Polycrisis is here. Are boards ready?

Transcript

Speaker 1

In this episode of Board Tour, Off the Cuff.

Speaker 2

I think it is dangerous to view it as something that makes a decision.

Speaker 3

The other thing that drives this conversation, the exponential growth of the Maori economy, which is currently generating about $46 billion, New Zealand's overall GDP is about $340 billion.

Speaker 2

Technical skills around ethical management and humans in the loop and all these things are new skills that Board going forward.

Speaker 1

The need for a pipeline of new directors, the evolution of Māori governance, and how it's shaping Māori and non-Māori boards, and a term you're about to hear more of.

Speaker 2

Polycrisis.

Speaker 1

What is it? Why does it matter? And is it as scary as it sounds? Keep listening to find out what all of this means for you as a director.

Speaker 2

I come from a sort of policy, legal, regulatory background.

Speaker 1

Herman Visage is the Institute of Directors General Manager for the Governance Leadership Centre.

Speaker 2

I've also been in the world of governance for a long time, both as a governor, but also as a company secretary and as someone that's done quite a lot of thinking about the sort of practice and dynamics of governance. I mean, the term polycrisis, I think, is something that can be a little bit alarmist. This coming together of a whole bunch of challenging dynamics for companies and directors to face into everything from sort of cyber, AI, climate change and natural risk, geopolitical and that kind of critical impact that's having on supply chains internationally, workforce.

All of these things are kind of coming together and you're seeing companies having to deal with not one crisis, but multiple of these simultaneously. And you're also seeing some of these factors changing very rapidly.

So for instance, if you go supply chains and geopolitics, we have, you know, the crisis in the Middle East and then it's better because a deal signed. And then again, this week it's worse again and you see fuel prices jump.

At the same time that the Panama Canal is coming into summer with lower water volumes where you might see fewer ships being able to get through. So you've got these kind of constantly changing things, but people talk about complexity, people talk about the operating environment. If you look at severe weather and the impact it's had, the number of states of emergency in New Zealand for 2026, by the end of February, we'd have the same number as we had for all of 2025 combined.

So the frequency of these things, they are not once in a decade, once in two decades, they are sort of once or twice a year events. And that's changing the environment A lot.

Speaker 1

Because of this, boards can't expect to stick to their strategy but must be prepared to move and adapt. So what will that look like and how much pressure does that add to the load for directors?

Speaker 2

There's a lot of boards starting to face into the reality that they need to think differently about the doing of board work. There's a couple of things there. One is strategy and the other is options analysis and scenario planning.

The days of setting an annual strategy, set and forget is gone. I think strategy, you need to be facing into it more frequently, looking at what's going on. And I think that also ties to the increasing expectation on boards to not just take what's given to them from management, but to actively be scanning the horizon and bringing it to the table. And I think the scenario planning bit that sort of ties to that is increasingly we're talking about the scenario planning and being able to make decisions in a complex scenario set is going to be a key skill for boards because scenario planning has always been part of strategy, but often it would be in the olden days, here's a few options, you choose the one that you think is most likely and you build a strategy based on that. Now we're going

There's a whole series of options that are constantly evolving. And at every point we're having to make decisions being mindful of a whole bunch of future paths as opposed to kind of picking a path. And sometimes the likelihood of various outcomes is changing so fast that you're kind of having to make decisions in this sort of complex environment with, I guess on the one hand, more information, because we have more information in many aspects, but far less certainty.

So sometimes actually less tangible or sort of concrete information. And I think it makes it more challenging for boards because it also actually means this kind of concept of the right decision is almost being inroaded in light of the right decision in this moment based on what we know now, knowing that we will probably have to reassess that next week, next month, next year.

Speaker 1

And with succession planning in mind, what's happening already and what could boards look out for to ensure they have the right talent in place to future proof their businesses and organisations?

Speaker 2

To your question around the next generation of directors. Ones that are probably in executive roles where they're having to deal with this inside a business will probably get more time in the sandpit to play with these skills because they're kind of forced to. On the technical skills side, we know there are areas like climate resilience, there are areas like AI and tech where we will see certain boards needing more technical skill sets in those areas. And some of these areas are not ones where actually traditionally Boards may have been particularly strong.

You know, in a world of AI driven decision making where you need proper governance and oversight, actually technical skills around ethical management and humans in the loop and all these things are new skills that boards may need going forward. And you will probably have a new generation of directors that are more equipped for that because they're having to deal with that in their day jobs.

We're recently talking with GNDI, which is the sort of global group of directors' institutes, we're doing a little bit of work there about future director skill sets. What everyone kind of said was the technical skills are a bit different market to market and we're not really sure, but what we know is the ways of working will have to change. How do you make decisions across multiple scenarios with less perfect information based on a sort of evolving set of parameters?

They talk in the AI world about learn, unlearn, relearn, and the cycle of kind of testing what you hold to be true or what you hold to be facts. And you've seen that traditionally with boards where people might recall things they did 20 years ago in a different context and go, this holds true now, and you really have to challenge that. In the modern world, that's even more important that you need to be constantly testing the base underlying assumptions upon which you're making decisions and going, is this still valid? Do I need to unlearn assumptions, unlearn ways of working and adapt? And I think that adaptability bit and the introspection and the assessment to kind of kick the tires on the assumptions and underlying things we're relying on is going to be a really core skill set. I think for the established director community, these skill sets are part of what has been good governance. They will have to actively create spaces for them to learn and play and challenge themselves.

Speaker 1

So just to clarify, would that mean applying different ways of working or thinking or both?

Speaker 2

It is definitely ways of thinking and that is probably what my previous examples focused on. But I think it also challenges the traditional kind of dance that is governance practice. So to come at it from a slightly different lens, what we're seeing is regulators in the courts and the kind of expectation of governors is much more governors, board directors need to be understanding the operating context, picking up their eyes, looking at the horizon. In Australia, the Star Casino's case, they were saying, you know, if you're a director of a casino, you should understand the money laundering system, because that's critical to understanding the business you're a director of. So directors need to be thinking, looking up, taking their own insights, really understanding the context for the organization and the environment it operates in. If you then also go traditional sort of timelines of, for instance, strategy being looked at once a year and being kind of static and so on, needs to be challenged and you need to be looking at more frequently, it kind of also suggests that the way the board and management works together needs to change.

The board is governance and management is operations and that divide doesn't change. But I think boards and management teams need to more frequently also together be testing assumptions and ideating and bringing in outside knowledge. So I do think there's ways of working. There is actually some operational things and boards need to really think about whether they're meeting cadence, they're reporting. the kind of chances they get to learn and spend time with management is adequate because I think that dance is shifting a little.

Speaker 1

Ah, yes. But the question here is whether it creates more room for management to challenge the board. And if so, what would that even look like?

Speaker 2

There is definitely chance for management to challenge the board. There's a little bit of a need, I think, for more boards to create space to go back to first principles and go, what is the role of the board and governance and how does this add value?

And does the way we interact, that is from meetings to reporting, how you structure agendas, all those things, does that actually still create an environment where we're adding value from a governance perspective? Or does it only kind of adhere to traditional ways of working? And I think that is where management can challenge the board. I worked in financial services for a long time and you saw with the increased regulation and increased regulatory scrutiny, it becomes really easy for boards to get really focused on sort of compliance and tick boxing and just evidencing they've done the critical checks and balances and to lose sight of that value added board and governance as a forum for setting direction, really thinking about the future, really facing into future success and long term view. So yeah, I think that tension is important and I think both sides need to be a bit braver probably challenging, are we doing a good job or not?

Speaker 1

In terms of ways of working, many boards are now looking at different ways to utilize AI. So could it be used for scenario planning to predict potential outcomes? Herman says yes, but look before you leap, because it's definitely not a crystal ball.

Speaker 2

I think it is dangerous to view it as something that makes a decision. Crystal ball narrative is a little bit challenging. If you look at the AI tools, they're not saying what is going to happen. I think where it is helpful to kind of test assumptions to go, if A happened, how might that play out? Or these are the things I'm thinking about that could disrupt our business. Am I missing something?

So I think it's useful for giving additional perspectives that you might have missed, some valid, some not. I think it's really useful for going, ‘If we assume these base assumptions, if X happened, what might that look like?’

It speeds up this creation of the trajectory of what certain things might mean. There's a lot of discussion in the director community around good directors need to be opportunity creating governors, not just compliance and checking governors. AI allows for a lot of that. I know some directors who build agents to scan global media and research on certain topics so they can stay fresh based scenarios. What if X happened? What might this mean for the business? Boards and management teams need to create space in their governance timelines and their agendas for this more strategic, esoteric discussion more frequently. because I think many boards don't give it adequate time. But it is not a proxy for decision making. You really can use it for things like creating scenarios, testing scenarios. When we talk about AI in the boardroom, most people stop at, will you have AI directors, which I think is far off. But actually, I think as a tool for testing assumptions, surfacing biases, looking across our papers or looking across how we're looking at business cases, what perspectives are we not?

Speaker 1

Even with the assistance of AI, directors are contending with an ever-increasing workload. So what are the impacts on their well-being? And is it an issue that needs to be addressed? And if so, what are some solutions?

Speaker 2

If you looked at our IOD directors fees report, average hours worked in 2014 was at 88 and by 2025 you're sitting at 161. You know, and we are seeing reductions in average numbers of boards held. The regulatory scrutiny is higher, the personal liability is higher. And this increased expectation that directors are doing their own work in and around actually the board work, you know, to be effective directors, it's a profession from a wellbeing perspective, but also a kind of ongoing learning and capability perspective. prospect of being a director, particularly in heavily regulated sectors or in complex operating environments, it's harder. And I think it does take a toll on directors. And what we have also seen in the market research around fees is that a large number of directors don't believe bare remuneration is aligned with the amount of risk and the amount of work.

So I think from a wellbeing and capacity perspective, directors will need to be spending more time doing that stuff. So they also need to be thinking in their capacity and the number of roles if they're managing work and governance. So I think it has a wellbeing impact. The two other areas that I think are important is directors need to keep challenging themselves to check where whether they are still doing a good job of being a governor or if they're starting to shift into the management realm. So that discipline around what is actually just good informed governance versus what's tipping over into management.

Speaker 1

Upskilling as a director is as much about scanning the environment on and offline as it is about attending courses. But making connections with other directors is also vital. It helps to build a community of like minds and to cut through the loneliness and challenges of being on a board. For anyone, isolation can be dangerous and it's even more of a risk for directors.

Speaker 2

I think the rise of non-face-to-face meetings makes this worse because you get less social time. Yes, we can have digital meetings, but how you build camaraderie and support and a kind of human connection, which is actually really critical for a board to function well. More conscious effort needs to be put into how you kind of team as a board and create those natural moments of human connection. You look at like the lawyers and the accountants, this recognition that it's a profession and actually we as a profession support and engage with each other and come to each other for learning and emotional support and connection and help, you know, phone a friend. The governance community needs to really lean into that.

Speaker 1

And that's where it's vital for directors to continue upskilling by attending courses and events. to not only help grow the governance community, but also to find support.

Speaker 2

Look, I think sometimes just actually having someone else who understands the context to be able to talk to is really important. Things like conference are a really great time. And we see that the directors who come regularly say, you know, this is the once-a-year time that I get to kind of hang out with my people and talk governance and think about it.

And that's really important. And that's not just about governance in this board, but it's more globally kind of the practice of governance and being a governor. We also have things like the Governance Leadership Centre, Roadshow, Governance in Focus, time around the regions for people to get together to hear from us about the kind of key big things that we think have come up this year that you need to know about, but also a time for some structured discussion with other directors about how they are doing governance. So this is not about what are you doing about supply chain, but it's actually about How are you thinking about the practice of governance? How are you making sure you're a sharp governor? How are you kind of learning and evolving? Creating those spaces for directors to connect about the kind of craft of governance is really critical. We need to, as a director community, create those spaces and those times for that connection, for us to reflect with each other to get that kind of support, because otherwise it is a really lonely gig. it's not really appropriate for that support to always come from your management team. If anything, it's really inappropriate. An example I'll use is I was until very recently the chair of the not-for-profit. You know, and you go in a period where lots of not-for-profits are struggling with funding as the economy gets tighter, as people's disposable income gets less. There's fewer grants, but there's also fewer donations. Everyone always says, you know, management carries it heavily, but That kaitiakitanga of the organisation is such a heavy burden to bear. I can tell you as a chair, no one, I think, carries the burden of success and ongoing survival more acutely than the chair. The other thing I've seen is having trusted advisors in the community you can call. As an in-house lawyer, I always had my kind of phone a friend list who I knew that if I needed someone, a wise ear, I knew who I could call, and as a governor, I've done the same. And then again, when I became a chair, I did the same. You find your kind of tribe who can serve specific niches for you.

The last thing was actually attending the learning things, joining the IOD, also quite intentionally putting myself in spaces where I can interact and learn and get challenged and ideate, because I think that's also been really important. I recently spoke to a quite senior director who talked about the fact that she actually sends a kind of performance review of herself, little quick survey to board peers across a whole bunch of boards she serves on annually to kind of get feedback on what's going well, but also her learning edges.

And actually I've been on a few boards where we've created space for the board to reflect collectively on our effectiveness individually and as a group. what we're doing to stay current, what we're doing to be good governors as opposed to, you know, the subject matter of the organization. And that peer support and peer challenge has also been really rich. So as a governor, we need to create time for that.

Speaker 1

Also on the horizon is something that boards can't ignore. The shifting demographics that will alter New Zealand's makeup over the next two decades. It means organisations have to be geared up for younger, more diverse stakeholders.

Speaker 3

The working age population in the next 10 to 15 years is going to be younger and it's going to be much more diverse. So who's going to be making those decisions? Helen Porteke is IOD's Principal Advisor of Maori Governance, which is something of a groundbreaking role for the Institute.

Speaker 1

It's Helen's role to have her ear to the ground. And as you're about to find out, Maori governance is happening outside of iwi businesses and the Maori economy.

Speaker 3

There are other organisations who are either pivoting, trying to reimagine their business in a pretty fast changing Aotearoa where the demographics are going to look very different in 15 to 20 years. Maori governance generally, I think, is probably the most dynamic topic being ideated and discussed at the moment. There's very practical implications for this discussion because of the shifting demographics in New Zealand. The other thing that drives this conversation, the exponential growth of the Maori economy, which is currently generating about $46 billion, New Zealand's overall GDP is about 340.

Speaker 1

Billion but let's take a step back Helen's going to explain what Maori governance is and where it's happening.

Speaker 3

So it's nuance it's about what is it who's doing it and where is it occurring Māori governance can occur in iwi, hapu, marae committee might be in rural Aotearoa and it might be about a whanau or a hapu or an iwi talking about managed retreat because there a marae is in a low-lying area or it's coastal and recent weather events means that the marae is being flooded out. They want to make decisions about whether or not to uplift the marae and take it somewhere else or to do work on it. So that's sort of one context in which Māori governance can take place.

But if we believe that Māori governance is about any decision making that impacts Māori, that definition of Māori governance becomes very broad actually it's probably about the way that Aotearoa New Zealand does governance because wouldn't every decision being made at a board table in New Zealand impact Māori because they're nearly 20% of the population so I don't think that's insignificant given the exponential growth of the Māori economy that's code for there's more coming.

Speaker 1

So what is Helen seeing on the horizon?

Speaker 3

There's more innovation. Maori are partnering globally. So that's going to grow again. Couple that next to the stronger Māori, younger Māori demographics in the country. There's a powerful mix there and governance is going to be absolutely critical in supporting that growth. and ultimately the wellbeing for Māori and all of Aotearoa.

Speaker 1

But within that pipeline, there needs to be training to fully prepare the next generation for board roles.

Speaker 3

I have spoken to Ranga Tahi who have said to me, before I know it, I'm on the committee and I'm chairing the meeting and I've never done this before. Ranga Tahi feel not well geared up. The context might be familiar, but the leadership role that you take on when you chair a meeting or being a peacemaker or a bridge builder, those are fairly specific skills developed through trial and error, through mentoring, through shadowing. I worry that not only Ranga Tahi but people that have a skill but may not be familiar in a conflict setting or decision-making setting don't have a good experience, don't think that they had something to add.

And that pipeline of talent or availability, capacity and capability is compromised. But what gives me heart is that there's some really good discussions about how to overcome some of those challenges.

If we can find a pipeline to take young leaders who don't know that they're doing governance, but probably they actually are, and pipeline them into more formal governance roles, whether that's at the iwi hapu marae level, which talking about managed retreat or the impacts of climate change, or whether it's the university association, or it might be the board or committee at a local sports club. Boards of trustees will have a student representative on their council, or there'll be a head prefect who essentially is doing governance because they're You know, playing in that space of decision making and representing and leading, there is a need for Ranga Tahi, a very real value add for Ranga Tahi to be within the realm of governance, whether it's part of the meeting or chairing the meeting or decision making.

Speaker 1

There's no denying that future leaders will look and feel distinct from what we see today. But where technology comes into the picture, there are some important questions that need to be posed within Māori governance around the use of AI. What it means for Māori and Maoridom to remain authentic and continue to uphold tradition, thinking and cultural values.

Speaker 3

There's a lot of work being done around data sovereignty. So before you get to the advent of, you know, what kind of data and information or instructions are we going to give to AI that can help us process and ideate? Who owns that data? Who should have access to it? And who says it is the right stuff to put in? Unless I share my knowledge now, is that going to be through an oral tradition? Am I going to write some stuff down or am I going to feed it into AI? and get that mechanism to summarize it.

And that's how the legacy of my knowledge moves on. Those are live conversations happening at the moment. That issue will be not only in ensuring that if we want to keep authentic matauranga Māori, you know, within the realms of oral traditions or return or being passed down in wananga rather than run through AI, there'll be some pretty important decision making in ideating discussion around that So there's many, many countries that are unsure about what the impact of AI is going to be. But coming back home here to Aotearoa, the thinking there is around what is it about Matauranga Māori that we absolutely have to hang on to and keep as authentic as possible? And what is the threshold at which we say, Actually, we're really open to understand what AI can help us with in understanding it might be how our history and our principles apply to governance. But actually, there's a group of things over here that we're never going to run through AI. We're going to keep that knowledge alive through oral traditions or through, you know, wananga. I'm just not sure at the moment it's so early but my sense is that there are some things which we want to hold on to and keep authentic because they've been passed down from our tupuna from generation to generation and we're just not sure if we give that over to AI or to the cloud whether or not we're going to be able to maintain you know that authenticity for future generations.

Speaker 1

That was Helen Portici. You also heard Herman Visage. And I'm your host and producer, Sonia Yee. And that brings us to the end of another episode of Board Talk Off the Cuff. The Institute of Directors Annual Leadership Conference is happening from the 3rd to the 4th of September. The full programme is out now. I'll be there as a roving reporter capturing insights about what you've seen and heard. So come along and say hello and have a chance to make an appearance in the next two episodes of the podcast. Hot on the heels of our Annual Leadership Conference.

As Herman mentioned, he'll be travelling across the Motu with his team for the Governance in Focus Roadshow. It's a member-only event running through August and September with updates on key legislation, emerging trends and governance challenges for directors. Head to iod.org.nz and look up events to find out what's happening in your region. Until the next episode, mate wa.