

Off the Cuff - Top Five Issues Part One 22 Dec

Speaker In the next two episodes of Board talk off the cuff. We can't rely on China. It's too economically threatening. It's a threat from a security perspective, like the advisory board or having independent committee members can be really valuable if you've got the right people sitting around the table who are able to kind of give that external view where the needs and the priorities change, the advisory board can change with it, which is that agile nature, which makes it really, really effective. We introduced ourselves, we learned a bit about each other. We could have some kind of understanding from a personal and a professional standpoint. The world has got more complicated combination of the shifts that we've seen happening in the New Zealand domestic economy, the global economy. I find in the mighty world that generally governance is younger and there's a mix of skill sets. I sort of describe the board in some ways. It's like the corner office in any organization that the whole culture and M.O. Emanates from that corner office. You're listening to Board Talk Off the Cuff, a podcast from the Institute of Directors, and I'm your host and producer, Sonia Yee. Now, governance is about people bringing them together, whether it's to make the world a more equitable place to bring your ideas to life, or to find new ways to grow our businesses and build thriving communities. In this episode of Board Talk Off the Cuff, we're bringing you some insights into the top five issues for twenty twenty six. There's governing for growth and what that looks like when boards are tasked to lift performance. The geopolitical climate is inescapable, and our boards need to assess how tariff changes, data controls, environmental standards and geopolitical alliances, influence cost structure, market access, and, importantly, risk. AI is also likely wearing thin, but directors need to go deep to understand what AI looks like as an agent of change. And there's a rise of committees and advisory boards. You'll find out why they can help boards manage increasing complexity, while also being a new opportunity for directors to explore different kinds of governance roles. But first, for growth for New Zealand and particularly for our export focused sectors, is thinking long term about how will New Zealand's export markets change over time? Because we've got also demographic influences. Chief economist Nick Tuffley from IOD national partner ASB, with the inside word on where the money will come from. Like say for example, China's population, Japan's population being, you know, being impacted by an ageing population, India's population still likely to grow for some time. Which areas look like they're economically ascendant and likely to be for a period of time? Those things will matter. Where is income growth likely to be quite rapid over the next period, whereas the rule of law Respect for property rights still going to be quite valued in terms of where would you be wanting to set up operations, focus your your energies. I think sort of really getting in behind the government on, you know, pursuing free trade agreements, also good opportunities for whatever given products. You know, an organization forms part of a key business. And looking at, you know, that sort of shift that we'll see over time. And it's being driven things by not just economic growth. It's a domestic politics. It's the demographics. It's the geopolitics in terms of who's clubbing together with who. And we are likely to have to be a lot more nimble and and agile. But of course, things swing in roundabouts and it won't be all doom and gloom. What we have at the moment is that the start of an upswing coming through, there's a couple of good tailwinds for New Zealand. Look, the fact that interest rates are coming down and households have yet to fully benefit from declining mortgage rates. The fact

that we can expect that there will be more flow on impacts on to improve consumer spending over time cyclically. Directors can take heart and despite what's happening globally, you know, provincial New Zealand particularly areas with exposure to dairy, red meat, kiwi fruit as some examples. It's just another area where we are seeing a degree of good income coming through, which will help reinforce that recovery. It's likely to be a sort of recovery that's pretty gradual. So in terms of you want to be looking ahead and setting yourself up to be able to take advantage of that recovery, be prepared for it. But at the same time, there's a need to be pretty cautious around not overcommitting resources into over, say, over preparation for recovery. That may not be as strong as what you are preparing for. So we do need to be looking ahead at what skills, what people, what sort of capital spending, what technology do we need to be looking at that will help that recovery when it comes through, but not eating the house on it and leaving you vulnerable if the recovery underwhelms expectations. But in the meantime, we need a boost of optimism and someone abundant with energy. Is Suze Reynolds literally on a little piece of paper here in front of me from one of my mentor types in Silicon Valley, who said to me once that the the key thing for a founder and a founding team and the board is unbreakable optimism in the face of failure all the time. A breath of fresh air. She's a director in the angel investment space, working with startups as well as being the Institute of Directors, Wellington Branch Committee chair and a representative on Iod's National Council for Sales Growth. As part of her DNA, the very oxygen that fuels the startup space does require next levels of tenacity and fortitude and mental resilience. But I think the other piece around that optimism bit is the realism of it. So you be, you be optimistic, but you're constantly checking for what is going on and where you need to put your finger in the dike and or, you know, lift people up to be braver and go again, because they've worked twenty four over seven and we still haven't quite ginned the bar, but we can see the endpoint and we know we're getting traction. But can that founder and startup enthusiasm transition seamlessly across to other industries, or is that a step too far? It immediately triggers me to want to talk more about value than and impact, rather than necessarily growth. Growth is a proxy for creating value and impact, but it's not the only one. And so I think in times like this where we are looking for opportunities and to be agile and clever about how we are creating value and impact, it may not necessarily be that growth is going to be the only measure for that, and that we might actually need to lean more on things like our NPS scores and how our supply chain are thinking about us and being supportive of us. All of those things then position you to be in a really great place for when things come right, and we can take off like a rocket because the scaffolding around us is really strong. We've got really great relationships with our customers. We've got really great relationships with our inside our teams. We're really clear about what our purpose is. We're really clear about what our value proposition is. Our board members are really well plugged into the dynamics of the context that we're operating in, so that they're looking for those opportunities and those chinks where we can shoot through to the light and do amazing things. That moment where the sky opens up and we see that glow of light, that glimmer of hope and that feeling that something good is about to happen, but in reality. How should boards know when they've hit a dead end right up to the pointy end of it? Because there are just so many stories in my world of being twenty four hours from running out of cash and a sale comes through, or investor comes out of left field or an acquirer comes out of left field. But the thing about that is that making sure if that's the way it's flying, that everyone who should know

knows what the situation is, and that's everyone who should know knows. So and and you have to gauge that to the context. Um, if you're a listed company, there's probably not a sensible M.O., you know, and if you're a startup, everyone who should know knows is making sure that your key investors and that your team and everybody is kind of on this journey to to the extent that it's appropriate. It's a bit like that whole Brené Brown thing about being vulnerable. That doesn't mean sharing all your everything. That means just being authentic and being cognizant of, you know, what people need to know. Because I have learned in this space that the more you lean on people and ask for help and bring people into the journey, the better chance you have of pulling it off. Um, at the other end, optimism is great, but it mustn't be at the expense of realism. I remember talking to somebody, to this notion of relentless commitment. And because there does come a point where realism has to hold sway and you make the call and start up context again, that you've decided that you've given it everything and there really just is no hope anymore. Keep breathing oxygen into it. But when you find you're giving it CPR, that's the time to call it. No business can function without people. So how do they fit into a growth strategy? Unbelievably fundamental. Because without your team and without them being bought into deeply understanding the purpose, deeply understanding the context, understanding the joy that they want to bring to the world through the endeavor that they're part of. You know, none of us as an individual, as clever as all of us. And that whole notion of team taking time to make sure that everybody gets where you're at and how you're supporting each other to create value and impact. That's the key piece around it, with so much rapid change. While some things remain the same as our current governance model, fit for purpose, and if not, where does the change need to happen? It depends, but I think the bigger point is that we need to be constantly evaluating whether or not the paradigms that have worked in the past are going to work in the future. And that is around, I think, why I was part of the advanced directors course is to say, you know, because my whole world, my whole kaupapa is looking forward. How do we adjust? How do we change course a little bit for that? How do we reset our ability to cope with anxiety and change how we're going to navigate that? What does that mean in terms of the conversations we have with all the people who are in our companies orbit, particularly, you know, standing with our staff and customers. Then there's that whole piece. Now that you just cannot dodge, that you're in a bigger stakeholder environment. And I think a lot of people would love us to go back to how it was, where your circle of influence and what you needed to control. None of us have control anymore. We just don't. So we've got to get better at anchoring more into clarity of perspective and vision and who we are than any kind of control. And that, in some ways is very liberating because there's lots of things that you can get clarity on. It's much easier than trying to be in control of your destiny when it comes to growth. AI as a tool that's caused chaos and disruption to some industries, but it's also being integrated into our daily operations, becoming part and parcel of how we do things. So what's the best way for boards to approach the use of AI, especially as it continues to evolve? Really cool. I'm cool with this guy called Mohan Nair and he was talking about AI and how we need to get our heads around being AI enabled. Not AI obsessive and not AI fearful. And that AI enabled thing is fundamentally about this notion that who we are as humans is in our ah ha moments and our insights. AI is never going to be able to go, aha, humans do that. And then there was this lovely kind of stuff that he was talking about. We need to sort of anchor more in stories because that's where our minds connect, our brains connect

to facts, and we own stories. We're where the aha comes from for the germ and genesis of a story. And that aha moment for a director also helps you to pursue the right kind of goals, including sitting on your board of choice for so's her purpose is clear. I fundamentally believe that New Zealand can save the world, and I've even framed that in not changed the world. Because change is easy. You can do all sorts of things to bring about change. Saving is quite the next level of challenge. There are things that conventional boards can learn from the startup space, which is this whole notion of understanding and appreciating risk, and that we quite often hear risk is something terrifying, and it's scary, but risk almost in every context that the word is used, is actually about doing something fabulous on the other side, then making sure that you do everything in your power to ameliorate that risk and still achieve the fabulous thing on the other side. Whether or not that's scaling down a mountain or sailing around the world, or scaling a startup to be this global phenomena. Don't get anchored in the how do we cover our asses, protect ourselves at all costs because nothing happens. We believe it's possible and we believe in each other. There's nothing we can't achieve, right? And it's that sense of unity that exists within Maori governance. It encapsulates people and the natural environment and a way of seeing and being that contributes to success and sustainability of future generations while acknowledging the past. It's useful having people point out problems, as long as they also then take the next step and help point out what the solutions might be. Here's Hinerangi Raumati toa. She's been on a wide range of boards, but in this instance, she shares her insights into the relationship between the chair and the CEO and what that looks like for iwi boards. From a tikanga perspective, in the Maori entities I'm part of the relationship with the CEO is really important, of course, and it is about the chair taking the lead on behalf of the board about how that relationship is best managed. Now, my own philosophy is around being, you know, really supportive, being really transparent, being really open and honest with the CEO in a way that you kind of aren't with many other relationships that you have. And I suppose the tikanga aspects of that are about both of us understanding what our capability is, the almighty skills, and therefore do we have enough between us to ensure that tikanga can be followed in any situation we're in? And trust is implicit in making the relationship work. Trust is built, I think, on being open and honest and transparent and consistent over time between the sea and a chair, and you've got to be able to talk, you know, you've really got to be able to talk about the things that, um, are probably the most challenging things, you know, and it's a really, really open relationship. And of course, balancing it so that there's a positive as well as the potentially critical conversations that you have to have. I think the other way is actually really understanding the person that you're talking to and the and the type of personality that they are and what motivates and drives them. Being in relationships where money just didn't matter and there was a high level of trust that as the chair, I would make sure that that was right. And then I've seen in other relationships where money does matter and I am challenged on maximizing whatever I can do for them. In terms of being really clear that I think remuneration is an important part of what they do in being able to reward them fairly in that market levels. And interestingly, one of the differences between traditional governance and governance is I find in the Maori world generally, governance is younger and there's a mix of skill sets and capabilities, and sometimes that can flip between governance and management. But that can create lots of discomfort on the management side, where they become decision makers. On whether or not governance has a role as a management, as part of management team or as

the CEO going forward. But just like any relationship, there are times when things go wrong. And I don't know if it's mighty world specific, but it's where the chair applied for a role and things just got very confusing and they didn't get it. So I've seen that break down in one situation where the CE had to make a decision not to appoint a governor, and it went really badly. Usually the situation is that either one party or the other party will go, and it's just determining, well, and what's that situation today? What are we dealing with? Is it time for the sea to move on? If the CEO is being gotten to the point where the relationship doesn't work, or is it time for the chair to be changed out? And it just depends on the situation for the entity. So the key to success in the relationship is ensuring you're both in sync to support the strategy, and that you are, in fact both agreeing on it is the plan, because then that becomes really straightforward in terms of what needs to be done and what the steps are. And, you know, strategy is not just about what the goals are for the commercial aspirations of the entity, but it needs to be supported by people, stakeholder relationships, you know, the general economics of the country and other pieces that are being built around it to support that strategy and deliver it. That's probably where a tear in the sea can center themselves. Okay, we have agreed to this plan at this point in time, no one's changing it. This is the way we're going to stay in sync for keeping moving forward. Otherwise, you're having a conversation which is laying things out on the table about why you're not in sync. And then there's navigating stakeholder relationships and iwi governance that requires very careful communication. And this is where a healthy chair CEO relationship becomes critical. And it's really complex in the Maori world, of course, because we have quite convoluted governance structures. Often, you know, within a group we'll have a tribal leadership, a commercial leadership, and then sometimes a non-profit or a terrible component to the group as well. I think really careful stakeholder management and stakeholder planning is a really important part of that. And having some simplicity around what our messages are for all of those groups. Um, it's something that we work on really carefully. It is a complex world, and you've got to be able to turn your mind to social media, you know, everyday media. A lot happens in the weekends in the Maori world as well. You know, there's a whole lot of business gets done in the weekend. So honest challenge. Honest debate within a boardroom is a really important part of, I think, a well-functioning board. It's usually the skill of the chair to be able to pull it together, or the skill of a CE to be able to go, okay, I've heard all of these views and I think this is our pathway forward because you're ensuring that everybody feels like they've actually had their say and they haven't turned up and not been productive for a day. You know, but they can see it. It's it's transparent. You know, it's visible for everybody to see how that's been pulled together at the end of the day. I think as well, sometimes you've just got to move on from someone who won't say yes to something. I've been in situations where I've got one director kind of still thinking about it, or wanting the process to be slightly different. Time is of the essence sometimes, and you've just got to make a call as a chair. You know, what is the risk of this person saying no? In terms of what could happen next? My advice to CEOs is actually think about the role your chair has to play. Understand it really well and then help that chair to do their job well. That was Hinerangi. He also heard Sue's Reynolds and ASB's Nick Tuffley. You've been listening to Board Talk Off the Cuff, a podcast from the Institute of Directors, and I'm your host and producer, Sonya Yee. The original audio interviews were conducted by Iods senior content producer Jacob West. If you want to find out more about governance, whether it's advice,

articles, stories, courses, or to get your hands on a range of board toolkits, head to IOD. In the weeks to come, that includes access to a full report on the top five issues for twenty twenty six. In the next episode, we'll bring you more on the top five issues. We go deep on geopolitics and what it means to govern for growth and the rise of committees and advisory boards. Until then. Ma te wa.