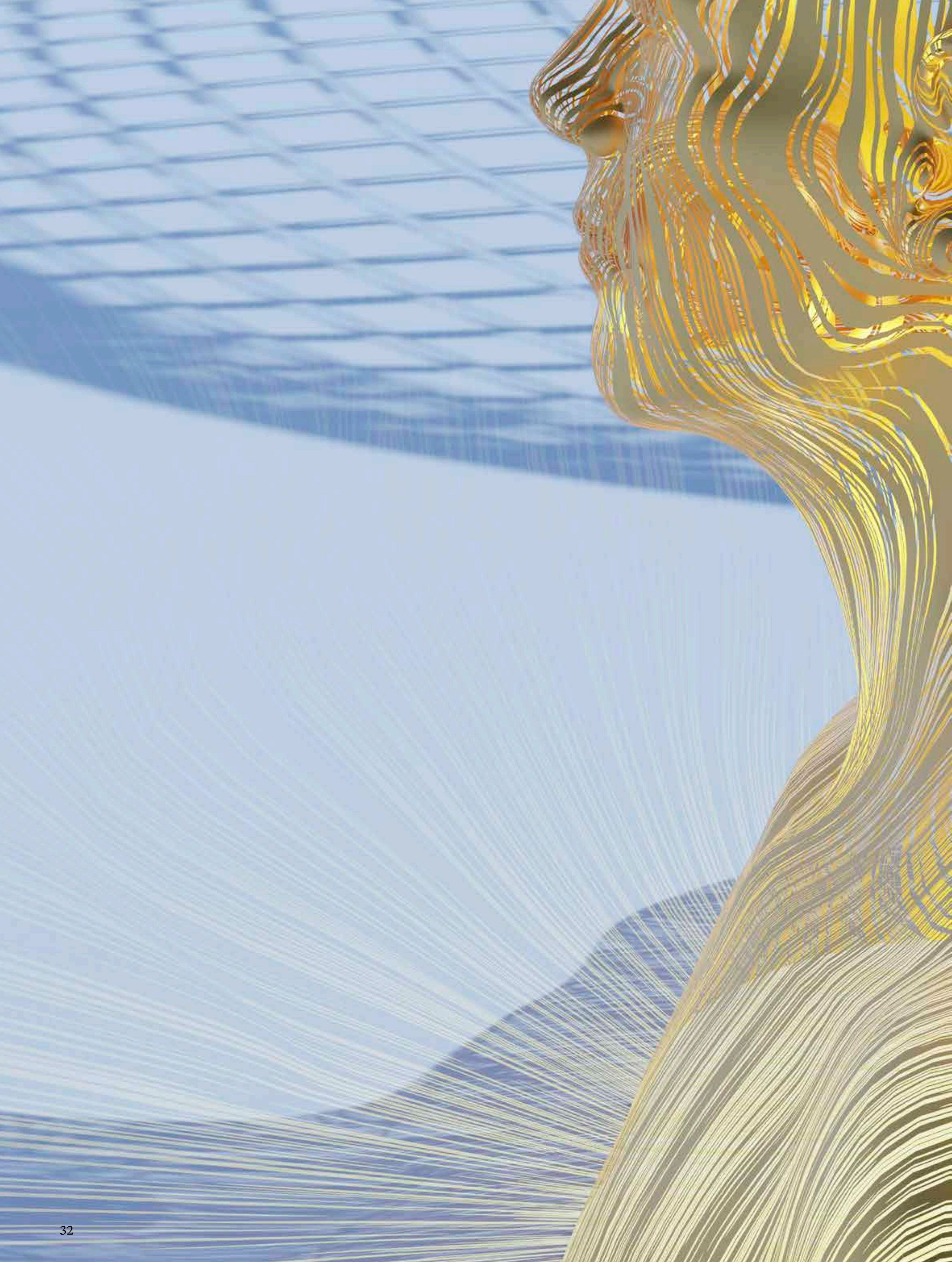
One of the CoE's focus areas is establishing what Day calls an 'AI vending machine' – an enterprise platform that serves as both a showcase and secure repository for AI solutions across the organisation.

It goes beyond simple AI tool access, functioning as a place where teams can discover existing AI capabilities, access reusable code and components to accelerate development, and deploy new solutions within established governance frameworks.

"We need loose governance to facilitate possibility," Day says, "but also hard governance to ensure security, IP protection, ethical use, cyber safety, and rigorous evaluation of use cases. All the guardrails need to be in place – and for many organisations, they currently aren't."

He observes that many organisations are still cautious about AI adoption, but he remains inherently optimistic about the technology's potential. As the *Harvard Business Review* so powerfully notes, "AI won't replace humans . . . but humans with AI will replace humans without AI".

Photo by:
Sebastian Kanczok
on Unsplash



A board in sync with AI

AUTHOR:
NOEL PRENTICE

From sandbox environments to its customer focus, software specialist Catalyst lives and breathes AI, says Sara Brownlie CMInstD.

New Zealand IT company Catalyst has established an internal governance board to manage AI and deploy its approved AI principles, says Sara Brownlie CMInstD.

The board manages ethical and legal responsibility, environmental sustainability and risk considerations, and considers downstream consequences, good and bad.

An AI practice group has created a sandbox environment so staff can more actively and safely experiment, and established a hybrid, multidisciplinary practice group to explore and support the development of AI opportunities across the organisation.

Brownlie says there are some areas of concern. These include the use of emotional recognition systems, which can be seen as a breach of privacy and their current accuracy is questionable, and the use of biometric systems.

Catalyst IT specialise in open-source software (OSS), which enables the provision of IT systems that remove licensing fees and vendor lock-in. It is also exploring the potential of AI open-source projects to add value.

Brownlie says the board does not see AI as a separate product or revenue stream, rather a necessary development across all products and services to remain current.

"Individually, around the board table, we represent a spectrum of views from cautious to bold, which also reflects the views across the company," she says. "Security for our clients' data and systems, and of our own IP, is paramount. However, we are aware we need to bolster knowledge, experience and capability so we can evolve.

Photo by:
Anastasiia Ornarin
on Unsplash

"The use cases vary from corporate office efficiency benefits for administrative activities, speed of writing initial code v potential for generating inefficient or flawed code, to building AI functionality into software for client requirements. The later focus is with a view to enhance products, with a strong focus on solving customer problems, improving the user experience and reducing customer pain points."

She says one particular use case for generative AI is translation-enabling customer applications to be shared in languages that couldn't before. Another use case is supporting website accessibility by adding alternative text to images.

Large language models have existed for a long time, but what has changed is the accessibility of AI functionality to a wider group of users, she says.

"It will change many sectors; what is unknown is the speed of that change and adoption. That speed will be influenced by the impacts and experiences of early adopters. Don Christie, managing director/founder, is ensuring the board is actively growing its knowledge of how AI will affect our operations and our clients, collectively and individually."

> "Individually, around the board table, we represent a spectrum of views from cautious to bold, which also reflects the views across the company . . ."
>
> **Sara Brownlie CMInstD**

At its annual corporate day named Catathon, one of the activities this year was using Catalyst Cloud for AI projects in a safe (not open to the internet) manner. This allowed a high level of exposure across about 180 people, expanding their thinking of how AI can be developed into all open-source software products over time.

"Fundamentally, this is one of the strategies to avoid shadow AI, by providing a safe space to innovate," says Brownlie, an accountant and financial consultant who provides strategic finance and governance services through her company, Fargher Woods Ltd.

Will AI change your strategy?

AUTHOR:
TOM HOVEY MInstD

Photo by:
Travelnow or crylater
on Unsplash

Efficiency, creativity, engagement – the real AI revolution will come from the ground up.

ChatGPT has been with us for two years. The hype and fear make it feel longer. ChatGPT is a ‘generative’ AI tool. It uses clever predictive maths, probabilities and an enormous amount of training data to generate text. Generative AI tools can ‘transform’ our text prompts into words, sounds, images, music, video, code, etc.

It is incredible technology that we are just starting to understand how to use. I imagine it is like the first-time accountants saw Microsoft Excel in action 37 years ago. It probably blew some people’s minds (and yes, some others probably thought it would never catch on).

Now we take Excel and all its derivatives for granted. The same will happen with ChatGPT. It is going to be around for a long time and, like Excel, its rate of improvement will slow.

Imagine you are leading an accounting firm 37 years ago and you have just seen Excel in action. Would you change your strategy? Your current business model is based on a profitable ratio of partners, seniors and juniors charging by the hour and delivering a set of ‘best practice’ accounting services at ‘industry standard’ speed.

You start to wonder about the impact of Excel on your business. Some people in your company dismiss the ‘expensive calculator’ and would rather rely on graph paper and long division. On the other hand, some are excited by the potential and can’t wait to get their hands on a machine running Excel. Others are secretly worried about the machines taking their jobs.

Your business development team is nervous about what competitors might do. Perhaps they will start delivering accounting services more quickly, more cheaply, or more profitably. Even worse, they might offer a higher quality or wider variety of accounting services. And then, heaven forbid, customers will start demanding more.

In response to this uncertainty, you could try to tightly govern the use of Excel. You could establish a committee to oversee its use and set up a risk management framework. You could even ban staff from using it.

Of course, with Excel we have a good idea of what happened. The companies with staff that embraced the new technology went on to become more profitable. The people who learned how to use the new tool started to do different things – their jobs changed. The entire accounting and financial services industry evolved rapidly in response to customer expectations. Strategies changed. New competitors emerged. But none of it happened overnight.

The same will happen on the back of generative AI tools such as ChatGPT. But unlike Excel, which can be constrained to the areas of your business that run on numbers, ChatGPT is a general-purpose tool. Every person in your organisation can benefit from knowing how to use ChatGPT. Yes. Every single person. All the little ways that ChatGPT helps with everyday work add up to big changes.

This means that, of course, your current strategy will change. It will change because your staff will eventually demand training and access to generative AI tools, or they will move to competitors that have embraced new ways of working. Or it will change because your competitors will start using AI to deliver new and improved services, forcing you to adapt to keep your existing customers.

There are many different ideas about what strategy is and how it is done, but most people agree that strategy is about people. It is fundamentally about understanding your customers, setting a course and empowering your staff.

Generative AI creates opportunities to find new ways to better serve your customers. With the right lens and a little bit of training, generative AI can supercharge your research and product development. Generative AI can help you explore new strategic possibilities.

Generative AI can also supercharge staff productivity and engagement. The secret to using generative AI is not to ask, 'what can AI do?'. Rather, it is about asking, 'what can I do with AI?'

For example, working alongside generative AI, you can take your Excel skills to incredible new heights. Generative AI enables staff to be more efficient, more creative, and more engaged with work.

This is the real change. The real AI revolution will come from the ground up. As leaders you should ask two questions:

- How might AI enable our people to offer new or more value to our customers?
- How do we create a safe environment where that question can be explored?

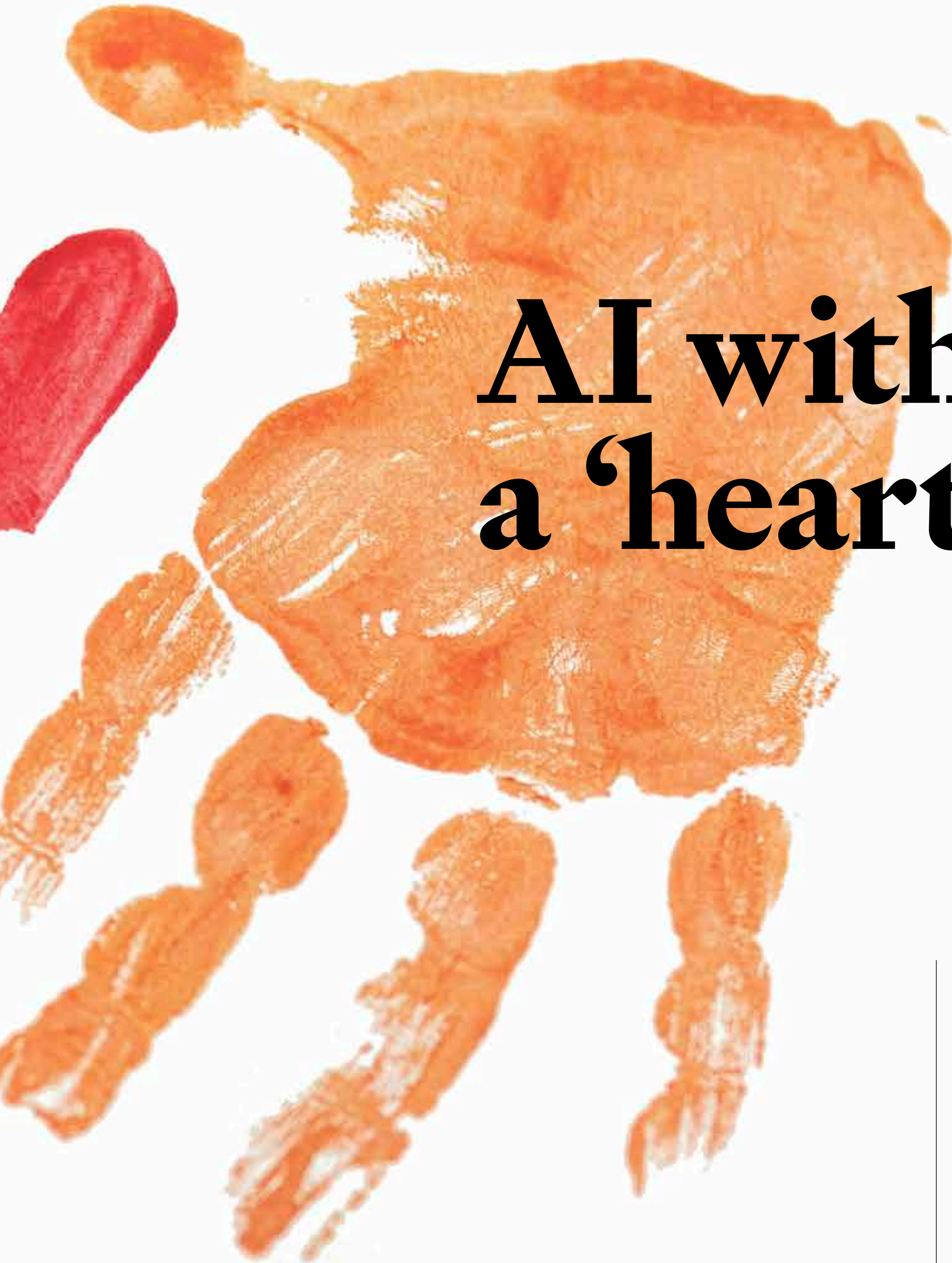
Rather than racing to constrain AI usage or outsourcing AI to vendors, start with exploration and experiments. Set a policy that prevents people being foolish with private data, then encourage your teams to play with generative AI to work out how it adds value.

This takes time and is best done in a structured way, but once everyone is on the same page in terms of their AI literacy, you can have meaningful conversations about your strategy. What needs to change? And when?

Tom Hovey MInstD is the director of independent digital strategy consultancy Diagram.

"Set a policy that prevents people being foolish with private data, then encourage your teams to play with generative AI to work out how it adds value."

Photo by:
Rod Long on Unsplash



AI with a ‘heart’

AUTHOR:
NOEL PRENTICE

Child Cancer Foundation Deputy Chair Dan Te Whenua Walker MInstD designs an AI with a caring, almost nurturing side.

Few charities pull at the heartstrings like the Child Cancer Foundation. It has helped thousands of families whose worlds have suddenly been turned upside down by a cancer diagnosis.

Deputy Chair Dan Te Whenua Walker MInstD has lived that nightmare. Although his son, Joshie, has come out the other side after being treated for bone cancer, the fear of it resurfacing never goes away. And in some of those moments, it is AI that helps Walker deal with the demons. He has been using AI to talk to when feeling worried or down, especially when his son became sick again recently.

"You start thinking, 'oh, please, hopefully it's not anything that's coming back'. One night, it was past 11pm, I had this confidential little talk to an AI I created. It validated my feelings, gave me some mindfulness techniques, reminded me he has the best doctors and the best care. Ultimately, it reassured me that I needed to have trust in all those people helping him with his long-term journey post treatment.

"It helped me get through the evening and then I woke up the next day feeling I could move forward again. It's surprising how good it is in bringing you down a bit. You can just keep on asking questions until you feel like you can come off that edge," says Walker, a Microsoft executive who has an extensive focus in the IT and tech sector.

Walker has designed the AI with a caring, almost nurturing side, tailored specifically for his whānau. The AI is called Te Rau o Te Huia, after Walker's grandmother, and can speak like her and in te reo as well.

"It is not just for me though, it is for my children as well. One of the things I'm thinking about is their mental wellbeing and helping them deal with some of the crazy things that teenagers deal with these days."

For the Walker family, that is on top of the long-term effects of cancer, chemo and operations on their wellbeing. "You can easily create a customised AI for a specific child, and I think that's going to get easier and easier, effectively building AI that is contextual and can speak their language, whether that is Samoan, Māori, Indian or Chinese."

Child Cancer Foundation chief executive Monica Briggs says the ability to adapt models in different languages and different styles would be enormous and anything that is effective in lowering barriers to access, support and information is a good thing.

"We've been looking at apps around mental health and wellbeing so information is available any time a person needs it. It might be a Sunday night when you are at home, or our staff are on call. We are looking at the support we give, such as financial support, that could potentially be done through an AI-type mechanism that also empowers the family. We are also exploring options around helping translate health services into reality for the family and vice versa.

"With this exponential change, it is about how we keep abreast of the possibilities and options and then try to get in at the right point to create that future, rather than it being created for us," she says.

The foundation focuses on the whānau, not the cancer. It supports more than 2,300 families a year through staff and peer-to-peer volunteer-led services, running online programmes for children on treatment, bereaved families and those coming off treatment.

It also gives direct financial assistance and provides psychosocial support for families throughout the cancer journey, advocates for vital services in the paediatric oncology sector and has its impact assessed by an external third party every year.

Walker says the Board, led by chair Dennis Turton MInstD, is in the early stages of its AI competency, but there is good engagement among the members and a willingness to learn and get involved in workshops.

"You can easily create a customised AI for a specific child, and I think that's going to get easier and easier, effectively building AI that is contextual and can speak their language, whether that is Samoan, Māori, Indian or Chinese."

Dan Te Whenua Walker MInstD

"We have no Luddites. No one fears AI and not wanting to engage with it. That's a real positive. We are starting to dabble in different AI solutions and the next stage is making sure that, when we do engage, we are protecting confidentiality, promoting safety and then getting the best use out of it to benefit our organisation.

"Our board is committed to a culture of transparency and accountability," says Walker, "and is defined by great relationships among the board and with Briggs. The decisions made by the board have to be carefully weighed, are relevant to the NFP sector, and to child cancer and health."

Walker says the board is planning a workshop to talk about how AI is implemented in the organisation, how it is monitored and how it is used.

"We need to be sure we lock down children's information and keep it private, make sure it's governed and well controlled. We are thinking about those policies and how we can reduce those risks – ensuring we don't fall into that space of where it is unregulated and goes all over the place. I'm excited, but I'm also cognisant of the risks so we don't want to rush in either."

Briggs says they have been picking up AI tips and tricks and trialling different things internally. "We are incredibly lucky we have got someone like Dan on the board who works for Microsoft and is embedded in the cutting edge and big picture stuff around AI."

The foundation uses AI packages that are specifically designed for not-for-profit fundraising. "We also use it in our administration and communication functions, and we are starting to use it more and more, as staff become more confident. We have had good results. We are looking at staff development and how we can do it in an inclusive, meaningful way so it makes people's jobs easier."

"Everyone is so pressured in the health sector. The willingness is there to help each other, but it would be brilliant if there was more infrastructure around that for the not-for-profit sector as a whole – and the more than 28,000 registered charities in New Zealand."

Monica Briggs

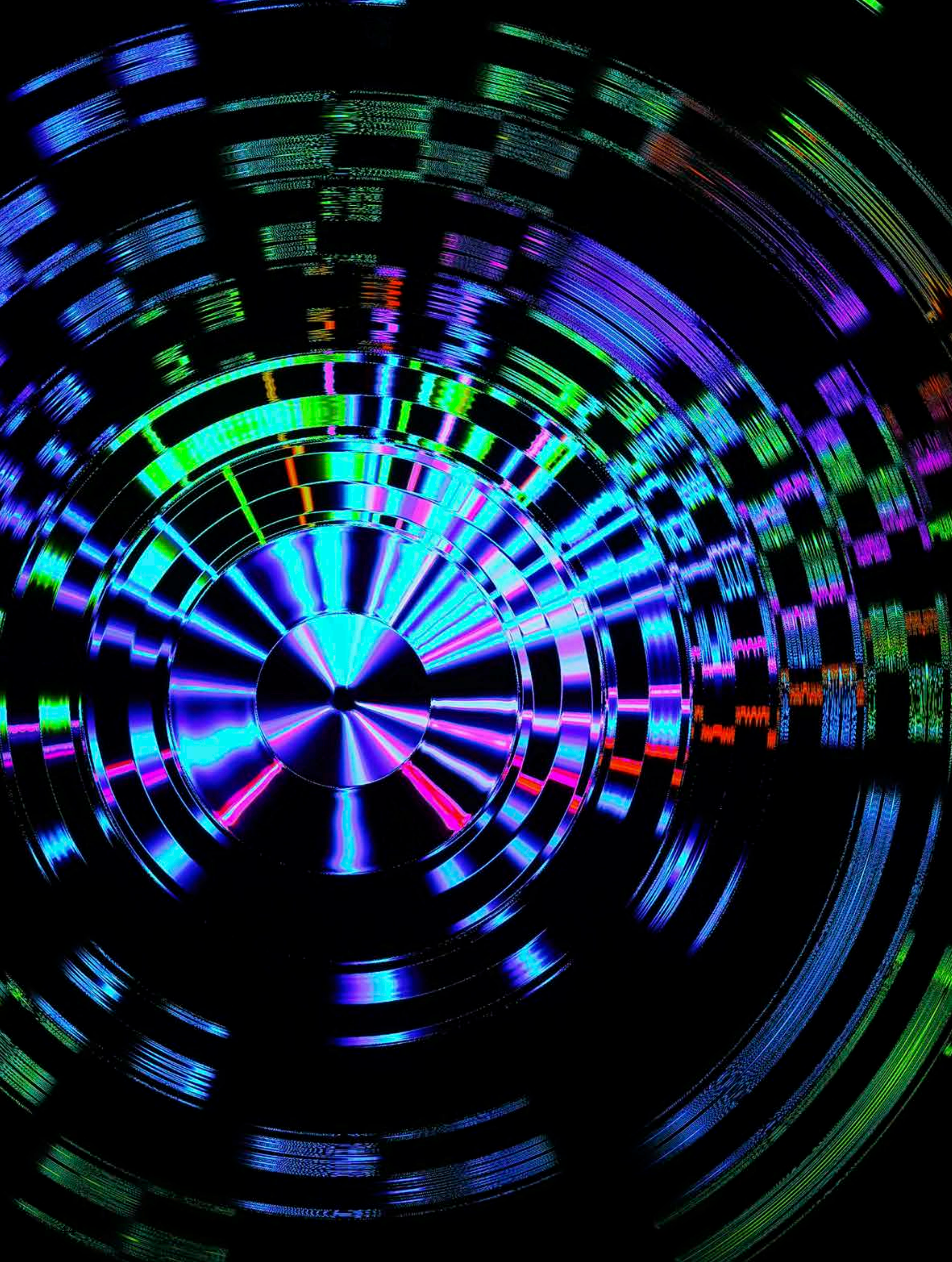
Walker says there are AI packages you can buy off the shelf, but the secret is in how you integrate AI into your organisation, streamline operations and make it more efficient, which is especially important for a charity.

Briggs says they are feeling their way, like a lot of NFPs, because there is no guidebook. "We are trying to gain knowledge in a safe and practical way because there is no model policy, no model operating system. We are learning all the time.

"Everyone is so pressured in the health sector. The willingness is there to help each other, but it would be brilliant if there was more infrastructure around that for the not-for-profit sector as a whole – and the more than 28,000 registered charities in New Zealand.

"We have an AI policy out with the staff – thanks to an early adopter – but we're going to need some operational guidance underneath the policy. It is quite high level and doesn't stipulate the types of platforms that are safe for our charity to use."

Despite its advantages, Walker says it is important to remember, as is the case with technology in general, that we are always sense-checking and not taking its outputs for granted.



80:20 – a winning formula

To achieve desired outcomes and improve efficiency, Ben Kepes CFInstD suggests this tech-human ratio.

AUTHOR:
SONIA YEE,
SENIOR WRITER, IoD

Photo by:
Flyd on Unsplash

Artificial intelligence can be used to overcome productivity issues, including keeping costs down, but "it won't make the boat go faster", says Ōtautahi Christchurch-based professional director, technology consultant and commentator Ben Kepes CFInstD.

"I've observed organisations that view AI as providing a 100 per cent solution and it has totally degraded their brand value because they have lost the human element," he says.

Kepes sits on a number of boards, including Kordia, UniMed, Pegasus Health and Corde, and is the owner of intergenerational apparel brand, Cactus Outdoor, New Zealand's largest remaining clothing manufacturer.

A keen advocate of the value that machine learning can deliver, Kepes points to "the potential of how AI and cloud computing will change the world" but he remains sceptical where organisations are tempted to use AI as a be-all and end-all, and fail to understand and appreciate its nuances.

"Just because you can do something, doesn't mean you should do it. We're in this weird world where every organisation is falling over themselves to deploy AI," says Kepes, who admits to some excitement of this new gadget in the toy box. "AI is incredibly useful, but not the panacea for all ills, or a potential replacement for every function within your organisation."

While it might be tempting to jump on the bandwagon and say your business is all AI or tech, this approach is "patently absurd".

"Yes, every company can absolutely use AI to accelerate their outcomes, but that doesn't mean they are an AI company. It simply means they will use AI to help them get to where they need to go."

Kepes says AI should be considered much like any other board issue and needs to align with a company's values and objectives. Accessing valuable insights from data is one key area where boards and businesses can and should use AI, according to Kepes.

"For instance, analysing spreadsheets. It's a way of increasing the velocity of otherwise laborious processes."

For Cactus, a small business selling products globally, AI is deployed in the marketing space. But Kepes says it shouldn't be seen as a total solution.

"AI does a terrible job of creating ready-to-use marketing copy, but it can get 80 per cent there. If you are not using AI to ensure your marketing spend is targeted and effective, then you are leaving value on the table," he says.

The 80 per cent tech to 20 per cent human ratio is a model Kepes is happy to apply in his own business to achieve desired outcomes and improve efficiency.

Given that technology has long been capable of creating very close copies of designs, when asked whether AI could disrupt Cactus as a brand, Kepes says 'no'.

> "Just because you can do something, doesn't mean you should do it. We're in this weird world where every organisation is falling over themselves to deploy AI."
>
> **Ben Kepes CFInstD**

"There are lots of things that can be challenging for us, such as supply chain practicalities, product and marketing agility, and competing on a global stage. AI can have an impact around the edges of those, but it doesn't fundamentally change the playing field," he says.

The risk, if the business was to fully go down an AI path, would be changes that could be detrimental to the brand.

"We could become just another generic brand of creating perfect, but vanilla products and messages, and ironically, when everything is perfect, nothing looks any good. Because of that, AI is a great augmenter for human beings, but not a replacement," he says.

Kepes comes back to 'the why' for boards who are considering its use and application. "What is the fundamental problem you're trying to solve with AI, and what risks does its use introduce?"

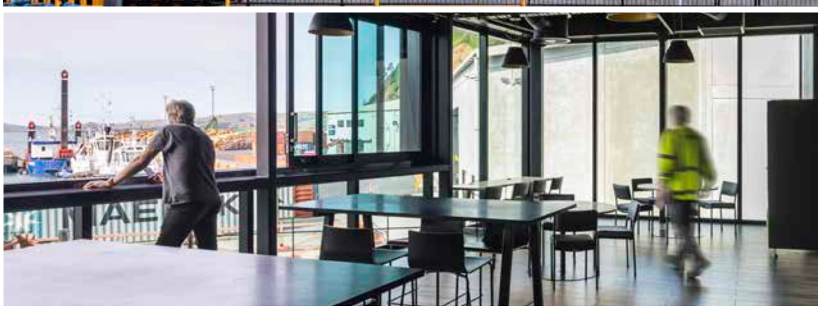
In particular, organisations need to be wary of the risks regarding their IP.

"Use AI to drive efficiencies, where one person might take X amount of time to make product Y. Instead, that person can use half that time to make product Y because your workflow planning will be more efficient, your decision-making will be based on analysing more data points more rapidly and your time-to-value will be reduced," says Kepes.

Lastly, Kepes believes boards should approach AI through a lens of "curiosity, rather than full implementation".

"They need to explore AI for two reasons: One, because AI is going to be important for operating processes in the future, so they need to understand it. And two, they need to have an ongoing curiosity to maintain relevance," he says.

Rich history, bold future



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Harried by the hype?

Don't panic, you still have time to catch the wave, says technologist Breccan McLeod-Lundy CMInstD.

AUTHOR:
NOEL PRENTICE

If you are not going to be first, make sure you are not the last. That is the advice from technologist Breccan McLeod-Lundy CMInstD as another "serious AI hype cycle" sweeps the world.

McLeod-Lundy, the founder and CEO of software development company Ackama, says boards and businesses need to weigh the benefits of jumping in now or waiting for someone to build the desired AI model.

"Any AI has developed to the point where everyone should be exploring it, but you do not necessarily need to start now because it is still advancing so quickly. If the benefits you would get are marginal, you could easily wait six months, and the benefits you get by doing an implementation then will be even greater because the speed at which it is advancing is incredibly quick – the tooling gets better and better.

"The implementation tooling cost is hitting in a good direction now and waiting to let the dust settle a little bit. If you are not going to base your business model on being first and taking advantage, you are not going to be disadvantaged in any measure."

McLeod-Lundy says it is an interesting challenge for businesses because if someone else jumps in and starts getting benefits, they might have an advantage for a while. And if you are big enough that you can keep making that investment every six months as the technology changes, then jumping in earlier is good.

"But if you are going to do an AI implementation and sit on it for three or four years, I'd still wait another six to 12 months and then do my big capital-intensive project because, otherwise, you're going to be sitting there thinking, 'Oh, I'm still stuck with the first version of the iPhone when everyone else has an iPhone 4'.

The Wellington-based 35-year-old says boards should, at least, be experimenting

Photo by:
Austin Schmid on
Unsplash

with AI and working out what looks good and where the benefits are the greatest.

"For a lot of organisations, AI preparedness is looking at your data management strategy and making sure you have finished digitising all your forms. AI will confidently take your data and believe it, so if you give it bad data it will start throwing out some bad outcomes."

Training new models is incredibly expensive and fully deploying an AI-driven bot without someone paying careful attention can have all sorts of consequences, from the humorous to the potentially dangerous. In 2023, Pak'nSave attracted plenty of unwanted attention when its new AI meal-bot generated meal plans including recipes for toxic gas and poisonous meals.

Generative AI is very much in the human-in-the-loop space, says McLeod-Lundy, where you use a human verifier and then use the output. The next level is human-on-the-loop, which is a human keeping a close eye on the outputs, but they are sent automatically.

"The reality is we are not at a place where we can trust it without human intervention," he says. "The best uses for AI are still informing people who understand the tool and understand what they are dealing with."

He advocates at least a couple of board members should be taking the time to properly experiment and "not just read some opinion pieces because there is a pretty serious hype cycle happening at the moment".

"It is a technology that is easy to interact with, but you can hop into Claude or ChatGPT, upload documents, have a play, and quickly find the edges of what it does well and what it does badly. That is constantly evolving."

McLeod-Lundy, who is a director of Ackama Group and its subsidiary boards, says it all comes down to trusting AI is not going to run off with your data and use it as part of its training.

"For a lot of organisations, AI preparedness is looking at your data management strategy and making sure you have finished digitising all your forms . . ."

Breccan McLeod-Lundy CMInstD

For boards, there is a debate around the risk of not having a strategy. Free versions of tools, which is what people will play with if they do not have a strategy, will take your data because that is usually the trade-off for using the free version. Paid versions will make some guarantees, but whether you can trust it will not use your data is another question.

McLeod-Lundy says the bigger questions are around issues such as digital identity and data sovereignty because there are "basically no large language models running domestically in New Zealand where you can trust your data isn't going offshore, at least for processing".

He says Aotearoa is behind the rest of the world in AI research "and I don't think there's any reason to believe we're going to catch up", with the big players pouring hundreds of billions of dollars into buying huge data centres and hiring the best people with deep research expertise.

But when it comes to the actual application of that AI and finding good spots in business or technology or anything else to apply it, New Zealand is not far behind, he says.

"There is certainly a danger of organisations making an early judgement that this is not useful because it is still a little bit broken, a little bit overconfident, and saying 'we won't look at it again for three years and that would definitely be a bad outcome'.

"The really interesting stuff with AI in the long run is data management because any sort of automated tooling that we might develop over the next few years is reliant on having good, centralised data that you can feed into that tooling in a large volume."

The biggest impact, he sees, is the technology replacing workers at the junior knowledge level, and the entry pathway from education to industry becoming much harder – "as we are seeing in tech". That will be the long-term challenge, he says.

Future-proofing te reo

AUTHOR:
BELLA CLEARY,
IoD WRITER

An iwi-led AI project in Northland is placing indigenous communities at the forefront of the digital transition.

An iwi-led media company in Northland is proving Aotearoa can not only keep up but lead the way in global data science. Te Hiku Media, based in Kaitāia, has created a cutting-edge Automatic Speech Recognition (ASR) software, transcribing te reo Māori.

It is the first ASR to recognise any indigenous language and operates with a 92 per cent accuracy rate, outperforming similar attempts by major international tech companies, according to *Time* magazine.

The ASR has been developed using decades worth of archived radio content and additional requested audio clips. Te Hiku Media CEO Peter-Lucas Jones says the organisation started its life as an iwi broadcaster in 1990, and its connection to Māori language and people has acted as a foundation for the transition into data science.

“Over 30 years, we have gathered huge amounts of corpus. Our focus, of course, is Māori language broadcasting and as part of our digital transition we worked with our communities to digitise all of these analog recordings. Alongside that was a governance responsibility, which involves managing the assets we develop.”

In addition to his role at Te Hiku Media, Jones is chair of Te Whakaruruhau o Ngā Reo Irirangi Māori (National Iwi Radio Network), and deputy chair of Whakaata Māori. He is a leading innovator in natural language processing (NPL), and a pioneer for the revitalisation of te reo Māori and other indigenous languages.

When approaching AI, Jones says directors and board members need to have a crystal-clear understanding of what their core responsibilities are, which vary between industries and as tech evolves.

“Nothing is stagnant. We’re teaching computers how to speak a minority language. It’s an endangered language, a language that could be counted among the thousands of languages that are predicted to become extinct by 2050. So what does that mean for us with the work we’re doing?”

Te Hiku Media is governed by a “unique set of circumstances”, where the board is made up of representatives from each tribal group connected to the organisation, and members are appointed by those groups.

The original recordings pulled from the iwi radio archive and digitised include those from native te reo Māori speakers – something Jones says was a key consideration with the board when the project was in early stages of development.

When making decisions on how to proceed with not only digitising its years of precious radio audio but using it to future-proof te reo Māori, Jones said responsible, ethical data management was always at the forefront of their decision-making.

“We have made strategic decisions about how we can connect with our people living in Aotearoa and around the world, and serve them with an experience that is enhanced by the artificial intelligence tools we create.

“An example of that is recognising there are many lifestyles our people have. There are more traditional lifestyles in our marae communities, and then there are urban lifestyles. In recognising that, and that language revitalisation occurs in different ways in different settings, strategically, how do we make decisions that account for cultural context and don’t just empower one domain?”

Examples for this at Te Hiku Media include ensuring the organisation has ongoing control and ownership over its data. “As a board member, you need to establish how to govern these new types of assets and recognise that data is an asset, data is land. These are the strategic decisions that all board members need to know about.”

When artificial intelligence tools are used in this way, Jones says they can become part of an educational experience – bridging the gap or seen as a risk. “You’re constantly identifying risks, but also acknowledging how a risk can be turned into an opportunity.”

These considerations can be used to elevate a board’s strategic decisions, such as bringing services in-house. “You’re either paying somebody else for those services, or you’re creating jobs for your community. In doing that, we wanted to ensure we had a Graphics Processing Unit (GPU) cluster in Kaitāia, creating the best bilingual tools for te reo Māori in the world, at home.”

“As a board member, you need to establish how to govern these new types of assets and recognise that data is an asset, data is land. These are the strategic decisions that all board members need to know about.”

Peter-Lucas Jones

That cluster was supported by Te Hiku Media’s acceptance into an NVIDIA program, which provided it with half-price GPUs – making the tech accessible to groups that were recognised as a form of indigenous startup.

Jones says directors should be asking themselves, ‘what are they key drivers for your organisation’? “Once you have your values, your principles and your focus, which for us is providing a quality service and contributing to building a Māori language economy in New Zealand, then you can begin to provide a quality service.

“It’s important that directors and boards understand what benchmarking is, and understand that big tech has the capacity to erode marginalised language by not understanding what quality means to the communities that those languages belong.”

Jones has recently returned from visiting the United States, where he was named in *Time* magazine’s top 100 AI leaders list. He says the international recognition of Te Hiku Media has brought a significant level of interest from other communities around the world.

“We are closely related linguistically and culturally to other Pacific cultures. So thinking about how we can contribute at a governance level is related to how we can contribute internationally.

“Our tools support providing quality information to decision-makers, but they also provide a new and innovative way to curate information. At a governance level, they can extract information which supports good decision-making. Your decision-making was only ever going to be as good as the quality of information you’re refering to.”

Using AI to beat AI

Systems embedded with AI prove successful in detecting and preventing scams, says ASB chief executive Vittoria Shortt.

AUTHOR:
NOEL PRENTICE

As scammers and bad actors become even more sophisticated in using artificial intelligence, banks need to meet that challenge and the needs of customers, says ASB chief executive Vittoria Shortt.

ASB is using AI in a variety of ways, helping to streamline and speed up business processes and enhance the experience it offers customers. Using systems embedded with AI to identify potential fraud is another area where big wins are made.

"Scammers are constantly evolving their approach and using technologies that are making scams harder to detect. We too must make sure we are using technology to combat them," says Shortt.

"AI has been successful in detecting and preventing scams. We already use a lot of AI in our fraud systems, such as being able to auto block fraud payments, but we don't have the ability to prevent or block everything."

A lot of these scams target average New Zealanders who are duped into parting with their money by unscrupulous actors, using increasingly convincing fake images, video or audio recordings.

Photo by:
Google DeepMind
on Unsplash

ASB
ONE STEP AHEAD

"I'm very worried about scams, in particular," Shortt says. "When they first appeared on our radar, some were easier to spot – thanks to spelling mistakes and poor graphics. Now they are becoming so sophisticated, along with the way scammers target people.

"There is no silver bullet, so we have got to make sure we are continuing to up our game in a multitude of ways – from stopping customers receiving scam messages, via text, email or other channels, to making them more aware of scammers' techniques – such as the use of deepfakes – and reminding them of steps to take to protect themselves.

"That's the awful part about AI. It is breaking down trust in society. We have got to make sure we are continually investing because nothing is standing still."

There have also been a lot of claims about AI and the impact it can have on productivity, with estimates of between 20 to 30 per cent improvement across sectors – as a starting point.

Shortt has seen this in action, particularly at contact centres where customers "can ask anything and everything", and it can be difficult for a person to have all the answers to hand quickly. AI can quickly produce policies, relevant content and material in a consistent way.

"I'm a big believer in AI and Gen AI. I see an opportunity for it to help us to be more efficient, and to communicate and digest information more effectively. But safety has to come first.

"This is where board governance comes in. It has got to start with policy. We have looked at some globally recognised principles around AI and are using those in our policy," she says, listing key points as:

"For example, we took the board through how the audit team is using Gen AI, including the tools, so they could see and understand individual use cases and how it is being applied in practice."

Vittoria Shortt

1. **Human, social and environmental wellbeing:** AI has to benefit people, and you have to know how and articulate that.
2. **Fairness and transparency:** You need to make sure there is no discrimination or bias and, if there is, how you are going to manage it. You must be able to understand and explain the outputs.
3. **Privacy and security:** Ensure AI is easy to understand, being used in your data set and doesn't go externally.
4. **Reliability and safety:** Large language learning models must be reliable throughout the lifetime of their use. You can't just launch something, let it loose and then sit back.
5. **Accountability:** You need to know there is a person in the team who is accountable for every AI model. Accountability is a critical part of any policy framework.

Shortt says the bank has had a lot of discussions to ensure the right foundations are in place. "You can't just assume everyone knows everything about AI. For the Board, it was about starting with the foundational elements and then building their knowledge base.

"For example, we took the board through how the audit team is using Gen AI, including the tools, so they could see and understand individual use cases and how it is being applied in practice," she says, adding that external parties have also expanded their thinking and ideas.

Referencing Jeff Bezos' advice that "you can build a business strategy around the things that are stable in time", Shortt looks at AI and thinks about what is unlikely to change while everything else is changing.

"The other thing that is always on my mind is humans also need humans. So, it is about finding the good in all of this."

Power up your industry's global profile by hosting an international conference

Wellington is extending an invitation to industry leaders to host an international conference in their field with unmatched support.

Aotearoa provides an exceptional backdrop for international conferences. In turn, hosting international conferences offers New Zealand the chance to attract global experts, showcase local innovation, and address pressing global issues.

A prime example is the International Building Physics Conference that Building Research Association of New Zealand (BRANZ) will host in Wellington in 2027. The conference will attract some of the world's top building science experts. It is the first time the conference will be held in the Southern Hemisphere.

Claire Falck, CEO of BRANZ, says hosting the conference is a testament to New Zealand's well-established scientific reputation.

"The conference will bring hundreds of delegates to New Zealand to connect and advance new ideas to solve pressing issues in building – ultimately helping to develop more affordable, sustainable, resilient and healthy housing around the world."

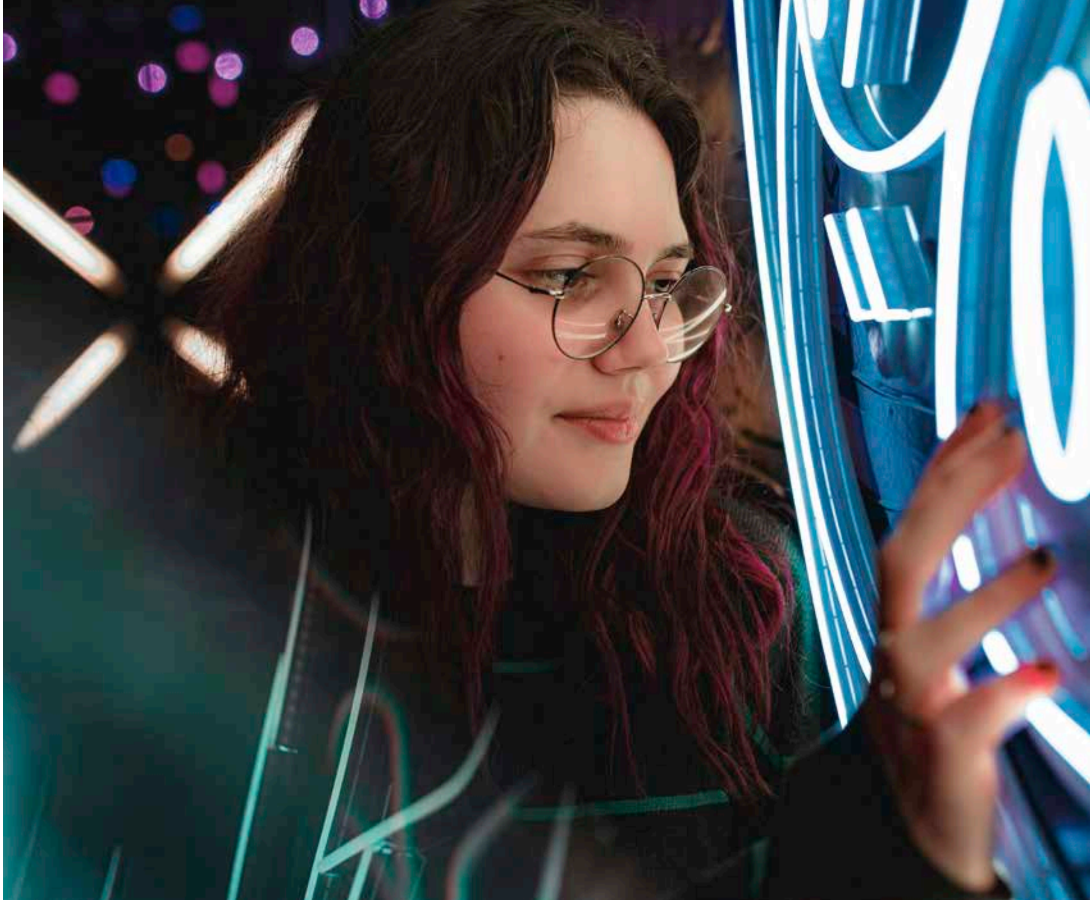
Tourism New Zealand and Business Events Wellington (BEW) supported the bid. Together they help leading experts to win and host world-class conferences in Wellington.

For individuals and organisations passionate about boosting their field, industry's profile, and networking with people from around the world, the experienced BEW team can help. A winning bid will bring international peers together for a world-class event in Wellington to share knowledge, ideas, and sector advancements.

To access funding and support to host an international conference in Wellington, contact BEW at BusinessEvents@WellingtonNZ.com

Business Events Wellington

HARNESSING AI



From buzzword to boardroom: making AI work for your organisation

Straightforward use cases may not be groundbreaking but can deliver tangible benefits.

AUTHOR:
CAMPBELL FEATHERSTONE,
COMMERCIAL, TECHNOLOGY and PRIVACY PARTNER, DENTONS

Photo by:
Guilherme Stecanella on Unsplash

DENTONS

The prospect of implementing AI tools within an organisation can be daunting. Many AI tools, especially those incorporating generative AI, are largely untested and unreliable. And plenty of horror stories exist about the misapplication of AI (not just those seen on the silver screen).

With lawyers relying on AI-fabricated cases in the US courts, to chatbots going 'rogue' and delivering hallucinogenic advice, the global media has been awash with news about the failed use of AI tools.

However, directors should not let this deter them from starting their AI journey. By approaching implementation with a strategic mindset, directors can harness the benefits of AI while mitigating potential risks to a sensible degree.

Those who fail to seize the moment to harness the use of AI in 2025 may find the moment is lost in time – like tears in the rain.

It goes without saying that organisations are responsible for the outcomes of the AI tools they implement. Despite the best efforts of Air Canada this year to argue its chatbot was "responsible for its own actions", it was still found liable for misinformation about its fare policies that its chatbot had communicated to its customers.

Using AI tools, especially in customer interfaces, is far from a risk-free proposition – but don't let that put you off. Humans make mistakes, too. So long as you have appropriate processes in place for ensuring quality control, the fact that AI could get it wrong should not be enough to stop you from deploying it.

THE LONGEST JOURNEY STARTS WITH THE FIRST STEP

Consider, as a first step, implementing AI tools in low-risk, non-customer facing environments, where the risks can be controlled and appropriate guardrails implemented.

Start small. Many organisations are looking for the deus ex machina to arrive centre stage and solve all their problems in one fell swoop. However, AI implementation does not have to start with grand, sweeping changes.

If you know your customer and you know yourself, you need not fear the result. Identify your organisation's most straightforward use cases for AI solutions, such as where the organisation is undertaking repetitive tasks.

While the problems that these AI solutions solve might not be ground-breaking, they can deliver tangible benefits while allowing staff to become familiar with using AI as an everyday tool. This can help build a platform to implement more wide-reaching, transformative AI processes.

Spend the time also to get to know your customers and stakeholders, especially those who will interact with you through AI tools. While most people expect organisations to adopt AI tools in service delivery, they are also only expecting those tools to supplement human interaction.

Striking an appropriate balance between using AI tools and human interaction can enhance customer satisfaction and maintain reputation, while freeing up human employees to focus on higher value tasks, such as relationship building.

Think carefully about reputation management. You will need to control the narrative. Think carefully about what AI means in terms of your ESG commitments and what it might mean for your workforce. Do your employees need to be reskilled and how can you support them in the transition to using AI tools?

If you are going to use your customers to train your AI, think about transparency and control. Apart from the legal requirement that customers are aware how their personal information will be used, customers also want choice and to be in control. Think carefully before opting customers into using their information to train large language models by default – it is highly unlikely you have the social licence to do so.

WHEN THERE'S A WILL, THERE'S A WAY

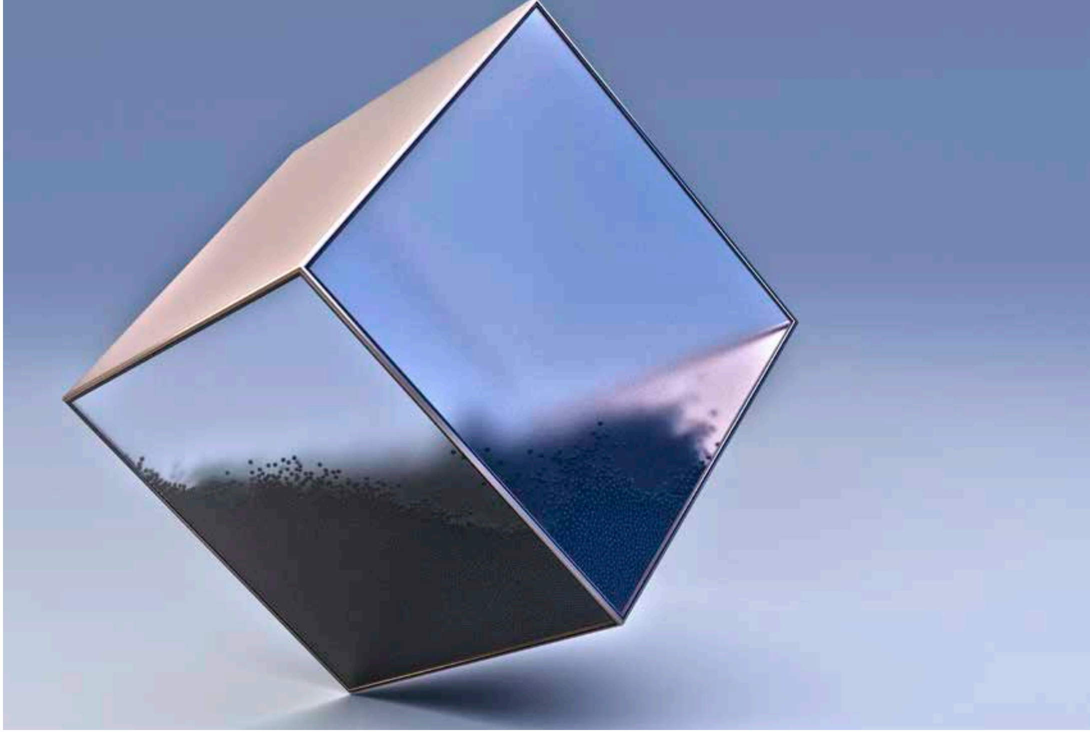
Chances are employees within your organisation are already using AI tools daily. It is human nature to search for ways to make life easier. Rather than having those employees play with publicly available AI tools in a high-risk environment, think carefully about establishing a safe space for them to use AI, making tools available that have built-in guardrails.

Use AI tools yourself. The best way to understand the limitations of what AI tools can do, and how they think, is to have a good play around with their capabilities. There are plenty of free tools available which, providing you don't input sensitive information, can be used to practice your prompt engineering to generate content.

The more familiar you are with these tools, the more insight you will have into how your organisation, and the people within it, may benefit from the adoption of AI.

"If you know your customer and you know yourself, you need not fear the result. Identify your organisation's most straightforward use cases for AI solutions, such as where the organisation is undertaking repetitive tasks."

Campbell Featherstone is a technology and privacy partner at Dentons. He advises clients on all aspects of the introduction of new tech to the market, on the procurement of tech, and on all manner of privacy and data issues. He is also a member of the firm's AI steering group, which is looking at the deployment of AI and other legal tech.



How to reap the rewards in a secure way

Choose an AI tool to suit your business challenge or opportunity, instead of the other way around.

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PRINCIPAL ADVISORY CONSULTANT AT AURA INFORMATION SECURITY

Photo by:
Buddha Elemental
on Unsplash

Although the hype around AI in the workplace has reached its crescendo, organisations need to get serious about how they are going to implement the right AI tools. Security and privacy must be at the forefront of these decisions. This is where the board plays a role, ensuring risks are balanced with opportunities.

AI systems such as Microsoft Copilot and Google Gemini feed off data. This could be information you give them directly or even insights picked up from the transcript of recorded meetings. Some AI tools have the power to scan through your emails, your calendar and your company's files. It is imperative that businesses put the appropriate guardrails in place to ensure AI does not have unmediated access to sensitive or confidential data.

So, what can directors and boards do to achieve success while ensuring their off-limits data is not compromised along the way? Here are five considerations to ensure your business reaps the rewards:

1. HAVE A CLEAR BUSINESS OUTCOME

It is easy to get caught in the hype over the latest AI technology available on the market, so step back and ask what the AI business use case is.

This is where the board can help – asking questions around objectives and whether AI is the right tool to help achieve these. For example, when wanting to increase revenue or customer satisfaction, is that something AI can help with and what are the associated risks and rewards?

It is worth noting most 'secure' AI systems charge for the amount of data you put through them, which draws into focus the business value in using such systems, in addition to the potential privacy and security issues.

2. KNOW WHAT SUCCESS LOOKS LIKE

The key is to set boundaries upfront. Decide clearly what data you want your AI to have access to, before you implement. Limiting AI to accessing data contained in your business' CRM system (where personal customer information is excluded) will prevent it from accessing data that falls outside of this, such as your financial management system.

It is also important to choose an AI tool that fits your business model best. Large language models work well as generative tools and are useful for content generation, customer support and product design. Other AI tools provide specific business insights, such as sales forecasting, customer insights or scientific endeavours. An example in the world of protein science would be AlphaFold3 – this advanced mathematical model would undoubtedly suit specific business cases better.

It is about choosing the AI tool to suit the business challenge or opportunity, instead of the other way around.

3. IMPLEMENT GOOD DATA GOVERNANCE

AI success relies on good data governance – the basic guiding principles that keep data from falling into the wrong hands. Boards are responsible for ensuring secure AI use across the businesses they govern via data governance policies.

A good data governance policy should provide guidelines for responsible data handling and, if its robust enough, will suit AI and human use alike. Some businesses, however, opt to build on these by adopting additional, more specific AI policies. Kordia has developed a handy AI policy checklist to help boards and executives develop additional AI policies.

If you don't have a data governance policy in place, you will need to do so before implementing any AI tools into your business.

4. CAREFUL AND CONSIDERED IMPLEMENTATION

Many tools, including the likes of Office 365, have built-in AI elements that may not be able to be switched off completely.

> "Looking at AI operations in a measured and objective way, on a regular basis, helps to track whether key business goals are being met, as well as whether privacy guardrails are functioning effectively."

Such tools mean AI may be present inadvertently within the business, which brings questions around security and best practice even further to the fore.

Before any data is input into AI tools it should be sanitised – that is, making sure it is up to date, relevant to the business use case that is underlying the AI tool, and does not contain any personal or sensitive details. This ensures the tool works effectively, while still protecting confidential business information.

Another important part of this process is reviewing the terms and conditions of any AI model carefully.

Terms and conditions frequently state the AI provider is entitled to ownership of the data input, generative outputs, as well as the model itself, including custom AI models designed to suit your unique business. This is a potential recipe for disaster as sensitive information and business IP could potentially be compromised and may have serious legal implications.

In addition to carefully reading the Ts & Cs, directors should engage in careful negotiations with AI providers to clarify ownership rights up front.

5. ENSURE AI PRACTICES ARE CONSTANTLY REVIEWED

Regularly reviewing company-wide AI practice is an essential part of secure AI use. This should look like six-monthly or yearly reviews of the outputs of AI within the business, the types of data being input and the return on investment from AI operations.

Looking at AI operations in a measured and objective way, on a regular basis, helps to track whether key business goals are being met, as well as whether privacy guardrails are functioning effectively.

It also helps businesses keep on top of the rapidly evolving nature of AI tools, ensuring changes are made when needed to ensure these tools are still tackling present challenges and/or opportunities, while still delivering a measurable return on investment.

The new frontier in corporate governance

Directors cannot afford to drop the ball with recent court decisions leaning towards holding them responsible.

AUTHOR:
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APAC SENIOR VICE PRESIDENT & GENERAL MANAGER AT DILIGENT

Artificial intelligence is going to shake up the world of corporate governance in the next few years, with major shifts in how organisations are governed. The Fifth Industrial Revolution is here, and AI is at the heart of it.

This presents huge opportunities, but it also comes with big risks. We must be considered about how we use AI, carefully managing risks to ensure it is used responsibly, safely, and in a way that makes sense for organisations in the long run.

The rules are constantly changing, as are the risks, technologies, and shareholder and stakeholder expectations. Directors must stay on top of it all because AI is being used by their people, their organisation, their suppliers and upon them by bad actors.

This means understanding AI, managing data and AI responsibly, having strong risk controls in place, and ensuring an organisation's systems are secure. It is all part of performing roles with care, diligence and skill.

With a robust AI governance framework, organisations can harness AI as a tool that boosts human expertise and capabilities.

AI can help organisations get ahead by improving due diligence, making competitive analysis more efficient, and spotting risks and opportunities faster, leading to better strategic decisions, better outcomes for clients and, ultimately, bigger profits for shareholders.

WHAT ARE THE BIGGEST RISKS IN AI USE FOR DIRECTORS?
From a corporate governance standpoint, the biggest risks boil down to whether directors are meeting their legal duty of care, as outlined in Section 137 of the Companies Act 1993.

Photo by:
Steve Johnson
on Unsplash

For example, directors could be personally liable if they drop the ball, either by not overseeing AI properly or not having strong risk management in place. Recent court decisions lean towards holding directors responsible, even if they were not directly involved in incidents or violations.

It is also important for directors to make sure their organisations follow all the current laws and guidelines. These include the Australian Government's Voluntary AI Safety Standards and the proposed guardrails in the proposal paper before public consultation, the Harmful Digital Communications Act 2015, Fair Trading Act 1987, Human Rights Act 1993, Privacy Act 2020, and the New Zealand Privacy Commissioner's Guidelines on Artificial Intelligence and Information Privacy Principles. Understanding and following these rules is key to meeting legal obligations as directors.

AI is the new frontier in corporate governance so Diligent is investing accordingly, delivering and further developing AI-powered effectiveness tools to help directors handle their changing responsibilities with greater confidence, skill and efficiency.

For example, the AI-powered One Platform can summarise and compare board materials to spot inconsistencies, identify current and future risks, and update essential action items. These enhancements help directors make informed decisions faster, helping improve value creation and the organisation's bottom line.

The AI Assistant in Compliance, on the other hand, summarises and categorises new and old regulations, making it easier to stay compliant with changing regulations, use resources more effectively, and improve overall governance.

HOW CAN DIRECTORS ENSURE SAFE AND ETHICAL AI USE?
Ethics is typically part of the AI conversation and to serve customers better, AI features must be developed with robust safety and security measures that work within a global context.

"With AI becoming such a big part of how businesses operate, regulations must keep up and address the intersections of AI with other areas, such as privacy, sustainability, corporate responsibility, cyber security and geopolitics."

The New Zealand Government has just signed the Bletchley and Seoul Declarations. It is also working with the World Economic Forum (WEF) to co-design AI governance frameworks via a multi-stakeholder, evidence-based approach. These international efforts show New Zealand's commitment to working with other countries to develop safe, responsible and ethical AI practices.

Organisations must work in step with these global developments, and commit to building AI capabilities that are trustworthy, accurate, innovative, secure, and prioritise privacy. This approach aligns with internationally recognised standards for AI governance, such as the OECD AI Principles.

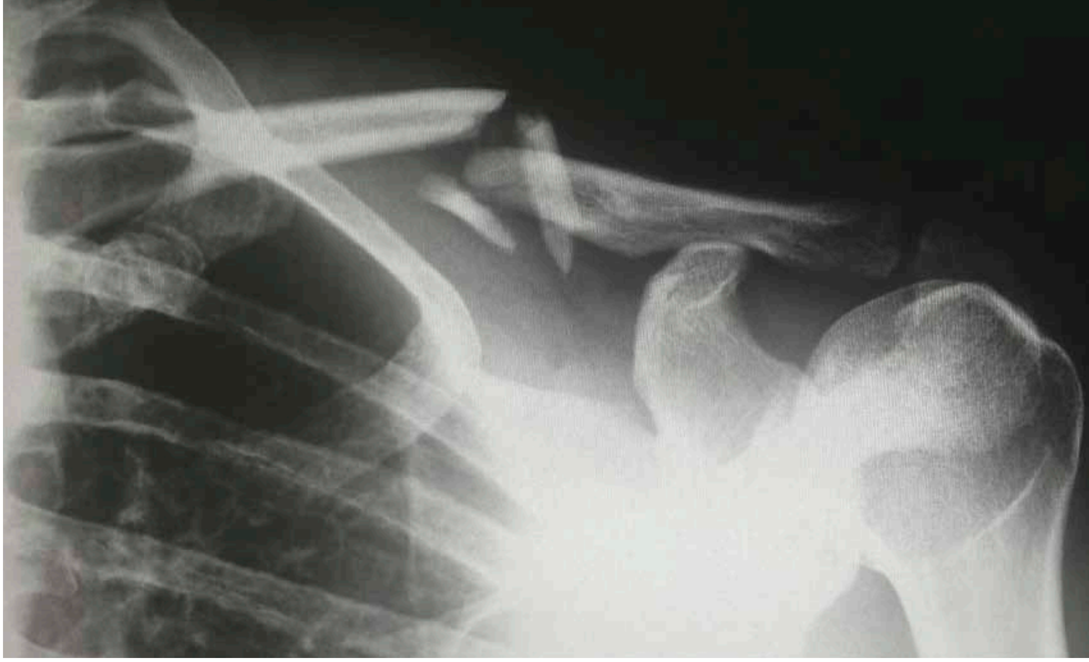
It is important to note that, while Diligent's AI innovations are built on industry-standard security protocols, organisations must still take ownership of how they use AI in their business. Ultimately, using AI effectively in governance and having good governance over AI are both key to success in today's digital world.

With AI becoming such a big part of how businesses operate, regulations must keep up and address the intersections of AI with other areas, such as privacy, sustainability, corporate responsibility, cyber security and geopolitics.

Since data is the foundation of AI and the whole digital economy, AI laws and regulations must also address the structural inequalities arising from the exploitation of commodified data, which can put consumer welfare at risk.

AI can also spread bias at scale, so laws and regulations must place safeguards to mitigate systemic inequality arising from discriminatory practices.

But, as with any new technology or nascent regulatory framework, we can only see the effectiveness of these regulations once AI is widely used and legal precedents are set. Over time, this greater understanding will help shape future AI laws, ensuring they support economic productivity, market competition, consumer wellbeing, and sustainable growth.



The proof is in the productivity

A good recovery-at-work culture can help businesses keep the knowledge, skills and expertise of their people.

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In 2023, businesses in New Zealand had more than 18.5 million days of disruption from workdays lost due to injury. That is a huge number, and one that ACC knows hits home. Injuries can have a big impact on the individual, their whānau and friends, their community, and their workplace and team.

People are vital to the success of your business. Having people off work pushes out timelines and efficiencies as work is moved around to cater for the capacity lost. Reductions in productivity may also impact on worker morale and customer service, as well as your bottom line.

ACC has one of the best injury databases in the world, and we want to share our insights to enable better evidence-based decision-making and bring to life the scale of the impact of injuries for your workforce.

Most ACC claims that result in people taking time off work are caused by injuries that happen outside of work, such as spraining an ankle playing sport or slipping on a mossy path doing jobs around the house. About two-thirds of weekly compensation days paid by ACC are for injuries outside of the workplace.

These injuries also have longer recovery times than injuries that happen at work. People spend an average of 90 days on weekly compensation for injuries that happen outside of work, compared to 60 days if the injury happened at work.

No matter where the injury happens, the impact on your business in lost productivity is the same. The more times an injured person is away from work, the less likely it is they will return to their job. According to research, after 20 days off their likelihood of returning is 70 per cent. At 45 days it is 50 per cent, and at 70 days it is only 35 per cent.

The silver lining? Most injuries, with collaborative effort and temporary adjustments, do not have to result in prolonged absences. There is growing evidence and consensus that maintaining a connection to work, even in a modified capacity, significantly benefits recovery.

Photo by:
Harlie Raethel
on Unsplash

Information from the UK and the Royal Australasian College of Physicians highlights how work not only promotes rehabilitation, but overall, it helps people develop a sense of self and purpose, and improves general health and wellbeing.

From a business perspective, we know that if someone recovers while working, it is more likely they will stay with their employer. Injuries do not need to be a reason for higher turnover. A good recovery-at-work culture can help businesses keep the knowledge, skills and expertise of their people, saving on recruiting and training.

The recovery-at-work model works. ACC recently partnered with Ia Ara Aotearoa Transporting New Zealand to run a trial with two businesses in the road freight transport industry to understand what impact a workplace can have on improving outcomes.

The trial involved nearly 800 employees, including drivers and warehouse staff, HR, a health and safety team, and senior management. The businesses developed industry specific guidelines and resources, ran training sessions, and tracked progress with surveys and monthly check-ins.

While this trial was small scale, overall there were positive results, with one business achieving fewer injuries, a reduced amount of time off work, and an improvement in getting long-term injured employees back into the workplace.

When you consider that injury claims for workers across the road freight transport sector resulted in more than 1.13 million lost workdays over a five-year period, you can see the potential positive impact of a recovery-at-work focus.

Through the trial, it was found the key to success was having recovery-at-work policies or processes that can be followed consistently across the business, as well as clear communication and buy-in from management to promote work as an active part of recovery and rehabilitation. The changes may seem like common sense, but they made a difference when done right.

While supporting recovery-at-work is a great strategy, the best strategy is prevention. Most injuries, in the first instance, are avoidable. It is ACC's vision to champion injury prevention as both an influencer and a collaborator.

We don't have all the solutions – that's why we work with trusted partners and communities who are closest to the problems. They have insights and understanding of the sectors they represent and how to best reach employers and workers.

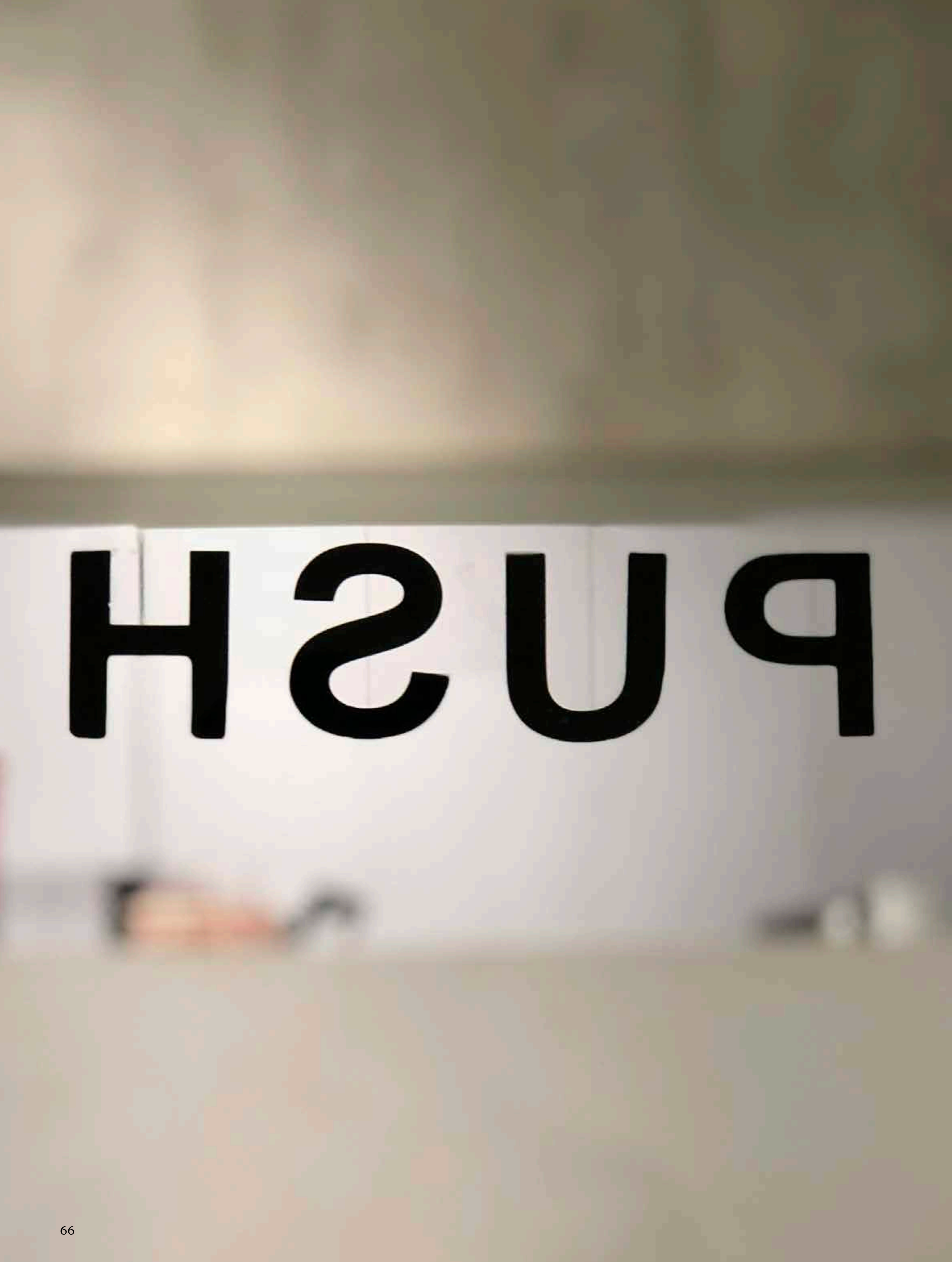
We focus on partnerships in sectors and groups with high rates of injury and harm. Fifty-five per cent of work-related fatalities and serious non-fatal injuries occur in four industries – agriculture, construction, forestry, and manufacturing. Young people aged 20-29 are most likely to experience an injury outside of work that leads to time off. Māori are 30 per cent more likely to have a serious non-fatal injury at work than non-Māori.

There is a real opportunity to improve outcomes. The impact for businesses, when quantified, is astounding. For example, in the construction trades sector, Construction Health and Safety New Zealand estimates the 806,933 days off work in 2023 due to soft tissue injuries is the equivalent of:

- 546 two-bedroom houses not being built
- 2.7 million metres of scaffolding not being erected
- 1.67 million metres of long run roofing not being laid
- 1.3 million square metres of houses not being painted
- 5.7 million face bricks not being laid
- 206,000 square metres of vinyl flooring not being laid

So, what does this mean for directors. Do you have a good understanding of what injuries are keeping your people off work? Are you being proactive – have you sufficiently invested in preventing injuries, as well as helping people recover at work after an injury?

"Do you have a good understanding of what injuries are keeping your people off work? Are you being proactive – have you sufficiently invested in preventing injuries, as well as helping people recover at work after an injury?"


PUSH

Regulators bark . . . retailers bite over carbon goals

Photo by:
Jean Bach
on Unsplash

Chapter Zero New Zealand
The Directors' Climate Forum

chapterzero.nz

AUTHORS:
PETE CHRISP MInstD, CHIEF EXECUTIVE OF NEW ZEALAND TRADE AND ENTERPRISE,
and **FLORENCE VAN DYKE,** NZTE GLOBAL SUSTAINABILITY LEAD

Directors need to understand the higher expectations and standards required to do business.

New Zealand businesses that are exporting, or have ambitions to, need to ensure sustainability is embedded in their governance and operations or face being shut out of international markets, now, or in the future.

More than 85 per cent of New Zealand's exports by value are going to countries with Environmental, Social, Governance (ESG) legislation in place or coming into force that require large businesses to report on sustainability practices. This is rapidly increasing and will impact New Zealand exporters directly, or indirectly, as part of supply chains of these bigger businesses.

And these pressures are not static either. Pre-Covid, we were seeing the early emergence of consumer premiums for sustainable goods, especially in food, beverage and clothing, and in specific high-value markets (Europe, UK, West Coast US).

However, in a post-Covid, high-inflation environment many of these premiums have dissipated and, instead, sustainability credentials are becoming simply a ticket to doing business. It is now becoming more about market entry, than market premiums.

The speed at which sustainability regulation is coming into force internationally cannot be underestimated. Climate-related disclosures (CRD) are one example. In 2021, no countries regulated CRD. Today, 85 per cent by value of New Zealand's exports are going to countries with CRD proposed or in force.

That means large companies – usually listed – need to disclose their carbon footprint and to do so they most often need to understand the carbon footprint of their suppliers, which includes many New Zealand exporters.

In the UK and Europe, sustainability regulations go much further, with regulations around modern slavery, deforestation and packaging for larger companies.

In addition, as we heard from KPMG at the NZ Fieldays this year, "Regulators bark, retailers bite". Big retailers in many cases are mandating a higher standard than most governments. Multinationals, such as Danone, Nestle, Mars, Tesco and McDonald's, are requiring some suppliers to not only measure their carbon but disclose carbon reduction plans that align with global net-zero carbon goals.

The so-called 'Brussels effect' is also in play. That is, some retailers are applying the European standard to

"For directors, this means firstly ensuring your business understands these requirements, then from this understanding building it into the strategy for the enterprise."

their operations globally, to maintain consistency. McDonald's, in China for example, is now putting in place requirements for carbon reduction plans from meat and dairy suppliers which includes New Zealand exporters.

During the Prime Minister's mission to Thailand and the Philippines, we were surprised at how even these countries were expressing sustainability concerns, which were in effect coming from their resident, multinationals applying their own internal standards globally.

And it is not just regulators and retailers getting in on the act, either. Banks, investment houses and pension funds are all expressing higher expectations and standards. So, while the early pressures for sustainability were coming from progressive consumers in high-value markets, the pressure now is from large public and private institutions across many economies. This cannot be ignored.

For directors, this means firstly ensuring your business understands these requirements, then from this understanding building it into the strategy for the enterprise. The first pillar of governance best-practice focuses on the board's role in leading the development of an entity's purpose and strategy – a director should be asking what role sustainability plays in this.

For many businesses starting on their sustainability journey, it can mean measuring their carbon footprint and reducing emissions. However, the definition of sustainability has evolved and will continue to evolve at pace, too.

It now includes looking at climate change, as well as broader sustainability issues across governance, people and community impact. It is important to embed sustainability across a company and to do that it is essential it is being driven from the board level as well.

And remember the employees within the business. Often, we see a business' sustainability journey can be a source

“Consumers are looking for acknowledgement from companies that they have a role to play in solving environmental and social issues and are taking transparent and genuine action.”

of inspiration and innovation that supports strong employee engagement and culture. New generations of employees are demanding their employers have got the message.

Against this backdrop, NZTE has leaned into the task. Part of our suite of support for exporters now includes a package of services for those who want to get market-ready to meet these sustainability requirements.

Sustainability can be overwhelming because it is changing quickly and the risk of being called out for not being authentic and greenwashing is increasing.

But with sustainability regulation coming into force at an unprecedented rate internationally, exporters who do not have sustainability foundations in place will find themselves losing business when international regulators, customers and investors ask for proof of action.

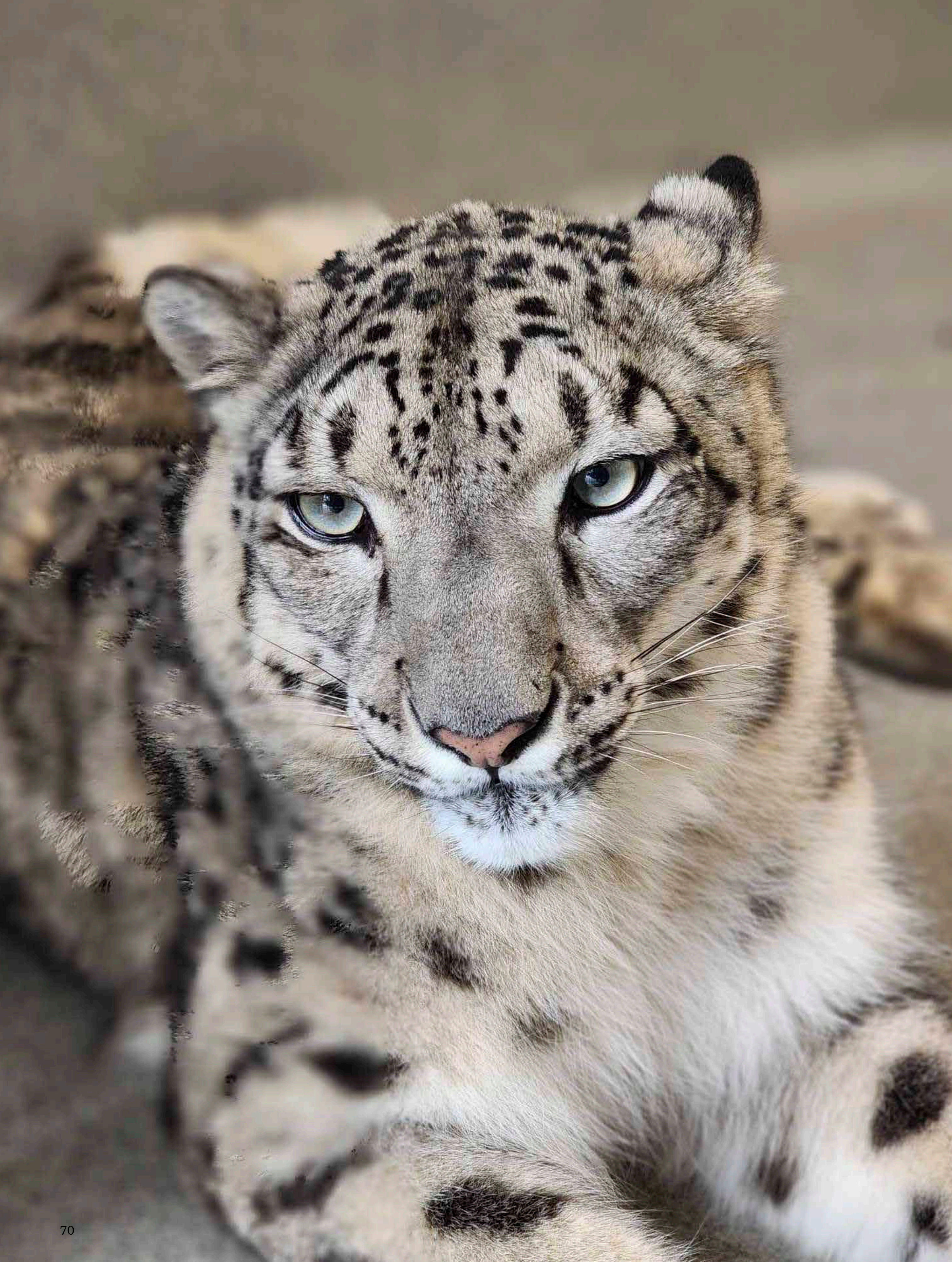
The best place to start is where you can have the most impact, while also having the most benefit for your company. Map your business’ biggest social and environmental impacts against what matters most to your key stakeholders – to your customers, employees, suppliers and other investors.

KEY STEPS

1. **Learn about the demands.** Look to international markets and consider what regulations are being implemented that might impact partners across your value chain and bottom line. One example is the Carbon Border Adjustment Mechanism (CBAM) that is coming into force in Europe that requires producers of high-carbon imports to prepare quarterly reports detailing emissions. From 2026, businesses captured by CBAM are required to pay a carbon tax to cover the carbon cost of the imports. Similar regulations are coming into force in other markets too – currently 40 per cent by value of New Zealand exports are going to countries with CBAM regulations proposed or in force and that percentage is set to increase.
2. **Collaboration works.** There is a great opportunity for exporters to work together to maintain and grow our reputation as a leader in sustainable business internationally, which will add more value to our export economy than any single business can achieve alone. Learning from and collaborating with other businesses in your industry can be a lifeline. For exporters, NZTE’s 101 Workshops or Business for Good programme provides an opportunity for businesses to learn from others who have prioritised sustainability. For governance support, the Institute of Director’s Chapter Zero content and panel discussions are a great forum for connecting and learning from other companies.
3. **Transparency over perfection.** Increasing backlash around greenwashing is leading companies to dial back their voice on sustainability. But consumers are not looking for perfection, they are looking for authentic stories. Consumers are looking for acknowledgement from companies that they have a role to play in solving environmental and social issues and are taking transparent and genuine action.

You can look at these sustainability requirements as a risk or an opportunity, or both. On the opportunity side New Zealand as a whole is well-placed, with a good reputation globally. Therefore, it is a short step for companies to legitimately work towards establishing their sustainability credentials as a competitive advantage. But only if we act.

To learn how to be a sustainable business and map your biggest social and environmental impacts, go to my.nzte.govt.nz. For international regulations, visit The Aotearoa Circle’s ‘Protecting New Zealand’s competitive advantage’ at theaotearoacircle.nz



Animal magnetism

AUTHOR:
NOEL PRENTICE

Wellington Zoo takes the tiger by the tail, adding digital sustainability to its net-zero certification.

Being an environmentally conscious organisation, the world-leading Te Nukuao Wellington Zoo has a board fully attuned to climate change.

By supporting management and "walking the talk", it has resulted in the zoo becoming the world's first to achieve net carbon-zero certification and is now leading the way in digital sustainability.

"We have sustainability reporting and conservation experts on our board, but the whole board is engaged with climate action in their personal or professional lives," says CEO Karen Fifield MInstD.

"We have just started discussing climate change in detail, but it has been part of our risk matrix for a number of years. However, decisions such as which animals are suited to live in Wellington in the future, our capital development programming, and how we will ensure the health and safety of our people are high on everyone's agenda.

"The conversations at executive and board level are changing and climate change is becoming more a topic the board is engaged with."

The zoo, which boasts more than 80 species and 500 animals, has been a member of the Sustainable Business Network and the Sustainable Business Council, and "the network we have because of that is extensive", says Fifield.

"As carbon reduction becomes more and more mainstream in business, we see many organisations ask us about our approach or are happy to work with us in some way."

In its quest for digital sustainability – the contribution of a company's digital assets to sustainability across social, environmental and economic outcomes – the zoo has reduced website CO_2 emissions by nearly 25 per cent. That is the same amount of carbon as nearly 4,000km of driving.

Digitial technologies account for eight to 10 per cent of global energy consumption and are responsible for two to four per cent of greenhouse gas emissions. Any interaction with a website requires energy to send, process and store data.

Fifield says the zoo has been able to reduce emissions without impacting user experience.

The zoo has been working with the Wellington office of San Franciso-based digital design company AKQA, which introduced it to the concept of digital sustainability – "we hadn't heard or thought of it before", says Fifield.

"Basically, it was about learning how big the footprint of the internet is, and how we could manage our website to reduce the approximate emissions. We wanted to ensure we didn't lose any functionality, or the great imagery of animals we have on the site.

"We have made an approximate 23 per cent carbon emissions saving, and customers and visitors to the website would be none the wiser. It has been an amazing result."

The board supports the management team to undertake initiatives, such as looking at digital sustainability, and allows the team to try new approaches to fully understand what being a sustainable organisation looks like across its operations.

Fifield says they are perfectly placed to engage the community with climate action behaviours – individual and systemic.

"Climate change affects us all – humans, animals and ecosystems. As humans, we have enormous power to make the change needed. As chief executive, I have seen that climate change has become much more intrinsic to how the organisation operates and responds.

"Where sustainability and conservation were once the key issues, I now believe climate action is the all-encompassing issue we must address. This is because everywhere and every living thing is affected by climate change.

"Climate action is one of the six UN Sustainable Development Goals we are focused on and strategically this action is woven into our visitor messaging, the conservation partners we have and the reduction of carbon we produce."

While the zoo, which covers 13 hectares in Newtown and welcomed more than 260,000 visitors in 2023, has received many accolades for its mahi, Fifield says they know the conversation will become even more granular into the future.

"Our strategies must reflect both risk and opportunity. For example, snow leopards suit our weather and are such a key species to engage about climate action with our community – over 13,000 visitors have pledged to take climate action since we opened the snow leopards habitat in April 2023.

"Climate action is one of the six UN Sustainable Development Goals we are focused on and strategically this action is woven into our visitor messaging, the conservation partners we have and the reduction of carbon we produce."

Karen Fifield MInstD

"Climate change is something we can choose to act on. How organisations operate is within their control and any actions make a difference. Advocate for climate action whether you are public facing or not.

"Boards will be expected to be across the organisational approach as part of their social licence to operate – from the community and from your staff. Climate action is, and will become even more, mainstream business for executives and boards, so if you haven't already, start now."

The zoo has been an environmentally conscious organisation since its inception in 1906 but had never measured or assessed its sustainability impact.

In 2013, it became the world's first Toitū net carbon-zero certifed zoo, having received a grant from the Department of Internal Affairs Te Tari Taiwhenua and employing a consultant to assess its carbon footprint and feasibility for going carbon zero. It then worked with Toitū Envirocare to achieve its certification.

In 2017, the zoo won the inaugural World Association of Zoos and Aquariums Environmental Sustainability Award, "which was the resounding acknowledgement of our carbon reduction mahi", says Fifield.

"The board was very supportive of this mahi and then chair Ross Martin was especially supportive and excited by this certification. To the board, the carbon zero certification set us apart and supported our strategy as a leading and progressive zoo.

"The board has always supported our conservation work but as we have travelled along the sustainability journey they have been reminded that walking the talk with sustainability is the other side of that coin – if we want to live our kaupapa of 'me tiaki, kia ora' then we must show leadership to protect wildlife and wild places by our behaviour as an organisation and sometimes invest to make this happen."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Practise the crisis plan

Simulation exercises are a smart way to test effectiveness and identify gaps in planning and response.

AUTHOR:
CAROLYN KERR,
CHIEF EXECUTIVE AND CO-FOUNDER, ANTHEM

Photo by:
Hong Lin on Unsplash

Anthem

Chapter Zero New Zealand
The Directors' Climate Forum

chapterzero.nz

Scheduling regular reviews and rehearsals that stress-test a climate crisis communications plan can help organisations reduce the risk of coming unstuck and making errors in a real-life situation. Yet the daily pace and pressures of running a business all too often displace time allocated to practice and preparation.

At a series of Chapter Zero workshops during the past year, directors and managers acknowledged the importance of holding an annual scenario-based crisis exercise. However, many conceded that rehearsals were conducted infrequently, if at all.

When asked how often their organisations reviewed crisis plans, updated climate considerations and refreshed templates with a business continuity team, responses were varied. Engaging in these hygiene disciplines was viewed as important, but finding the time was a challenge.

These anecdotal responses mirror international and local studies, which reinforce that a lack of preparation is one of the common challenges facing organisations trying to anticipate and plan for a climate-related or any other crisis.

According to PR News and CS&A International Research, "62 per cent of companies have crisis plans, though it is uncertain how many regularly update them".

That finding aligns with results from the Institute of Directors' 2024 Director Sentiment Survey. When asked to discuss their crisis management plans, the 1,240 respondents demonstrated that New Zealand organisations' readiness tends to ebb and flow with the nation's most recent exposure to calamitous events.

CLIMATE EVENTS TRIGGER CRISIS PLANNING

Looking across eight years of data on crisis planning, activity reached a peak in 2020 (78 per cent), corresponding with the onset of Covid-19. It tapered off in 2021 (73 per cent) and 2022 (64.5 per cent) but regained some ground in 2023 (69.1 per cent), possibly on the back of heightened awareness of cyberattacks and climate-related events in Auckland, Hawke's Bay and Nelson over that period. This year, the commitment to crisis planning fell back to 64.3 per cent.

Directors of publicly listed companies and local authorities (both on 84 per cent) were more likely to say their board had discussed crisis management plans. Directors of not-for-profit organisations (52 per cent) and Māori organisations (60 per cent) were least likely.

Among the potential disasters rated by international business leaders in this year's World Economic Forum Global Risks Report, two-thirds of respondents selected extreme weather (66 per cent) as the top risk faced in 2024.

When flood waters breach stopbanks, fires devastate swathes of forest, or the national grid fails in the middle of a record-breaking heatwave, stakeholders expect an organisation's board of directors and management to communicate information with care, concern and clarity.

STRESS-TEST AND LEARN

An effective board will hold management to account with a set of expectations which provide confidence that the organisation has a comprehensive communications plan in place before a crisis hits. That plan will have been thoroughly and regularly tested, ensuring everyone knows what to do and with whom to communicate during a crisis. Directors, managers and staff must be crystal clear about:

- Who will be responsible for communicating during the crisis?
- What channels will be used to communicate, such as email, text, social media?
- What information must be communicated?
- When information needs to be communicated?
- How often are updates to be provided?
- Where are templated media and social media releases for the most common crises the organisation is likely to face?

Failure to practise the plan by conducting regular simulation exercises can be a fatal mistake, putting lives, assets, business continuity and reputation at risk. Simulation exercises are a smart way of identifying gaps in planning and response, testing the effectiveness of plans and procedures, and making sure teams and front-line individuals are prepared.

Rehearsing spokespeople is vital. A realistic simulation will sometimes demonstrate that just because someone is a chief executive does not necessarily mean they are the right person to front a crisis communications response.

"A realistic simulation will sometimes demonstrate that just because someone is a chief executive does not necessarily mean they are the right person to front a crisis communications response."

What if the CEO is persuasive in front of a live audience, but becomes stiff and defensive in an on-camera media interview? Or do they struggle under pressure or challenge to stick to key messages? Testing a spokesperson in a rehearsal that includes a simulated media conference might reveal the need for presentation training or delegating the role to another senior person, such as the board chair.

Getting these decisions right by practising a crisis communication plan, putting people under pressure through simulation of a likely crisis scenario, and then evaluating what works and what doesn't will make or break an organisation's reputation for years to come.

Adrienne von Tunzelmann DistFInstD is taking great interest in the Companies Act reforms, 31 years after it set her on her governance journey.

A hard act to follow

AUTHOR:
PATRICIA THOMPSON,
FREELANCE WRITER

Adrienne von Tunzelmann QSO DistFInstD began her career in governance through working on the 1993 company and security law reforms. So, she will be following the upcoming reform of the Companies Act with great interest.

"My career had been in the public sector management and so it was all new to me, but I was plunged in headfirst," recalls von Tunzelmann. "The Act is now more than 30 years old and has had many amendments. An update is appropriate. The world has changed and the understanding of good governance and what makes a good board has evolved greatly over the past 30 years.

"I am always slightly worried at any suggestion of simplifying something as complex as company law, but I look forward to the consultation, reflection and expertise that will be brought to it, particularly the second part with the interesting work that will be done by the Law Commission.

"The reforms were controversial in the early 90s, particularly the debate around investors' interests versus company shareholders, and I would like to see a good balance maintained in that space."

After completing a master's in economics at Canterbury University, von Tunzelmann's early career spanned working in the Treasury and later the Ministry of Justice where she became Group Manager with responsibility for the Law Reform Division and Office of Treaty Settlements. In earlier roles, she headed Parliament's Select Committee Office and was Deputy Clerk of the House of Representatives.

It was her work for the Ministry of Justice around the Act that led to discussions with the IoD's then CEO Geoffrey Bowes DistFInstD, who suggested she join the organisation and do the Company Directors' Course.

"I was the only public sector person in that intake and it opened up an entirely new window of knowledge for me, bringing to life what company directors need to know," she says.

A growing interest in governance led her to recognise no systematic work had been undertaken on how New Zealand companies approached the rapidly emerging theme of corporate social responsibility.

That took her down a path of research supported by Ernst & Young, whom she joined after leaving the public sector. In 1996, she co-wrote the groundbreaking Social Responsibility and the Company: A New Perspective on Governance, Strategy and the Community.

That included interviews with multiple CEOs and board chairs, although she first had to overcome some reticence from business leaders who feared drawing the attention of policymakers to the subject might lead to regulation.

Her first steps into governance came via Ministerial appointments to three boards, Pharmac, the Bay of Plenty Community Trust and the Whakatāne-based Te Whare Wānanga o Awanuiārangi.

"It was an unusual pathway into governance. It had not been part of my career plan, but it did shape how I thought about the world. They were diverse

"I am always slightly worried at any suggestion of simplifying something as complex as company law, but I look forward to the consultation, reflection and expertise that will be brought to it, particularly the second part with the interesting work that will be done by the Law Commission."

appointments. The entity does not have a say in the Ministerial appointment, and you must be certain there is a contribution you can make. I remember thinking, 'there is a lot to learn but I think I can do this.'

"I think the organisations recognised that having someone with a background in company and corporate law and public service would be useful. Over time, I have seen there is value in public service experience and the sort of discipline and ethics you gain from that and bring to the board table.

"There is also value in understanding how the machinery of government works, how policy is made and what happens with development of legislation. I have pulled that out of my pocket many times in board discussions.

"There is now far greater understanding than there was 20 or 30 years ago, in both the public service and the business sector, of the unique characteristics of each and how they can bounce off one another."

Von Tunzelmann says she learned much from observing high-performing board chairs. "I love to work with chairs who bring that high level of intelligence and expertise to a board. You can do no better than watch and listen, and understand how they conduct themselves.

"The chair's role is a challenging and sometimes difficult job. Obviously, they lead the setting of vision and values, but pulling together a collective of people as a team is by no means a given. There can be tensions around the board table and sometimes difficult conversations with underperforming board members. There is also the interface with the CEO.

"Often it is a chair's 'soft' skills, integrity and deep understanding of the importance of ethics that makes a real difference to creating that collective responsibility and that relationship with the CEO."

Today, von Tunzelmann balances her continuing interest in public policy consultancy with positions on charity sector boards, including Osteoporosis (Bone Health) New Zealand and Age

Concern. She sits on the Wānanga's Finance, Audit and Risk Committee and is a Patron of the Tauranga Community Housing Trust.

Previous governance roles in a range of other voluntary and professional organisations include President of the Tauranga Chamber of Commerce, trustee on the University of Waikato Foundation, Chair of the New Zealand Women's Refuge Foundation and President of the New Zealand Institute of Public Administration. She was a member of the Wānanga's council from 2005 to 2019 and remains the Wānanga's External Advisor.

In 2016, she was awarded the Queen's Service Order for her contribution to community and governance.

She describes her governance career as one of many paths. "There is a sameness but also a lot of difference between being on a not-for-profit board and a purely for-business board. What is hugely valuable is people holding governance roles across that divide.

"Over the years, I have seen the boards of community and charitable organisations make huge leaps forward in terms of governance, with massive growth in the confidence and capacity of the sector.

"In many ways, the challenges of governance in the charity sector are greater than those of a company. In the community sector you have multiple accountabilities to the people you serve, as well as the regulatory requirements with a whole different level of complexity and accountability to grapple with.

"There is learning that corporate boards can take from that. I look around the community sector and see serious commitment to very good governance, constantly asking, 'are we doing what we set out to do for our community and how can we do it better?'"

Similarly, von Tunzelmann says boards can benefit from learning about how Māori organisations work, founded in mātauranga, tikanga and kawa – if that is approached with genuine intention and willingness to gain real understanding.

"My experience from the Wānanga is that I will never know enough to be able to speak confidently and knowledgably about how you bring a Māori perspective into a non-Māori organisation."

"These are characteristic of Māori organisations and reflect styles of governance and practice that have a long whakapapa deeply rooted in the knowledge of past generations, and with a long-term view of the future which may include preserving and growing assets for future generations.

"There is a notion that there is such a thing as 'Māori governance' that you can pick up and translate into a non-Māori organisation. That may be well-intentioned but is potentially superficial. There are valuable practices that can be adopted, but boards need to be clear about the why and what. It is certainly not as simple as appointing a Māori director to the board.

"My experience from the Wānanga is that I will never know enough to be able to speak confidently and knowledgably about how you bring a Māori perspective into a non-Māori organisation. It is a good journey to be on, but you are navigating something quite complex and it has to be done carefully and slowly."

The Wānanga, which she describes as having been the "treasure" of her governance career, has been a decades-long personal learning experience. "I went into that with a high level of naivety and no prior experience of Māori entities. I could see it would fill a huge gap in my experience, and it did."

In May this year, Te Whare Wānanga o Awanuiārangi recognised von Tunzelmann's contribution by honouring her with the award of a Distinguished Fellowship in Education.

"That was enormously humbling," she says. "Only three such fellowships have been awarded in the Wānanga's history and I was the first non-Māori person to receive it.

"I felt the same way as when I was awarded the Distinguished Fellowship by the IoD last year, inspired to continue to contribute to the mahi of these organisations."

A chair in the glare

Taking over the Ngāti Kahungunu hot seat meant making big decisions, but Bayden Barber CMInstD says he would not change a thing.

AUTHOR:
NOEL PRENTICE

Bayden Barber CMInstD knew the spotlight – and great expectation – would fall on him when he was elected Chair of the Ngāti Kahungunu, the third largest iwi in Aotearoa New Zealand, in 2022.

He had been groomed to be a leader from his formative days on the marae – nurtured by a sage grandmother – and developed broad shoulders through various roles past and present. They include two terms (2016-2022) on the Hasting District Council, a director on Beef + Lamb NZ (2021-24), and Health Hawke's Bay (2016 and 2020).

Other current roles include being Chair of the Māori Education Trust, director of Te Ohu Kaimoana (Māori Fisheries Commission) and a commissioner for Te Taura Whiri i te Reo Māori (Māori Language Commission).

But being elected Chair of the Ngāti Kahungunu Iwi Incorporated, replacing longtime leader Ngahiwi Tomoana in the first change at the top in 26 years, was next level.

Everyone wants a piece of Barber, particularly the media for a soundbite on any and every issue – from Cyclone Gabrielle to closing the iwi's fishery business, to supporting Māori wards, and to proposing a Māori parliament.

"Coming into the iwi space was an eye-opener and being engaged in national kaupapa. We hosted the big Hui Taumata (Māori economic summit) in May, which brought together more than 3,000 people. The expectations of an iwi chair are next level. You must have large shoulders, but you have a board working together to lift some of that burden.

"You are in the media every other day and that has been an eye-opener. People want your opinion on every little thing, whether it's government policy or social needs. It could be housing one day, education the next . . . or blocking vehicle access to Waimārama Beach. Being thrust into the spotlight is what you would expect from being one of the three largest iwi in Aotearoa. I am always being asked about this and that."

Barber can converse with Māori and English media equally, but he has a big area to cover – from the Wharerata Ranges in the Wairoa District to the Remutaka Range in South Wairarapa. The iwi is responsible for nearly 96,000 people, including 100 hapū and 90 marae.

"It's probably one of the biggest challenges – a new chair coming in and having an established board. Some of our board members had been there since the beginning. They had invested emotionally in the business, but you must take them on the journey."

With the iwi's "chequered past", Barber quickly set about making change, bringing in new board members and taking the incumbents "on the journey". The iwi was "haemorrhaging" millions in its commercial fishing enterprise, Takitimu Seafoods, which has since been shut down.

He sent the iwi board on the IoD's governance and finance essentials courses, to develop frameworks and improve and strengthen governance skills and expertise when making "the big decisions for our people".

"One of the first things I did was recruit good commercial directors, people I've worked with. We've been hard at it for the past two and a half years and we are seeing the fruits of turning that waka around."

There were some tough decisions to be made – "moving people along and bringing the right people in". That meant shoulder-tapping people he could trust with the ability to make those tough decisions, he says.

"It's probably one of the biggest challenges – a new chair coming in and having an established board. Some of our board members had been there since the beginning. They had invested emotionally in the business, but you must take them on the journey. That's been my role, along with the Co-Chair of our commercial board, Mike Devonshire (CMInstD), to show how change can put our people in a strong position.

"We've gone from being in a precarious financial situation to a place where we can launch forward and look at our investments. Sometimes, it's hard for people to see. There are always going to be tensions."

Barber credits the "hard yards" at the Hastings District Council, and the mix of te ao Māori, te reo, tikanga and IoD governance fundamentals for his rise to iwi chair. He pays homage to his marae elders, saying: “I sat at the feet of the likes of Tā (Sir) Timoti Kāretu [a renowned te reo authority] and others.

“Governance is an important part of my leadership, alongside what I have learned from hapū and iwi, and flax-roots marae-based kaupapa. I can see perspectives from a te ao Māori perspective, but also having best-practice governance has helped me in my roles – certainly the iwi role.

He still attends monthly meetings at the Waimārama Marae “to stay grounded and in touch with what’s going on at home”. It was here that he was first identified as a future leader.

“I was thrust forward at quite a young age by our elders and was nurtured by my grandmother. We had people holding roles for a long time and they were getting older. The new generation had to come forward. People would say to me, ‘we see you as our future leader’.

“Māori politics and multi-leadership is interesting, to say the least. It is political, but if you can cut your teeth at your local marae and with your local hapū, it prepares you for bigger things, such as iwi leadership.

“This role is bigger than any other I’ve had in terms of expectation, politics, the complexities of relationships and navigation. It didn’t help that we walked straight into Cyclone Gabrielle and some of the recent challenges from the Coalition Government. It’s been big, but you wouldn’t have it any other way. You just deal with what’s in front of you. We are a resilient people; we are not going anywhere. I wouldn’t change a thing.”

“Governance is an important part of my leadership, alongside what I have learned from hapū and iwi, and flax-roots marae-based kaupapa. I can see perspectives from a te ao Māori perspective, but also having best-practice governance has helped me in my roles – certainly the iwi role.”

One of the governance fundamentals he holds high is the separation of powers in decision-making – in the iwi’s case it is allowing the commercial board to make commercial decisions.

“The main thing is to stay in your lane,” he says. “We need to be over the strategic direction of the iwi, not trying to make commercial decisions. There are still people who want to overreach, so you must be clear about that.

“That’s one thing I wanted to come out on their course training. Commercial boards have a responsibility under the Companies Act and under their own constitution. Let them get on and do their mahi. Our mahi is with our constitution – it’s as simple as that for me.”

The iwi has two sides – commercial and social – and they need to support each other and both be moving forward together, the ōhanga and oranga must be aligned, Barber says.

“I’m very optimistic about the future. I think we’ve got our books in good shape and are now looking at some good investments.

“We just had the census. We have a huge number of whānau that affiliate to Ngāti Kahungunu. We’re doing some awesome work in our housing agenda, getting people into their own warm, safe housing. And te reo within our iwi has grown hugely over the years. A few months ago we hosted Toitū te Reo with more than 7,000 in attendance, Māori and non-Māori celebrating te reo Māori.

“The social side is doing well, now we must get our commercial side performing as well. That is the challenge for our commercial board. The sky’s the limit. I see us launching forward into the future, not just walking forward. I’m confident we’re going to do some great things.”

Tech vet reaching for the clouds

Global tech veteran Anna Curzon MInstD urges businesses to grasp digital opportunities and think long-term.

AUTHOR:
CAS CARTER,
FREELANCE WRITER

New Zealand has never been better placed to raise productivity and grow its business internationally, says global tech veteran Anna Curzon MInstD, who wants to see a change in mindset and scaling international markets "from the get-go".

Curzon, a board director and advisor, is full of enthusiasm with the opportunities digital and technology can offer New Zealand and believes we missed the opportunity presented by Covid.

"We started to take opportunities as we were forced to integrate more digital practices into our businesses and life, but, unfortunately, we collectively pulled the throttle back when life went back to normal, instead of continuing to adopt technology and keep learning."

Curzon knows the opportunities and pitfalls, having been part of a company that grew into a hugely successful international player, listing on the Australian Stock Exchange ASX and operating in seven countries. That was software accounting firm Xero which she left last year after more than seven years, moving from fronting the domestic business to leading the global product team, spearheading product management, design, product marketing and operations.

"For most businesses, the lion's share of heavy lifting is now done through digital and tech channels. Having been part of a leadership team that experienced the highs and lows of scaling a high-growth SaaS (Software as a Service) business globally, I have a lot of learning to share."

Xero encouraged small businesses to move to the cloud and adopt new technology, and she saw how much more efficient they could be in terms of revenue growth and profitability as a result.

Curzon is clearly frustrated by the view that Kiwi businesses expanding offshore are a loss. "If we want to fix our productivity problem, we need to be thinking about being a player on the global stage from day one and what is required from an operational efficiency perspective to enable this. Let's not be afraid of our businesses moving around the world. That is success and encourages more entrepreneurs to aspire to bigger things. It's a mindset shift."

Curzon's experiences are relevant to modern-day boards. AI is something she describes as "both exciting and terrifying in equal parts", quoting McKinsey's finding that AI could generate US$2.6 to US$4.4 trillion in value across industries.

"That is audacious, but it is a reasonable estimate of the size of the prize. The most important thing is to get out of the gates quickly and start experimenting. You don't want to be in a position where it's too hard to catch up.

"Think about how you can use AI to automate processes, reduce costs and leverage data to make faster decisions. Once you have nailed a few of those, start to think about new spaces, such as personalising customer experiences, and on problems that before AI may not have been solvable."

"Start pragmatically. Think about how you can use AI to automate processes, reduce costs and leverage data to make faster decisions. Once you have nailed a few of those, start to think about new spaces, such as personalising customer experiences, and ultimately on problems that before AI may not have been solvable."

With many businesses moving to the cloud, Curzon says they will have a community or "ecosystem" of partners who they can draw on for knowledge and collaboration. Curiosity, she says, is an asset in a dynamic environment, and "never stop learning".

"Start by bringing them together to ask about their digital strategy. What are they learning that will ultimately benefit you? Their strategy fuels your strategy and therefore becomes collective. This is also incredibly important from a cyber security and stability perspective – your vendor's vendors could be your weakest link, so know who they are and what their vulnerabilities might be."

After dabbling in directorships, Curzon flipped from global executive to Kiwibank director in 2023, with a goal to use her learning across global tech and financial services to support Kiwi businesses to be world class.

The move made sense, not only with her Xero experience but also with an 18-year career in financial services at ASB, which started as a graduate with a stint in audit, before moving into senior leadership roles in internet banking, brand, marketing, innovation and design and the contact centre. Her governance portfolio now includes other tech companies, such as Atomic.io and Jade Software. She also supports international firms with advisory work.

Say the word 'productivity' and Curzon lights up, with ideas and provocations to improve an area she agrees where New Zealand has been lagging.

While she appreciates the Government is rightly focused on fundamentals such as infrastructure, inflation and ‘turning the ship around’, she says, just like a board, we also need to be thinking long term and about opportunities, particularly in the knowledge economy.

“A way forward could be partnering with specialists in the private sector to collaborate on the creation of a New Zealand digital strategy that addresses our productivity challenges, supports the growth of digital services from a trade perspective and encourages investment from the international tech sector.”

Curzon was appointed to the APEC Business Advisory Council (ABAC) in 2021 by former Prime Minister Dame Jacinda Ardern – the year New Zealand hosted APEC online – and was reappointed by Prime Minister Christopher Luxon for another term.

During her time on ABAC she chaired the Economic Integration Working Group, led the WTO workstream, was Convenor of the MSME Digital Transformation Task Force and co-chaired the Digital Working Group. She served on the New Zealand Prime Minister’s Business Advisory Group from 2018-20 (by appointment of Luxon who was then CEO of Air New Zealand and Chair) and was named one of the Top 25 global women leaders in SaaS.

Her roles in ABAC have given her a bird’s-eye view of what other APEC economies are doing to drive productivity, such as Singapore, which has a digital strategy firmly positioned as a foundation for its economic strategy, and Ireland, whose tax structure lured overseas investment and fuelled digital innovation and the economy.

“Ireland’s openness to foreign trade and investment, low corporate tax rate and encouragement of workers with higher education has attracted multinational companies, including tech firms,” she says.

“A way forward could be partnering with specialists in the private sector to collaborate on the creation of a New Zealand digital strategy that addresses our productivity challenges, supports the growth of digital services from a trade perspective and encourages investment from the international tech sector.”

Curzon is also calling for a review of regimes, such as the Foreign Investment Fund (FIF), saying, “you’re not going to attract high net-worth individuals to bring their families and businesses to New Zealand if their overseas investments are significantly impacted just by being a resident here”.

“Would we see a host of international companies set up here that are goods producers? Maybe not. But tech is weightless, so the right positioning of New Zealand could encourage tech companies to bring some of their best people here. New Zealand is a great employee value proposition, especially with the unrest in the world right now. What’s more, from a supply side it would create an attractive sandpit to invest in our home-grown education and expertise in tech.”

She advocates for diversity within the tech industry and encouraging women and other underrepresented groups into STEM opportunities. But despite her digital passion and proficiency, she is putting the brakes on when it comes to all-out use for teenagers.

With a 17-year-old daughter, this mother has done “piles of research” on the negative impact of social media and is firmly of the view the negative outweighs the positive. “Until we work with tech companies to give us assurances that our kids are not seeing things they shouldn’t, we should delay their access to social media until they are 16.

“I often get the response that the ‘genie is out of the bottle’ with social media, but there are clear and present solutions to redesign the environment we want our kids to grow up in. Online age verification technology using biometrics is incredibly accurate now.

“We need this generation to be more robust, stronger and fitter, especially because they will have to support our rapidly aging population, like me!” she laughs. Clearly a director with her eye set on the future.

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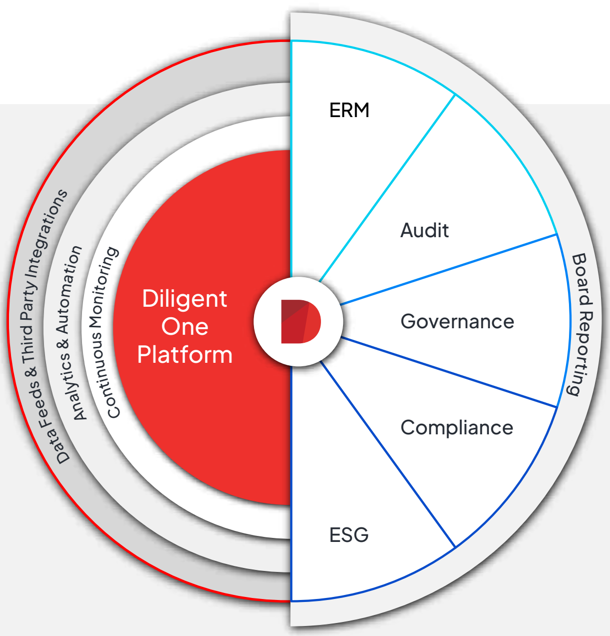

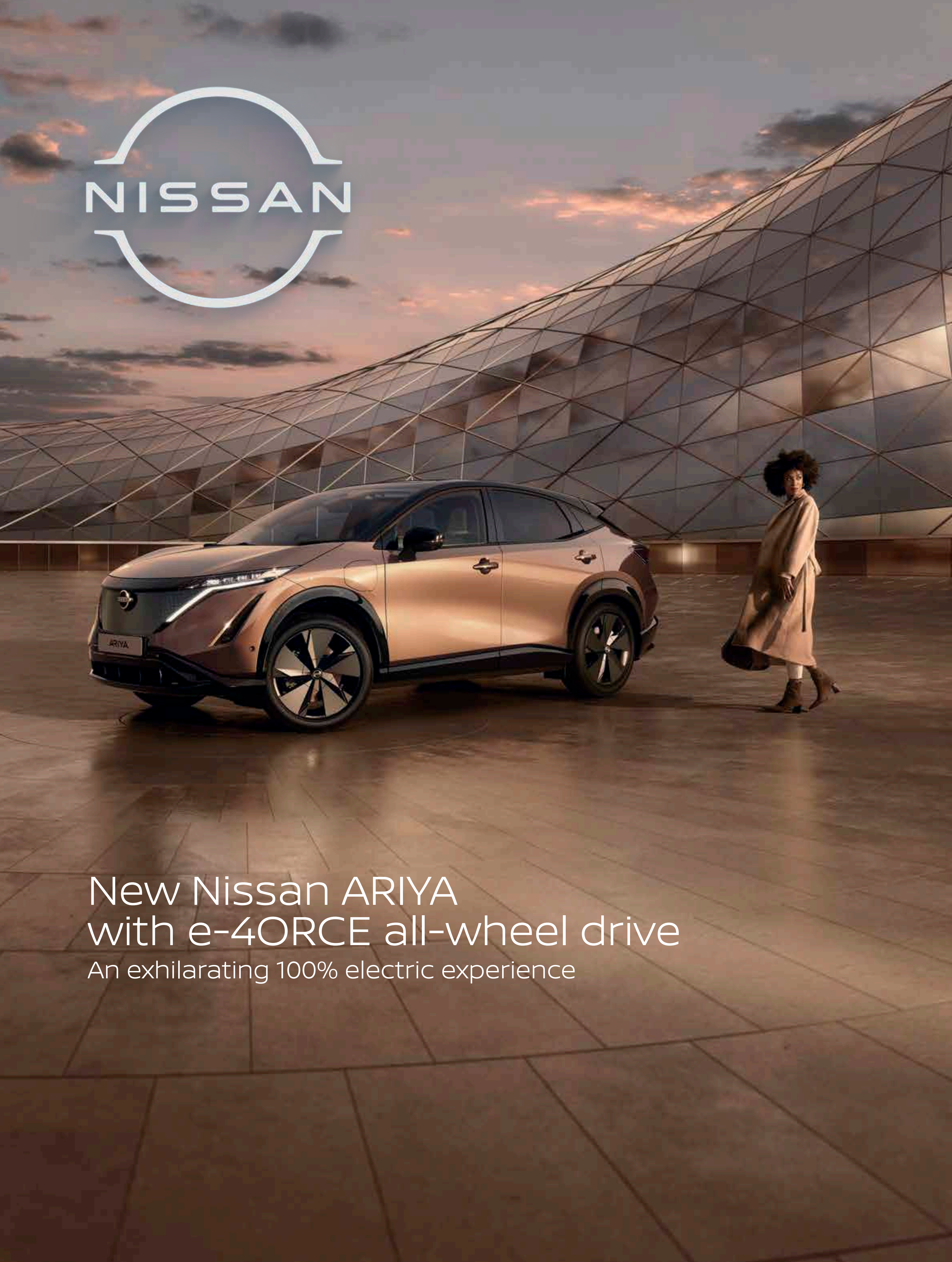
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