

Focus on the future

Lifting your game to add value
to your organisation

INTRODUCTION



Guy Beatson CMInstD, General Manager,
Governance Leadership Centre

When we released the Top Five Issues for Directors in 2024, we encouraged you to raise your game to lead your organisations in a new, volatile world that appeared to be in continual crisis. None of the risks and challenges that had emerged in previous years were going away, and new issues continued to emerge. In the face of this ‘permacrisis’, as directors, you should ensure you set the right tone for the organisations you lead, ensuring they have the adaptability to navigate whatever new crisis, uncertainty or challenges may be encountered. As always, in the face of challenges, opportunities await.

Directors’ duties under section 131 of the Companies Act 1993 (to act in good faith and in the best interests of their companies) were amended in 2023 to “clarify” that directors may consider a wide range of factors (other than “profit maximisation”) in making decisions. While the Institute of Directors (IoD) supported the objectives of the Bill, we proposed a range of options that we considered better addressed those objectives, rather than the marginal impact of the small, ad-hoc, piecemeal amendment.

Cover photo by:
Agence Olloweb on Unsplash

We continue to advocate for better guidance, training and materials to help directors determine what “acting in the best interest of the company” really means. We also proposed that company boards make a best interest’s statement to shareholders, to enable directors to outline the ways in which they are pursuing their company’s best interests, and a thorough review of the Companies Act 1993. But directors can, and should, demonstrate their leadership capabilities, using innovative and future thinking to not only address obstacles, but seize opportunities to act in the best interests of their organisations.

Our Top 5 Five Issues for 2024 reflected the major risks that New Zealand boards face this year and beyond:

- Climate leadership
- Future-ready succession
- Harnessing AI
- Enabling productivity
- The value-adding board

The IoD May 2024 Leadership Conference featured a range of outstanding international and national speakers who addressed some of the most relevant and topical issues in governance and leadership today.

This update contains a collation of materials to inspire conference attendees, and those who were unable to attend, to continue to pursue ongoing improvements to their governance practice and that of their boards.

In doing so, this governance update has an emphasis on thinking about the future. This update contains a collation of materials to inspire our members to think deeply about the challenges and opportunities ahead and reflect on the insights from these articles.

The Governance Leadership Centre will also be publishing “Outtakes” to draw out the key insights from speakers at the 2024 Leadership Conference.

Contents

02 Harnessing artificial intelligence (AI)

06 Leading climate change opportunities

10 Enabling productivity

14 The value-adding board

20 Future ready succession

23 Other topics

- Governance in not for profits (or 'not for loss' or 'for purpose')
- Health and safety at work (including wellbeing)



02

HARNESSING ARTIFICIAL INTELLIGENCE (AI)



06

LEADING CLIMATE CHANGE OPPORTUNITIES



10

ENABLING PRODUCTIVITY



14

THE VALUE-ADDING BOARD



20

FUTURE READY SUCCESSION




23

OTHER TOPICS



Harnessing artificial intelligence (AI)

Photo by:
Cash Macanaya on Unsplash



A Google search for the meaning of AI reveals it refers to computer systems capable of performing complex tasks that historically only a human could do, such as reasoning, making decisions, or solving problems.

In the words of AI leader Tim Warren, *“AI is moving faster than governance possibly can and if you’re not worried about it, you don’t understand it. It’s fundamental.”*

Unless governance changes and adapts to the times, he warns governance will literally be lost. Reflecting on those who wrongly assumed the internet wouldn’t change their business, he cautions against falling into the same trap with AI.

We believe directors need to pay far more attention to AI in New Zealand than they currently are, based on what our members told us in last year’s Director Sentiment Survey 2023 (DSS 2023). Of the more than



Photo by:
H Heyerlein on Unsplash

1,100 member responses, over two-thirds (68.9 per cent) considered technology (including the use of AI) would significantly impact their boards. Yet only 24.5 per cent said digital acceleration was a key issue that their board was paying attention to. This response could be due to the timing of the survey just prior to the election, with an imminent election eclipsing other concerns. But we are highlighting this issue (and climate change) as the two biggest issues for directors to focus on.

Our DSS 2023 results are consistent with the multinational IT company [Cisco System's maiden AI Global Readiness Index](#), released in late 2023. The index was unveiled to underscore the rapid consumption of

AI and the major technological shift it is causing in businesses and individuals across the region. Cisco advised Kiwi firms to establish the essential groundwork for AI implementation to avoid potential failure.

The report was informed by a study of over 8,000 business and IT leaders involved with AI, across 30 markets, from companies with more than 500 employees. Of these, 191 were respondents from New Zealand.

The study focussed on the level of preparedness of organisations around the world in terms of deploying AI into their operations. It revealed that only 9 per cent of New Zealand's organisations are fully equipped to incorporate and maximise AI. But it wasn't just Kiwi

firms lacking AI readiness. It's an issue globally, with a lack of focus on vital areas such as infrastructure and governance, and a lack of scalability when faced with AI challenges. The study noted that in spite of most respondents having a highly defined AI strategy, they hesitated to embrace AI.

We agree this underlines that more needs to be done on this front in New Zealand. Tim Warren comments:

“A core role of a board and governance is to ask questions and never be comfortable, never be confident. Then ask more questions. They need to be regularly learning and attending events to see how AI will disrupt their business strategy.”

Likening AI to climate change, Warren warns if you don't take it seriously, the downside is disaster because there will be nowhere to live. The same with AI. “We don't know exactly when it will become so powerful and insurmountable, but it certainly will. The greatest minds are pretty aligned on this,” he says. “AI learns from us and it'll stop doing that soon. The standard of the way we act as humans is what we're feeding into it. AI is this cultural mirror and if we look into the mirror as boards that is the standard we'll get to support governance. I don't know if it's a high watermark or a low watermark. It depends on who is in control.”

SEEING IS BELIEVING: THE MAGIC OF AI

**Noel Prentice – Boardroom Magazine Editor –
18 December 2023**

Boards need to wake up to the new world and learn the tricks, say generative AI leader Tim Warren.

“AI is going to change everything you do. A lot of directors like to think they are in the position of setting the overall structure and guidance. Yet this is moving faster than any previous technology and it's bigger than any.”

AI is moving faster than governance possibly can, he says, unless governance changes and adapts to the times. And if it doesn't, he warns governance will literally be lost.

“If you're not worried about it, you don't understand it. It's fundamental.”

“A core role of a board and governance is to ask questions and never be comfortable, never be confident. Then ask more questions. They need to be regularly learning and attending events to see how it will disrupt their business strategy.”

“AI is something that can actually think. People might argue that point, but it can demonstrate intelligence. You've potentially got something here that can outthink the people that are trying to regulate it.”

HOW TO BALANCE RISK, INNOVATION AND OPPORTUNITY

**Sheridan Broadbent CMIInstD – Independent Director
– 18 December 2023.**

AI is developing at rapid speed and putting management frameworks in place is crucial.

“To remain internationally competitive and to thrive in a rapidly digitising world, New Zealand businesses need to be exploring the opportunities AI will bring, while ensuring the appropriate governance is in place to effectively manage the risks. It is about starting an informed journey and developing the risk and opportunity management frameworks that will drive market advantage while overseeing robust, dynamic risk controls.”

HOW AWARE ARE YOU?

**Noel Prentice – Boardroom Magazine Editor –
18 December 2023**

Boards must stay apprised of these rapidly evolving technologies, their applications and the market's reception. While a diverse board with specific expertise is a start, the broad ramifications of AI demand a level of awareness in digital literacy from all directors.

“Boards should assess the expertise and experience of their wider leadership team to successfully navigate AI strategies and governance.”

A close-up photograph of a hand holding a large, clear ice cube. The hand is wearing a dark, textured glove. The background is a dark, solid blue color. The lighting is dramatic, highlighting the facets of the ice cube and the texture of the glove.

Leading climate change opportunities

Photo by:
Juan Encalada on Unsplash

Responding to climate change is more than just managing risk and ensuring regulatory compliance. Boards have a leadership role to support management to adapt to changing climate policy in the face of ongoing and more severe weather events, and regulatory requirements. Directors also have the opportunity to transform their organisations, to adapt and evolve in anticipation of future climate change effects. It's also a time of opportunity for directors to lead by example and inspire positive future changes.

The IoD hosts Chapter Zero New Zealand, launched in March 2022. We have joined a global network of board directors committed to taking action on climate change as part of the Climate Governance Initiative in collaboration with the World Economic Forum. We invite all New Zealand directors to put climate on the boardroom agenda. Chapter Zero has numerous [resources available for directors](#).

As Dame Therese Walsh CFInstD states in her introduction to KPMG's – [Practical guidance by directors for directors on climate governance – what difference can directors make](#) (with IoD and Chapter Zero) September 2023:

“We are looking at a future of unprecedented economic transformation, as businesses look to radically evolve and adapt to the climate crisis. While this change can seem daunting, we encourage directors on all of Aotearoa New Zealand’s boards to realise the significant opportunity to lead and navigate the businesses they govern through this crucial period. In your position of influence, you have the ability to lead by example, inspire your colleagues and make a significant positive impact on our future.”

Noting further that *“the impacts of climate change are increasing in scope, scale, and speed. The time to debate settled science or politics has passed. Organisations need to act. Directors must guide them.”*

Similarly, Scott St John, CFInstD encourages directors to *“just start. Climate governance isn’t set and forget — it’s about trying things, learning and adapting. Capital commitments will be required to deal with climate change. The cost difference between good and average decisions will run into very large numbers.”*

INFRATIL: NAVIGATING CLIMATE-RELATED ISSUES AT THE BOARD TABLE

Noel Prentice – Boardroom Magazine Editor – 29 February 2024

Climate change and sustainability more broadly are topics of interest to all Infratil’s directors, Alison Gerry, Infratil’s Chair says, so responsibility for oversight and governance of these issues sits with the whole board.

“Sustainability, including issues relating to climate change, has become such an area of focus that it is a standing agenda item for every board meeting.”

Gerry also noted:

“It is also important to focus on both sides of the climate coin – risk and opportunity. Our portfolio, particularly the renewable energy platform, has benefited from the transition to clean energy.”

There is no right or wrong approach – but you must have an approach, she says. Different companies will structure themselves in different ways, depending on their unique circumstances.

IMPACT MEASUREMENT IS MORE THAN JUST A NUMBERS GAME

Nicola Nation – Ākina Chief Executive – 15 December 2023

Nicola Nation says:

“By measuring, and understanding, the impacts your organisation has, you pave the way for a more sustainable future.”

Impact measurement enables us to be more aware of unintended or unforeseen consequences, making it an invaluable tool in the quest for more responsible and ethical business practices.

Nicola commented:

“At Ākina, a leading impact consultancy, our primary focus is on measuring the ‘S’ in ESG (environmental, social and governance) factors. What that means for climate governance, for example, is that while we may not directly measure carbon emissions, we do measure the environmental impact of emissions, often within the context of social initiatives.”

HOW TO ENFORCE CLIMATE AGREEMENTS WITH TRADE MEASURES

Scott Barrett, Noah Kaufman and Joseph Stiglitz – Project Syndicate – Re-published by IoD – 8 February 2024

In a world of urgent challenges, policymakers and the public have limited attention for climate change. Rather than focusing so much on international conferences that require unanimous support, entail no accountability, and ultimately have little effect on emissions, we should be directing our energies toward negotiating agreements that can achieve transformational progress in narrow, but crucial, economic sectors.

To succeed, international climate agreements must be compatible with countries’ economic strategies, not least those of lower-income countries like India, where most future emissions will occur.

ARE THERE CLIMATE OPPORTUNITIES?

**Judene Edgar – Senior Governance Advisor,
Governance Leadership Centre, IoD – 14 March 2024**

Climate-related opportunities can be identified as part of, or at the same time as, the risk assessment process. They will vary depending on the sector and organisation. Governance Leadership Centre, IoD, on climate opportunity.

While sectors will have different turning points – the point at which the initial costs of decisive action are outweighed by the benefits of decarbonisation – the renewable energy, services and construction sectors are where major climate opportunities lie.

Decarbonisation is considered a primary opportunity, through resource efficiency and savings as a result of adoption of low-emission energy sources. Science and technology play a significant enabling role in realising some of these opportunities, through the development of new products and services as well as new markets.

Considerations for directors:

How are you embracing an opportunistic mindset?

Are opportunities being discussed in the boardroom, with employees, with industry peers, with supply chain partners, with investors?

What process do you have in place to identify opportunities that are specific to your business or sector?

How are opportunities being developed to support transition to a low-carbon, climate-resilient economy?

Are opportunities informing your strategy and business planning?



CHAPTER ZERO NEW ZEALAND GUIDES AND RESOURCES

[Chapter Zero NZ](#) is the home of climate change information at the Institute of Directors and is the New Zealand Chapter of the World Economic Forum's Climate Governance Initiative (CGI). We have developed a range of toolkits and resources for directors and boards to support their climate leadership. These aim to support good practice climate change governance in key areas related to a set of key principles including:

Understanding climate governance: [Chapter New Zealand Board Toolkit and Practical guidance by directors for directors on climate governance](#)

Incentivisation: [Effective climate governance – remuneration and incentivisation](#)

Reporting and disclosure: [Climate scenario analysis](#)

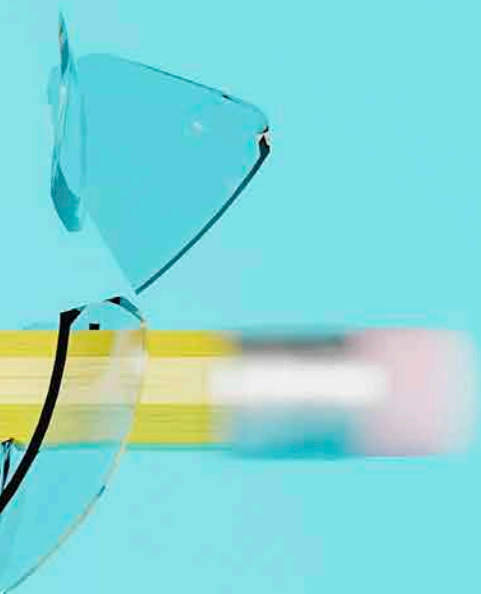
Board structure: [Board structure and capability for climate](#)

We encourage all directors and executives interested in climate change governance to [become a Chapter Zero New Zealand supporter](#). It's free to join and you'll receive a monthly newsletter with the latest news, resources and events to increase your climate change governance skills and knowledge.

A conceptual image featuring a yellow pencil horizontally passing through a broken lightbulb. The lightbulb is shattered, with numerous glass fragments floating in the air around it. The background is a solid teal color. The text 'Enabling productivity' is overlaid in white, bold, sans-serif font at the bottom of the image.

Enabling productivity

Photo by:
Getty Images on Unsplash



While confidence in economic and organisation performance has improved since 2022, the challenges remain for directors to be innovative in how they lead their organisations. This extends to sourcing new revenue streams in spite of the anticipated economic headwinds, including higher interest rates, continuing inflation, and labour market shortages for skilled workers. Addressing the economic squeeze requires increased productivity. Unfortunately, New Zealand overall has fared poorly in recent years, with sluggish growth in productivity compared with other OECD (Organisation for Economic Cooperation and Development) countries.



Boards need to develop innovative action plans that focus on new and diversified funding sources in recognition of evolving markets needs and new opportunities. Directors should ensure that the agenda includes:

-
Leveraging innovation and technology solutions
.....
-
Empowering and upskilling the workforce
.....
-
Optimising management practices for productivity
.....
-
Cultivating a culture of ongoing process improvement
.....
-
Balancing the need for productivity enhancements with considerations for the wellbeing and job security of the workforce, ensuring sustainable and long-term growth for the organisation
.....

These themes are addressed in the following:

PERSISTENT INFLATION, PRODUCTIVITY AND POTENTIAL SUPPLY SIDE RESPONSE

David Skilling – Director Landfall Strategy – February 2024 Weekly Newsletter

Productivity in New Zealand (and other small economies) depends on the strength of world growth in trade. Fiscal stimulus, lack of responsiveness in housing and the labour market (despite unemployment rising), lack of adoption of new technology (including AI) as well as sluggish world trade are a handbrake on New Zealand’s productivity, for now.

Photo by:
Bruno Figueiredo on Unsplash

THE GLOBAL ECONOMY HAS YET TO TURN THE CORNER

Indermit Gill – Chief Economist and Senior Vice President for Development Economics & M Ayhan Kose – Deputy Chief Economist and Director of the Prospects Group, World Bank – Re-published by IoD – 16 January 2024

The 2020s are shaping up to be an era of wasted opportunity. The end of 2024 will mark the halfway point of what was supposed to be a transformative decade for development – when extreme poverty was to be eliminated, major communicable diseases eradicated and greenhouse-gas emissions nearly halved. What looms instead is a wretched milestone: the weakest global growth performance of any half-decade since 1990, with average per capita incomes in a quarter of all developing countries set to be lower at the end of 2024 than they were on the eve of Covid-19 pandemic.

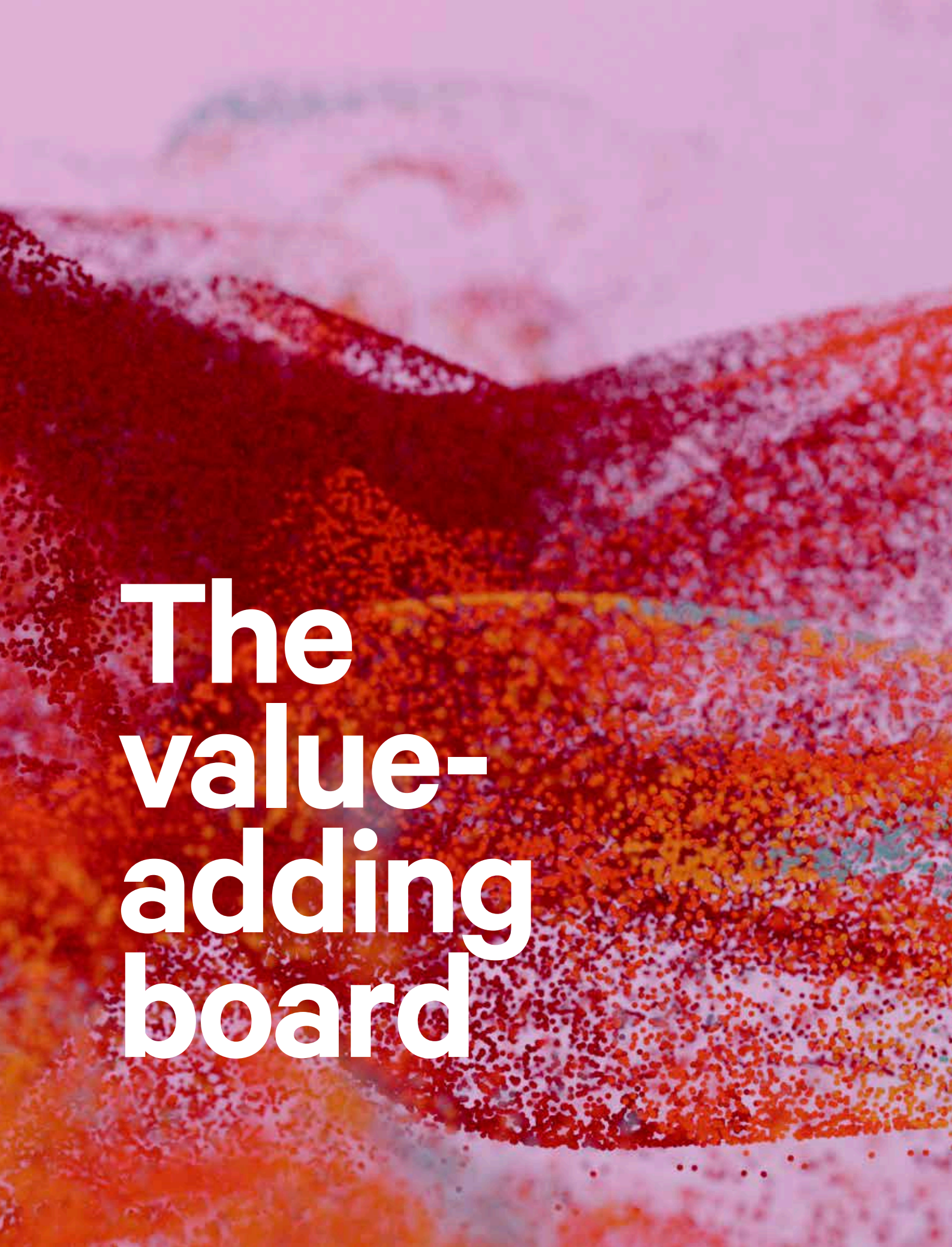
So far, the 2020s have been a period of broken promises. Governments have fallen short of the unprecedented goals they promised to meet by 2030 – but still time (over five years)!

CONFRONTING OUR FOUR BIGGEST ECONOMIC CHALLENGES

Dani Rodrik – Professor of International Political Economy at Harvard Kennedy School and President of the International Economic Association – Re-published by IoD - 15 January 2024

Another tumultuous year has confirmed that the global economy is at a turning point. We face four big challenges: the climate transition, the good-jobs problem, an economic-development crisis and the search for a newer, healthier form of globalisation.

To address each, we must leave behind established modes of thinking and seek creative workable solutions, while recognising that these efforts will be necessarily uncoordinated and experimental.



The value- adding board

Photo by:
And Machines on Unsplash

The challenges presented by all the previous issues are significant. Organisations need directors and boards that understand what good governance looks like now, more than ever, and the value boards can add to their company or organisation.

Being a director is becoming more complex. Directors are challenged not only to excel in their responsibilities but also to establish a clear purpose for, and provide enduring value to, their organisations.

Boards need to ensure they are truly adding value to their organisations. They possess a unique opportunity to think ahead to the medium and long term, drawing on their collective knowledge – a viewpoint that other parts of the organisation might not have. They need to ask “did we add value” - and rather than just agreeing that you all did, undertake comprehensive board and individual director performance reviews.

NAVIGATING THE STORM

**Jane Sweeney – Executive Chair, Anthem –
18 Dec 2023**

Unprecedented climate-driven crises in New Zealand and globally in 2023 have thrown a spotlight on the governance roles and responsibilities of business leaders. Boardrooms, once confined to traditional audit and risk governance considerations, now grapple with unforeseen challenges like geopolitical disruptions, Covid-19, digital transformation and climate change.

In an era marked by escalating climate crises, board chairs are projected to become frontline climate ambassadors, bridging the gap between their organisations and stakeholders who are increasingly expected to demand meaningful planning and actions to address these challenges.

The role of effective crisis communication strategies, with oversight and guidance exerted by directors, will remain pivotal in safeguarding the resilience of organisations.

New Zealand company directors bear a legal and moral duty to exercise reasonable care, identifying and addressing foreseeable and material climate-related risks. These risks, intertwined with broader environmental concerns, require boards to consider their implications for business strategies and decision-making.

The traditional role of directors in governing, providing strategic direction and monitoring performance is often likened to maintaining a 'helicopter view', where the board oversees the organisation from a higher-level perspective.

During a crisis, these dynamics can shift. The board chair and directors may need to temporarily 'land the helicopter' and engage more closely with the CEO and management team. By doing so, they can strengthen the crisis communications effort.

Photo by:
Getty Images on Unsplash

MODERN ORGANISATIONS NEED MODERN BOARDS - INTERVIEW WITH DAN TEO

**Susan Cuthbert – Principal Advisor, Governance
Leadership Centre – 25 January 2024**

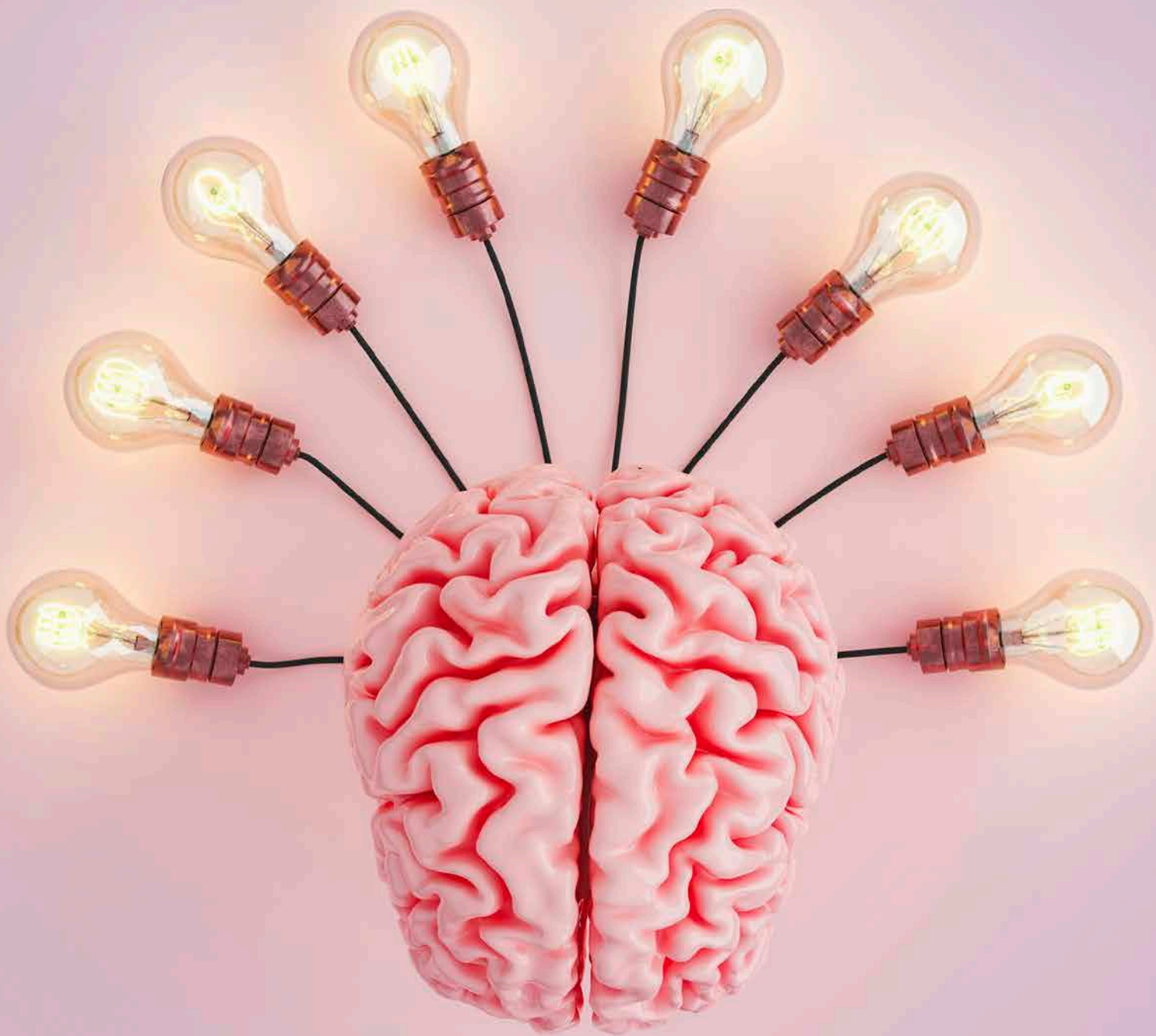
A discussion with Dan Teo, CEO and co-founder of Radically, focused on how modern organisations haven't just weathered the storm of changes but embraced them. The discussion focussed on what it takes for boards to consistently enhance their value proposition, including understanding and being adaptable to the dynamic shifts in management practices in the organisations they govern. Recognising the nuances of a 'value-adding board' emerges as one of the [top five issues for directors](#) to focus on in 2024.

Key insights include:

Dan Teo believes that how an organisation works should be one of the key fundamental learning steps for directors. Dan asks, "how can you govern something if you don't understand how it works?" In essence the board need to really understand how their companies or other organisations work.

In times of uncertainty, agility becomes a crucial tool for organisations in the midst of reshaping themselves. As organisations adapt, there's a pressing demand on boards to proactively keep pace and to continue to add value.

A board failing to keep pace and continue adding value risks widening the gap between real-world operations and governance, potentially undermining overall effectiveness of the organisation.



WHAT I'M READING - PHIL VEAL - THE END OF THE WORLD IS JUST THE BEGINNING: MAPPING THE COLLAPSE OF GLOBALIZATION

by Sonia Yee, Senior Writer, IoD – 30 October 2023

This book by Peter Zeihan prompted some big questions around the challenges facing New Zealand boards and businesses, including the importance of a:

Value adding board

Taking a long-term view

The best interests of the company or organisation

Adaptability and enhance board capability and upskilling

How geopolitics, demographics and scientific analysis on climate may impact what the future might hold – and what you might want to do with that information. It's an examination of what might happen as globalisation (partly driven by climate change) unwinds.

Governors need to be thinking about what might happen next. It's usually a lot harder than thinking about what just happened (last month's management report, for example), but it's even more valuable to the organisations that we govern.

This commentary prompts several questions:

What happens when climate changes the way in which the world grows and moves food?

What happens when demographics change the arc of development in different regions?

How should we respond in New Zealand?

How should we respond in the businesses that we govern?

SHAREHOLDER ACTIVISM

Judene Edgar – Senior Governance Advisor, Governance Leadership Centre, IoD – 25 January 2024

Activism isn't new, but shareholder activism is on the increase, and, in many guises, it has become a regular feature of the corporate landscape. Where shareholders may have historically sold their shares as a sign of disapproval, these days they are just as likely to join in (or lead) calls for action.

The power of shareholder activism can no longer be underestimated. It is no longer just about the majority shareholders or the large hedge funds.

Shareholder activism isn't a black swan, it is a risk that must be managed alongside any other corporate risk.

Considerations for boards:

Risk management – incorporate shareholder activism into your risk management processes and have plans in place to mitigate and respond to issues

Activism trends – monitor activism trends, be aware of laws and regulations relating to shareholder activism and engagement and anticipate potential issues that may result in activism. Keep abreast of changing stakeholder expectations and how these may impact your company

Monitor strategy – set and regularly monitor and adapt your strategic direction as needed to address issues that may attract shareholder attention

Long-term focus – institutional investors are normally long-term shareholders, so focus on long-term value creation, not just short-term returns

Shareholder engagement and responsiveness – listen to and understand the concerns of your shareholders and act proactively to address them

Transparency – be transparent and report on environmental (including climate), social and governance matters. Ensure that you communicate financial and non-financial results with consideration of the expectations of newer and younger investors and different audiences.

Board evaluations – undertake regular board reviews and give consideration to the changing competencies and diversity required on the board as well as board structure. Companies that are seen to have, or keep, underperforming directors can draw the wrath of shareholders.

LET’S TALK ABOUT LONGEVITY OF GOVERNANCE - ON KIWIRAIL AND THE CONTRAST WITH MAINFREIGHT

Jim Quinn, MInstD – Independent Director – New Zealand Herald – 27 December 2023

While Mainfreight is a listed entity, they have been able to drive their business with a constancy of purpose that you just cannot get when you are in KiwiRail’s position with changing agendas at the political level and the churn that is an inevitable consequence.

We have to start valuing longevity in governance over “fresh ideas and faces,” which in my mind is code for throwing all the balls in the air and praying.

Churn is becoming a plague in many areas of governance. I am now seeing owners limiting directors’ terms to six years. How can you guide a long-run asset successfully if you have barely become knowledgeable by the time you leave and you rarely see out long-run projects in your tenure? Continuing to shorten the terms of directors, especially in infrastructure, will continue to deliver at best, average results and at worst, crises.

ELECTIONS - GETTING THE RIGHT PEOPLE ON BOARD

Judene Edgar – Senior Governance Advisor, Governance Leadership Centre, IoD – 19 February 2024

As society and organisations face increasing uncertainty and complexity, the breadth of issues directors are having to consider is expanding to new territory with volatile global economic and political conditions, climate change impacts, shifting customer preferences and exponential technological change.

Boards and voters need to think more strategically about board composition to ensure optimal long-term performance. It is the board’s role to outline the needs of the board, the current or future skills gaps, and the far-reaching benefits of diversity.

First and foremost, fostering diversity of thought and achieving a well-balanced boardroom is paramount for effective teamwork. Diverse perspectives and experiences at the table greatly enhance the quality of our discussions and our ability to tackle complex challenges.

Considerations for boards:

Put succession planning on the board agenda

Continually review your governance structure – ensure its right to meet the long-term need of the organisation


Board evaluations – aid to developing diverse boards and identifying skills gaps

Develop strategies to encourage more diverse candidates to stand

Future ready succession



Photo by:
Micke Lindstrom on Unsplash



Planning for succession has never been more important. The demands for new skills and expertise on boards – companies and not for profits – and ongoing questions about tenure and director independence, as well as demography, are all putting pressure on boards to stay current, relevant and provide the best possible support for management to navigate increasingly complex issues for the organisations.

Handled well, succession and thinking about changing board composition to support strategy development and implementation and organisational change can see organisations thrive in the spirit of mutual respect between management and board.

When this doesn't go so well, it leads to tensions between directors, and between board and management. Some recent studies internationally point to these tensions resulting in a majority of Chief Executives thinking that there needs to be changes in the membership of their boards.

Actively thinking about executing soundly based board and senior management succession plans is a key part of good practice governance leading to companies' and other organisations' success.

TAKING A LONG-TERM APPROACH TO BOARD COMPOSITION

Conference Board – a collaboration involving KPMG – 2023

Despite a fast-changing operating environment, companies should take a long-term approach to board composition, ensuring that the board has critical core competencies for long-term performance regardless of the challenges of the day.

BUILDING A GREAT BOARD

KPMG Board Leadership Centre – 2019

As the board's role continues to evolve, and investor and regulator expectations for board oversight and engagement increase, board composition and succession planning are increasingly critical to help position companies for the future. But what are the key elements for success and what potential challenges do directors have to address?

Finding directors with both general business experience and specific expertise and identifying the talent the board will need in three to five years were the most frequently cited barriers to building high-performing boards, according to a survey of more than 2,300 directors by KPMG's Audit Committee Institute and Board Leadership Center. The same survey data also

show that many directors see room for improvement on board succession planning. In fact, one-third of respondents said their board has had little or no discussion about succession, and only 14 percent reported having a formal plan in place. To better understand the tools and approaches that boards around the world are using to achieve the right mix of skills, backgrounds, experiences, and perspectives in the boardroom, KPMG asked directors and business leaders from companies across the globe to discuss how their boards approach composition, what potential "blind spots" boards may need to address, and how they think about refreshment and diversity in terms of building strong boards.

UNDER PRESSURE: MAINTAINING A STRONG BOARD/CEO RELATIONSHIP

KPMG US - 2020

As noted above, pressures on board and Chief Executives (CEOs) can result in tensions between boards and senior executives. This article discusses the difficulty of maintaining the tricky balance between the Board as a resource for a CEO (and other senior executives) and boards retaining a sense of objectivity, independence and scepticism. The increasing complexity of the issues boards and their management face, along with challenges that have always existed, put management and boards in a "pressure cooker" that makes striking this balance difficult and more important than ever. Not achieving this balance risks losing CEOs, executive and even board members. And even if the CEOs don't leave without paying deliberate attention to the board/ CEO relationship, CEOs can feel unsupported and board members dissatisfied. Neither if sustainable.

Other topics



Photo by:
Lians Jadan on Unsplash

GOVERNANCE IN NOT FOR PROFITS (OR 'NOT FOR LOSS' OR 'FOR PURPOSE')

Not for Profits (NFPs) are under the same sorts of pressures that companies and other organisations face. These manifest in different ways for NFPs. This includes a focus on their social impact and value, consistent with their purpose.

DIRECTOR SENTIMENT SURVEY 2023: **NFP INSIGHTS**

IoD – 10 January 2024

Social impact is the main focus of NFP directors as they lead their organisations into 2024.

In our 2023 Director Sentiment Survey, produced in association with ASB, 82 percent of NFP directors highlighted social impact and value as their prime governance concern, significantly higher than 69 per cent of directors across all sectors.

Despite this, a key area of misalignment is the lack of strategic focus on environmental impacts. Only 31.1 per cent of NFP directors stated their boards spent time strategically discussing environmental impacts in comparison with 56.5 per cent for all other respondents.

Notably, 30.1 per cent of NFP directors (and only 13.4 per cent of all other respondents) said their boards were not discussing environmental impacts.

Faced with the range of challenges highlighted by IoD's Top Five Issues for Directors for 2024, NFP boards are facing the future with a sense of unease about whether or not they have the skills and experience to deal with increasing business complexity and risk. Only 41.4 per cent of NFP boards said they have the right capabilities (compared with 50.0 per cent for all others). Despite this, only 37.4 per cent of NFP directors said their boards undertake regular professional development (53.6 per cent for all others).

WHERE IS YOUR STRATEGY?

Jo Cribb, CFInstD – Director – 18 December 2023

As the NFP Insights from the 2023 DSS highlight, a higher level of governance is needed by NFPs to better serve communities and affect social change.

Putting strategy first means board meetings start in a strategic space, not diving straight into the weeds, hopefully setting a strategic tone for the rest of the meeting.

Thinking three to five years ahead is a specific skill that we need to recruit for and learn to do. So, boards need to invest in individual and whole-of-board learning on the essentials of governance and strategy.

For-purpose boards can, however, be reluctant to invest in their own development.

NFPS UNDER PRESSURE FROM CLIMATE CHANGE

Aaron Watson – IoD writer/editor – 4 October 2023

GirlGuiding New Zealand has had to reconsider how it delivers its outdoor programme due the influence of climate change on New Zealand's weather.

Storms and flooding that struck the upper North Island earlier in 2023 not only disrupted GirlGuiding's outdoor activities but also highlighted a need to reassess how its programmes could be delivered safely, says Maia Faulkner, chair of the organisation.

"We have had to think carefully about what kinds of risk plans we have in place, what kinds of training our volunteers require to mitigate some of those risks and how we can deliver the outdoor component of some of our programmes, so we can still offer the girls the kind of experience we want to offer," Faulkner says.

HEALTH AND SAFETY AT WORK (INCLUDING WELLBEING)

With a [review](#) of the Health and Safety at Work Act (HSWA) 2015 announced by the Minister of Workplace Relations and Safety in March this year, governance and health and safety at work are back in the spotlight. Fortunately, IoD with WorkSafe, the Business Leaders Health and Safety Forum and the General Managers Safety Forum, are ahead of the game and have already completed work on [Better Governance of Health and Safety](#).

An updated guide for Health and Safety Governance will be published later this year. This also follows significant court proceedings under the HSWA on [the Whakaari White Island disaster](#) and [several others](#).

HEALTH AND SAFETY LAW AFTER THE WHAKAARI PROSECUTIONS

Dentons – The Employment Echo – 12 February 2024

Discusses the legal decisions made in the WorkSafe prosecution of 13 parties under the Health and Safety at Work Act (HSW Act). Six defendants pleaded guilty to their charges and another six defendants successfully applied to have their charges dismissed. The final defendant, Whakaari Management Limited pleaded not guilty to the two charges they faced. They were successful in having one charge dismissed but were convicted on the other.

Denton's note the *“legal decisions which have been issued have signalled the direction of health and safety law on a range of important points,”* including *“officer duties”* under the HASW Act.

WHAT IS WELLBEING?

Sonia Yee – Senior Writer, IoD – 21 March 2023

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

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

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

THE VALUE OF LIVED EXPERIENCE IN LEADERSHIP

Sonia Yee – Senior Writer, IoD – 21 March 2023

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

Once-locked doors are opening thanks to shift in social attitudes towards wellbeing and mental health.

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

