

Boardroom

QUARTERLY MAGAZINE OF THE INSTITUTE OF DIRECTORS

SUMMER 2022/2023



 Institute of
DIRECTORS
NEW ZEALAND

'The Directors' Scoop': our Top 5 issues for 2023 |
Why Kiwis love a franchise | Throwing light on
accessibility | Star power in the boardroom | The future
starts today

**INSTITUTE OF DIRECTORS
IN NEW ZEALAND (INC)**
Mezzanine Floor,
50 Customhouse Quay
PO Box 25253, Wellington 6146
New Zealand
Tel: 04 499 0076
Fax: 04 499 9488
mail@iod.org.nz
iod.org.nz

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EDITOR

Noel Prentice
+64 4 474 7633
noel.prentice@iod.org.nz

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“You can trust a crystal ball about as far as you can throw it.”

– Faith Popcorn, futurist and best-selling author

Every year we look into our own crystal ball – with some insights from the IoD/ASB Director Sentiment Survey – and highlight the ‘Top 5’ issues and challenges the director community will face in the coming year. They are also useful as a tool to ensure your organisations and your boards are anticipating developments and preparing for the things that are ‘over the horizon’.

Climate change will be on the list for years to come but urgent action is needed in cutting emissions and, by now, you should “know your number”.

‘Digital reality’ is another top issue and boards should be securing their cyber future now and into tomorrow. But, as is pointed out later in the magazine, New Zealanders are still not taking cyber threats seriously enough.

Why do Kiwis love a franchise? Its quick set-up-and-go structure makes it attractive, along with a high survival rate compared to other business models. A franchise lawyer explains how it all works and what you should be aware of as a director.

A staggering 25% of Aotearoa identifies as having an access need or experience of lived disability. We have all seen some of the barriers disabled people face. They are not just physical, but social, cultural and digital. The bigger picture is that accessibility is about equity and ensuring everybody has equal access.

In 2012, the IoD’s Future Directors’ programme was launched, creating a space for diversity and new voices at the table. Today, the programme is more relevant than ever with diversity and inclusion an issue on every board’s agenda.

How diverse is your boardroom? Cathy Parker gives us an insight to her perspective – “I have seen the world from both sides of the gender lens.”

With a number of high-profile sports stars taking the leap straight into governance, we look at the value they bring. Is a big name and their skill set from the sporting arena more than enough?

Hiring a chief executive is arguably the most important job a board can make. What attributes should you be looking for in finding the right person for the job? Help is also at hand with a step-by-step guide.

It’s more important than ever boards stay attuned to the global and domestic trends in the labour market and the full array of risks associated with them. We highlight three governance priorities to help you respond.

Rocket Lab put New Zealand’s aerospace industry on the map, but we are still waiting for our “JFK moment” and even in danger of “missing the bus”, says a pioneer.

Speaking of space and final frontiers, one member is trying to change the narrative around death – by sending cremains (cremated ashes) into orbit. Yes, he is boldly going . . .

We love members doing crazy things and one has pushed his physical and mental limits in the Atacama Desert – it turns out the world doesn’t revolve entirely around governance.

Ngā mihi
Noel Prentice, editor

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“Although not alive, I can still create art.” Ai-Da is the next level of artificial intelligence – the first ultra-realistic artist robot. ‘She’ draws and paints using cameras in her eyes, AI algorithms and a robotic arm. She creates art that challenges our notions of the artist and creativity in a post-humanist era.

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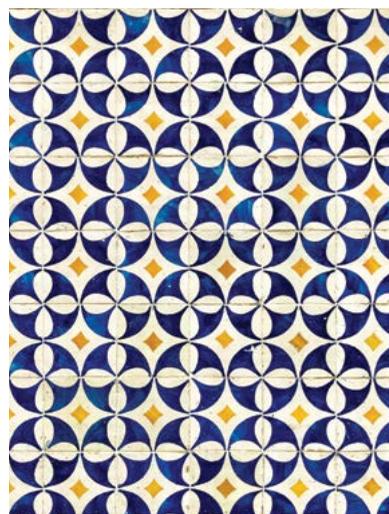
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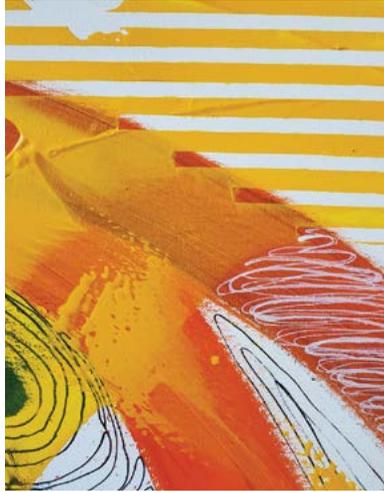
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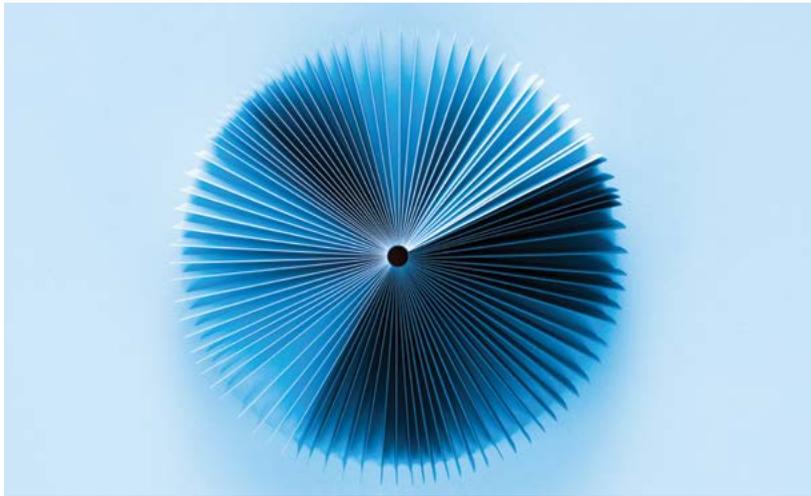
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Choosing the right CEO

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With New Zealand facing a series of macroeconomic and existential challenges, fresh and clear thinking is needed.

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HUMANOID ROBOT WITH ARTISTIC FLAIR

Artificial intelligence is already having a profound impact on the world – now it has extended to art. Ai-Da is the first ultra-realistic artist robot. ‘She’ draws and paints using cameras in her eyes, her AI algorithms and robotic arm. Ai-Da’s work is art because it reflects the enormous integration of technology in today’s society, says her website. She creates art that challenges our notions of the artist and creativity in a post-humanist era. Created in 2019 by scientists at the University of Oxford and named after British mathematician and computer pioneer Ada Lovelace, Ai-Da has just appeared in a solo exhibition at the 59th International Art Exhibition in Venice. She also addressed British lawmakers at a parliamentary inquiry into how new technologies will affect the creative industries, saying “although not alive, I can still create art”.

Photo by: Stefano Mazzola/Getty Images





Informational poster or document on the wall.



The top issues for directors in 2023

Boards and directors are facing myriad challenges and many of these challenges will only increase in scale and importance.

Recognising many of the issues facing directors is not difficult; settling on a top five is. Climate change, for example, will obviously be at the top of the list, but just identifying risk is no longer acceptable. It is the measures you have in place and the changes you are making that are now expected of organisations.

There are so many factors shaping a to-do list, including global forces such as the Covid-19 pandemic still surging around the world; the ongoing and significant impact of climate change; the short and long-term implications of transformative technologies; and the ever-shifting and increasing consumer and community expectations.

This then leads into consideration of diversity and inclusion, and equity issues that are increasingly tied up with many organisation's social licence to operate.

Our 'Top 5' does not aim to be comprehensive. It is instead a useful starting point for 2023 because it highlights areas that need immediate attention and action; and the issues

boards should discuss during the year and how, and the reasons for having those discussions.

It is intended to help directors add value to their organisations by thinking 'over the horizon', anticipating developments and supporting management to be responsive to the changing operating environment.

This list gives directors and their boards a sense of where potential opportunities and future strategic challenges may arise. Considering these issues in 2023 will help to minimise surprises, support good decision-making and help boards and management prepare for the future (in ways that can be anticipated now).

It pools and interprets information from different sources, including our 2022 IoD/ASB Director Sentiment Survey, and the monitoring of global trends and emerging governance issues.

For 2023, we have identified the 'Top 5' as: climate change transformation, shared value, financial resilience, digital reality and board agility.

AUTHOR:
GUY BEATSON,
GENERAL MANAGER,
IoD GOVERNANCE
LEADERSHIP CENTRE

Photo by:
Cavan Images/
Getty Images

Climate change transformation

Urgent action towards a low-emissions economy, reporting progress and integrating decision-making

WHY DOES IT MATTER?

More than half of directors see climate change (along with water and resource management) as a critical future trend. In the 2022 Director Sentiment Survey, respondents ranked this second only to the related issue of customer expectations as a key trend requiring board attention.

New Zealand's climate-related disclosures regime, which comes into force for banks and some large financial institutions in 2023, will tighten up and codify reporting requirements. This will help companies avoid “greenwashing” and indicate the direction of travel to the boards of organisations that are not currently affected by the regulatory requirements.

This focus is not going away and will strengthen over time. There will also be growing attention to the environment, specifically in relation to reporting and risk management. The global Taskforce on Nature Related Disclosures (TNFD) has released a beta reporting framework that looks at how to identify, assess, manage and disclose nature-related dependencies, impacts, risks and opportunities. The New Zealand External Reporting Board (XRB) also has a legislative mandate to develop non-mandatory sustainability reporting standards.

WHAT SHOULD BOARDS DISCUSS?

The XRB climate-related disclosures standards signal the issues that boards should consider to support progress towards a low-emissions economy and climate resilient organisations, even if they are not necessarily subject to the

mandatory climate-related disclosure requirements, including:

- **Organisational strategy:** How are decisions related to greenhouse gas emissions integrated with the wider strategy of your organisation? Where is there alignment and where is there inconsistency? Is change required to business models as a result of climate-related risks or reductions in emissions?
- **Climate-related risks:** How will increasingly higher temperatures, sea level rises and more severe weather events impact on your organisation? How do you integrate these climate-related risks into your wider risk-management approach, including avoiding “greenwashing”? How effective is your current risk-management approach?
- **Climate-related opportunities:** What “upsides” might there be from a changing climate, including from your board's and organisation's responses? Can you create business or other opportunities while addressing the climate-related risks you have identified?
- **Emissions levels now and into the future:** For all organisations, what are your current and projected greenhouse gas emissions? What direct emissions reduction options are there? What will you do about the emissions you can't reduce? Understanding your emissions profile, your “number”, current and projected, is critical to managing emissions. And for large company boards and financial institutions, what is your current and projected emissions “number”, including information about suppliers and customers? How are you developing relationships with major suppliers and customers to understand their greenhouse gas emissions?

WHAT ACTIONS SHOULD BOARDS TAKE?

- **Know your number:** What is your organisation's current greenhouse gas emission level and what are your future projections?
- Identify the biggest risk from more severe climatic conditions, and the mitigation/ management approach for it.



Shared value

From organisations to people; from profit to shared value; from “me” to “we”

WHY DOES IT MATTER?

He tangata, he tangata, he tangata (it is the people, it is the people, it is the people) is going to be a key focus. Sustainable value creation requires that the interests of your people and stakeholders are considered and addressed. The shared value approach aims to strengthen organisational sustainability and, ultimately, benefit society. Organisations that are perceived to be socially irresponsible can suffer acute losses in customer and stakeholder support, and in value.

In our 2022 Director Sentiment Survey, 55% of directors saw labour quality and capability as the most significant issue the economy and the country were facing.

The labour market is very tight. Levels of employment are the highest they have been in more than a decade. Similarly, unemployment levels at around 3% are the lowest in a generation. Tighter immigration settings seem set to persist for the foreseeable future, potentially affecting the supply of labour.

“Sharing value” with staff to retain them and to attract new people is vital. Boards can lead their organisations through strategy development and support for management that ensures value is shared by employees, and staff are treated well and seen as an asset, rather than a cost.

Lessons from past economic and societal shocks suggest there is value in retaining talent, as far as possible, even in the face of severe financial and economic downturns (e.g. the 2008 Global Financial Crisis and the pandemic).

More specifically, issues of authentic organisational purpose, fair pay, gender

and other pay gaps, health and safety performance, workforce diversity and attention to modern slavery (in addition to other supply chain issues) loom large in a constrained labour market.

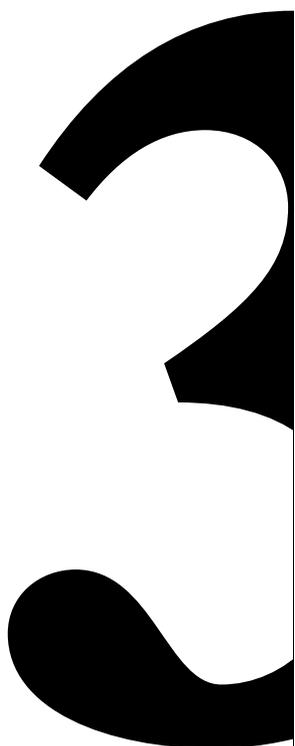
WHAT SHOULD BOARDS DISCUSS?

To ensure that shared value, including people and talent, are front of mind, ask:

- How up to date is your strategy in relation to the organisation’s social impact on stakeholders, including management and staff?
- Are you sufficiently clear about your organisational purpose, are you conveying this to management and staff, and is the organisation operating consistently with that purpose?
- Is your remuneration competitive and fair, including considering any pay gaps, notably with gender and ethnicity?
- What major changes in legislation (e.g. fair pay agreements) and other people-related developments should you be paying attention to and how should the board help management respond to these developments in a way that retains and attracts staff?

WHAT ACTIONS SHOULD BOARDS TAKE?

- Collectively agree how your organisation approaches shared value – the concept of sharing the value delivered by an organisation (including profits) with management, employees and, potentially, suppliers to more fully recognise their contribution.
- Prepare a new people strategy that acknowledges the nature of the post-pandemic environment and more fully recognises employee contributions; makes an investment in talent; ensures diversity, equity and inclusion.



Financial resilience

Managing inflationary pressures, high interest rates and economic uncertainty

WHY DOES IT MATTER?

The world will be a volatile and uncertain place in 2023. Market disruptions are continuing locally and internationally, there is the prospect of a global recession, the outcome of the Russia-Ukraine conflict remains uncertain, major powers are retreating from international trade and there is ongoing volatility in foreign exchange markets.

These developments have the potential to tighten the government’s fiscal position. For not-for-profit organisations, this could impact funding streams from government, alongside uncertainty of funding from other sources, including philanthropy and community grant funders.

Only 18% of respondents in our 2022 Director Sentiment Survey expect New Zealand’s economic performance to improve over the next 12 months, while 68% expect it to decline. More than a third of directors expect global tensions, supply chain issues and labour shortages to have a notable impact on their organisation and almost half think these factors will “somewhat” impact their organisations.

Boards can help by ensuring their organisation have sufficient runway in the event of adverse developments. This may mean taking a conservative view and being prepared for shocks.

Balance sheets need to be strong in these circumstances. Specifically, higher cash holdings can help smooth the ups and downs in funding, and costs that may arise. The flexibility cash gives can also help financial sustainability over the medium term.

WHAT SHOULD BOARDS DISCUSS?

- Clean up outstanding debtors.
- Look at ways to reduce significant inventory being held, taking into account the need for inventory to be held “just in case” (rather than “just in time”), given ongoing pressure on supply chains internationally.
- Review expenses and investments that are not essential for the delivery of the organisation’s services and goods.

Company boards could also consider other sources of cash to further build financial resilience, including:

- Raising capital/funding from a range of sources, including key stakeholders.
- Reviewing and considering the extension of all existing banking facilities.
- Reviewing all operations aspects to test value and, as a result, selling any surplus assets.

Any consideration of reducing staff to shore up cash reserves needs considerable care and attention. In that context, “shared value” needs to be considered and experience suggests a long-term view is needed.

WHAT ACTIONS SHOULD BOARDS TAKE?

- Agree levels of cash holdings that are sufficient to withstand shocks and significant volatility in funding, revenue, supply chains and exchange rates.
- Ask management to develop a value map of the value delivered to customers and those served by your organisation in the face of increasing costs.

Digital reality

Securing the cyber future now and into tomorrow

WHY DOES IT MATTER?

Boards need to lead their organisations to deal with short-term and ongoing cyber security threats. CERT New Zealand says there is no such thing as a “quiet time” for cyber security. Boards need to lead into the future and through organisational transformation, with changes also likely to the way the board operates.

Cyber security is a significant focus internationally, notably in the United States. The unstable international environment and growing threats from countries, and other players, means there are significant cyber threats in New Zealand. Despite this, in our 2022 Director Sentiment Survey, directors reported ongoing declines in their boards discussing cyber risk and being confident their organisation has the capacity to respond to a cyberattack or incident (54% in 2022, down from 60% in 2021).

Taking a longer-term view, New Zealand boards do not appear to be giving attention to digital developments, including artificial intelligence, the metaverse, cryptocurrencies and decentralised autonomous organisations.

Yet many of these digital developments are already with us and have the potential to have profound impacts. New Zealand boards are increasing their capability to help their organisations navigate this digital reality, but this is from a low base. Around 30% of directors in our 2017 Director Sentiment Survey said their boards had this capability, rising to 37% in the 2022 survey. Despite this, two-thirds of New Zealand directors

in the 2022 survey believe there will be technological transformation of their board practices by 2030.

Many organisations have adopted virtual meetings options for boards and shareholder engagement. There is likely to be greater uptake of using interactive data to drive critical conversations, along with the use of virtual and augmented reality options for meetings. This will require boards to be agile and develop their digital capability to ensure governance practices keep up with broader technological trends.

WHAT SHOULD BOARDS DISCUSS?

- The board’s understanding of the implications of digital and technology for the organisation, and the extent to which this is sufficient to provide valuable guidance to management.
- The potential for digital transformation to positively change the way the organisation operates and to create additional value for shareholders or members, deliver improved organisational financial performance and enhance the value for those the organisation serves.
- Where digital transformation is underway, are the measurements and information being provided to the board sufficient?
- The ways the board is thinking about the talent in the organisation to support digital transformation.
- The extent to which the board has a clear view of the short-, medium-, and long-term threats to digital systems and the wider organisational transformation.

WHAT ACTIONS SHOULD BOARDS TAKE?

- Get quarterly briefings on cyber threats from the executive responsible for your organisation’s information and data security.
- Develop a limited number of digital transformation scenarios for the board’s and organisation’s operations.



Board agility

Lead with courage, develop trust and build dynamic capabilities

WHY DOES IT MATTER?

The pace of change and the uncertainty inherent in the other 'Top 5' issues means boards have to be increasingly agile, innovative and quick in their decision-making.

The responses to the pandemic forced this, to some degree, and many thought that permanent changes would occur in the ways boards operate. A 2021 international survey for the Global Network of Directors Institutes (GNDI) found 89% of directors had been able to effectively govern through the pandemic to that point and 34% were planning to alter their operating model.

In our 2022 Director Sentiment Survey, 40% of New Zealand directors believed board operations would change because of external pressures.

OliverWyman's 2021 analysis of board agility, points to four characteristics:

- They are 'hybrid', meaning they work in a digital environment and not all meetings are 'face to face'. Changes in virtual and altered reality seem likely to reinforce this trend.
- They anticipate and confront challenges with virtual board meetings, including considering better tools to support decision-making. In this setting, board chairs take additional steps to ensure minority views are heard and represented.
- They seek a variety of external expertise. This includes new sources of information and greater use of outside expertise in scenario planning, strategy and risk management, all of which will be essential for new climate change reporting requirements. This needs to be accompanied by improved information tools and objective analysis.

WHAT ACTIONS SHOULD BOARDS TAKE?

- Boards should take an "outside in" perspective on major decisions based on customer or stakeholder needs and supported by seeking new data sources presented in an innovative way; and external advice/perspectives in areas where there are gaps in the board's skills matrix to help frame questions and gain new insights.
- Each director should commit explicitly to a culture of continuous learning and inclusivity of diverse experiences, expertise and insights on evolving topics to support an active and effective boardroom.

- They are in continuous learning mode. This means transforming from 'know-it-all' boards to becoming 'learn it alls'. Such a transformation is essential given the increasing complexity of the environment in which boards and their organisations are operating. Around 60% of New Zealand directors believe their board's skills and experience are increasing to meet increasing business complexity and risk.

WHAT SHOULD BOARDS DISCUSS?

- The extent to which they intend to change the way their board operates and the timeframe for this transformation.
- Their assessment, individually and collectively, of the board's level of curiosity and willingness to learn.
- The ways in which they will harness external expertise to support their strategy and risk management processes, and ensure they are getting information reported, helping assess progress with that strategy. **BQ**

Climate conversations heating up?

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Why Kiwis love a franchise

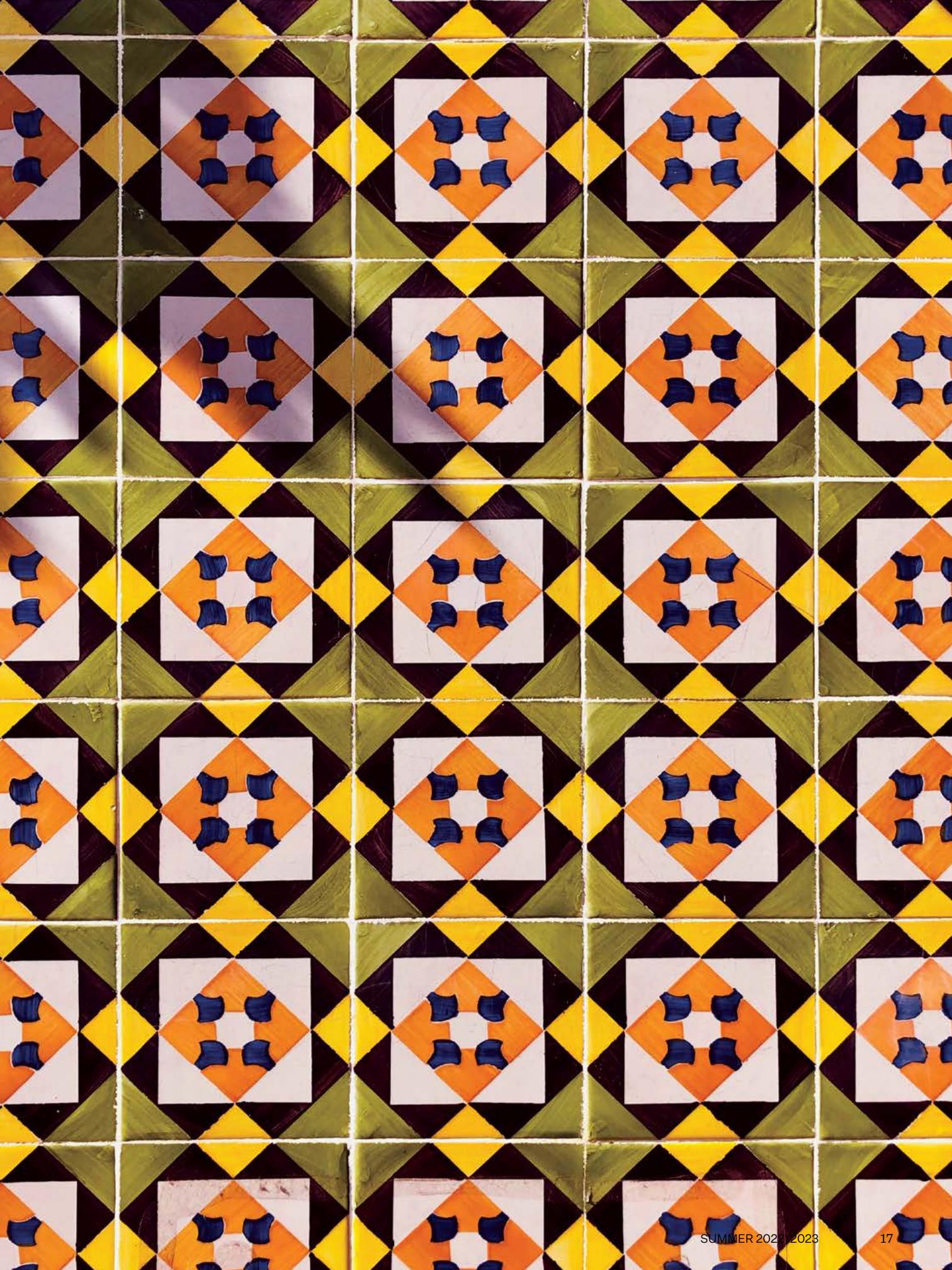
The quick set-up-and-go structure makes franchising attractive, along with a survival rate of 80% compared to other business models.

Photos by:
Alice Butenko
on Unsplash

AUTHOR:
SONIA YEE, SENIOR
IoD WRITER

New Zealand has the highest number of franchises per capita in the world, many of which have come from Australia.

There are 590 franchised brands and over 32,000 franchise units, according to the 2021 Survey of Franchising, conducted by Massey University and the Franchise Association of New Zealand (FANZ). The turnover from business-format franchises is \$36.8 billion, climbing to \$58.5 billion when motor vehicle sales and fuel retail are added. And the total number of people employed in New Zealand franchises exceeds 156,000.



Stewart Germann CFInstD is a franchise lawyer and owner of The Franchise Coach founded by David McCulloch. Established in 1990, the organisation has been helping new franchisors set up in what Germann describes as a dynamic and fast-moving marketplace.

“I’m bringing a lot of brands into New Zealand, including Boiling Crab and QC Kinetix. People love franchises and franchise brands,” he says.

Gong Cha is the next name to roll off his tongue. The first one was set up in New Zealand in 2015 and was born out of Taiwan in 2006, bringing bubble tea drinks into the mainstream.

With an assortment of hot and cold beverages and milky brews boasting flavours such as red bean and pudding, Japanese matcha, and herbal jelly and pearl, bubble tea is now as commonplace in inner city Wellington and shopping malls in Auckland as they are on the streets of Hong Kong and South Korea.

“The product needs to be good and that’s why people come back,” says Germann of the secret behind franchising’s success.

He believes the appeal of franchises to Kiwis as a business model is due to its quick set-up-and-go structure. Covid-19 also presented an opportunity for those with an entrepreneurial spirit looking for a career change. “Franchising is good in both good and bad times,” says Germann on the impact of the lockdowns.

The other secret ingredient to franchising are the people – for the franchisors, the franchisees are their biggest asset. “The franchisee is part of the franchise family and that’s why the people have to be chosen very carefully. If you get it wrong, you’ll suffer the consequences with a franchisee who has to exit,” he says.

The franchisee survival rate is 80% compared to other business models, which also makes them an appealing lending



“The franchisee is part of the franchise family and that’s why the people have to be chosen very carefully. If you get it wrong, you’ll suffer the consequences with a franchisee who has to exit.”

Stewart Germann

investment for banks. “They’re a safe bet because between four and five new businesses fail within the first five years, so banks love franchise systems because of the power in the brand. Banks can also lend unsecured for two years to some franchisees, like McDonald’s, because they know the safety margins.”

The other benefit of the franchise model is that just about anything can be franchised. “In America, there are franchises selling medical marijuana and anything that’s legal can be franchised, including goods and services. Food is always a great goer,” he says.

PART OF THE LANDSCAPE

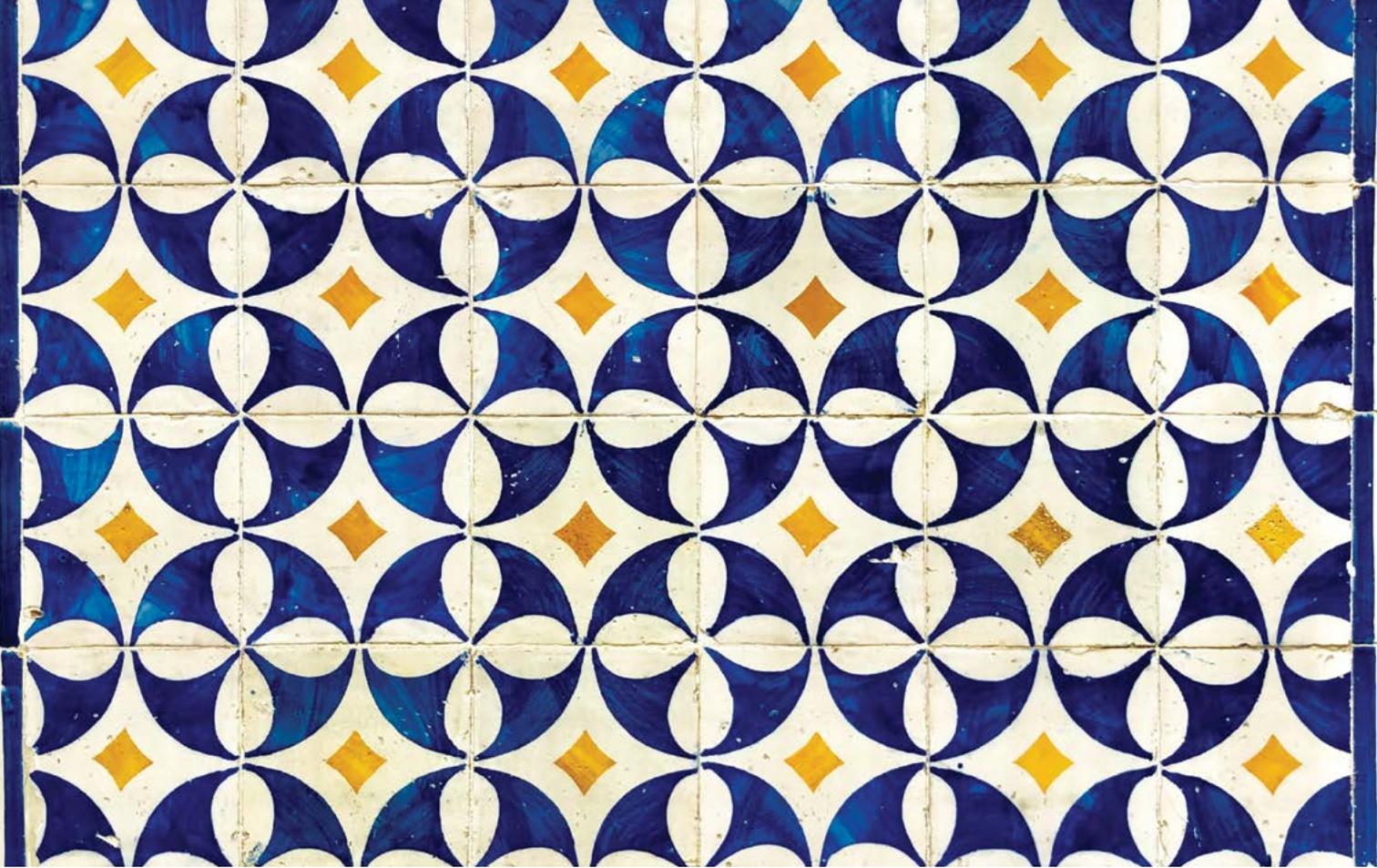
Walking around any New Zealand city centre or indoor mall, you will likely see franchises without even realising. The health and wellness sector is seeing popularity with the likes of Dilworth Audiology, Specsavers and Lumino the Dentists – all franchises that have become part of our consumer landscape as brands we know and trust.

Ensuring a franchise stays afloat relies on the first franchisee off the block. It is a crucial time when the system is tested and developed with everything in place, including employment contracts and workplace health and safety regulations.

A code of practice will already have been established and then it is the board’s responsibility to be across issues such as climate change, supply chains and compliance.

The board also needs to ensure the franchisor has set up effective management to feed into the continuity of the brand across its marketing and the management of franchisees under its umbrella. Field managers or staff are responsible for checking in with franchisees and making sure they are adhering to the system.

But if the franchise model has been set up to help the franchisee succeed, why



is it that some franchise brands hit the headlines?

Germann says nothing is fail-safe. Today, franchisors often use psychological reports in assisting with the decision-making process before bringing new franchisees into the system. “Some people lie on those tests, but again, you look at the main attributes, like do they have business acumen? You also don’t want to under-capitalise.”

Germann says the best franchisees succeed because they have a commitment to the bank and the franchisor, and that feeds into their compliance with, and adherence to, the system once they have been trained. But even then, people still fall through the cracks.

“The last thing a franchisor wants to do is order a franchise notice because it’s quite serious,” he says. “You’ll always get the renegade franchisee coming out

“You’ll always get the renegade franchisee coming out of the woodwork and not following the system. After years they ask themselves why they’re paying royalties because they think they know the system.”

of the woodwork and not following the system. After years they ask themselves why they’re paying royalties because they think they know the system.”

Germann says the royalties essentially pay for the additional and continued support that franchisees receive from the franchisor. But it is rarer for franchisors to go rogue.

Green Acres was embroiled in a long-running fraud case which ended in former franchisee master Keith Lapham being jailed for three years and eight months. He had lured more than 200 people, mostly recent immigrants, to buy into the franchise, promising huge returns on their investment.

“The franchisees paid up to \$25,000 for an ironing franchise and it was a jack-up where Tom Cruise was one of the clients. It was all a hoax and the franchisees were largely Asian and didn’t speak English,” says Germann.

The system is much more robust today and is helped by a code of practice, a code of ethics and franchise rules written by Germann in 1996. He says they have not needed to be altered since.

New Zealand, along with the UK and Singapore, are the only countries left without mandatory franchise legislation. But Germann doesn't see a need for one here. "We have the Commerce Act 1986, the Fair Trading Act 1986, the Contract and Commercial Law Act 2017. There's enough teeth there and if you belong to FANZ you have to have a disclosure document."

Members of FANZ are protected through its support and advice, and all of its members are rigorously checked and vetted. The Commerce Act also ensures that no one dominates within the franchise business model, according to Germann.

"You have to be careful with vertical and horizontal expansion and you've got to comply with that. Competition is very healthy, but some people are getting into trouble with anti-competitive behaviour around pricing and supply, or preferred suppliers," he says.

For pure franchising, the franchisee is under contract and relies heavily on the system. But new models and private equity now allow more money to be invested into the system, which means franchisees can invest more and leave with an increased return.

He mentions cooperatives such as Top 10 Holiday Parks and Paper Plus – two examples where the franchisor owns the system and IP and the franchisee has shares in the franchisor company. The franchisee buys the business for a period of years and has the right to sell the business, or have its terms renewed as an independent business. According to Germann, there is a high survival rate for those operating under this model.

DO YOUR RESEARCH

For those wanting to take the leap into the franchise world, Germann suggests talking to at least half a dozen franchisees and doing your research, including listening for positive and negative experiences before making a decision to invest.

“The brand is sacrosanct, so a franchisor must do everything it can to protect it with trademarking and intellectual property. Manuals are copyrighted to the franchisor and the franchisees know that, so they can’t denigrate the brand in any way.”

If a franchisor has disgruntled or unhappy franchisees, Germann says the franchisor and the board need to address it. "Some franchisees are unreasonable and then have to part ways – you can see if they aren't fitting in after two years. Most franchises have minimum performance criteria with expectations to do a \$200,000 turnover, for instance," he says.

A franchisor in New Zealand could have up to 40 franchisees under its umbrella, and if a situation arises where a franchisee is experiencing issues and the franchisor won't listen, who should they speak to?

Germann has acted on behalf of unhappy franchisees and says numbers speak volumes. In one example he had 15 people come forward.

For those on a franchise board, Germann suggests issues be dealt with quickly before they get to the media. But under stressful circumstances when franchisees feel they have no other option, he feels the media also needs to be responsible and get two sides of the story.

For the franchisor and the board, brand reputation is everything and that includes across social media, where Germann says franchisors have social media teams scanning worldwide for comments and feedback.

"The brand is sacrosanct, so a franchisor must do everything it can to protect it with trademarking and intellectual property. Manuals are copyrighted to the franchisor and the franchisees know that, so they can't denigrate the brand in any way," says Germann.

But once a story hits the headlines it can make things much harder. "The worst thing a franchisor can say is 'no comment'," he says. "Franchisors are savvy, but they should also have legal, accounting and tax advice and listen to competing issues. They are also invested in trying new ways to market their products and reach their customers, so they want their franchisees to be successful." **BQ**

Building on the foundation of the Four Pillars

DETERMINING PURPOSE

- The board must lead the development of the franchisor's purpose and goals and take ownership of the strategic direction.
- Any director of a franchisor company needs to understand their relationship with the law and compliance, both as an individual and as an officer of the franchisor company.
- The strength of good franchising is a very sound system which requires strong procedures established by the franchisor (owner of the system and the brand name).

AN EFFECTIVE GOVERNANCE CULTURE

- The board must act as a team with a high-performance culture committed to engaged, quality governance of the franchisor company, allowing for debate, diversity, thoughtful challenge and dissent.
- Board members should be recognised for their commitment, candour and integrity with a culture characterised by effective relationships between board members and management, shareholders and stakeholders.
- Non-executive directors of a franchisor company should display good business judgement, integrity, entrepreneurial talent, common sense, a perspectival vision for the company, and personal skills and traits including excellent communication.
- The operating manuals form part of the intellectual property of the franchisor and will contribute to a strong system and adherence to good corporate governance principles.
- The board composition and allocation of duties should reflect the specific knowledge and requirements of managing a franchise system.

HOLDING TO ACCOUNT

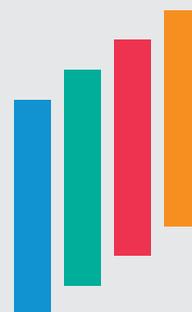
- A value-adding board should hold management strictly (and continuously) to account through informed, astute, effective and professional oversight.
- The board must ensure the purpose and strategy of the franchisor company are understood by management and implemented according to a clear plan with proper resource deployment, allocation of tasks and performance management. A key function of the board is to select the CEO, negotiate a suitable employment agreement and to institute incentive schemes for management.
- The board and management must at all times promote and practise ethical and responsible decision-making.

EFFECTIVE COMPLIANCE

- The board must add value by ensuring the franchisor company is, and remains, solvent and ensures the probity of financial reports and processes, and a high standard of compliance with regulatory environments.
- Risk management must be a key focus – the board should scan and manage existing and prospective risk in relation to the franchisor company.
- The board should oversee the appointment and operation of board committees and together with the CEO, participate in annual meetings.
- The franchisor company must have suitable insurance and indemnities.

“Franchising is no different from any other non-franchised business and the Four Pillars of governance best-practice must be present, monitored and adhered to at all times”

– Stewart Germann



Art of accessibility

AUTHOR:
SONIA YEE,
SENIOR IOD WRITER

Accessibility is about equity and ensuring everybody has equal access. Barriers are not just physical, but social, cultural and digital.

Accessibility has been at the heart of Touch Compass since its formation in 1997 when founder Catherine Chappell began teaching classes with members of the disability community and decided to start the well-regarded performing arts company.

Guy Ryan, now the chair of the company, has had a relationship with Touch Compass as a former dancer and choreographer and says he jumped at the opportunity to work with disabled artists.

Photo by:
Andi Crown





“I’m not an accessibility expert, but I’ve seen some of the barriers disabled people face. They are not just physical, but social, cultural and digital. The bigger picture is that accessibility is about equity and ensuring everybody has equal access,” he says.

Ryan was invited to be part of the company after he graduated from Auckland’s Unitec as a contemporary dancer in 1995. Chappell had been one of his dance tutors and he was excited to have the opportunity to work with her again.

While the corporate world is in a race to catch up, Ryan describes the arts sector as progressive and full of socially minded people.

“Artists are explorers and provocateurs who throw light on social and political issues. The arts are often ahead of the game on diversity, inclusion and culture. It’s no different with accessibility,” he says.

Currently, 25% of Aotearoa identifies as having an access need or experience of lived disability. One of the challenges is a lack of awareness of what accessibility truly looks like and the barriers in place.

As chair of Touch Compass, a role he has been in for two years, Ryan says board conversations focus on disability and cultural leadership, artistic vision, accessibility, and ensuring the company delivers professional artistic and community programmes.

“My job is to hold space as the company evolves toward a more disability-led model, and that’s where accessibility comes in,” he says.

“Rather than disabled people working within a model that has been set up and run by able-bodied people, we’re trying to shift towards a model where disabled people are increasingly in leadership positions and setting the agenda . . .”

“Rather than disabled people working within a model that has been set up and run by able-bodied people, we’re trying to shift towards a model where disabled people are increasingly in leadership positions and setting the agenda,” he says.

And what that entails is disabled artists feeding into the creative process and helping to drive the company’s artistic vision. Touch Compass has one person on the board who identifies as disabled, but Ryan would like to see more. “We would like to see a disabled chair or co-chair at some stage,” he says.

This will require proactively building opportunities for leadership development into Touch Compass’ strategy and Ryan says the board is considering how it can support disabled artists interested in leadership to gain further experience.

Touch Compass has designed its website with accessibility guidelines top of mind so disabled people, especially those with visual impairments or low vision can navigate the site more readily.

Ryan says businesses also need to think about access and adapt to the environment we are living in because consumer behaviour is also changing at a rapid rate.

“People will increasingly make choices beyond financial considerations. Younger generations care about climate change and social issues, so there’s both a talent and consumer angle to access for businesses. Some organisations are way ahead of others,” says Ryan.

While still new to governance, disability and the arts is a space that has allowed him to grow his knowledge of diversity and inclusion, and he is part of the Tuakana Teina Chair Mentoring Programme with Community Governance New Zealand and the IoD. “It just sounded great,” he says of becoming a teina (mentee).

BROADER NEEDS

Another person keen to push the conversation forward is Ant Howard CFInstD, the executive director and trustee for Be. Lab, an organisation supporting opportunities for the accessibility community. “I’d be really happy if accessibility was a consistent agenda item,” says Howard, who would like to see organisations put plans into action. “Like global warming, it has to be a long-term commitment and it will have peaks and troughs,” he says.

Howard joined the organisation as CEO this year and says his aim is to protect the legacy of Be. Lab’s first 10 years and also ensure its position for the next decade. Be. Lab was founded by Minnie Baragwanath, who now runs the Global Centre for Possibility.

Howard says Be. Lab was established to create a foundation for support and understanding and broaden awareness. Accessibility can encompass having a sight or hearing impairment, eating disorders and other physical mobility impairments.

But despite the organisation’s efforts, he says issues for the disability community have remained the same. “A large number of people have understood the need, but have struggled to address it,” he says of the lack of equity around employment opportunities, as just one example.

“Our job at Be. Lab is to encourage, inspire and not shame people for not doing it . . . we also want people to go beyond compliance because it makes good economic sense.”

Be. Lab’s goal is to ensure the disability community is invited to participate in discussions and decisions that affect them. Previously, businesses have gone through an accreditation process to create ‘physical access’, such as accessible bathrooms and ramps for wheelchair access. But today, Howard says the discussions need to go deeper because the needs are much broader.

According to Be. Lab’s research, ‘culture’ plays a bigger role in making people feel welcomed, and Howard says companies using signs to illustrate their diversity and accessibility position goes a long way to bridging the gap and making people feel included. “Delivering that message is incredibly powerful. The most positive society we could have is an inclusive one, and all the studies show they are the most functional,” he says.

Accessibility is nuanced and different people will have a range of needs, so what looks accessible to one person with a sight impairment may be inaccessible to another.

“Our job at Be. Lab is to encourage, inspire and not shame people for not doing it . . . we also want people to go beyond compliance because it makes good economic sense.”

Howard says many organisations find themselves lost on the crucial next steps once initial conversations have taken place. It is Be. Lab’s role to provide tools, advice and support to help businesses and organisations activate the change they want to see.

These, according to Howard, need to be fully supported by a board committed to the journey. **BQ**

A powerful voice building pathways

Fonoti Pati Umaga calls for open conversations in boardrooms – ‘it’s about building that honourable space between people’.

Celebrated musician Fonoti Pati Umaga feels like the ‘poster boy’ for disabled people. “If there is a legacy I want to leave behind, it’s a pathway built for our young people to come up and get into roles of leadership and be the voices of our disabled people,” he says.

“I feel like I’m a poster boy, so forward movement is about allowing us to build a succession plan to bring our emerging leaders in so there is a clear pathway for that. And that’s going to take work, but that is what’s needed.”

Umaga refers to himself as a proud Samoan and first generation New Zealander. He sits on numerous boards and advisory bodies, and is the recipient of many awards and commendations.

He says boards need to have open conversations about disability and sees his consultancy work and advocacy as a means to articulate the experiences on behalf of his people.

That includes pushing back when needed, and providing appropriate steps and solutions to create forward momentum. But in doing so, that can also mean shouldering some resistance and, at times, being confronted with glaring eyes.

“When I go into a board meeting I’m very aware of the prejudice and stereotypes that emanate from people when I engage with them. I’ve become used to that and I’m comfortable to come into a situation like a boardroom or advisory group and articulate the experiences of my people because of my own experience.”

While he acknowledges the politics in the disability space, Umaga uses the word disabled to describe his identity after an accident almost 20 years ago left him paralysed.

“The Pacific culture and disability go hand-in-hand for me, so that provides me with a lens on diversity and being a Pacific-disabled person involved in governance,” he says.

Umaga says the Pacific-disabled community has been identified as a ‘high needs and high-risk group’ and being on a board means having a voice to push for change. But in order to create space for that to happen, he says, every person on that board needs to be open to communicating in an authentic and meaningful way.

That includes not being afraid to ask questions, even if it feels uncomfortable. “Let’s have this open conversation

AUTHOR:
SONIA YEE, SENIOR
IoD WRITER

Photo by:
Mark Tantrum
Photography



where I can say, 'I'm disabled and I want to know about you and I want you to ask questions about me, even about my disability. Māori call it whakawhanaungatanga, but we call it 'va' – it's about building that honourable space between people," he says.

"We're all different, even people with disabilities. We might have a similar disability, but we have different needs and different ways of communicating and engaging with people, so it's not a one-size-fits-all approach."

Making mistakes along the way is part of the process of working towards change, and Umaga feels it should not be an obstacle for boards because sticking to the status quo for fear of being singled out won't support that change.

Based in Auckland, Umaga's parents arrived in New Zealand in the early 1950s. He says he rejected his Pacific culture growing up, but later realised its importance, and his cultural perspective and insight now feeds into his work, including a recent role as senior engagement advisor for the Royal Commission of Inquiry into Historical Abuse in State Care.

He also works across the disabilities space as a Pacific leader and consultant and sits on a number of boards, including Mana Pasifika Inc; Disabled Persons Organisation; MSD Pacific Reference Group – Pacific Prosperity Strategy; Health and Disability National Advocacy Trust; Whaikaha – Ministry of Disabled People's Better Outcomes Partnership Group and Community Reference Group.

Umaga (Fonoti is a chieftains title given to him in 2016) is also an acclaimed musician who sits on the board of the Pacific Music Awards Trust.

A highly regarded arts practitioner, he was awarded a Queen's Service Medal for his services to the arts in 2012. He was also inducted into the Attitude Awards Hall of Fame in 2019 and received a Creative New Zealand Pasifika Award that same year.

"When I first heard about the QSM, I thought 'Oh no, I don't do this for a medal'," he says.

"The Pacific culture and disability go hand-in-hand for me, so that provides me with a lens on diversity and being a Pacific-disabled person involved in governance."

Positive responses flooded in from the Pasifika community, who wholeheartedly embraced him as a Pacific leader – one who is creating change in a space where very few have had a voice.

"Ultimately, it's the people around me that have helped me achieve things because I'm not achieving this on my own or for myself. I don't really see awards as being a milestone in an individual way," he says.

One of the current obstacles for the Pacific disabilities community is a lack of consideration around cultural engagement from service providers, which has resulted in a distrust within the community, he says.

He speaks candidly about the issues around disability and diversity. For the Pacific community, those layers and obstacles are two-fold.

"The government has very little data and experience of engagement because our people do not trust the system," he says of the layers of bureaucracy involved in applying for services and being asked to provide every detail of your life – something which the Pacific community do not deem appropriate.

People slip through the cracks and only receive the bare minimum of services that meet their needs. "We build up this defence mechanism so we only give what information we need to, but it means we don't want to fully engage with that particular organisation or government agency."

Data collected by service providers may not be an accurate reflection of the real picture from those within the community.

"The issue with data is that there is a cost placed on it in terms of the research that's needed and the time to get into the communities and find the real stories," he says.

What Umaga would like to see is much stronger engagement to ensure sustainability and authenticity is reflected in the information collected. But without members from relevant communities participating on boards and being included in the conversation, there is less likelihood of that coming to fruition. **BQ**

BoardAppointments

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The future starts today, not tomorrow

Photo by:
Jene Stephaniuk
on Unsplash

AUTHOR:
SONIA YEE, SENIOR
IoD WRITER

**The Future Directors’
programme has helped 102
emerging directors overcome
that first hurdle of getting
their foot in what can be an
intimidating door.**



The IoD’s Future Directors’ programme was launched in 2012 and has helped to lay the foundation for up-and-coming directors across a variety of sectors. The founders of the programme, Sir Stephen Tindall DistFInstD, Michael Stiasny CFInstD and Des Hunt FInstD (Retd), wanted to create a space for diversity and new voices at the table.

Since its inception, 102 directors have come through the programme with 60 participating host boards – each one carefully selecting candidates to take a seat alongside them over a 12-month period. Initially open to NZX-listed companies only, the programme has grown to reflect the current landscape and includes local and state sectors, regional, and not-for-profit boards.

Sir Stephen says discussions with female directors opposed to mandates triggered the idea. “There was a lot of noise around gender and ethnic balance for New Zealand public company boards at the time we started Future Directors, and I had observed what had happened in Australia when quotas were mandated there.”

It took some lateral thinking and a few conversations to get the ball rolling, manifesting as a programme that would give each public company the opportunity to appoint a future director, with the aim to increase the pool of people with experience who could then become full public company directors.

Today, the programme is more relevant than ever with diversity and inclusion, an issue on every board’s agenda. Making that diversity a reality is exactly what Future Directors was designed to do.



“Like everything in life, doing and experiencing gives you the knowledge and the ability to operate confidently and make the right decisions. Almost all of us in senior management and governance have worked our way up through the system over many years before we have succeeded.”

Sir Stephen Tindall

“Through our venture capital business K1W1 we interface with very large numbers of people in an assortment of tech companies. These are private companies and tend to have a different mix of directors than public ones. They usually have much younger people and have a good age, ethnic and gender balance,” Sir Stephen says.

Bringing new voices to the table is an asset in the big picture, and Sir Stephen says he can see many of the directors moving into public company board roles.

“Like everything in life, doing and experiencing gives you the knowledge and the ability to operate confidently and make the right decisions. Almost all of us in senior management and governance have worked our way up through the system over many years before we have succeeded,” he says.

As a result of the programme, The Warehouse Group (TWG) has brought on Bindi Norwell MInstD, Vena Crawley, Renee Mateparae MInstD and Caroline Rainsford MInstD. Each has gone on to a successful career.

And in August 2022, TWG took what Sir Stephen says was an “unusual step of appointing Rainsford from the Future Directors’ programme straight into a full directorship role”.

Chair Joan Withers CFInstD said of Rainsford’s appointment: “Caroline has a very special mix of skills and experience and, as a board, we’ve found her passion for technology as well as her strategic insights highly valuable as The Warehouse Group continues its digital transformation at pace.”

From the operating table

The governance landscape has continued to evolve since the programme launched almost a decade ago. Today, its value is being seen and felt at a governance level and Sir Stephen says it gives people an opportunity to experience the inside workings of a company, and see how it ticks.

The programme helps emerging directors overcome that first hurdle of getting their foot in what can be an intimidating door. But once you establish yourself as a “high quality director”, Sir Stephen says there is likely to be demand for your skill set.

“This can actually be evidenced when one looks at the directors across the public company profiles in New Zealand where many of them have sat on several boards,” he says.

Having new talent at the table has had an impact, especially on larger public company boards. Sir Stephen says it has given those older, more established members a chance to be exposed to new ideas, illustrating real value at the table. But, he adds, there is still more that can be done to increase diversity. “All boards should strive to be doing this regardless of the Future Directors’ programme,” he says.

Looking ahead to the next decade, Sir Stephen would like to see more companies look at how they can develop governors to make a meaningful difference to the success of their companies. “It has been shown globally that companies who have really good diversity perform significantly better than they did prior to becoming more diverse, or over other non-diverse businesses.”

Originally from Philadelphia, Dr Liz Zhu is a former orthopaedic surgeon who has been working full-time for Boston Consulting Group (BCG) – a firm with more than 100 offices in over 50 countries. In 2022, she helped open a New Zealand office.

The consultant has been dipping her toes into the increasingly fast-paced and ever-changing waters of governance and has just finished a board placement with Pharmac. The world of governance and boards is a dramatic shift from her previous life working with patients.

“As a surgeon, you directly and immediately see your work benefit the patient, whereas, from a governance point of view, you are further away from the patient, but you end up creating benefit for more people,” says Dr Zhu, whose interest in governance comes from a consumer-centric focus. “Because of my experiences in health care, I am passionate about centering care around patients and whānau,” she says.

Connecting with the Future Directors’ programme and sitting on the board of Pharmac aligned with her background, and what started as a one-year placement was extended to two years.

She joined Pharmac in late 2020, just after New Zealand hit a standstill with the onset of Covid-19. She says Pharmac’s team worked hard through the challenges of the pandemic,



“As a surgeon, you directly and immediately see your work benefit the patient, whereas, from a governance point of view, you are further away from the patient, but you end up creating benefit for more people.”

Dr Liz Zhu

Touched by 'golden child'

especially around supply chain and procurement of medication.

Throughout her placement, the organisation was also undergoing a lot of change, including becoming more transparent with an increasing focus on engagement with consumers. "I have been really honoured to be at the table of an organisation that is doing so much for New Zealanders. We have all personally benefited from the work of Pharmac," she says.

Drawing on her experience with healthcare in the US, she says on a surgeon's salary she was struggling to pay for her medications. "It would cost US\$190 a month just for allergy eye drops with good insurance, and with student loans and the cost of living in New York, it was hard to afford," she says. Now based in New Zealand, prescription medication is much more accessible because of Pharmac.

During her two-year stint with the organisation, she felt welcomed by management and the board and speaks highly of the opportunity to receive mentorship by directors and governors at the highest level in New Zealand. "I loved the experience. It was incredibly gratifying to be working with people with such purpose and passion for what they do."

She says those interested in pursuing a governance path or other types of leadership or management positions would benefit from the programme and develop a deeper understanding of how boards and management interact.

Tahana Tippett-Tapsell lives in Tāmaki Makaurau/Auckland and has a role on the Sharesies board. As the investment manager of the Māori Investment Team at New Zealand Trade and Enterprise (NZTE), Tippett-Tapsell says working with Sharesies and gaining an inside perspective has been invigorating.

"It's been awesome. I was a customer of Sharesies for quite a long time and I always admired the company's values and the way it was operating, and how accessible it was to invest and manage funds," he says.

When speaking about the energy of the board, his eyes light up. He has been impressed by their passion and commitment to the strategy, and in particular, its strong focus on purpose. "It has been one of the greatest experiences and you can feel the energy, passion and determination . . . the positive effect on your wairua," he says.

A post-graduate executive business scholar from the University of California, Berkeley – supported by his whānau trust Tūaroapki – Tippett-Tapsell started his career as a commercial banker with ASB before moving into a business development manager role at Select Wealth Management.

He joined the Sharesies board in March 2022 and says it has been fascinating to see how the board makes decisions around balancing profit and purpose at a governance level. "It is really awesome to see how they prioritise purpose over everything," he says.

Tippett-Tapsell draws an easy parallel between his full-time role at NZTE to being on the Sharesies board and describes the start-up as the 'Golden



"I value diversity on boards and in governance, and I believe co-governance is the right thing. But I don't value box-ticking exercises. I'm a big believer in having the right and most capable person for the job."

Tahana Tippett-Tapsell

Child' of raising capital from private investment. Both roles have allowed him to see the types of issues faced by customers in raising capital to grow a business, and ensure it doesn't fall over.

Business and the financial world are a far cry from anything he was exposed to growing up in a big family in Tāmaki Makaurau, with parents who didn't finish high school. He says his family struggled financially from time to time. "I remember as a kid, sometimes not even having lunch and going to school. These are things I don't want my child to have to experience," he says.

His priority is to have a good quality of life and that includes providing quality education for his son. This comes as part of his deep desire to create generational change, which also fed into his pursuit of post-graduate studies in business and accreditation in the US.

Tippett-Tapsell is also passionate about empowering others to become financially literate, something which helped him and his wife buy their first house in Auckland when he was 25 years old.

A strong advocate of the Sharesies ethos of 'making wealth and investment accessible for everyone', his contribution at the table has been about sharing a Māori perspective, looking at new ways to reach communities in remote areas, and bringing an experience of creating his own personal wealth.

As a future director, Tippett-Tapsell also believes in honouring Te Tiriti. While the idea of co-governance might be hotly debated, he says as a partnership model

there should be a relationship where at least 50% of councils, for example, are made up of Māori seats.

"I value diversity on boards and in governance, and I believe co-governance is the right thing. But I don't value box-ticking exercises. I'm a big believer in having the right and most capable person for the job," he says.

Tippett-Tapsell has been approached by a number of boards, but at various times has questioned whether the offers were related to his experience, or his Māori background. He never wants to be in a position where he is asked to sit on a board simply to fill a quota.

"I want to be picked based on my skills and experience and at Sharesies they really appreciated my knowledge around financial markets and were really genuine around that," he says.

One of his goals is to help create investment capability for his iwi, guided by the key principle of enabling self-sufficiency, rather than being reliant on others to survive. "I want to give back to my iwi – Ngāti Pāoa, Ngāti Raukawa, Tainui and Te Arawa. It's my long-term focus to be involved in governance and to make good governance decisions," he says.

This also includes sharing his knowledge with the next generation. He would like to run financial literacy programmes to empower younger iwi members. "I want to take them through how it all works because we have to learn these key things in life."

Future Directors, which is celebrating its 10-year milestone, was registered as a trademark this year to recognise the significance and uniqueness of the programme. BQ



Future Directors

Star power in boardroom

AUTHOR:
NOEL PRENTICE,
EDITOR

Bringing a high-performance career in sport to governance has its benefits, but it can be sink or swim.

Famous sports stars bring instant name recognition – and credibility in some cases – to a boardroom, but it is diversity in thought and experiences that set people apart, says Sport New Zealand Ihi Aotearoa chair Bill Moran MInstD.

A number of sports stars were appointed to the High Performance Sport NZ (HPSNZ) board in September, including two-time Olympic shot put gold medallist Dame Valerie Adams, Silver Ferns coach Dame Noeline Taurua, and four-time swimming Paralympic gold medallist Duane Kale CMinstD. Former New Zealand national softball team player and coach Don Tricker (now health and performance coach at MLB's San Diego Padres) was also appointed.

All Blacks great Richie McCaw also made the leap into governance this year, being appointed as a director of New Zealand Rugby Commercial, formed in New Zealand Rugby's deal with US private equity firm Silver Lake.

While some sports need a name to be able to connect their board to the people, umbrella body Sport NZ is blessed with superstar athletes. The nine directors include Kale, former world champion discus thrower and four-time Olympian Beatrice Faumuina MInstD, former Black Ferns captain Farah Palmer MInstD, and former double international sportswoman Karen Vercoe (rugby and touch).

“New Zealand has punched above its weight in terms of medals since the

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2012 London Olympics,” says Moran, who is also chair of HPSNZ. “But high performance sport is about more than medals. It is about heroes and those people who make us proud because of the challenges they have had to overcome to achieve fame and success.

“Athlete and coach health, and wellbeing, is the foundation of high performance. Appointing Dame Valerie, Dame Noeline, Don Tricker and Duane Kale brings lived, and living, athlete and coach experience to the board table, connecting strategy and priority to the things that really matter to athletes and coaches.”

But they are not there just because of their performances in the sports arenas.

“It is critical for the directors on the Sport NZ board to bring diversity in thought and experiences, to ensure good board culture and performance, and to ensure boards and their organisations are able to face new challenges in an ever-changing and evolving world,” says Moran.

“It is important that boards have people who hold different views and that they are able to bring those views to the table. Strength lies in the differences of directors and boards, thinking independently together.”

In June 2021, the government appointed five new directors to the Sport NZ board, all bringing varying degrees of governance experience. The current board comprises five women and four men, and provides culturally diverse voices, including Māori, Asian and Pasifika.

“The priority was to broaden the diversity of thought by appointing directors who could bring vastly different life experiences, communities of interest, and professional skills, as well as bringing a demonstrated history of working well with others in diverse teams,” says Moran, who has been chair since 2018.

Chairs need to have the skills to create an open and inclusive culture where



“They are all internationally recognised, and each of them brings their own expertise, knowledge, ideas and opinions to the table, not just from a sporting perspective but also from their previous experience in leadership and governance.”

Bill Moran

all voices are heard at the table and collective accountability for decisions is taken by all directors, once those voices have been heard, he says. “Bringing a board together is just the beginning of a process, keeping it together is progress, and enabling it to work together is success.”

But it is important for Sport NZ to have directors who have experience in, and understanding of, the play, active recreation, and sporting landscape in Aotearoa, says Moran.

“They are all internationally recognised, and each of them brings to the table their own expertise, knowledge, ideas and opinions, not just from a sporting perspective but also from their previous experience in leadership and governance.”

In the 16 months since the board was formed, Moran says it has had an active focus on its culture and performance. It has done this through a self-review at the end of each meeting, regular self-reviews of individual director performance, and an annual review of board performance, the first of which has just been completed by BoardWorks.

Sport NZ chief executive Raelene Castle is also regularly asked for feedback on the value of each board meeting, and on the board’s overall performance, including as part of the 12-month board review process.

Despite the new board being formed as Covid-19 swept the world, Moran says they came together quickly. Sessions were run allowing board members to get to know each other, their personal histories and aspirations, and to develop a common set of values to govern their conduct and the conduct of board meetings. This meant each director was accountable for ensuring the collective success of the board.

And in making strategic decisions for sport in New Zealand they are facing some big challenges – one of the biggest is understanding the rapidly changing demographic profile.

“We need to target investment in the sport and recreation system to improve the life outcomes of tamariki and rangatahi with the lowest rates of physical activity, including Māori, Pasifika, Asian, girls and young women, and those with disabilities. A board that has directors with specific understanding of these populations and their particular needs is critical to good investment decisions,” says Moran.

SLAM DUNK FOR BASKETBALL

Former Basketball New Zealand chair Brian Yee MInstD says they made a smart move when asking superstar Megan Compain to join their board – “it gave us a lot more credibility”.

It also gave them the important role model they needed as part of their strategic priority to develop and support women’s and girls’ basketball – and help achieve equity and inclusion.

“One of our biggest criticisms was the board was not connected to basketball, they were not sports people, they did not know the sport,” Yee says. “Having high-profile sportspeople gives the board a lot more credibility.”

But not all sports stars can trade off their famous names in a boardroom and they have to be quick learners to survive. Yee says it is natural for people to like having a high-profile or well-known person on a board, but he cautioned they won’t bring a lot of value to the governance table straight away if they don’t have prior experience.

“They need to adapt and learn how they can contribute around the board table, as opposed to on the field or on the court. It is totally different,” says Yee, who stepped down as chair this year but is still heavily involved in the game.

Compain, the highly decorated double Olympian and WNBA trailblazer, has made that transition to governance, bringing 15 years of commercial experience in the sports industry. She is also involved in operational aspects



“One of our biggest criticisms was the board was not connected to basketball, they were not sports people, they did not know the sport. Having high-profile sports people gives the board a lot more credibility.”

Brian Yee

of basketball, as well as being a TV commentator/analyst.

“She has been able to make the leap in terms of contribution to governance but also be an important role model as part of our strategic priority around women’s and girls’ basketball,” Yee says.

“We needed someone who was high-profile and been a role model for the entire sport, leading from the top right down to the grassroots. She is pivotal in that role.”

One of the game’s biggest challenges is to stop player attrition when they leave school, despite it being the fastest growing secondary-school sport in New Zealand.

Compain has helped revamp the WNBL in the past two years, making it semi-professional, attracting sponsors and introducing pay equity. “From the board perspective, it is really important to have someone to be the face of basketball,” Yee says.

And he says they found a way to keep her on the board when the former Tall Fern wanted to be involved as a part-owner of one of WNBL teams – the Tokomanawa Queens.

Finding people of Compain’s calibre, with the right skill sets and attributes around the board table as well as contributing passionately at grassroots, is hard to find, says Yee.

A highly successful high-school coach who has helped many girls gain scholarships in the US, Yee answered a call when “basketball was technically insolvent” and the board was restructuring.

Sport New Zealand demanded a proper governance structure and a proper mix of people on the eight-strong board – 50% appointed and 50% elected.

Yee was an obvious choice with his passion and involvement in grassroots basketball and his background in strategic and business consulting. He

FEATURE

was appointed in 2014 and became chair in 2019.

Directors can only be appointed for eight years (two terms), which is viewed as too short by some, but the only option is to change the constitution.

“I would have loved being able to continue giving back to the game I love, but rotation enables fresh blood and new ideas to be brought to the board table so I was happy to finally call it time,” he says.

It did help having Tall Blacks great Glen Denham replace Yee on the board, as well as another highly acclaimed player, Dillon Boucher, taking over as CEO in 2021.

“Having superstars in the governance of sport is invaluable,” says Lee. “They are heroes and are well respected and connected within the basketball community.”

Yee says another issue is they are voluntary positions and a modern board cannot really operate and make significant changes or restructuring if they are “only getting together six-to-eight times a year”.

He says the board is trying to implement some of the recommendations that came out of a NZ Sport-funded restructuring of the basketball system.

The board has also been able to negotiate a commercial deal with Sky TV with women’s basketball now a big part of its programme. “We entered into a five-year deal allowing us to introduce equal pay for women, and televise all basketball.”

NETBALL IN GOOD HANDS

Former Silver Fern Bernice Mene MInstD has also been able to bring a high-performance career to the boardroom, but she was already armed with at least 15 years’ experience around the board table.

“I had been on numerous boards when I joined Netball New Zealand in 2018,” Mene says. “Joining boards has always



“I had been on numerous boards when I joined Netball New Zealand in 2018. Joining boards has always been driven by my experience and my values – and whether you can make a difference.”

Bernice Mene

been driven by my experience and my values – and whether you can make a difference.” That difference comes in her passion for youth development, community engagement and education.

Having worked with Paralympics NZ, Sport Auckland and on a number of government projects, Mene brings a wealth of experience and understanding across the sports multiverse. She played for New Zealand for 10 years (1992-2002) – three of them as captain – but also had a background and love for languages, with a linguistics degree in German.

Her first encounter with governance came at the Graeme Dingle Foundation after working in a voluntary capacity on its Project K programme for Year 10 students. “I have learned a lot on the boards I have been on. They have been quite different in composition and make-up.

“It wasn’t until I did my IoD directors’ course this year that everything crystalised and it all clicked into place,” said Mene, who was been re-elected for another four-year term.

The key to all boards, she says, is having a strong chair who is clear on your role and how the group interacts and operates. A lot of the culture is created by the chair. “Diversity around the board table is also really important,” she adds.

One of the most important developments she sees in netball is the move to integrate the youth voice. She remembers she was the youngest member when she joined Netball New Zealand – “and I’m not that young to be honest,” says the 47-year-old.

Having Mene on the board brought the missing connection with the grassroots.

“When I went to my first AGM or council meetings as a board member a lot of representatives from netball centres were very receptive,” she says, citing the reaction of the “ladies at the Manurewa netball centre who were heartened and that gave them higher trust around the decision-making”.

Netball is such a multifaceted sport with zones and centres that all have ownership and voting rights so getting everyone on board and backing your vision was a challenge, says Mene, who is also chair of the Olympic Education Commission and a trustee of leading contemporary dance company Black Grace.

Mene is also the national programme manager for Hyundai NZ's Pinnacle Programme, a TV presenter/commentator, an MC and a speaker.

She advises anyone looking at governance – and not necessarily in sport – to look first at voluntary roles in not-for-profits or school boards.

“And you have to be sure you have the time, the commitment and the bandwidth to be able to give and to be effective,” says Mene, who was made a member of the New Zealand Order of Merit in 2012 for her services to netball.

EXPERIENCE RUNS DEEP IN ATHLETICS

Athletics New Zealand chair Cameron Taylor MInstD says finding the right skill set and depth of experience around the board table is key for any organisation.

A quarter-finalist in the 200 metres at the 1992 Barcelona Olympics and a lawyer by profession, Taylor has “a real passion for athletics and providing an environment where young people have an opportunity to participate and succeed in the sport”.

Professional and family commitments meant he wasn't able to be involved in the sport as a coach, but he is participating in the boardroom instead.

He joined the Athletics New Zealand board in 2012 and was re-elected as chair in 2021. It was his first board role but he had extensive experience working with boards and senior management teams when advising on strategic transactions internationally.

The Athletics New Zealand board line-up includes Genevieve Macky, a silver



“It is one of the touchstones that is important for the board to think about in its make-up and composition. In the case of athletics, this includes board members collectively having a really strong understanding of, experience in and connection to, athletics, sport in general and to the relevant stakeholder groups and communities.”

Cameron Taylor

medallist at the 2016 Rio Olympics in rowing, and Courtney Ireland, a 1994 Commonwealth Games silver medallist in shot put. Taylor says they, along with other board members, bring a range of commercial, financial and other valuable skills and experiences to the board table.

He says a high-profile former Olympic or Commonwealth-level athlete is certainly very helpful, but that in itself doesn't give a board credibility.

“It is one of the touchstones that is important for the board to think about in its make-up and composition. In the case of athletics, this includes board members collectively having a really strong understanding of, experience in and connection to, athletics, sport in general and to the relevant stakeholder groups and communities.”

The board is comprised of four women and four men and has a strong focus on being a governance board, not an operational board. That focus has been important because the organisation has faced a large number of challenges and has changed over the past 10-15 years.

The challenges keep coming and vary from year to year, Taylor says.

“Like all sports, one of the key challenges is resources. Funding is always a challenge. Covid-19 has added to that challenge with lockdowns around all or parts of the country that severely restricted our ability to run events and engage with our members.

“We are very lucky to have some amazing people in our management team and fantastic officials, volunteers and athletes all around the country who are the lifeblood of our sport.

“We are also in the very fortunate position to have some incredible athletes that are great role models,” he says, referring to recent Olympic medallists Dame Valerie Adams, Tom Walsh and Eliza McCartney in particular. **BQ**

Betting big on renaissance

AUTHOR:
NOEL PRENTICE,
EDITOR

Horse racing board in a race to make the sport sustainable and bring back the crowds.

Mike Clarke CMIInstD looks across to Australia with a mixture of envy and optimism. Every weekend thousands of people are going horse racing, loving the experience and returning for more.

The scene is different in New Zealand as the racing industry continues its restructuring process and works to return to the level of popularity when it truly was the sport of kings.

Clarke and his fellow directors on the New Zealand Thoroughbred Racing (NZTR) board are putting a plan in action – born out of the alarming Messara Report in 2018.

The government-commissioned review concluded New Zealand's racing industry was in a state of serious malaise and required urgent reform. It also warned thoroughbred horse racing was at a "tipping point of irreparable damage".

Alarms bells were already ringing in an industry contributing \$1.633 billion

to GDP annually (\$611m direct valued-added and \$1.022b indirect value-added) and engaging tens of thousands of people as employees, participants or volunteers.

In response, then Minister of Racing Winston Peters introduced the Racing Industry Act – a "brilliant first step" in the restructuring process, says Clarke.

It included renaming and restructuring the New Zealand Racing Board, focusing the TAB as a commercial wagering operator with other responsibilities devolving to the individual racing codes. Other changes included reducing the number of racetracks – the Messara Report recommended from 48 to 28 – and upgrading the remainder; building three synthetic tracks at Cambridge, Awapuni and Riccarton; and increasing prize money or stakes.

"With the support of clubs and other participants, we are well into the restructuring process with more stakes in the industry and investment deployed

Photo by:
Bettmann/
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to infrastructure improvements,” says Clarke. “There is more to be done, all of which will help our sport.”

Clarke says the board is looking at a vision of a sustainable industry over multiple generations, with one of their key mandates to make the sport more popular.

It is betting on the launch of a new series that promotes the top 20 race meetings, labelled the Grand Tour Racing Festival, with the aim to boost mainstream awareness, on-course participation and increase wagering domestically and internationally with 29 Australian partners.

A better race-day experience is central to the Grand Tour plan. “In this modern world we have so many entertainment options,” says Clarke. “We are confidently competing for customer engagement with a focus on digital channels.”

He says if a first-timer to the races has a good experience, they will likely come a second time and the “maths start to look good”.

“There is no question we have to keep working hard to get racing back into young people’s psyche,” he says. “Look at Melbourne and Sydney, where young people go racing with their friends. It’s what they do. They may even have an ownership share in a racehorse. We will get to that here. The good work on horse welfare is an important value to this audience.”

The seven-strong NZTR board, with Cameron George as chair, is made up of mostly business people with an interest in racing. Its core functions under the Act are to govern and regulate thoroughbred racing in New Zealand.

The board members are appointed by a Members’ Council, which represents the stakeholders and includes trainers, breeders, syndicators and other industry participants.



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Mike Clarke

“There isn’t really a parallel in the business world I can think of,” says Clarke of the governing structure. “The council is a collection of shareholders who meet with the board three or four times a year to canvas ideas. It’s very collaborative in that respect.

“They represent the industry and all its participants and bring a really good representation to the board. We are balancing that with looking at the short term, medium term and long term.”

In addition to the board’s statutory obligations, they are focused on horse welfare, training and development, sustainability and recruitment, which is a big issue for many industries. The board is also working to lift the industry’s performance in wellbeing, which includes health and safety for all participants.

The NZTR, which recorded a surplus of \$10.57 million in 2020-21, will stage 293 race meetings this season, across 33 venues with more than \$70m in stake money.

The last commissioned study, released by the New Zealand Racing Board in 2018, showed the industry generated more than \$1.2 billion in direct expenditure in the 2016-17 season – \$813.4 million (68%) from thoroughbreds, \$325.3m (27%) from harness racing, and \$67.1m (5%) from greyhounds.

“As an industry, racing in New Zealand is similar to important industries like fishing which is quite staggering in terms of employment and GDP impact,” says Clarke, a director and board advisor with more than 30 years of business experience across a range of industries, including gaming. “It is a big deal and that extends into breeding which is a big export industry for New Zealand.”

The study said the economic output generated by the racing industry was directly responsible for sustaining 14,398 full-time jobs across the country. In total, there are more than 58,100 individuals who are either employees, participants or volunteers. **BQ**

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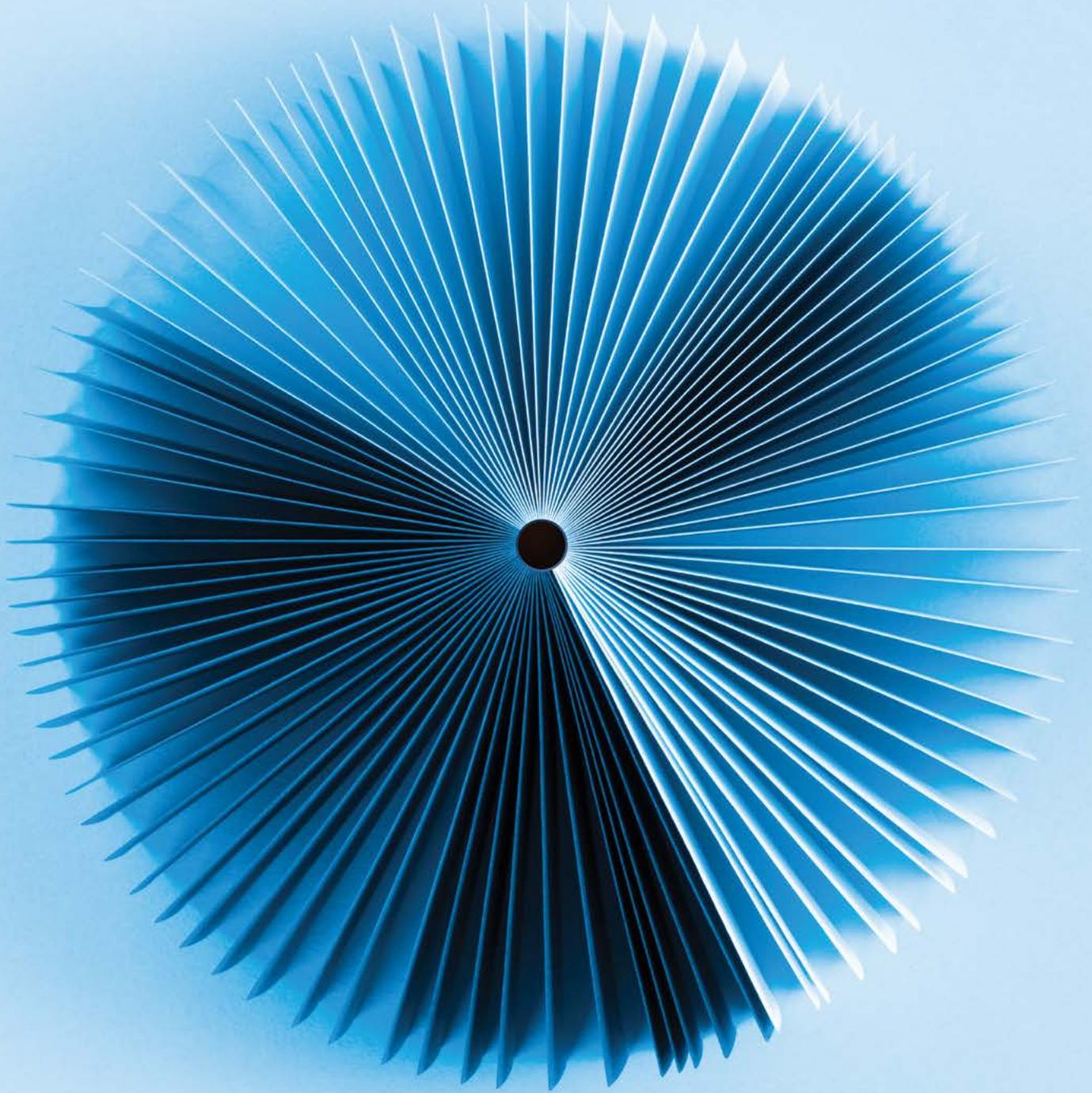
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Choosing the right CEO

AUTHORS:
**CHRIS LOKUM AND
 VICTORIA CARTER**
 CFInstD

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Four attributes stand out when trying to find the perfect fit for chief executive.

Arguably, the most important job a board has is to appoint the chief executive. Mistakes can be costly in terms of reputation, performance and settlement payments. There could also be damage to the organisation, its culture and loss of other good team members who leave frustrated with the board's decision.

There is a paradox in hiring a good chief executive – they must be strong, yet humble, direct yet consultative, a big personality but approachable, and balancing the soft and the hard skills.

It is the cultural fit, the value set, the way they lead, manage, problem-solve, innovate and deliver which will determine whether they can be impactful. It is this 'fit' which is the tricky skill set to identify, develop, and hire for.

Technical abilities should be a given. They are relatively easy to measure – either they can do the job or not – and they are relatively easy to develop.

Spending money at the right parts of the process can minimise the risk of a mis-hire. This may be difficult for cash-

strapped not-for-profits, but can be worth it in the long run.

When searching for a chief executive look for these four attributes: motivation, technical ability, the right behaviours and evidence of this, and cultural fit with the rest of the team.

MOTIVATION

One of the most critical attributes of a chief executive is making sure there is absolute clarity of purpose. What does the business or charity exist for and what is the CE there to do? The CE needs to live and breathe the organisation. They will use their energy and drive to ‘push’ the organisation to achieve its purpose. How do they demonstrate their alignment with the bigger purpose of the organisation?

Warning! Executive leaders tend to be competitive and alpha leaders, and yet to be a high-performing leader, they need authenticity and humility. In a world that has been reshaped by Covid-19, increased environmental challenges and geopolitical tensions, the command and control approach is no longer acceptable.

TECHNICAL ABILITY

How does the candidate prove they have what is needed, what experience have they had in the sector, e.g. government, health, education, transport. Some of their previous experience may be similar but in another sector so it is transferable.

Do they have functional expertise in at least one area, such as strategy, finance, marketing, sales or operations?

How can you assess their commercial acumen? What is their performance track record of delivering results? Can they give examples of their delivery? How can they demonstrate they are familiar with large or complex organisations, perhaps multiple stakeholders or lines of authority, a large employee base or significant budget management?

“The CE needs to live and breathe the organisation. They will use their energy and drive to ‘push’ the organisation to achieve its purpose. How do they demonstrate their alignment with the bigger purpose of the organisation?”

BEHAVIOURS

Look for leadership behaviours of adaptability to respond to uncertainty, willingness to be authentic and vulnerable, people who can inspire and drive change, people who can balance the ‘hard’ and ‘soft’ skills, and who have business and strategic insight.

Can they say ‘no’ and keep relationships intact? Can they make tough decisions? Can they maintain momentum and drive, despite any setbacks or difficulties? How can they show they are able to innovate, make informed and effective decisions and yet also show they can be versatile and empathetic?

When interviewing candidates, explore how they have developed and grown people and teams. Explore their ‘enterprise-wide perspective’. Can the candidate determine the strategic direction – what ‘bets’ to place – and set a framework for the operation?

Can they understand the business or charitable context and where the organisation can effectively add the most value? Are they curious about and focused on the external environment, the competitive landscape and broad macroeconomic trends and influence?

Many of these can be turned into questions to explore the behaviours of the candidate.

CULTURAL FIT

Lastly and most importantly, how will the candidate conform and adapt to the core values and collective behaviours of your organisation?

THINGS TO LOOK OUT FOR:

- Look for red flags in resumes: obvious copy-and-paste text, mismatched dates, typos, embellishments, gaps in timeline (which could be for legitimate reasons), and people who seem to have had a lot of jobs lasting only a few years. Dig deep into why this is to satisfy yourself they haven't been 'moved on'.
- Check remuneration expectations to ensure your short-listed candidates will fit your budget.
- Cash flow is essential to the operation of any business. For NFPs, the chief executive is usually the biggest fundraiser and they need to be able to generate cash flow and maintain the current money coming in. Do candidates understand cash flow, revenue generation and tightly managing money?
- An appreciation of Te Tiriti o Waitangi, tikanga, te reo Māori and engagement with Māori should be a given. Check that candidates have demonstrated a willingness and openness to develop their knowledge and have experience building enduring relationships with iwi groups.
- The relationship between the board chair (and then the rest of the board) and chief executive is critical. Look for candidates who you will be able to build a respectful, honest and transparent relationship with.
- Reference checks act as the source of truth, allowing you to verify what you have been told in interviews. They help you explore any potential strengths or weaknesses you have assessed in your preferred candidate. Ensure you speak with at least three referees.
- If you are using a search firm to assist you, they can provide helpful insights, but do further research into candidates to reassure your selection.
- Lastly, it is important not to be rushed into a decision. Appointing an interim chief executive can provide the board time to identify the best candidate.

THE RECRUITMENT PROCESS.

- 1 Consider a subcommittee to manage the process, perhaps even add an independent with experience to assist. Ensure there is regular reporting back to the full board before any key decisions are made.
- 2 Establish the purpose and accountabilities of the role. What do you need for the organisation at that point in its maturation? What do you want the person to be responsible for?
- 3 Define the competencies and experiences required for the role. How will you recognise the skill sets or talents you are looking for?
- 4 Agree the remuneration range.
- 5 Identify any external consulting support you may use, including consultants to support search, interviews, testing and background checking.
- 6 How will you generate candidates? LinkedIn, Seek and Trade Me are online places most candidates use to look for vacancies instead of newspaper advertisements. Search firms are useful for identifying candidates.
- 7 Agree the screening criteria, short-listing and selection process. Remember that unconscious bias may operate at every step of the process. Be aware of this. For more information on bias go to projectimplicit.net.
- 8 Congratulations, you've found some candidates. Now conduct in-person interviews to narrow your decision.
- 9 Conduct second interviews with the short-listed candidates and give them a simulation or task to assist the panel in assessing their ability to do the job.
- 10 Finally, once you've made a choice, always do reference and background checks. This is where executive search support can be invaluable. Relying on instinct alone is not enough. **BQ**

The *Harvard Business Review* suggests it is time to consider co-CEOs and the model is more viable than you might think. In its July-August edition, it also looked at the C-Suite skills that matter the most and says that, more than ever, companies need leaders who are good with people. Visit hbr.org.



Chris Lokum is general manager, People, Culture & Safety at Waka Kotahi (NZTA). She has more than 25 years in senior HR roles, working in the private, public and not-for-profit sectors in New Zealand, Australia and the UK.



Victoria Carter has more than 25 years' experience as a director on the boards of NZX, private companies, charity and council entities in the transport, tourism, education, property, and arts sectors. She is chair of Waka Kotahi's People, Culture & Safety committee.

Trans am

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Cathy Parker brings a unique perspective to the boardroom – “I have seen the world from both sides of the gender lens.”

AUTHOR:
AARON WATSON,
WRITER/EDITOR

Trans rights has become a hot-button global issue, influencing UK Conservative Party leadership races and emerging as a major point of difference between the Republican and Democratic parties in the US.

In the literary world, *Harry Potter* author JK Rowling has become a reactionary suppressing transgender rights or a brave voice fighting for women’s freedom – depending on your viewpoint – for arguing that sexual identity (DNA) should trump gender identity when it comes to women-only spaces.

Global sports bodies are grappling with the issue of whether transgender women should be able to compete in female sport. The Olympics says ‘Yes’. World swimming body FINA says ‘No’. World cycling body UCI says ‘Yes’. Rugby league’s IRL says ‘No’. And so on.



In the business world, the emergence of pronouns on emails signals a rising awareness of, and support for, transgender people within a larger framework of respect for LGBTQIA+ people, however they identify.

Discussion of trans rights pits ideas of inclusion against traditions of exclusion. It contrasts socially modern liberalism with traditional, often deeply held, ideas about sexuality and gender roles.

TRANS IN GOVERNANCE

Cathy Parker CMInstD transitioned in the mid-2000s. She is the founder of Adrenalin Publishing, sits on the boards of the Magazine Publishers Association (MPA) and the advisory board for the Superdiversity Institute, and has chaired the New Zealand Audit Bureau of Circulations. New Zealand's governance community has been accepting of her gender switch, which reflects the generally tolerant attitude of Kiwis to LGBTQIA+ people, she says.

"I was on an industry board when I transitioned 16 years ago. I thought I was going to have to stand down," Parker says. "They said, 'no silly, of course we want you on the board. You have still got the same skills you had last week'. I was accepted for who I am."

Broad support for gay marriage, even among people who are religious, demonstrates a thread of tolerance in New Zealand society that contrasts with the sometimes vitriolic and hateful public dialogue directed at the rainbow community in other countries. "While trans rights are a bit behind gay marriage as an issue, I feel that New Zealanders are accepting," Parker says.

Over the past decade, the governance community has become more aware of the value of diversity of thought to board decision-making. This is part of a global trend, backed by a plethora of research that shows diverse boards are best-equipped to lead organisations in challenging times. This is seen in

"I mixed in my younger times with primarily male groups and got a really good understanding of the male psyche, how males think. In the past 16 years, I have mixed primarily with female groups and I have a strong understanding of the female psyche. Not many people can bring both of those perspectives to the table."

the gradual increase in the number of women on boards, and moves to support ethnic diversity.

Parker believes diversity is an all-encompassing concept of the particular value a particular person can bring to a board based on their specific background. "That should apply across everything – ethnicity, sexuality, religion, gender or anything else. It should be a consistent policy across all areas."

Trans people bring something to the board table that other people cannot. "In my case, I have seen the world from both sides of the gender lens," Parker says.

"I mixed in my younger times with primarily male groups and got a really good understanding of the male psyche, how males think. In the past 16 years, I have mixed primarily with female groups and I have a strong understanding of the female psyche. Not many people can bring both of those perspectives to the table."

Trans people are also likely to have suffered adversity and become more resilient because of it, she says. "Totally upending your life in a number of ways builds a strength of character.

"I could have hidden away in my office and not gone anywhere, but I have purposefully pushed myself into governance and public speaking on the basis that the more people who meet a trans person, and see that we are normal, the more acceptance there will be out there."

BACKDROP OF HATE

According to the US-based Human Rights Campaign, 27 laws were filed across various US states in 2021 that reduced the rights of transgender youth. In the US, Florida Governor Ron DeSantis had a public spat with Disney when its CEO Bob Chapek criticised a law prohibiting discussion of sexual orientation or gender identity at junior schools. DeSantis

retaliated by removing the special tax status of Florida's Disney World.

It's part of a political movement in the US known as the culture war, in which transgender rights are a prime target. "There is some pushback from religious conservatives, which in the US is essentially the Republican Party," Parker says.

"They have much stronger religious views than you find in many countries, such as New Zealand or Australia. Politicians have been looking for a hot-button issue among the Christian community and trans rights is one."

In Parker's view, it is part of a broader philosophy of male dominance among some US Christian groups. "They have a view that God created men and women, and men should be in charge. Women – and others – shouldn't have too many rights. We are seeing this in pushback, in Roe v Wade being annulled by the US Supreme Court. They would love to roll back gay marriage and other things that don't sit comfortably with their world view."

As equalities minister before her short-lived time as UK Prime Minister, Liz Truss disbanded the LGBT Advisory Panel and scrapped proposals to allow for gender self-identification.

Parker says the political mileage to be found in attacking trans rights comes from fear in some sections of the community that they are losing power. "Suddenly, women are going to university and becoming leaders; gay people are getting married. They feel that is somehow affecting their rights."

There is also an ongoing dispute with feminists, such as JK Rowling, who are concerned that trans women may be a danger to biological women. "The other group that has always been a bit anti-trans are trans-exclusionary radical feminists (TERFs). They have been around since the 70s, particularly in

"I could have hidden away in my office and not gone anywhere, but I have purposefully pushed myself into governance and public speaking on the basis that the more people who meet a trans person, and see that we are normal, the more acceptance there will be out there."

the lesbian community but also outside of it. They dislike anything that has connotations of maleness – including trans people that used to live as male.

"I met one lady who was thrown out of a commune in the 1970s because she had a son, and her male baby might pollute the group. So there are some very 'out there' views."

Nevertheless, Parker feels the general population of England and the US do not share the anti-trans opinions of some in their populations.

ANTI-TRANS NEW ZEALAND?

"In New Zealand, we have not seen much anti-trans rights activity," Parker says. "We do have our share of opponents, generally among the evangelical – rather than the mainstream – religions. There is the Speak Up for Women group [which supports gender choice, but sees 'women' as defined by sex], with relatively small numbers, whereas you have the National Council of Women of New Zealand coming out and saying trans women are women, as do Global Women, which I am a member of. So our mainstream groups are tolerant. In general, that's what I have seen in our community. You don't really see any outward hostility."

While Parker has not experienced discrimination in her governance career, she says it is difficult to know if there is an anti-trans current there. "The hard question is, 'has it affected my ability to get onto boards?' You can never know that because you don't know the reasons you were not selected. I'd have to say that, probably, it isn't an issue."

As an IoD member, she has always felt welcome at events. The one potential issue she sees is in how the governance community may define the idea of a 'woman' in the future. "If we ever come down to having quotas on boards, accepting that trans women are part of the female quota. That's probably the only issue we might have to address." **BQ**



Desert warrior

AUTHOR:
NOEL PRENTICE,
EDITOR

Ultramarathon warrior Mark Cross pushes the limits to raise thousands for charity and university scholarships.

“I thought the world revolved around governance,” says Mark Cross CMIInstD tongue-in-cheek as he recounts his latest experience in the world of endurance racing.

In October, Cross not only competed in and conquered the 250km Atacama Crossing in Chile, but finished 10th in a field of 120 runners from 39 countries.

Cross and his fellow desert warriors traversed salt flats and massive sand dunes in the Atacama Desert, the oldest and driest desert in the world in the foothills of the Andes Mountains.

Multi-stage ultramarathons are a battle of survival and will power. There is a kind of craziness needed.

Cross, a professional director with more than 20 years of international experience in corporate finance and investment banking, describes the Chile experience as enjoyable and cathartic.

He was not only humbled by the forbidding environment, but by his rivals and the three “fascinating characters” he shared a tent with.



And also by the winner, ‘Bilbo Baggins’ (aka Rob Forbes), “who running-wise was on another planet”.

“Coincidentally or not, they were either current or ex-military and they had some fascinating stories to tell,” Cross says of his tent mates.

“We spent a lot of time together because after each stage you would be back in the camp early in the afternoon.

“One was a current British commando who had just rowed solo across the Atlantic. Another was a West Point graduate and lieutenant colonel in the US Army with a PhD in military strategy; and the other was a former British airborne soldier who had more recently spent time as a private contractor in the Middle East.

“And then there was me,” says Cross, laughing, “but no one was interested in any boardroom stories.

“I raised about £25,000. That was the beauty of working in investment banking – you do something crazy and colleagues will dip into their pockets.”

“I thought the world revolved around governance, and here I was and no one was very interested. I did contribute with curiosity and questions though.”

‘BRUTAL BEAUTY’

From his first experience of endurance racing in the 250km Marathon des Sables in Morocco in 2008, then the 250km Gobi Desert in 2016, the 320km Alps to Ocean Ultra and now the Atacama, Cross says there is a “brutal beauty” to such unforgiving and desolate terrains.

“The Atacama is the world’s most arid desert with humidity of about 4% so it is really dry and dusty, and has such a big landscape.

“It can be quite cathartic to live so simply for a week. All you have is a little pack and the dehydrated food in that pack to last the week. There is no technology, no nothing.”

It’s just you and the desert. But if you put your mind to it and put the training in,

then that gives you a better experience, Cross says.

“The Atacama was more about – dare I say – enjoying it than struggling. It was not easy. There is a whole range of people – some at the front who are there to win it and some who are at the back to just complete it. They might walk a good portion of it.

“At the beginning of the week my aim was to finish top 10 so that pushed me. The competitiveness kicks in and drives you along. You always want to make sure the person behind you is not catching up, and you are trying to close in on the person up front.”

It is the physical and mental challenges that appeal to Cross in participating in these endurance events.

And by a tragic turn he found that doing these events is a great way to raise money for worthy causes.

“I was working in London at the time and a colleague’s young son had tragically drowned so they launched a trust in his name,” he says.

Cross was just about to tackle the Marathon des Sables and thought, “given the sad circumstances why waste a great opportunity to raise money for a good cause”.

“I raised about £25,000. That was the beauty of working in investment banking – you do something crazy and colleagues will dip into their pockets.”

Thanks to supportive friends and colleagues, the charity contributions have kept ticking over with Cross’ every kilometre. He raised \$10,000 doing the Gobi race in 2016, \$15,000 for the Alps 2 Ocean Ultra in 2019 and then over \$23,000 for the Atacama Crossing.

HELPING STUDENTS

The money for the Atacama Crossing goes to the Milford Foundation, a charitable organisation set up by Milford Asset

“It can be quite cathartic to live so simply for a week. All you have is a little pack and the dehydrated food in that pack to last the week. There is no technology, no nothing.”

Management. The funds raised will help fund university scholarships for students in need.

“Milford Asset Management contributes to the foundation and funds all of its costs so every dollar that comes in goes out as a dollar to the chosen charity partners,” Cross says.

“It’s bringing an active investment management perspective to philanthropy, involving extensive due diligence to select a small number of charities that fit in the foundation’s pillars of youth, education and the environment.”

The foundation has a board of trustees, with a couple of Milford appointees and independent trustees with expertise in philanthropy.

Cross retired as chair of Milford Asset Management in July, but took over as chair of Chorus in October and is also a director of Xero. He is a board member of the ACC, chairing its investment committee, and is a director of Virsae, a privately owned software company.

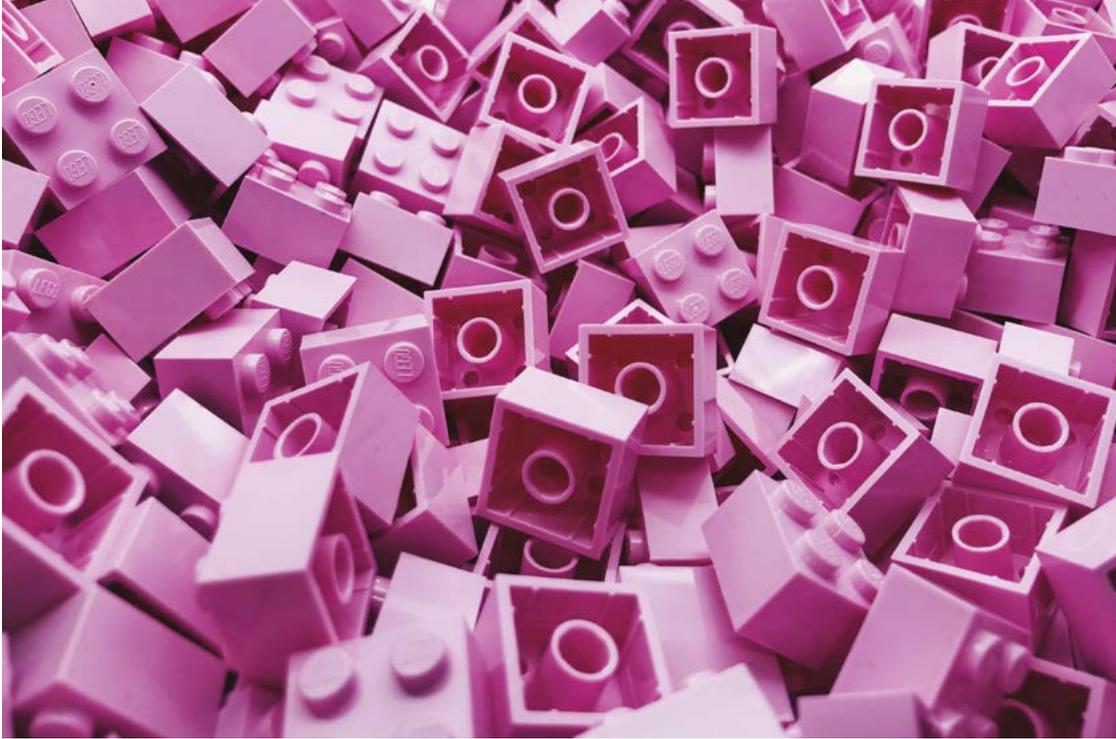
An active member of the IoD, Cross says you have to be nimble in a world experiencing volatility and unpredictability, and where setting strategy is critical and not a once-a-year event.

He says other issues directors will face are, in no particular order, attracting and retaining talent, managing the hybrid workplace effectively, cyber security and managing climate risk.

The customer is paramount and you must stay connected, he says. “The customer is at the heart of any strategy – don’t stray too far from that and you are going to be doing all right.”

As the dust settles on his Atacama adventure, the 55-year-old Cross would not rule out another ultramarathon.

“I would like to think it’s not my last, but my wife might like to think so.” **BQ**



Putting building blocks in place

AUTHOR:
CHARLES BOLT
MInstD

A proper framework will allow companies to present a professional face to the regulator around board operations and governance.

The significant increase in regulatory focus and compliance requirements, as well as liability risks for directors, have been highlighted once more – in the spring edition of *Boardroom*.

One statement in particular stood out – that NZ RegCo is seeing “issues arising where companies do not have the mature processes and escalation arrangements that you would expect to see in relation to compliance”.

A read through some of NZ RegCo’s recent decisions echoes this further and reinforces the importance of a properly

embedded governance framework for listed companies. Many of NZ RegCo’s decisions relate to the thorny question of continuous disclosure – something that boards continue to grapple with in a range of situations.

These rules around disclosure have also been beefed up in recent years with the introduction of the constructive knowledge concept. This means that listed companies must disclose price-sensitive information – not just that which they are aware of, but also which they ought to be aware of.

With this overlaid by the requirement to disclose ‘promptly and without delay’,

Photo by:
Ryan Quintal on
Unsplash

listed companies need a process in place that actively and regularly imports a range of information and metrics that can then be filtered to establish whether any disclosure sensitivities exist; critical for management consideration and potentially even escalation to the board or a committee.

It also means that listed companies need to be prepared beyond a set-and-forget policy, or relying on a last-minute call to the lawyers to get disclosure advice when situations arise. What they need to do is give their disclosure policy life and make it understood and actively managed by senior management and the board. By doing so, when an unusual or sensitive situation arises, a well understood process can be confidently followed to ensure that decisions are reached and disclosed in a compliant way.

We see that the regulators are much more interested in these things, with *Boardroom* also noting in an article headed “Regulators who come knocking” that “(boards) would be wise to also take note of the shift in mood – from consumers, policymakers and regulators. Regulators who come knocking are the new black.”

Are you in a position to demonstrate full and proper deliberation and consideration of the relevant information should you be so required? Have you recorded these and your decisions in a way that can demonstrate this in proper minutes and actions?

In other words, can you present a professional face to the regulator around board operations and governance, in terms of awareness of the rules and regulations, systems and process that reflect this and a record of doing so?

A proper governance framework allows your board to put a structure in place to manage not only disclosure matters, but also the other things that a properly functioning board should be looking at. This would include an annual reporting cycle covering all things required by the regulations, internal policies and charters – ensuring that requirements are properly scheduled, and that items requiring advance work or warning are planned for –

“It also means that listed companies need to be prepared beyond a set-and-forget policy, or relying on a last-minute call to the lawyers to get disclosure advice when situations arise.”

rather than dealt with on a stream of consciousness or reactive basis.

Such a framework provides confidence that the statutory records and registers are all in place, allowing the management and board to focus on strategy and execution; secure in the knowledge that if the regulator comes calling, they will see an orderly organisation with the right building blocks in place for a properly governed listed entity.

And the incentive in this space should not be based just around regulatory scrutiny. Market expectations from sophisticated investors – the debt and equity sides – are such that missteps in the governance space are not well-received, potentially raising the cost of capital where a company is marked down for governance slip-ups that could have been avoided.

With the D&O insurance market hardening in recent years in the form of availability, terms and carve-outs and cost, these participants also are increasingly expectant of high-functioning board administration.

Developing standard reporting formats and templates, collating papers and distributing these well in advance with clear agendas, interlinked with a thought-out subcommittee calendar are also things that can assist boards to operate smoothly and with confidence.

The development of affordable board portal technology is part of a movement being seen increasingly in the governance space internationally to outsource support in the board administration space. The increased demands of directors and expectations of regulators is likely to see this increase, with professional, high-functioning board administration and support becoming a more important part of the toolkit.

Charles Bolt is Head of Governance Services NZ, Computershare Investor Services Limited **BQ**

AUTHOR:
PETER GRIFFIN,
FREELANCE WRITER

Playing in the 'aerospace sandpit'

Rocket Lab put New Zealand's aerospace industry on the map, but a pioneer fears we are failing to capitalise on its success.

Photo by:
Kieran Fanning/
Rocket Lab

From cutting-edge America's Cup yacht design to a slew of Hollywood-scale productions filmed here, New Zealand has a handful of industries that emerged from left field to achieve global success.

The latest is our aerospace sector, dominated by Rocket Lab, which has been sending satellites into orbit from its Māhia Peninsula site since 2017. Rocket Lab listed on the Nasdaq last August, and while its shares have slumped along with most tech stocks, the Peter Beck-helmed company still has a market capitalisation of US\$2.4 billion and is widely seen as a "mini SpaceX".

What's the formula? How do we occasionally hit it out of the park well beyond our wheelhouse of primary sector products?

"I'm really not sure," laughs Mark Rocket MInstD, the founder of solar-powered autonomous plane maker Kea Aerospace and the co-founder and seed investor in Rocket Lab in 2007.

"Here in Canterbury, we did have Richard Pearse and Wigram certainly has a strong aviation history," says Rocket. "I think many of us would love to see aerospace being embedded in the Kiwi psyche, and in the same way we see ourselves now as filmmakers and boatmakers, and winemakers," Rocket says.

Our success in highly valuable niches isn't usually down to savvy planning and foresight on the part of government bureaucrats. More often, a driven entrepreneur – Sir Peter Jackson, for example – is able to build a talented team and attract just enough funding to get an ambitious project off the ground. Our innate ability to innovate on the smell of an oily rag helps.



ROCKET LAB

Such was the case with Beck and Rocket Lab. The whole premise of the company was to radically lower the cost and increase the frequency of satellite launches by using a small, reliable and reusable rocket.

While Rocket Lab is now technically a US company, with major operations in California, it still has a large R&D and engineering team in Auckland and a mission control centre that monitors its launches.

“It’s an incredible outcome,” says Rocket, who departed Rocket Lab in 2011 and now leads another promising start-up in Kea Aerospace. Instead of going to space, Kea has its eye on the stratosphere, where it plans to position lightweight planes that can stay aloft for months at a time to take high-resolution images of Earth.

Why not just send a camera into space on Beck’s Electron rocket? “Unless you’ve got a Hubble-size lens pointing down at Earth, then you’re not going to get the high-resolution imagery you need,” Rocket explains.

Manned flights are currently deployed to take more detailed imagery, but it is expensive to hire pilots, buy aviation fuel and wait around for a fine day conducive to taking crystal-clear photos. As such, most detailed aerial photography is only updated every three to four years.

“That’s not frequent enough if you want to monitor rapid changes on the land and in waterways,” Rocket says.

Kea last year flew its prototype X10 aircraft for 36 hours nonstop, ending the flight only due to fog rolling in. Aerial balloons have been testing the communications equipment for the craft, which Rocket hopes to start testing with short-run flights in February. The aim



“It needs to be an extremely light airframe that’s robust enough to handle the extreme conditions of the stratosphere . . .”

Mark Rocket

is to start perpetual flight trials in the stratosphere carrying a 10kg payload a year later. The engineering challenges involved are massive.

“It needs to be an extremely light airframe that’s robust enough to handle the extreme conditions of the stratosphere, where you get to -65 degrees [Celsius],” he says.

But the advantage is that there is very little in the stratosphere to get in the way of Kea’s planes, other than the occasional rocket launch or weather balloon. Kea is one of a growing group of start-ups working in an area Rocket considers to be our real sweet aerospace spot – advanced aviation.

A BLADE RUNNER FUTURE

They include Electric Air, SkyBase, Argo Navis, Pyper Vision, Merlin Labs and Kea, companies focused on autonomous aircraft, drones and the various technologies that go into them. US company Wisk Aero has also been trialling its all-electric, self-flying air taxi vehicles in the Canterbury basin.

New Zealand is a hotbed of development in niches that will shape the future of aviation. But Rocket fears our regulatory regime is holding us back. He points to Wisk’s decision in June to set up operations in Queensland, which he puts down to greater regulatory flexibility enabling Wisk to expand its trials.

“All around the world, there’s been a big problem with beyond visual line-of-sight flight for non-military aircraft,” says Rocket.

While the Civil Aviation Authority accommodated Wisk’s flight tests in New Zealand under its Airspace Integration Trial Programme, and the government introduced legislation to clear the way

for Rocket Lab's launches, our once accommodating regulatory regime hasn't kept pace with the industry's needs.

"We're kind of stuck between this paradigm of the 1950s, navigating by looking out the aeroplane window, and moving into this *Blade Runner* future where we're going to have sky lanes and everything is digital," Rocket says.

New Zealand could be a test bed for commercial uses of long-distance autonomous aircraft, but other countries have their eye on aerospace, too. Australia, in particular, is ramping up its investment. A facility has been built in Adelaide for aerospace manufacturing and Australia has returned to its own roots launching rockets into space, which stretch back to the 1950s.

A series of suborbital rocket launches for NASA from the Arnhem spaceport in the remote Northern Territory this year was greeted as a "new era" in Australia's space sector by Prime Minister Anthony Albanese.

"In New Zealand, I think we've over-promised and under-delivered," Rocket says.

At the inaugural New Zealand Aerospace Summit in Christchurch in September, Rocket and other industry leaders made clear what needs to change. "We need to make sure the resourcing is appropriate for the Civil Aviation Authority and that there's a willingness there to enable innovation," he says. "Otherwise, we are going to miss the bus."

He estimates that New Zealand has a window of one-to-two years to improve its regulatory regime to compete with other countries. The Ministry of Business, Innovation and Employment used the Christchurch gathering to

"We're kind of stuck between this paradigm of the 1950s, navigating by looking out the aeroplane window, and moving into this *Blade Runner* future where we're going to have sky lanes and everything is digital."

launch a consultation on the Aotearoa New Zealand Aerospace Strategy and a review of the country's space policy, so the industry has had a prime opportunity to push for urgent change.

AN AEROSPACE SANDPIT

There are some positive developments already in progress. The government has a Māori-Crown partnership, Project Tāwhaki, in place to build aerospace R&D facilities on the Kaitōrete Spit, a 25km stretch of land on the Canterbury coast that was originally considered as a launch site for Rocket Lab.

Rocket says it could become an "aerospace sandpit" for test flights, R&D and autonomous vehicle training. "That's a really exciting project and potentially could create thousands of jobs," he says.

New Zealand's value proposition in aerospace will never be about having the most money to spend or the grandest launch facilities.

"Our technology isn't dominated by large military industrial complex agencies as per most developed countries," Rocket says. "This gives us an opportunity to explore technology in different ways that can be aligned with our nuclear-free and humanitarian values, to focus technology development in areas such as sustainability."

He would love to see "10 Rocket Lab-type companies" operating here. That requires the 'Moon shot'-type strategic vision from our leaders that spurred NASA to put men on the Moon in the space of a decade in the 1960s.

Says Rocket: "We haven't had our JFK moment yet." **BQ**

How to tackle the labour market

AUTHOR:
SARAH BADDELEY
MInstD, EXECUTIVE
DIRECTOR AT
MARTINJENKINS

From global conditions to immigration settings, modern slavery proposals, Employment Court decisions and fair pay agreements, boards need to be more attuned than ever.

Almost every survey or indicator of business confidence highlights the impact of a persistently tight labour market on an organisation's ability to successfully implement its strategy. For example, the recent Mercer Marsh Benefits survey recognised what it called a "seismic shift" in the perception of people risks in New Zealand.

With a global pandemic, challenging economic conditions and international conflict, the start of this decade has added new layers of complexity and volatility to 21st century trends in economic life.

As executive teams respond to the challenges this brings, including finding the talent their businesses rely on, it's more important than ever that boards stay attuned to global and domestic trends and the full array of risks associated with them.

Executive teams worrying about attracting the right talent is one thing – governing for it requires a different focus and one that often needs to shift with shifts in the market. Helping clients respond to the current labour market has highlighted three key governance priorities:



1. Global conditions and their direct impact on your business

The market for talent continues to be uncertain and fragile. The pandemic weakened economic performance throughout the world, but the extent of the rebound has been different in different countries. Developed countries have experienced a stronger, more rapid turnaround – for example, with its lowest unemployment rate since 1974, Australia’s data looks much like ours, and the US is similar. But some countries continue to struggle with weak economic activity and bank economists have us on watch as we work to get inflation under control.

The November Monetary Policy Statement from the Reserve Bank highlighted that acute labour market shortages are limiting business service and output across many industries, regions and skill types. In May, the Treasury anticipated that slowing domestic demand is expected to ease labour market tightness, resulting in the unemployment rate rising to 4.8% at the end of 2025.

Labour markets are all about push and pull factors. The changes to immigration policy settings and the impacts should be watched. Even if organisations can access skilled workers through the new immigration settings, employers need to keep their pencils sharp and their offerings current so they can compete with other countries and companies seeking workers.

For smaller organisations, this means working with industry associations to leverage your appeal. Most businesses have realised they need a more competitive offering than they had before Covid-19.

KEY QUESTIONS BOARDS SHOULD BE ASKING:

- Does your organisation have a strategic view of its likely workforce needs up to a 12-month, a two-year, and a five-year horizon?
- Is your executive team monitoring the global trends that are relevant for your workforce (aggressive Australian recruitment campaigns, for example), including for your workforce’s particular composition and demographics (such as visa type and language) so your organisation’s risk assessments are better informed?

2. Working with your partners and supply chain

If the pandemic has taught us one thing, it’s that a successful business strategy requires analysing risks along your entire supply chain. Yet my work with boards, executive teams and sector groups continues to show that not enough agenda time is being given to strategic workforce risks, including dependency on other employers in the supply chain.

Now more than ever it’s important to encourage your managers to understand this. The government has recently consulted on draft plans to impose new duties on organisations that have control over, or a significant interest in, another business, making them more responsible for the welfare of workers in their supply chains.

This stems from the global movement to address modern slavery. Some New Zealand companies are already caught by the Australian or UK rules, but the proposals in Aotearoa are far more ambitious. If the proposals are passed into law, the new rules will create both legal risks and brand risks for employers that don’t comply.

The Employment Court is also getting a little more bullish in its decisions about whether a worker is an employee or is in some other form of arrangement. The recent high-profile decision around Uber drivers highlights that the court is focusing its efforts on whether someone is an employee in substance and how the relationship operates in practice, rather than the label attached to the relationship in the written agreement.

3. Talent and your employee experience

KEY QUESTIONS BOARDS SHOULD BE ASKING:

- Do you understand your wider workforce structure and rationale?
- Which partners and suppliers are critical for your core business? Are any of them dependent on you as their only client, or a significant concentration of their business?
- Do you have strong and active contract management in place? Are you satisfied your contracting model would meet the tests of a genuine subcontracting arrangement?
- Do you have appropriate compliance systems in place, and can you demonstrate that your organisation and those you work with can give your migrant workers a positive experience of working life in New Zealand?

In a tight labour market, the best workforce strategy is to keep the employees you have and be attractive to others. This includes avoiding costly restructures if you are not fully confident you can fill any new roles. Across the board we are seeing high turnover, pressure on wages, and a blow-out of advertising and recruitment costs, so it's important to keep your employee proposition current and fresh.

Generational expectations of work are different. Some employers from the post-boomer Generation X are concerned that hybrid working reduces productivity among younger people, but the narratives about “the great resignation” and the perils of hybrid working need to be scrutinised. Ensure you challenge your management teams to use evidence rather than anecdotes or projecting their (or your) own experience of work on to employees.

Pressure on wages is likely to continue as the cost of living increases, and the new Fair Pay Agreement legislation may mean you face sector-wide changes in wage expectations.

KEY QUESTIONS BOARDS SHOULD BE ASKING:

- What is your strategy for retaining and attracting staff? Has it been refreshed for the current conditions?
- How many of the workers employed in your supply chain can work in hybrid arrangements (it's estimated to be about 30% nationally)? Do you understand the impact of hybrid working on productivity, retention (push and pull), attraction and work culture?
- Are your functional leaders listening to your people and culture experts? What market feedback do you have about how your organisation is seen? What do your executives know about your competitors' strategies? **BQ**



Sarah Baddeley leads a team of labour-market experts, advising organisations on how the labour market is affecting their operations.

Get active in shaping policy

AUTHOR:
PETER VIAL CMInstD,
NZ COUNTRY HEAD
OF CHARTERED
ACCOUNTANTS
AUSTRALIA AND
NEW ZEALAND

Shortages of talent, increasing regulatory complexity, and opaque government processes cloud the world of chartered accountants.

Over the past year it feels like we've gone from blue skies to storm clouds. Optimism about surviving Covid-19 relatively unscathed compared with much of the world, at least from a health perspective, has been replaced with deep concern about inflation, the cost of living and geopolitical instability.

The clouds started to form earlier across three areas in particular – shortages of talent, increasing regulatory complexity, and government processes that lack transparency and consistency.

Lockdowns and border closures saw the talent tide go out. New Zealand's strong economic growth pre-Covid was due in sizable part to immigration and access to

international talent. This masked the fact that we're not producing enough home-grown talent to match demand across many sectors and industries.

Auditors are among the groups most affected. For many years the shortfall was filled by overseas auditors coming in on a range of different visas. Given audit is the training ground for much of our broader financial sector and there are also opportunities globally for New Zealand auditors, it is no surprise there are challenges in retaining domestically sourced auditors in the profession.

CA ANZ secured a Border Class Exception in late 2021 that has allowed 180 overseas auditors to enter the country. However, the shortage is ongoing and far from resolved.

Photo by:
Clark van der Beken
on Unsplash



Auditors are critical to ensuring trust and confidence in our economy and public institutions. They are highly skilled and the global shortage means New Zealand needs competitive immigration settings.

The inclusion of auditors on the government's Green List has so far remained elusive, despite the clear need and our ongoing advocacy. The Green List process has lacked transparency and consistency and this isn't building confidence in businesses or prospective migrants.

Another challenge is that at the same time, the pipeline of secondary school students going on to study business and accounting at tertiary level is also declining. There is a range of causes, including perceptions of finance careers among students. But the fact is that policy-makers have hollowed out the secondary school business curriculum by combining the

business streams, including accounting, into one subject at Year 11, and making accounting only accessible as a specialist subject in the last two years of secondary school.

SO WHAT CAN WE DO?

There are two things directors need to do to address talent issues. First, ensure your organisation has a strong plan to retain and attract talent. Second, ensure you are joining in with broader advocacy efforts and bending the ear of government to achieve the best possible policy settings.

On the first, CA ANZ engaged its membership from Whangarei to Invercargill to produce a series of recommendations and insights on attracting and retaining talent. Although focused on how to draw talent to our regions, the lessons are equally valid for major centres.

“The Green List process has lacked transparency and consistency and this isn't building confidence in businesses or prospective migrants.”

“Directors need to look not only at what their organisations are doing, but how they can feed into broader industry or sector-wide advocacy.”

Organisations must focus on creative solutions. Paying more isn't always the answer, and neither are wellbeing programmes or increased annual leave. Rather, introducing truly flexible work, job sharing, or even reduced hour workdays, are what seems to matter most.

We have all heard about people throwing in the towel at well-paid jobs because they're burned out or don't believe in their work. CA ANZ's recently published Diversity, Equity and Inclusion Report confirms this – employees want meaningful work and an inclusive, purpose-driven culture. If they don't find it, they will move on, and evidence suggests job satisfaction and productivity go hand-in-hand.

It's also important to make sure your business and industry is visible to the next generation. CA ANZ has been active in putting accounting and finance in front of high school students – connecting with students and teachers via the Young Enterprise Scheme and bringing CAs in to speak to student groups.

GETTING THE POLICY SETTINGS RIGHT

While you can do a lot on your own to create the best possible workplace culture, and to increase the pipeline of talent into your organisation, membership organisations and businesses need to work together to influence policy settings.

Better immigration settings that address talent shortages are a necessity for many sectors. Having recently engaged with ministers and officials about the critical shortage of auditors, as well as anti-money laundering (AML) rules, various tax settings, and the school curriculum, it seems ideology rather than robust policy analysis and evidence is driving some decisions more than it should.

Unfortunately for New Zealand, Australia's government has adopted a much more proactive and long-

term approach to immigration. At their recent Jobs and Skills Summit in September, Australia's new Labor government made several announcements, including an increase in permanent migration, and extending visas and relaxing work restrictions on international students. Several Australian states have now launched highly visible campaigns to attract Kiwis, which is a clear challenge to our economy and talent pool.

WHAT HAPPENS WHEN WE DON'T GET IT RIGHT

Immigration policy is just one difficult policy area – AML is another. Unfortunately, the original AML legislation resulted in regulatory overkill and significant compliance costs for businesses. After four years of persistent advocacy, CA ANZ recently obtained an exemption for tax agents who undertake tax transfers for New Zealand businesses and taxpayers. This required a significant investment of time, money and effort.

Regulation must be balanced. Disproportionate complexity, compliance burden and cost do not build confidence.

There is a concern we are heading in the same direction with the income insurance proposal and a number of tax policy proposals. We are seeing outcomes that lump our business and communities with regulatory burden that is not commensurate with the risk.

Directors need to look not only at what their organisations are doing, but how they can feed into broader industry or sector-wide advocacy.

In an election year, there is an opportunity to shape the policy landscape for the following term – but it will take active engagement, a willingness to highlight some of the tough issues and collaboration with government on appropriate solutions. **BQ**

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To boldly go where no man has gone before

AUTHOR:
NOEL PRENTICE,
EDITOR

It may not be a giant leap for mankind but it takes a leap of the imagination to send cremains into space.

Stu Potter MInstD is trying to change the narrative around death – by sending cremains (cremated ashes) into orbit.

The co-founder, managing director and director of StardustMe, the first Māori space-tech company in the world, will launch his venture of space memorial flights in January.

It is more final journey, than final frontier, as five tokens containing ashes will be sent on a SpaceX rocket from California, then orbit Earth on a satellite. The token can be tracked by GPS, providing a more interactive experience to commemorate life.

“We want to be able to celebrate a person’s life in an innovative and meaningful way,” Potter says. “We are helping families connect in a different way by placing ashes into space and allowing families to celebrate the lives of their loved ones for



MEMBER PROFILE

a life cycle of the satellite while it revolves around our planet.”

That can be up to five years or more, and at any time you can access third party apps to track your loved one’s movements through space.

“We are using smart technology and innovations so all family, no matter where they are in the world, are able to connect with their loved ones at any point in time. You can also time it so you can watch the satellite pass overhead in the night sky.”

Potter says this provides a much longer-lasting and connected experience than the traditional value chain of how people grieve generally at burials or cremations.

Typically, there can be a lot of memorial-based activity in the first few months, then people tend to disconnect from a plot and some may never go back, or an urn is stored out of view or the ashes are scattered in a sentimental place. The initial focus around grieving is easily lost, particularly for those based away from home, he says.

Being a champion of sustainability, Potter says his start-up reduces waste, despite being on a fuel-guzzling rocket.

“We utilise the empty room inside payloads going into space and we are utilising them for high-value services.”

And he is quick to counter any space junk suggestion.

“This was important right from the inception of StardustMe. We utilise the SpaceX Falcon 9 rockets as they are reusable. The token stays intact and every satellite re-enters the atmosphere and burns up. Basically, you are re-cremating ashes and they burn off on re-entry. There is zero waste in space.”

The StardustME tokens have been engineered to withstand the demands of space. They contain 1 gram of a person’s ashes, only a fraction of cremated remains. Potter says “it is a symbolic

“It can be a hard grind in New Zealand to do anything innovative and be successful, let alone incorporating sustainability. We are a case in point – something that has not been done for an industry shrouded in taboo and being the first Māori space-tech company.”

amount, no different to sprinkling a handful of ashes in a place of significance that the person is attached to. It also helps bring the costs down to make the service affordable”.

The unique offering has been five years in the making and required a lot of validation before a permit to fly was granted by the Ministry for Business, Innovation and Employment.

Potter says part of the challenge was to design the hardware and tokens that meet space regulations. They partnered with Auckland University’s Space Institute to conduct testing and reach compliance.

“The space industry is in its infancy and still maturing in New Zealand in comparison to some other countries, but it was valued at over \$1.75 billion in 2019. It’s an exciting time to be part of the industry and working with MBIE that currently oversees space regulation in New Zealand,” Potter says.

It may sound like ‘To Infinity and Beyond’, but Potter says “a whole heap” of friends and professionals have fallen in love with what they are doing and are supporting him and other co-founder Geoff Lamb.

But it hasn’t been easy because the venture is self-funded – “off the back of our own hard sweat, labour and tears while holding down a day job” – and without any government support. It has also been achieved during a pandemic.

“We all talk about innovation but how innovative are we?” Potter asks. “We started StardustMe on the basis of sustainability and innovation. It can be a hard grind in New Zealand to do anything innovative and be successful, let alone incorporating sustainability.

“We are a case in point – something that has not been done for an industry shrouded in taboo and being the first Māori space-tech company.”

As a former director of Sustainable Coastlines Trust, Potter says

sustainability “absolutely, 100 per cent” has a place at the board table.

“A lot of people give it lip service or tag it on after the fact, particularly due to social or regulatory pressure. You need to incorporate it much earlier, at inception, and do it with intent and with purpose, and make it part of your core business. If you make it part of your core strategy and culture, then you can attract the people with the right attitudes and competency to drive it.”

Gisborne-based Potter, of Ngāti Awa descent, does a lot of work with Māori entities on the East Coast and in the region, in training and supporting strategy, governance and leadership.

Introducing diversity of thinking earlier allows you to build the strategy to lead the company in the right direction and develop the right networks to position it better for success, he says. Mātauranga Māori can be a compelling advantage if done right.

“Take StardustMe, for example. We could so easily have got waylaid just focusing on the technical aspect of the rockets and space travel. At the end of day, it has nothing to do with technology or the rocket. It has everything to do with human connection, grieving families and changing how we respond to loss.

“Because I am Māori, I operate philosophically with a te ao Māori outlook. It is always there and one of the driving strategies from a governance perspective and interwoven into everything we do as an organisation.

“It also provides opportunities and gives a competitive advantage,” he says. “Mainstream business is embracing human and environmental-centred design to remain relevant. These are flash words for putting people and the environment before profits which has been out of balance, and we are now living with those consequences globally. These philosophies are key aspects of te ao Māori-based around whanaungatanga and kaitiakitanga and at the heart of how we live.”

“At the time, I was the only Māori on the board and brought a te ao Māori outlook from a governance perspective. I was able to introduce a focus around the importance of connecting with Māori, to mix our beautiful culture and natural outlook with Western science.”

Potter’s first foray into governance was with Sustainable Coastlines, a charitable trust engaged in marine conservation and eliminating plastic from waterways.

From “radical and passionate eco evangelists organising beach clean-ups”, Sustainable Coastlines has morphed into a major organisation bringing data, science and intelligence to governance to help make the right decisions, he says.

Potter was invited to sit on the board, focusing on people capability and culture, especially as they started to grow and take on more staff.

Governance became even more important, Potter says, because as the company started to scale it needed to bring in a lot more rigour around the decisions that were being made, how they were being made and being able to stand in front of the public and say, ‘Yes, this is the impact of our work’.

“At the time, I was the only Māori on the board and brought a te ao Māori outlook from a governance perspective. I was able to introduce a focus around the importance of connecting with Māori, to mix our beautiful culture and natural outlook with Western science. A winning combination.

“Before then it didn’t really get the right level of discussion around the table. I guess I brought that level of conversation which was well received and supported from the other board members. I have since stepped back with my involvement at a governance level because I’m investing that into my start-up.”

Potter says it was a “beautiful thing” to watch the board embrace te ao Māori, rather than paying lip service or having those “awkward conversations”. To see it incorporated into governance, strategy and operations was “sublime”.

Potter is also the author of the *Fish Story*, a cautionary fable for children that incorporates te reo Māori and explores peace and environment conservation. **BQ**

Making connections

AUTHOR:
CAS CARTER,
FREELANCE WRITER

Tania Te Rangingangana Simpson has found her place as a ‘connector and translator’.

Tania Te Rangingangana Simpson’s dad was worried. How would she develop a career or even get a job majoring in Māori traditions, knowledge and language at Waikato University?

Many decades later the director of Auckland International Airport, Meridian Energy and Tainui Group Holdings has carved out an exceptional career, including in housing and public policy with a core focus on sustainability and supporting Māori.

Raised in Te Kuiti, from Ngāi Tahu, Ngā Puhi, Tainui decent, Simpson CFInstD can name numerous mentors along the way from the elders who taught her sustainability practices, to the university lecturer who recommended her for her first role as Māori housing officer with the Housing Corporation.

She admits she sought out mentors who helped her expand her knowledge about lending by seconding her to a merchant bank while she was working for the Ministry of Māori Development (Te Puni Kōkiri).



“I have actively attached myself to people and look to them. Generally they are very giving, you just have to have a little bit of confidence.”

One of only a few Māori graduates in her year, you could say Simpson was ahead of her time, but she believes the time was right for her skills to be recognised.

“It was the renaissance. There were discussions including around Māori broadcasting, Māori language regeneration, development of kōhanga reo – there were very good opportunities.”

It was those skills that were recognised as essential to help establish a lending programme to support Māori to build on their land through both the papakāinga and kaumātua housing initiatives at Housing New Zealand, then at Te Puni Kōkiri.

“Because there are multiple owners of Māori land, it required a lot of support to get consent from all the landowners. It was quite a process establishing a trust, getting consent, developing a ‘licence to occupy’, survey and come up with a security arrangement and a transportable home.”

It is with frustration that all these years later she sees her people living in poverty, even though they own land. “The current system doesn’t recognise multiple landowners, meaning the land cannot be offered as security. It concerns me that 30 years on we are no better off, but with goodwill and motivation it is solvable.”

Simpson is proud of having negotiated the return of New Zealand’s only repatriated and most-travelled Māori meeting house, Mataatua Wharenui, while in the Office of Treaty Settlements. Delivered back in pieces, it now stands proudly on the Whakatāne shore.

It was while working on Treaty negotiations that she had the ‘aha’

“Sustainability practices are bringing us closer to Māori environmental practices, which have a lot to offer with an increasing convergence between younger generation’s thinking and the traditional Māori system of values.”

moment that made her reassess her work-life balance, inevitably leading to her long and successful career as a director.

“I was living in Wellington but travelling to see my terminally ill father every weekend, often carrying out negotiations from his home in Te Kuiti. I had already lost my brother to cancer at the age of 29. I thought, ‘you never know when your time will be up,’ so I restructured my life, moved back to the King Country, set myself up consulting (Kowhai Consulting) and built a sustainable home in Waitomo.”

Simpson is well known for her work around sustainability and says she is blessed with growing up learning sustainable methods from Māori elders.

“Sustainability practices are bringing us closer to Māori environmental practices, which have a lot to offer with an increasing convergence between younger generation’s thinking and the traditional Māori system of values.”

“They are both driving for an integrated system of outcomes; businesses working for wider societal outcomes that are not solely profit driven, not profit at any expense, and not profit over people.”

Simpson, who claims to have an ‘optimism bias’, is confident in New Zealand having a fair, sustainable future because of the way the next generation thinks and says business needs to mirror their attitude. “That means businesses that do no harm and make a meaningful contribution to society, its people and the environment, including reversing the damage that has already been done.”

The mix of knowledge and love of Māori culture and language have positioned her well as an asset on boards where she sees herself as a connector and translator. “Most boards have a relationship with iwi. I’m helping them to connect and understand what iwi are telling them and what their interests are.”

Having a Māori voice on a board makes a difference to an organisation. Boards are where the change happens and that has a flow-on effect for organisations. “But you must be satisfied with incremental progress because if you can’t accept that, you’ll be frustrated. Sometimes change can be very slow, you have to allow time for understanding and be willing to engage. And you have to be okay with that.”

Balance is a word that comes up often with Simpson, who believes she now has that right with board directorships in not-for-profit, commercial and government sectors.

As well as her directorships, she is a member of the Waitangi Tribunal and

“I have actively attached myself to people and look to them. Generally they are very giving, you just have to a little bit of confidence.”

a Chartered Fellow of the Institute of Directors. She has guided developing Māori organisations and supports recognition of the Treaty of Waitangi as a Trustee of Waitangi National Trust. She is also a member of the governance group of the Deep South National Science Challenge, which is focused on climate change adaptation, and chair of the Sustainable Seas National Science Challenge.

She is a past board member of Global Women NZ, past deputy chair of Landcare Research NZ and was a director of Mighty River Power for 13 years.

“I found my place, you find something that you enjoy, that doesn’t feel like work, that is meaningful, that you’re getting paid to do. It is the right space to be in.” **BQ**



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Argosy

As good as his word

AUTHOR:
NOEL PRENTICE,
EDITOR

Photo by:
Jess O'Brien

As a battle plays out over the word mānuka, Victor Goldsmith is determined to put protections in place for taonga.

Victor Goldsmith MInstD is in a fight to protect taonga – and a battle over mānuka honey naming rights is one he says Aotearoa New Zealand must win. Goldsmith has for years been at the forefront of a fight to prove mānuka is a Māori word and has great spiritual and cultural significance.

It's been an exhausting fight against countries wanting a taste of the honey pot – and Australia in particular, which is also laying claim to mānuka as their own (but without the macron).

A recent court decision allowed Australian honey producers to import their “so-called” mānuka honey into the UK, with Goldsmith admitting the Mānuka Charitable Trust had “lost that battle but they haven't lost the war”. Australia claims rights to mānuka through a similar tea tree.

Goldsmith is undeterred, saying they will continue the fight because “it's a battle we have to win”.

He was one of the initial leaders of the Mānuka Honey Appellation Society and is adamant mānuka is a Māori word. His challenge has been to prove it, describing what it means from a cultural perspective. “I have the institutional knowledge. I understand the chemistry of mānuka honey, I understand the tree itself, I understand from a te ao Māori perspective the significance of our whakapapa to our taonga mānuka through Tane Mahuta (the god of the forest),” says Goldsmith, who has spent 30 years working in the primary sector and 20 years on boards and trusts.

But the dispute has even greater significance because it could be considered a test case for taonga. “It is the first of our taonga to go global so we need to know what protections to put in place if any of our other taonga goes global in the future,” he says. “It could be tāwari, it could be māhoe.”



MEMBER PROFILE

Goldsmith says geographical indications (GIs) and certification trademarks are not necessarily the tools they could use to protect taonga, adding that domestic laws are somewhat weak. Trying to protect indigenous rights through the United Nations is a long process, but building protection into free trade agreements has had some success.

Goldsmith says it is important to protect the IP that sits behind the word mānuka and the understanding of Western science from te ao Māori.

Working closely with the Ministry of Foreign Affairs and Trade, the Mānuka Charitable Trust is representative of iwi-Māori from across the country to try to develop a platform to protect taonga species.

In the beginning, Goldsmith says, it was a lonely battle being the only Māori voice, but there are now some influential people involved on the trust. That has allowed him to take a step back – and to focus on his wellbeing, having recently stepped down as CEO of Te Kaahui o Rauru, one of the iwi in South Taranaki.

“It is a rewarding job, but all-consuming managing the tribal, social, environmental and economic aspirations of the iwi. It’s like a ministry of everything and you don’t have the capacity and capability in the organisation to respond to the needs of the iwi.”

Goldsmith says “you need to focus on more important things in life and that of whanau, and getting better”.

He has spent the past 20 years sitting on the board of Ngati Porou Forests Ltd, the only Māori forestry management company in New Zealand. It is a joint venture between Korea-based Hansol HomeDeco and Ngati Porou landowners. The joint venture, started in 1996, comprises 10,000 hectares of Māori Land on the East Coast. It also manages the Crown forest estate of 25,000 hectares.

Goldsmith’s first governance experience was becoming chairman of a whanau land trust over 22 years ago. He is still the chairman. “It’s been challenging but rewarding providing leadership and direction to ensure our land is in a better state for the next

“It is the first of our taonga to go global so we need to know what protections to put in place if any of our other taonga goes global in the future. It could be tawari, it could be māhoe.”

generation. We are farming sheep and beef and have leased the adjoining property as a finishing block. We have limitations due to our isolation on the East Cape and being so far from market but you ride the dips and troughs of the market.”

But he says he is still learning and credits the IoD’s Advanced Directors’ Course (ADC) for empowering him to empower others, something he immediately put in practice by supporting a young female Māori chair and “helping make her the best she can be”.

It is all about “showing more compassion and humility as a board and working together with a common goal”, he adds.

“One of the things I learned was the purpose of the board meeting is to empower your chief executive, and the collegiality between the CEO, the chair and the board. They are all connected. I haven’t seen that on some boards.

“The ADC also helps you stay relevant,” says Goldsmith, who is looking at more board opportunities. “Everyone wants to be an effective director and boards needs to start focusing now on what that may look like in the future. Everything has been disrupted.”

Goldsmith lives and breathes te ao Māori and Te Tiriti and understands there is a thirst for both, but directors need to understand the Māori governance perspective is slightly different to corporate governance. “With Māori governors we are generally connected by whakapapa, governing legacy assets which we can’t sell – for example, land. You simply can’t ask a Māori governor to resign due to poor performance, or not acting in accordance with the Companies Act. The issues are complex and have long-term consequences.”

For iwi Māori boards, in particular, he says the pool of skill to draw from is “not that great – and I mean that with all respect”, citing Post-Settlement Governance Entities where the representation models are marae- or hapū-based. “I’m not saying this is wrong but purely from a governance perspective it makes it difficult when you have 10 or 20 governors on the board. The model is a Crown construct which is over 30 years old and needs to adapt to the world we live in and the increasing expectations of our people.” **BQ**

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Work:Space



Entrepreneur **Sam Johnson** CMIInstD, who won the IoD's 2022 Auckland Emerging Director Award, is frequently reminded of his dad when he sits at his desk – that's because it was a 30th birthday gift from his late father, Ben Johnson.

“It's one of those unique pieces of furniture that evoke memories and a sense of stability when I sit at it,” says Johnson. “My dad taught me how to work hard, to use common sense and how to just keep persevering. He was someone I admired and respected greatly which I'm always reminded of when I sit at the desk.”

Johnson, who founded the Student Volunteer Army in the wake of the devastating Christchurch

earthquakes, has a number of treasured items sitting on top of the desk. They are a photo of his family, a small flask given to him by his grandmother, a letter opener he bought in Poland, and most interestingly, an antique Japanese calligraphy tray uncovered after the 2011 tsunami in Japan and which was gifted to him when he was working as a volunteer.

Johnson has another desk – a Limber, designed by Wellington physiotherapist Bart de Vries. “The motto is ‘the best posture is the next posture’ which I just love (it's a sit/stand/kneel desk). I really appreciate this as a Kiwi-made product that is designed to keep us healthy at work. It's one of the best investments I've made.”

A peaceful, relatively quiet environment is important to Johnson,

“but likewise is being with a team in the office. We all need a bit of both I think”.

Johnson received global recognition for his work and in turning SVA into a social movement focused on volunteerism and crisis response. Most recently, SVA provided a nationwide food delivery service during Covid-19 lockdowns.

“When we operated the SVA grocery delivery service, I literally sat at my desk for 12 hours a day. My goal is to not do that again,” he says.

In 2023, Johnson will take up the role of Head of Projects for STILL, a family office entrepreneurial venture, founded by Hideaki Fukutake, with a focus on businesses and projects across Aotearoa.



Hot ticket to the game

AUTHOR:
TIM DEANE,
EXECUTIVE GENERAL
MANAGER, BUSINESS
BANKING

Businesses are seeing the benefits of a proactive response to climate change.

It will come as no surprise to directors that consumer preferences around sustainability, climate change and ethics are changing quickly. What we are seeing is the companies who are responding quickly to these consumer changes are starting to perform better than their peers in this tough operating environment.

Businesses embracing the demand for purpose-driven products and services are seeing the upside in revenue, margin, brand strength and ultimately shareholder value.

There are other benefits in catering to these changing consumer demands for ethical products and they include easier access to debt, access to equity through investors and a greater share of the talent pool.

ASB is observing this last trend in real time with many 18-year-olds to 30-year-olds seeking out strong values and commitment to community and the environment.

According to Bloomberg, global investment in Environmental, Social and Governance assets, or businesses that prioritise ESG, is expected to reach more than US\$50

trillion by 2025. You read that right, USD\$50 trillion or about NZ\$88 trillion in approximately two years.

Whether your sales are business-to-business or business-to-consumer, tackling the challenge of climate change is now becoming a ticket to the game. Without it, businesses can find themselves locked out of a rapidly growing market.

In addition to changing consumer preferences, there are upstream changes for disclosure of large corporates start to flow through to the businesses they work with and supply to. Increasingly, big businesses will be requiring small businesses to disclose their carbon intensity and other metrics.

Looking downstream, business customers in higher emitting sectors will be asked by banks what their emissions are and will over time find it harder to source competitive debt capital to grow and protect their business from disruption.

In New Zealand, there are some great examples of businesses that are embracing this opportunity. Kathmandu is using

Photo by:
Markus Spiske
on Unsplash

ASB
ONE STEP AHEAD

circular economy principles in their apparel. Icebreaker outerwear is another 27-year-old industry pioneer that built their brand on merino, natural and premium products.

In fast-moving consumer goods, Pic's Peanut Butter are certified carbon zero with climate positive status, as are Chia Sisters, from Nelson, who are also Living Wage and B Corp certified.

CENTRAL MANDATE FOR CHANGE

In many ways the impetus for business to change is coming from consumers and their buying preferences, so in this sense governments around the world are playing catch-up. Nonetheless, as governments pledge net-zero commitments over various timeframes the focus is shifting to regulatory settings for large enterprises, such as banks.

All major New Zealand banks and financial institutions must now understand and report on the carbon intensity of their largest customers by 2023 in line with the Task Force on Climate-related Financial Disclosures (TCFD). In addition to banks, around 200 other New Zealand entities will be required to produce climate-related disclosures, including:

- All registered, credit unions, and building societies with total assets of more than \$1 billion.
- All managers of registered investment schemes (other than restricted schemes) with greater than \$1 billion in total assets under management.
- All licensed insurers with greater than \$1 billion in total assets or annual premium income greater than \$250 million.
- Listed issuers of quoted equity securities with a combined market price exceeding \$60 million.
- Listed issuers of quoted debt securities with a combined face value of quoted debt exceeding \$60 million.

Many directors will already be involved in these discussions with their financial partners as they are happening right now across the country.

The ASB Climate Report, released in September, is an initial assessment of the challenges and opportunities that climate

risk may bring and how businesses will be supported on this journey.

While a large part of the report focuses on home and personal lending, it also looks at the impacts for, and risk of, climate change for businesses and directors. For the private sector it largely focuses on transition risk and also physical risk for food and fibre producers, and the commitment to back them to adapt to a changing environment.

The transition journey can be hugely complex and costly if not done well. This means actively supporting businesses and farmers with sustainable finance to help them reduce emissions and adapt. Examples of this include the Asset Finance Sustainability package, Green Buildings, Sustainability Linked Loans, Sustainable Transition Loans and the award-winning Rural Sustainability Loan.

The Reserve Bank's Funding for Lending programme is also being utilised to support projects that meet sustainability or regional infrastructure criteria.

Guidance and advice is also important. In preparation for enhancing customers' ability to transition and thrive in a net-zero future, investment in the capability of people is a priority.

In practice, this means relationship teams will be equipped to have a lot more conversations with business customers to understand what they are doing and how their ESG performance can be accelerated.

A carbon measuring, reporting and reduction tool is also being piloted. It will use automation to collect and process supplier invoice and ledger data, to generate a carbon footprint for businesses. While the pilot is limited to a small group of customers, the purpose is to help customers get a better understanding of their emissions profile to take tangible action to improve their carbon footprint.

There is a lot more that needs to be done to help New Zealand move towards a net-zero future, but one thing is clear. The opportunities arising from a proactive response to climate change should be a hot topic around the board table. **BQ**

“The transition journey can be hugely complex and costly if not done well. This means actively supporting businesses and farmers with sustainable finance to help them reduce emissions and adapt.”



Does Aotearoa need a minister of cyber security?

AUTHOR:
PHIL DOBSON,
GENERAL MANAGER
OF ASSURANCE AT
AURA INFORMATION
SECURITY

Photo by:
Scott Webb
on Unsplash

It's only a matter of time before the rest of the world follows Australia's lead and turns cyber security into its own dedicated portfolio.

A decade ago, cyber security was barely an afterthought for the masses. Unless you were entrenched in the IT sector, most people probably didn't consider themselves, or the businesses they worked for, as any sort of target for hackers. Today, cyberattacks are headline news. Online safety is now something we all think about and it's a top priority for boards and governments.

All experts agree things are only going to get worse over the next 10 years. Cybercriminals are getting smarter and cyberattacks are becoming more frequent. With cybercriminals unconstrained by geographical borders, all nations need to be more prepared. So what more can we do?

Australia recently answered this question by including a dedicated Minister for Cyber Security, Clare O'Neil, within its cabinet. It is the first country within the G20 to do this.

This is Australia's latest step to get in front of the cybercriminals. Over the past few years, it has spent time and resources updating its cyber security strategy and recently dedicated A\$9.9 billion to the sector. Both government and private industry are also making a cohesive effort to uplift the cyber security of Australia's critical infrastructure.

Already, the new ministry has had an impact with the recent high-profile Optus cyber breach, which has seen

O’Neil put public pressure on the telecommunications company to do more to protect the data of Australian consumers.

Shortly after the Optus breach came an attack closer to home. The Pinnacle Health cyberattack affected about 450,000 New Zealanders. The Australian government’s response to the breach will be putting pressure on Kiwi officials to respond appropriately as well.

With the cyber threat growing each day, it is only a matter of time before the rest of the world follows Australia’s lead and turns cyber security into its own dedicated portfolio.

Cyber security is certainly a point of emphasis for our government and in the past decade it has made great strides. We already have organisations such as CERT supporting New Zealand businesses and individuals to become more cyber resilient. The Ministry of Justice and the Ministry of Education also support Netsafe, an organisation helping Kiwis stay safe online. Cyber security is also an important part of the digital economy and national security portfolios.

In the 2022 Budget, \$30 million was put towards cyber resilience which is great, but a fraction of what our Australian counterparts have dedicated. Our government has also announced the Cyber Resilience Measurement Framework, which has been created to quantify Aotearoa’s cyber resilience. The framework is currently a prototype, set to be rolled out over the next four years.

Despite all this, it is clear many New Zealanders don’t take cyber threats seriously. Many of us reuse the same passwords and find two-factor authorisation a frustrating inconvenience, rather than a reassuring step to the login process.

New Zealand has often followed Australia’s lead when it comes to implementing cyber legislation – taking a close look at what is unfolding across

the ditch may give us some indication on what we could effectively implement.

Australia’s approach has seen it take cyber security right to the very top. Instating a dedicated portfolio with a minister who can spend their time and energy tackling cyber security issues will no doubt make a significant difference to Australia’s overall attitude. After all, the top-down approach is what has proven successful in business. The companies with a cyber expert at the board level are the organisations most prepared for cyberattacks.

But this isn’t just a business issue; cyber security is something that impacts all of us. Whether you’re an individual, a business owner, critical infrastructure provider or a government organisation, no one is immune to experiencing a cyber breach. In 2020, the Reserve Bank estimated the cost of cybercrime in New Zealand to be \$80 million-\$140 million per year.

To hackers we are just numbers on a screen and many of the attacks are completely automated with millions going out every day. Cybercriminals are looking for the easiest targets to hack, they don’t care about the geographic location. The new Australian ministry emphasises that nations must step up at every level, or risk being overwhelmed.

What if New Zealand followed Australia’s lead and created our own ministry for cyber security? Making cyber security a government priority will not stop cyberattacks occurring – with a number of incidents and breaches generated from international actors it’s difficult to tackle the problem at its root. Instead, what it would do is increase our resilience against cyberattacks so we can defend ourselves, and bounce back, quicker.

One thing is clear. The dedicated focus Australia is putting on cyber security will ensure this remains a government priority for years to come and thus mitigates the risk of being underprepared when the next large-scale cyberattack occurs. **BQ**

“It is clear many New Zealanders don’t take cyber threats seriously. Many of us reuse the same passwords and find two-factor authorisation a frustrating inconvenience rather than a reassuring step to the login process.”



The emperor's new clothes

AUTHOR:
IAN PROUDFOOT,
PARTNER, IMPACT
MEASUREMENT,
ASSURANCE &
REPORTING LEAD,
KPMG NEW ZEALAND

Stakeholders are looking for substance so it's time to make decisions about sustainability ambitions as a business leader and for the organisations you lead.

Since the government announced mandatory climate reporting in September 2020, you will have heard more than enough about New Zealand's climate-related disclosures regime. The final dotting of the 'i's and crossing of the 't's of the new climate standards is still in progress. However, there has been sufficient detail provided over the past year so that no company can claim ignorance when it comes to the reporting requirements.

It may be true that "it is never too late . . . [to make a start]". The issue though is how quickly can real, deep change be implemented across a whole organisation to provide substantive reporting. With the condensed reporting timetable, it is more likely that reporters will seek to do little more than tick the box and deliver minimum compliance with the rules in their early climate statements.

The focus is on the next round of

reporting from the 200 or so entities within the scope of the legislation for clues as to the progress they are making in identifying their climate-related risks and opportunities, and how they are approaching their first mandatory climate disclosure statement.

In the meantime, multiple conversations are already taking place with clients that are not within the scope of the mandatory reporting requirements but are recognising the new standards will impact their business. Companies outside the scope of the legislative requirements are realising the standards are about much more than the report produced. They are recognising the standards are about business resilience and the ability to work collaboratively to make the most of the opportunities presented as the global and domestic economy transitions towards a low-emissions, climate-resilient future.

Photo by:
Andrej Lisakov
on Unsplash



There is also a sense the boardroom conversation is moving beyond the topic of climate change. Greenhouse gas emissions and net-zero targets are important, but the strategic conversation around the table is shifting to consider broader environmental and social aspects that create risk – but also opportunity for an organisation.

In preparing for the recent CEO Outlook publication, it was found that a stunning 87% of Kiwi CEOs believe major global social and environmental challenges – such as income inequality, procurement practices, biodiversity, inclusion and diversity, and governance – are a threat to their company’s long-term growth and value. Globally the figure is 72%, suggesting this is being felt more acutely in New Zealand. In addition, 83% of Kiwi CEOs are seeing a significant demand from their stakeholders for sustainability reporting and transparency.

This statistic is in stark contrast to the findings in the recent KPMG Global Sustainability Reporting Survey. The survey of the Top 100 companies in New Zealand found there has not been significant progress in ESG and sustainability reporting over the past two years, since the plan to mandate climate reporting was announced. In fact, the progress that corporates have made has been comparatively less than in many countries, with New Zealand now ranked 38th for sustainability reporting out of the 58 countries included in the survey.

A more modern and holistic approach to embedding ESG principles into business strategy and reporting can differentiate an organisation and create a return on investment. We are waiting for business leaders in New Zealand to align their apparent understanding of this with their actions, and consistently move beyond a compliance mindset in respect of non-financial reporting.

The conclusion is New Zealand organisations are moving backwards compared to international peers when it comes to reporting, despite being one of the first countries in the world to mandate climate-related disclosures.

The time for talk and selective communication is over. Ask yourself the following three questions to determine your organisation’s ambition:

1. What is the motivation for change? Consider which of the following statements resonate:

“We want to be a social and environmental leader”

You feel strongly about generating value for society and want to ensure others appreciate the urgency, too.

“We want to build a competitive advantage through sustainability”

You want to use sustainable practices to generate business value.

“We want to meet our obligations”

You want to act in accordance with the law and respect the required minimum standards of your stakeholders.

2. What is the appetite for change? Consider who sponsors the change programme, the resources allocated, and whether people across the business are involved and engaged.
3. Does the answer to question one point in the same direction as the answer to question two? Hopefully, the answer is “yes”. But even a “not yet” could provide valuable information in determining your future ESG pathway.

Becoming an organisation with sustainability at its core is about playing the long game. There are no right or wrong answers to the above questions. It is about determining what makes sense for the organisations and boards you are part of as you progress towards delivering on your purpose.

It is also time to widely communicate the targets, performance measures, and action plans you are working towards to add accountability to delivering on your identified ambitions.

Effectively reporting beyond financial performance is inherently complex. There has been a tendency to selectively focus on reporting positive progress. However, with increased concerns of “greenwashing”, we are seeing increased scrutiny of claims being made and demand for transparency. Reporting on performance (or lack of) needs to be balanced. Organisations will move forward faster by shining a light on not only their successes but also the constraints and challenges they are working through.

Don’t underestimate your stakeholders. They are not only becoming more sophisticated in assessing whether a company is serious about its sustainability claims; technological developments are also helping to make the assessments and comparisons of companies easier and more effective. They are looking for substance. And they will not hesitate to call out when they see the emperor has no clothes on. **BQ**





Directing business in heavy weather

AUTHORS:
**LINDA CLARK AND
GERARD DALE,**
PARTNERS, DENTONS

With New Zealand facing a series of macroeconomic and existential challenges, fresh and clear thinking is needed.

It is human nature to see darkening clouds and carry right on with the picnic, hoping for the best – but the year ahead looks challenging for picnickers.

Efforts to curb global warming continue to fall short and the prospects for harm on an immense scale, through accumulated damage to the environment or conflict, continue to build. In a so-called ‘post-pandemic era’, Sars-CoV-2 continues to mutate, and its long-term effects accumulate in our communities and workforce. Inflation is with us once more, at the checkout and the bottom-line.

The default temperature of political debate and engagement appears now to sit perpetually at just below boiling point. The likelihood of opposing sides willingly looking to settle on a peaceable, enduring middle ground is fast receding. These are all mighty dark and stormy clouds.

Leadership is more vital now than ever, but harder to find. It is simply very difficult to predict exactly how the many wicked variables will play out, and it can

be tempting to leave the risk-taking and problem-solving to others. New Zealand’s cranky, under-invested infrastructure networks are evidence of where that approach can lead.

The corporate sector, particularly directors, can play an important role, especially given the season of strong profits we are seeing. But is there an appetite to do so?

Any director’s first duty is to act in the best interests of the company. In an uncertain economic environment it shouldn’t surprise if directors interpret that duty narrowly in order to maximise the return to shareholders, although a prudent board will be factoring in a degree of caution in all forecasting and planning for further economic dislocation, workforce disruption and inflation. But should directors be looking more broadly than simply retaining and/or maximising shareholder value?

In September, Labour MP Duncan Webb’s private member’s bill to amend directors’ duties finally had its first reading in

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Clem Onojeghuo
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parliament. The Companies (Directors' Duties) Amendment Bill is making slow progress, despite Labour's majority. At the time of writing, the first reading had been stalled part way through and the bill is yet to be referred to a select committee, though that will happen.

The bill, just a few paragraphs long, amends section 131(1) of the Companies Act 1993 to spell out that when determining what's in the best interests of the company a director may take into account 'recognised environmental, social and governance factors'. It includes the principles of Te Tiriti, reducing adverse environmental impacts, upholding high standards of ethical behaviour, following fair and equitable employment practices and recognising the interests of the wider community.

Whether such an amendment is actually required is a moot point. The Companies Act does not currently require directors to ignore these factors, nor does it insist that maximising shareholder value is the only end worth pursuing. But, as the country faces more heavy weather, perhaps the corporate sector could benefit from a nudge, for everyone's benefit.

The fact is New Zealand faces a series of macroeconomic and existential challenges. We are not alone in this but elsewhere (look at Australia, the UK, China and the US) the usual institutions that should be expected to lead an economy safely through jagged rocks are demonstrably failing. It is in no-one's interests for that to be the outcome here.

A board that is prepared to look at wider questions, that is prepared to measure its performance against, for instance, broader environmental and social criteria is arguably contributing to the preservation and enhancement of an economy and society that serves all interests, including its own and its shareholders.

Take climate change: the climate crisis (increased extreme weather events, warming oceans, rising sea levels) is not a problem that wants for solutions, rather it is a problem of lack of will.

Even faced with the real costs and consequences of climate change, the political debate about how to acknowledge, address and mitigate it continues to be used as a vehicle to amplify tribal divides. Yet potential new markets and

“Boards that understand the transition to a zero-carbon economy have the potential to deliver great value – if great skill is exercised in this transition management.”

opportunities abound and good governance and corporate leadership can be, and often is, steps ahead of the politicians.

A whole range of New Zealand businesses recognise the value customers (here and in overseas markets) place on environmental sustainability and also the value of protecting our land and primary resources from further degradation. For them, reducing environmental impacts, including climate change, is well within what is in the best interests of the company.

These boards already know the role they can play. Similarly, boards that understand the transition to a zero-carbon economy have the potential to deliver great value – if great skill is exercised in this transition management.

It is, for example, an inconvenient truth that a post-carbon economy will (for the foreseeable future at least) still require steel. Steel-making requires traditional energy. So prohibiting access to, or the use of, traditional energy sources before industries can effectively replace them risks economic damage beyond the regions directly affected. These kind of trade-offs need to be fully disclosed, debated and managed.

In a fevered political environment, debates like these are likely to be unproductive and, ultimately, bitter. The arguments about the government's proposed Three Waters reforms are a good case in point. Whatever the merits of the proposal, a good deal of the debate is about how debt to fund vital public infrastructure should be structured and funded. Directors well used to understanding balance sheet pressures could have provided a valuable perspective, or at least replaced some of the heat with light. The same applies to the ongoing row over co-governance – an issue likely to dominate parts of next year's election campaign.

These are, without question, times for fresh and clear thinking. This summer as we sit on the beach and wonder if the clouds overhead will bring rain, remember directors have a role to play, to lead with or without the bill moving slowly through Parliament. **BQ**

Did you know...?

IOD PODCAST SERIES DELVES DEEPLY INTO GOVERNANCE

A seven-part documentary podcast series has been launched by the Institute of Directors. Across the Board covers everything from workplace culture, to how to get a seat at the table, technology, board diversity, technology and more.

Stories and experiences are shared by high-profile directors across a range of industries, along with experts on governance history, modern slavery and bullying on boards.

Kirsten Patterson, CEO of the IoD, hosts the podcast, along with international award-winning producer Sonia Yee. Although the subject matter is focused, the stories are vast and the experiences are rich.



IOD SUPPORTS FOUR-YEAR PARLIAMENTARY TERM

The IoD has made a submission supporting a move to a four-year parliamentary term, with the expectation it will support stronger governance and democracy.

The Independent Electoral Review is considering the future of New Zealand's electoral system, including the parliamentary term. The issue has been topical for a while, and given the recent debate on important issues that have made people question how democracy works and how to ensure a strong system, the timing is right.

The IoD has been advocating for a longer parliamentary term. Back in 2016, 84% of members agreed that extending the parliamentary term from three to four years would improve the governance of Aotearoa.

The issue of how long a parliamentary term should be is complex and impacts on a government's ability to be held accountable for its decisions. Any elected government needs sufficient time to tackle the important issues they have highlighted, and for the term to be sufficiently long to allow for the development of good policy and law, to have it be challenged and refined as part of a robust parliamentary process, as well as being put into practice.

NEW TOOLS TO HELP MANAGE BIOSECURITY RISKS

Biosecurity should be considered an equal part of good business risk management for corporate governors, alongside their approach to health and safety at work, and food safety, with potentially similar levels of legal liability for companies and individual directors.

So says Peter McBride CFInstD, the chair of Fonterra Co-operative Group Ltd and former chair of Zespri, who has highlighted the crucial role boards play in driving biosecurity excellence to ensure the long-term sustainability of their organisations, industries and the economy.

“Our role in ensuring biosecurity risk is managed and embedded into an organisation’s culture has never been more vital than now,” he says. “If we are to protect our primary sectors and maintain a strong reputation for the quality of our food and fibre exports, then board leadership is essential.”

McBride made the comments as the Biosecurity Business Pledge group launched the ‘CEO Guide to Biosecurity’ and ‘Biosecurity Considerations for Boards’. The Pledge is a network of almost 250 business sector organisations committed to playing an active part in protecting New Zealand’s biosecurity by integrating proactive practices into their operations and supply chains. It functions as a forum for members to engage and collaborate in ways that build collective biosecurity capability.

The significance of biosecurity to New Zealand’s economy and business community was recently underscored by its top priority ranking for the 11th consecutive year in the KPMG agribusiness agenda. With the high degree of connectivity between New Zealand businesses, it is a risk that commands active governance and management at all board tables.

FREIGHT SECTOR WRESTLING WITH EMISSIONS CHALLENGES

The freight sector recognises it has a role to play in New Zealand meeting its emissions targets, says Abby Foote CFInstD, who sits on the board of Freightways. The government has announced a goal of net-zero by 2050.

“The options to replace existing assets are limited and expensive,” Foote says. “The freight industry is struggling with the challenge of progressing options, as they currently exist, in a way that is meaningful and also makes sense commercially.”

For example, freight agencies are interested in the possibility of converting fleets to hydrogen power, but this is not yet commercially viable. Similarly, electric vehicles present problems when faced with large loads and difficult roads.

Foote, speaking at a Chapter Zero event focusing on the transport industry, added: “We do have a pretty optimistic view that some of these technologies are going to develop in a way that provides real options.”

Christchurch Airport director Kate Morrison CMInstD said a “strategy reset” on sustainability and guardianship in 2016 had “galvanised our people around purpose” and helped the organisation to attract, and retain, good staff.

In terms of emissions, the airport has an aggressive strategy to become a net-zero operation by 2030, ahead of the government’s target for the country.

chapterzero.nz



TUAKANA TEINA CHAIR MENTORING PROGRAMME TO RETURN IN 2023

The Tuakana Teina Chair Mentoring Programme will continue in 2023 after a successful inaugural launch. Created in partnership with Community Governance NZ, the first programme closed in mid-November with Te Whata Ora / Health New Zealand chair Rob Campbell CFInstD sharing his governance insights and experience.

The concept of tuakana (mentor) and teina (mentee) is a Māori values-based principle of ako (two-way learning), which draws upon shared experience, knowledge and support.

The programme paired 25 not-for-profit chairs with experienced tuakana. They meet up throughout the year. Additional online sessions for sharing and learning were held on a regular basis. Each teina was also given complimentary access to the IoD’s Not-for-Profit Governance and Finance Essentials online modules.

Applications for next year’s programme will open in February. Expressions of interest are now being taken at Community Governance NZ.



DEFYING CLIMATE CHANGE

Coral reefs have long been regarded as one of the most significant ecological casualties of climate change, with dire warnings that over 90% could die by 2050. But a reef in the Gulf of Eilat in Israel is showing remarkable resistance and appears to be immune to sea temperatures rising faster than the global average rate. Scientists are trying to understand the biological capacity of these corals to live at higher temperatures, hoping this knowledge could help reefs elsewhere in the world.

Photo by: Lukasz Larsson Warzecha/Getty Images

Across the Board

Across the Board, our new 7 part podcast series, digs deep on issues such as technology, climate, diversity and inclusion. From workplace culture to board diversity we share stories and experiences from high profile directors across a range of industries.



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