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Speaker It's a new year and a new you for your board. My view very much is that leadership is all of the board and all of the leadership team, including the chief executive. When you're on the edge of your knowledge, advisory boards are very good. I'm still a believer in the benefits of globalization and a hope for New Zealand that we can benefit from trading to both the United States and China. It's no longer talking about governance boards in isolation. It's now talking about governance systems. How is it that leaders are being informed both that the governance board level CEO, executive or at a project level, 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. Now, in the last episode, we covered governing for growth and touched on the chair CEO relationship, in particular with iwi boards. And in this episode we have another perspective on the chair CEO dynamic and what makes the relationship effective. The rise of advisories and committees, and the obstacles and opportunities ahead in navigating rising geopolitical tensions and the potential risks. But first, I chair seven companies, and I think that the dynamic and the relationship between the chair and the chief executive is probably the number one most important relationship that can be held within the organization. Independent director Helen Robinson knows a thing or two about what makes a chair CEO relationship effective. So what are the key ingredients that underpin it? The degree of openness which comes from trust is critical. And and if that's lost and that's a signal. In other words, you're not hearing everything that's going on. The chief executive is not willing to share the ugly stuff that's happening, then you've got an issue. It is a point of failure, and I think that's something to really watch out for. Whereas a healthy relationship between the chief executive and the chair will be one in which the chief executive won't have any hesitation to call or text with even random type ideas or concerns. You've got to get to know each other, you know, and really understand strengths and weaknesses. Probably on both sides actually, but at a real degree of trust. And just like any relationship, this one also requires care and attention. But how much is too much or not enough? Pretty much all of my boards, which I chair. I will have a one on one with the chief executive once a week, sometimes once a fortnight. It just depends on the organization and it doesn't have to be for a terribly long time. But I think it's really important to understand what's going on in the business, what's going on inside the chief executive's head being quite open to conversation and to new ideas. And it does depend a little bit on the type of company in terms of them, what those focus areas of priorities might be. My view very much is that leadership is all of the board and all of the leadership team, including the chief executive, however, must be a. And this again comes down to trust that the board will make the right decisions and that the team, including the chief executive, will call upon the board to ensure that decisions are being made. And then trust in those decisions. Speaking of decisions, planning for CEO succession is also important. For example, if you're dealing with founder chief executives, then they're probably going to be in it for a bit longer, except in the case that there might be acquired, for example, versus in some other companies, even potentially a government entity, the cycle might be increased. But if you deal in specialist type industries and organizations. You know, you might have a chief executive that stays for a very long time. Business continuity and managing business continuity is really important, and that includes managing that risk, making sure you do have a backup plan if something you know, God forbid, if something did happen to the chief executive, you know, what are you doing to make sure that you are acting in the best interests of the organization and that it will continue in the event where that chief executive, something happened to that person. And like in any good leadership and people development and work towards developing that chief executive to be wherever they want to go and whether that's to stay or whether that's to go. I'm a big fan of chief executives, one doing the course and having at least one directorship, because I think it's really healthy for them because they understand things from a different angle and it is different. And even if it's a slightly different or even a completely different industry. The chief executive will learn a huge amount from being on a board. And so I really encourage it from a people development. And if you're a chair welcoming in a new CEO and you want them to succeed. Listen closely. Chief executives coming in is equally as important, and helping make them feel comfortable and relaxed is very critical to their ongoing success. Being in situations where the chief executive has just about blown the first few days by, you know, their nervousness and their, you know, inability to just think for themselves, you know, pulled aside chief executives and said, you've been appointed for a reason. All you need to do is be you. You know, I think if you can help that chief executive relax and get on and and do the job that they're bringing and be comfortable enough in their own skin to be able to do the role that they're there to do because it's lonely. And so it's really important that the chair helps and the board. But the chair particularly helps a new chief executive, you know, settle into the organization. Settle into the role. Be relaxed. Give them enough support so they can get on and make the decisions they need to. Bring the right people around the table. Form the right culture. Culture comes from the board as much as from the from the leadership team and the people themselves within the organization. All of those things, I think, play a really critical role to the ongoing success of that chief executive as they move forward. The other thing, too, I think that's really important is setting the right expectations. You know, like you can't have waffly goals and, you know, waffly targets and waffly direction of, you know, strategy. You know, you've got to be really quite clear, chief accession is critical to the bigger picture, too. And shareholder expectations also plays a role. And hopefully you've got some good people around the board table that could step in if something happened to the chair from a business continuity standpoint. So what's the shareholders expectation in terms of tenure of the chair. And in some cases it might be ten years. In other cases it might be two terms of three years. In other cases, it might be completely indefinite. You know, it really does depend on on what the shareholder expectations are. And the chair understanding that and working with that. When you get to being on a board and chairing companies, you know, you're very relaxed in terms of if you're not right for the organization or it's time to move on, great. It's not a negative. It's not a, you know, they don't like me or, you know, getting all upset about anything. It's nothing like that at all. It's all about, you know, what's expected from a shareholder standpoint. And then how do we help make it happen? If you're listening to this podcast, chances are you either want to sit on a board, you're already on one, or you're in a leadership space contemplating your next move. But what's clear about the chair and CEO relationship and a well-functioning board, is that it rests on what's most important human connection. Establishing that up front can make or break the relationship And if I give you an example, you know, I came on as a board chair for this organization last year, and the very first thing the night before the board meeting, we all went out for dinner and they happened to be a few new directors around the table. And we invited the senior leadership team and the chief executive and the board together. We had a private room and we just laughed together. We talked, we introduced ourselves. We learned a bit about each other. We could have some kind of understanding from a personal and a professional standpoint. So when we walked into that room the next day, everybody was relaxed and focused. We didn't need to second guess anybody. We didn't need to try and listen and learn about, you know, who they were as people, because we understood that by then. So that, I think, is really important. As a new chair, we're providing you with some insights into the top five issues you need to be aware of in twenty twenty six as a director. And one of them is the rise of committees and advisory boards. So the shift is governance boards around the world are getting smaller, but the actual function of governance is getting bigger. Louise Brookman says her first advisory board role helped her lift her game and develop as a director. So it really helped me to step up and really improve my self accountability to a group of people that I deeply admired and respected. But I didn't want to lose control of the decision making, as well as provide strategic input into the areas that were gaps. That was my first advisory board. Our current advisory board is helping us around our succession planning, to help the executive team to step up. And these types of boards, according to Louise, are revolutionising and modernising governance. It's not fixed. So where the 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 and a really good return on investment. It's the evolution of governance, because having just a fixed structure doesn't respond fast enough to the market, nor does it give you the diversity of that thinking that that's needed for different things. So I'm very excited by this evolution for everyone. What it's also doing is that it's shifting people to think about. I want to be a governance board director into saying I want to be a board professional, and it's giving people a broader perspective into their board portfolio. It's no longer talking about governance boards in isolation. It's now talking about governance systems. And so how is it that leaders are being informed both at the governance board level, CEO, executive or at a project level? And so how is it that you build confidence in the decision making, but also how do you build confidence in the decision maker from others and different stakeholders, and where boards might feel like they're spreading themselves thin? A way to differentiate advisories and committees is the unique specialist lens. It's not just navigating the future, we're just trying to navigate today because there are so many known unknowns. No one can be across everything. So where you've got maybe the governance board being generalists, where is it that you bring that specialized thinking and different voices, not just one, so that you're de-risking the decision making process and therefore better impact from those decisions and better outcomes? It makes an agile approach and responsive approach to governance that is really not reactive, but responsive to the market. And that's where modern governance is. There's such an exciting shift. And if you're a director looking to stretch yourself or you want to find your niche, you might be the perfect fit for the advisory committee space. It's a great way to safely learn how to be a director, and it's giving people a broader perspective into their board portfolio to both governance boards and advisory boards. It could be sitting on a governance board and then support and building really good advisory boards to inform the board. Or you could be saying, my value is not on the governance board, it's actually on the advisory board. So I want to do different thinking. I want to have broader conversations rather than trying to focus on decision making. Let's open the conversation up. And my value may be different than on an advisory board. It really is opening up not only optionality for what kind of board, but it also gives a pathway for people to get experience and give board professionals experience to be on advisory board, to then potentially be on governance boards at a later date gives them also optionality of saying, when is it I want to be on an advisory board and manage my risk profile on advisory boards versus governance boards, but also for organizations especially, what I think is important for New Zealand is you're getting so many small businesses and medium businesses that are growing like families in business to help them learn good governance, and they can scale their governance over time. But before adding an advisory committee to your governance structure, be warned it's not the be all and end all solution to your organization's woes, but fix what needs to be fixed. Don't put advisory boards in place because something's broken. So if the government's board is not effective, then fix the governance board or reshape it, and then look at the committee structures and to see others committees actually have governance function or an advisory function and fix that. Renovate it and breathe a whole new lease of life. If there are specific projects, you know, where is it that you've got optionality that could be made? You know, these advisory boards could be three month advisory boards. Advisory boards are actually nothing new. It's actually just building better protocols around things that exist. So when you build out a governance system, it needs to be mapped out well. You need people who are professional advisory boards. They need to know what they're doing, and it needs to be scoped out very carefully. When you've got an existing governance board, you've got existing committees, you've got existing employees and executives. You don't want overlap. They're really useful when you're when you're trying to do something new like digital transformation, cyber, when you need to bring that specialist sort of thinking, and it's dangerous just to get one person's point of view. So helping to de-risk decisions that are different when you're on the edge of your knowledge. Advisory boards are very good. You know, New Zealand needs international markets for growth strategies for a lot of businesses, in a lot of sectors, governance is all about seeing the bigger picture and scanning for change in patterns on the horizon, including around geopolitics. So where are the risks boards need to watch out for in twenty twenty six? We're going to have to be watching what's going on in the United States very closely. Charles Finney is a former CEO of the Wellington Chamber of Commerce and a senior official in the Ministry for Foreign Affairs and Trade. China's actually a bigger market for us than the United States. It's our number one export market, and if that has economic difficulties, then that's bad for our export performance. Both are worries for us. Geopolitical alliances influence cost structure, market access and risk and have a direct impact on supply chain, which was highlighted during Covid. There is a very large constituency in the United States and some other Western economies that is arguing that we should be trying to unwind the supply chain integration, the globalization that has been occurring in the last the last thirty, forty years, particularly since China joined the WTO. And to try and create a new supply chain based upon economies that can be relied upon, that aren't seen as being as threatening. The argument is we can't rely on China because it's too economically threatening. It's a threat from a security perspective. And it's not just China. There are other economies that would fall into this category. So shift your production. If you've invested there, shift your purchasing to economies that are more reliable, more friendly. So that is friend shoring. And now, with increasing geopolitical tension, there's a concern about manufacturing in distant markets and the risks involved, which creates an opportunity for a need to look for solutions that are closer to home. There's also an argument for nearshoring. So either bringing production back onshore or very close to you. But is it as easy as it sounds? And what are some of the obstacles when considering issues like carbon border taxes, green trade emissions and traceability? Yeah, a really good example of this was when Covid struck. It turned out that a very huge proportion of the world's generic medicines and PPE equipment came from one city in China, Wuhan, which was the epicentre of the of the Covid outbreak, and that caused no end of problems for countries trying to get paracetamol and trying to get PPE equipment. There was a major shift in the supply chain relating to those products that occurred. I think now you'll find that pretty much all our medicines of that type and PPE is coming out of India. Um, and maybe some out of other cities in China. I think the jury is still out on carbon border taxes, but certainly the United States, obviously, there are new new tariffs, higher tariffs in place. There are a host of new regulations. For example, a number of smaller companies based their export model on direct sale to customers in the United States in small packages and supplying immediately upon an order being placed. That was going into the United States really freely, without any duty. The ending of the de minimis policy in the United States has impacted that sector. The proposal to impose charges on goods that have been carried on Chinese owned ships or Chinese made ships. So it was all increasing costs, I think, in the United States, too. There is absolute uncertainty from one shipment to another about how a product is going to be classified, how it's going to be treated, because we've just signed a free trade agreement with the UAE and it's in force. We've got a signature pending on a free trade agreement with the Gulf Cooperation Council, which includes Saudi Arabia, Kuwait and Qatar and Oman, I think. So those are all potentially interesting markets for us as well. I visited a company I reasonably recently, up in the Bay of plenty, that has had to employ a person full time, just dealing with those uncertainties that are occurring on a day by day basis in terms of shipments going into the United States, trying to get that sorted out. I'm still a believer in the benefits of globalization and a hope for New Zealand that we can benefit from trading to both the United States and China and other important markets, and not having to make choices between the two. But this is something that companies should be watching. That was Charles Finney. You also heard Helen Robinson and Louise Brockman. You're listening to Talk Off the Cuff, a podcast produced by the Institute of Directors. And I'm Sonia Yi. Thank you to our senior content producer, Jacob West, who conducted the original interviews over the past two episodes. If you'd like to find out more about the top five issues that you need to be across for your board or organisation, or for more governance news, tools and resources, head to iodine NZ. Episodes for board talk off the cuff drop monthly until the next one. Mattawa.