

# Boardroom

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WINTER 2022

 Institute of  
**DIRECTORS**  
NEW ZEALAND

Jacinda Ardern's world charm offensive |  
What's coming next for tourism | Navigating  
supply chain chaos | The office of the future |  
Young guns in the boardroom

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# “Whether it’s the best of times or the worst of times, it’s the only time we’ve got.”

– Art Buchwald, American humorist and columnist

Time is certainly of the essence, like Buchwald said, as we emerge from the “worst of times” and try to imagine the “best of times”.

By the end of July, New Zealand will be fully open again, another step in the abnormal becoming the new normal. Prime Minister Jacinda Ardern has been busy overseas telling the world New Zealand is open for business.

In an article for *Boardroom*, Ardern says “we can be and should be much better than BAU” and “Covid-19 showed us that”. She highlights New Zealand’s strengths during the pandemic but also some weaknesses.

Having visited Singapore, Japan and the United States to sell New Zealand, she warns about the “distinct feeling of competition in the world”. Ardern has also gone to Australia to meet newly elected Prime Minister Anthony Albanese and other international trade visits are in the pipeline.

The message is clear. New Zealand needs to sharpen its game in a world of increasing challenges. We rely so much on tourism but will it recover to pre-pandemic levels? Futurist Ian Yeoman looks into his crystal ball and gives us a few scenarios and the sources of his predictions.

There is also light on the horizon for New Zealand’s lifeline to international trade, the container shipping sector. How is the industry tackling supply chain issues and staff shortages? Find out inside.

What about another pillar of our economy, the dairy industry? Dr Jacqueline Rowarth pulls no punches and says the challenge for governance is to change the messaging on the industry’s value.

And, on the theme of reconnecting to the world, the Asia New Zealand Foundation Te Whaitau Tūhono stresses the need for businesses to get up close and personal again, and invest in growing Asia-related skills among staff.

Covid-19 has forced us to rethink our lives, and the way we work, how we work and where we work. What is the purpose of the office now? We look at the future of work and the hybrid models that are being tried and tested. The power is now with employees.

In 2019, we published *Always on Duty*, a paper exploring ways in which directors and boards would work in the future. Three years on, find out what six of those IoD members think now.

Speaking of members, our youngest is 19-year-old university student Hunaara Waerehu. He first got noticed by speaking his mind, and now his actions are speaking louder than words.

We also talk to one of our youngest ever Chartered Fellows, 39-year-old Carl Bates, who is also proving age is no barrier to breaking glass ceilings.

Ngā mihi  
Noel Prentice, editor

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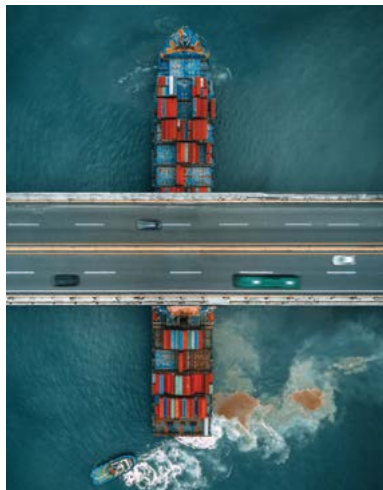
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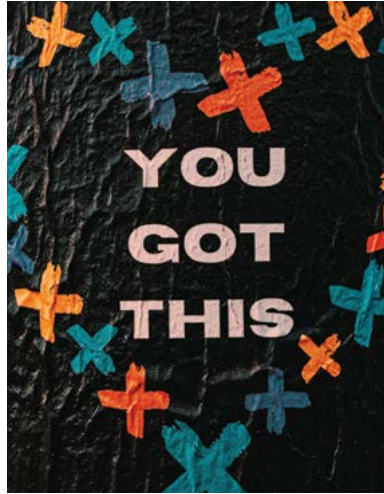
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## EXTRAORDINARY TIMES

On February 28, 2020, the first Covid-19 case was reported in Aotearoa New Zealand. Nineteen days later, Prime Minister Jacinda Ardern closed the borders to anyone who was not a citizen or permanent resident. That came a week after the World Health Organization declared Covid-19 a global pandemic. Ardern called her measure “extraordinary” and in “no time in New Zealand’s history has a power like this been used”. An elimination strategy was hailed as one of the world’s most successful but this was eventually abandoned and New Zealanders have had to endure lockdowns and alert levels as the Delta variant took hold. Covid-related deaths and infections continue to mount. It is still a seismic event, but thanks to vaccines and health precautions New Zealanders are learning to live with the virus.

A Māori cultural group welcomes tourists, friends and family at Auckland International Airport as New Zealand reopens to the world.

Photo by Fiona Goodall/Getty Images







# Competing with the world

As New Zealand reopens, Prime Minister Jacinda Ardern tells *Boardroom* there is a distinct feeling of competition as many other countries have the same idea.

Photos:  
Jacinda Ardern has been actively promoting New Zealand at home and abroad, especially in her meeting with US President Joe Biden at the White House.

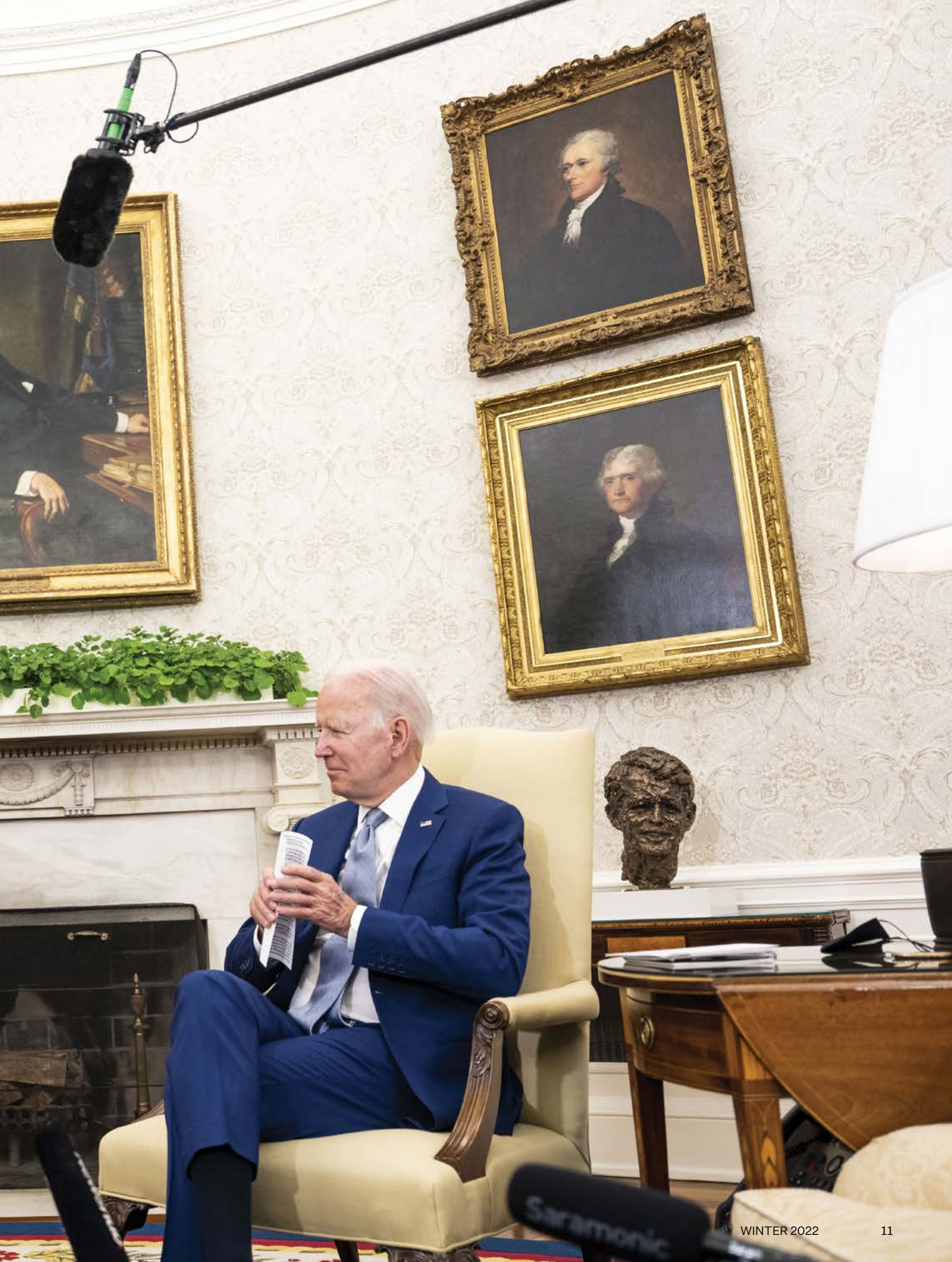
**B**y the end of July, New Zealand will be, once again, fully open to the world.

Earlier this year when I set out our plan to reconnect with the world I was clear that a return to business as usual would be a disservice to the hard work of New Zealanders over the past two years during the pandemic. We can be and should be much better than BAU.

Covid-19 showed us that. It highlighted the way New Zealanders unite in support of one another, and that delivered us the lowest cases and deaths for two years running. But more than that, it proved that a strong health response is also the best economic response, as we now have the lowest unemployment on record, and a bigger economy than before Covid-19.









That is because we worked with business to retain their workforce through the wage subsidy scheme, kept supply chains open, freight moving, and tailored other business support packages to ensure we had a business community strong and ready to go on the other side of Covid-19.

That worked but still Covid-19 laid bare some weaknesses, not least of which was our unsustainable reliance on temporary migrant labour. Immigration will continue to be a part of our economic story, but in our immigration reset, including a new Green List which allows employers to bring in skilled labour to fill gaps more quickly and easily, we have taken the opportunity to build resilience into our workforces.

In particular, health workers and construction workers will fill the gaps in our infrastructure building and health systems, providing greater workforce reliability, and accelerating the country's economic recovery.

**“Something that can no longer be postponed is climate action . . . Reports continue to remind us of accelerating sea level rise, and the threat to infrastructure and the stability of society that comes with that.”**

In Budget 2022, we took the opportunity to build into our systems greater economic security, to drive a high-wage, low-emissions economy – because that is an economy that can best withstand future shocks in an increasingly volatile world.

We invested in a business support package that included a \$100 million Business Growth Fund to support small- and medium-sized enterprises to access finance. The fund will help fill a gap in the capital market for SMEs that require growth. It is an investment model that works and is already established in the UK, Ireland, Canada and Australia.

We also fully funded the Regional Strategic Partnership Fund to unleash regional economic development opportunities, a Tourism Innovation Programme to promote sustainable recovery, and dear to my heart, we progressed eight Industry Transformation Plans (ITPs), which join the dots between

where an industry needs to go and the workforce it needs to do it.

ITPs are developed in partnership with business, workers, iwi and government to transform the productivity and performance of key sectors of the economy, while also improving sustainability and labour market conditions. They are focused on the following sectors: advanced manufacturing, agritech, construction, digital technologies, fisheries, food and beverage, forestry and wood processing, and tourism.

There are the things we did too, in spite of Covid-19. Something that can no longer be postponed is climate action. We are living within the daily impacts of climate change now, with droughts in the cold seasons and storms knocking homes, farms and schools multiple times a year. Reports continue to remind us of accelerating sea level rise, and the threat to infrastructure and the stability of society that comes with that.

As a country that depends on our environment for our economy, we must act. That is why over the past two years we progressed and have now released the country's first Emissions Reduction Plan, a plan for the whole of New Zealand, in partnership with every sector of the economy, to help us meet our carbon budgets, as well as unlocking new investment in new industries.

The action is backed by the biggest investment in climate ever, recycling the billions of dollars paid into the Emissions Trading Scheme. For example, we have made a \$678 million investment in the Government Decarbonising Industry Fund (GIDI), where the government partners with major process heat energy users, helping them cut costs as well as emissions.

We made this investment because this fund works – the initial \$69m investment in GIDI helped fund 53 major industrial decarbonisation projects – all contracted for completion by April 2024 and over their lifetime are estimated to save 7.46

“We have a green brand to uphold to ensure our products still fetch the premium we want them to, but the many businesses still using fossil fuels is a threat to us.”

million tonnes of CO<sub>2</sub>, equivalent to taking 134,800 cars off the road.

We have a green brand to uphold to ensure our products still fetch the premium we want them to, but the many businesses still using fossil fuels is a threat to us, so ensuring our businesses are run on, and produce products made with renewables, is critical to maintaining our leading business edge.

Zero emissions cars, trucks and buses will all be supported within one of our biggest emitting industries, transport, along with a pricing mechanism and accelerated tools and technology across our farming sector. Native climate sinks and more woody biomass are also supported.

I penned this from the United States on my second of several trade missions back out into the world this year. I take with me the singular message that New Zealand is open for business.

There is a distinct feeling of competition in the world as many other countries do as we are, look to build more security into their national systems, in an increasingly volatile world, and try to encourage the best workers and most generous tourists back to their shores.

The war in Ukraine, and the global energy shock that caused, off the back of a global pandemic, only serves to reinforce the idea that another crisis can be just around the corner. In an increasingly digitally interconnected world, that extends to misinformation wars.

Along with the rest of the world, we are also dealing with the cost of living cycle that abounds after a period of restricted global supply and heightened geopolitical conflict, and that's something we must support New Zealanders through, too.

But the immediate should never derail us from the longer term challenges. I know we can take the lessons of Covid-19 and build a secure future for New Zealand, because we already are. **BQ**

# What's coming next?

Where will tourism be in 10 to 50 years? Futurist Ian Yeoman says it's all about understanding changes in society and external events.

AUTHOR:  
**NIKI BEZZANT,**  
FREELANCE WRITER



**I**an Yeoman could be forgiven if he were feeling a little smug right now. The ‘professional crystal ball-gazer’ wrote a paper in 2006 about a future flu pandemic, in which he predicted a disruptive scenario lasting three or four years. Though he and his fellow futurists did not quite know how or exactly when it would eventuate, they knew something like Covid-19 was coming.

For the Associate Professor of Tourism Futures at Te Herenga Waka Victoria University of Wellington, and co-editor of the *Journal of Tourism Futures* (who is not at all smug, by the way), this is all part of a day at the office.

Yeoman’s work involves looking at big-picture, long-term change and creating scenarios of the multiple futures that could be in store for this important sector.

“Most of the work I do is all about asking the question: where will tourism be in 10 to 50 years’ time?” he says. “It’s basically understanding changes in society and what they mean for tourism; understanding external events and how they change tourism.”

Yeoman is prolific. Among other work, he has recently completed two future-focused projects for MBIE: a report on human values and the ecosystem in 2040 – “it’s about how human values align with the ecosystem and how we behave” – and the other about our relationship with technology and where AI will be in 30 years’ time as a form of labour. Very big picture.

#### **PREDICTING THE FUTURE**

Yeoman draws from likely and unlikely sources for his tourism predictions, ranging from demographic, health and climate data to science fiction films. One of his recently published papers framed the possible future scenarios for global tourism using popular movie titles as metaphors.

Last year, he authored *Science Fiction, Disruption and Tourism*, a book proposing science fiction as ‘a new theoretical

“What is happening in science fiction film is usually a representation of what’s happening in the laboratory, because a film director’s probably done all the research. They’ve talked to technologists and authors and writers to see where society’s going . . .”

paradigm to the study of tourism in a post Covid-19 world’.

It is not as out there as it sounds. Science fiction has predicted many of the technologies we now take for granted, like mobile phones, videoconferencing, ear buds and even the internet.

“What is happening in science fiction film is usually a representation of what’s happening in the laboratory, because a film director’s probably done all the research. So when they did *I, Robot* or any of these big science fiction films, they’ve talked to technologists and authors and writers to see where society’s going, what they’re doing and how technology is unfolding.”

Yeoman is also always keeping an eye on new patents.

“This is technology that companies are trying to protect, which they think will be important in 10 to 20 years’ time.”

He likes to tell the story of Kodak, who invented the digital camera, but didn’t see its potential.

“They had the world’s first patent for that in 1977. But they just didn’t believe in it. They thought the future was film. And other people then developed it.”

#### **WHAT’S NEXT FOR TOURISM?**

Right now, of course, the pandemic is top of mind and shaping everything for tourism businesses, as with every other sector, at least in the short term.

Covid-19 is not going to disappear, Yeoman asserts, but business needs to think now about what’s coming next.

“The one thing I’ve learned is: we’ll never go back to normal. It’s just not going to happen, because capitalism’s changed.”

Part of that change is an acceleration of something that was happening pre-pandemic: a growing awareness of the need for sustainability in travel, something that’s now, he asserts, “right

at the forefront of the agenda; it's been accelerated into the consumer psyche".

The philosophy known as regenerative tourism, modelled after the concept of regenerative agriculture, is top of mind for many tourism experts. It is, Yeoman says, about a new beginning.

"Regenerative tourism is about re-emergence. It's about something new and low impact. It's a new form of tourism, which is about small communities making decisions. It's not about mass tourism.

"Regenerative tourism tends to focus on the life of the community; the life of people. And it's focused on the idea that tourism should be better than what it was for the communities and people that are involved in it."

In New Zealand, tourism was doing extremely well, pre-pandemic, as our top export industry. The concept of over-tourism had emerged in other parts of the world, though not here to a large extent. But we did have a growing understanding of the impact of climate change on tourism.

Prior to Covid-19, Yeoman recalls "we saw a significant shift in the discourse and what was happening in policies and decisions, where climate change and sustainability came more to the forefront".

"What was happening was a really big concern across the world about climate change, about where it's going, and right at the heart of that is air transport and CO2 emissions and understanding that. So [in New Zealand] we're part of the system."

#### **BUILDING BACK BETTER**

With borders closed and tourism's wings clipped, Covid-19 threw New Zealand for a time into what Yeoman called a "gated community" in the movie-metaphor paper he co-authored in 2021. This scenario was likened to the 2011 film *The Colony: Gated Communities*.

**"Regenerative tourism is about re-emergence. It's about something new and low impact. It's a new form of tourism, which is about small communities making decisions. It's not about mass tourism."**

"It was a dystopian scenario," he says. "And when you have a dystopian scenario [what happens is] you can go from dystopia to utopia. Psychologically, it's all about how do you build back better? Hence the focus across the world globally on regenerative tourism; on having tourism strategy and policy that are about a better world and environment."

The shift in the psyche of both consumer and policymaker led both groups to question the meaning and value of tourism, Yeoman says. The focus here has necessarily been on the domestic tourist for the past two years.

But as countries have opened back up, there is a large amount of pent-up demand, driven partly by the desire to reconnect with family, and partly by the fact that people haven't been able to travel in recent years.

"It's like the 1920s; the roaring twenties," Yeoman reckons. It is a scenario he termed 'Crazy Rich Asians' – after the film of the same name – in his movie-themed paper. Tourism consumers are ready to spend.

In terms of the future, though, he reminds us that it will take time for New Zealand to get back to tourist volumes anything like what we saw pre-pandemic.

"It's going to be 2024 or 2025 before there's any degree of getting back to normal in terms of level," he says.

There's a number of reasons for this.

"New Zealand is a long haul destination, at the bottom of the world . . . and a holiday is usually planned 12 months in advance. It's a big expense, getting here. But it's also a huge time commitment. The average tourist in New Zealand prior to Covid-19 was spending 19 to 20 days."

There is also the ongoing issue of no Chinese market, as long as that country

remains in various states of lockdown. Travellers in Europe are tending to favour 'interregional' travel where they can stay closer to home. And we still have reduced capacity, exacerbated by labour supply issues with no seasonal labour force of travellers and overseas students.

Though Australians holidaying and visiting friends and relatives will drive demand over the next 12 months, Yeoman says "my expectations will be this summer, international tourists will be around 15% to 20% of all tourist holidays. Whereas it's usually around 50% or 55%".

#### **FUTURE PROOFING**

What advice does Yeoman offer those in governance in tourism businesses when thinking about future planning?

The keyword for Yeoman is plurality. That means considering the multiple futures.

"I think in terms of five-year plans in governance when you're forecasting the future, it's about plurality. It's about a number of options and working with laws for different futures. Your pathway going forward has to be about how you can switch resources and move, understanding the impact of shocks.

"And it's about ensuring you don't have over-reliance on one customer or one market. So [make sure] you've got the ability to adapt quickly and be flexible. And all of that together is about resilience.

"If I'm a director, I'm saying to myself: how is this company resilient? If this is our preferred future, what are our alternative futures in terms of markets and products and experiences in case we have risk? We as a company need to test out and play with alternative futures in terms of role play, in terms of gaming, in terms of simulation, to address that."

There is some deep theoretical thinking to do as part of that process, Yeoman suggests.

"It's addressing: how do we move? The products or experiences that we are in – how would they shift? So in scenario one, or scenario two, or scenario three, if this is what we do now, and this is our new world . . . what would we leave behind? What would stop, what would slow down, but also what would accelerate?"

"If I'm selling X, Y and Z, or these are my markets, how would those markets change or adapt under different scenarios?"

#### **FUTURE TECH**

If we want to do our own crystal ball-gazing, Yeoman has some tech inspiration to watch. Much of it is focused in the labour-saving and workforce solution space. He is very interested in robotics, including wearable exoskeleton technology, AI 'virtual assistants', and what's known as BCI or brain-computer interface: technology allowing direct communication pathways between the brain's electrical activity and an external device. In other words: computers that can interpret our thoughts.

In this vein is a robotic company Yeoman loves, Moley Robotics, which has developed a robotic chef/kitchen, taking us a step closer to the *Star Trek*-style food kiosks so intriguingly portrayed in the 1960s on that show.

He also cites Boston Dynamics as creators of the world's "most advanced" robots. We can expect to see at least some of their cutting-edge military and safety technology making its way into the tourism of the future.

Despite all the high-tech, sci-fi-seeming scenarios, though, Yeoman says it's still all about many possibilities. He can never predict an exact future.

"If somebody says, what does the world look like in 2075? I can't turn around and do that. But what I can talk about is that it could go down different pathways." **BQ**



**The Wellington branch of the IoD will hold an in-person and livestreamed panel discussion on 'reconnecting globally' on Wednesday, August 3, at the National Library Auditorium, Molesworth Street, Wellington.**

The panel facilitator will be New Zealand and global business leader and advocate Phil O'Reilly. Panellists include Peter Chrisp, NZTE CEO, who will focus on investment promotion of businesses to offshore markets; Steve Maharey, chair of Education New Zealand (welcoming back international students/ education); and Gráinne Troute, chair of Tourism Industry Association and director of Tourism Holdings Ltd (what does tourism look like post-Covid-19).



# Perfect storm

AUTHOR:  
**IAIN MACINTYRE,**  
FREELANCE WRITER

There is light on the horizon but challenges remain as New Zealand navigates through the global supply chain chaos.

Stakeholders involved in or reliant upon the container shipping sector, New Zealand's lifeline to international trade, are expressing some optimism that an end to the unprecedented, pandemic-related disruption to global supply chains is on the horizon.

However, even with the positive influences of borders reopening and general pandemic-management restrictions lifting, certain underlying forces will not instantly dissipate and notable new geopolitical factors also need to be factored.

Therefore, shippers should expect to continue strategically navigating supply chain challenges, absorb learnings of operating in the "new normal" and potentially further explore innovative shipping options for at least the remainder of 2022.

### SETTING THE SCENE

A myriad of compounding factors have converged to generate chaos throughout the global supply chain since the onset of Covid-19.

As has been widely reported, preventative lockdowns combined with labour shortages due to infection have impaired port operations, causing vessel delays – with vessels missing berthing windows then generating further backlogs.

In an attempt to maintain schedule integrity, carriers have regularly omitted port calls, which has created logistical issues elsewhere while also inadvertently removing cargo-carrying capacity from the overall network.

Vessels being delayed has also removed capacity – given those ships are unable to complete existing cargo exchanges, never mind commencing their next – and at a time when global demand for consumer goods has markedly risen as a very consequence of the pandemic.

Idling vessels still incur costs, at a time when bunker fuel prices have been on the rise, and the overall supply/demand equation on vessel tonnage has seen charter rates skyrocket. In September last year, carrier Euroseas reported a new charter of a 4250-TEU containership costing about US\$200,000 per day, compared to its existing fleet charters ranging from about US\$10,000 to US\$30,000 per day.

Additionally, following a several-year period of returning minimal profits or even losses, the current market pressures have enabled carriers to cover such cost increases, as well as securing record profits. In this regard, maritime analyst firm Drewry recently forecast that global containerline EBIT was expected to reach US\$200 billion this calendar year, compared to US\$50 billion in 2020.

The consequence of these factors, and numerous others that have been at play since the onset of the pandemic, is that



**Catherine Beard,**  
*ExportNZ executive director*



**Daniel Silva,**  
*New Zealand Importers Institute secretary*



**Charles Finny,**  
*New Zealand Port Company CEO Group independent chair*

shippers are not only being faced with extremely lengthened delivery schedules, they are also reporting massive rate increases. Woolworths New Zealand managing director Spencer Sonn recently estimated shipping costs to have risen 640% over the past two years.

All of which, of course, flows onto the end consumer.

### CURRENT PICTURE

A spokesperson for the International Container Lines Committee (ICLC) says while there are “some signs” of a closer alignment between adjusted supply and demand at a global level, “we will be facing some challenges for a period of time yet”.

“There are ongoing schedule impacts across most trades which will take some time to settle,” the spokesperson told *Boardroom*, citing the example of the current lockdowns in Shanghai “disrupting one of the largest ports in the world – an exit and entry point for a significant amount of New Zealand demand and supply of goods”.

“It would be prudent for the New Zealand supply chain to prepare itself for a prolonged period, where our traditional seasonal patterns will be disrupted. This will mean peak volumes, or close to it, moving both inbound and outbound concurrently, putting extreme pressure on our limited resources over a sustained period.”

ExportNZ executive director Catherine Beard agrees.

“Things are still congested as it seems that Covid continues to take people out of the workforce and China’s lockdowns are having a big impact,” says Beard.

“I have heard that a lot of the truck drivers in the European Union are Ukrainian and they have all gone back to fight, so that is causing a problem. In addition, there is a shortage of ships and a shortage of containers, and some containers are stuck in Russia.”

New Zealand Importers Institute secretary Daniel Silva considers developments in those two areas of the world serving to provide pertinent examples of the “perils of trading with dictatorships”.

“(1) Germany becoming dependent of Russian gas while dismantling its nuclear energy sectors and investing in windmills to appease its green voters; and (2) most other democracies’ decision to subcontract their manufacturing sectors to China,” he says.

“The zero-Covid folly is one that we are familiar with, having experienced it here in New Zealand. The attempt to eliminate Omicron was only abandoned here when ordinary people decided that it was futile and stopped complying with the increasingly absurd mandates.

“The option to change course when ‘mugged by reality’ is not in play in China, where rulers believe they are infallible and immune from public opinion. Importers in other countries will suffer the effects of the resulting disruptions.

“As they realise that the lure of cheaper labour is not sufficient to outweigh the uncertainties inherent in dictatorships – like a lockdown here or a small invasion there – they will start to trade more with other democracies.”

#### **BORDERS REOPENING**

On a positive note, New Zealand Port Company CEO Group independent chair Charles Finny CFInstD says the country’s port sector “welcomes further liberalisation” of the rules applying to the international border.

“Most obviously, this will allow for the resumption of cruise ship visits,” he says.

“They will also allow New Zealand exporters and importers to reconnect to customers and suppliers.

“Immigration policy changes will also hopefully make it easier to source

“Immigration policy changes will also hopefully make it easier to source employees in some areas where limited skills exist in New Zealand and make it easier for foreign advisers to travel to New Zealand to undertake essential repairs and maintenance.”

employees in some areas where limited skills exist in New Zealand and make it easier for foreign advisers to travel to New Zealand to undertake essential repairs and maintenance.”

Finny asserts the country’s ports will remain highly vigilant as pandemic-management restrictions continue to ease.

“Aside from some cruise ship passengers very early on in the Covid outbreak, the maritime border has become very secure and has not been the source of Covid importation into New Zealand.

“While infection of port workers from within the community has had an impact on operations at some ports, Covid policy has not been the principal reasons for supply chain disruptions impacting the New Zealand economy – 90% of the reasons lie offshore.”

#### **POLITICAL AND REGULATORY INFLUENCE**

As New Zealand strives to navigate through the evolving global supply chain environment, Beard asserts: “Don’t expect to be rescued by government.”

“Some of it is out of their control and they move slowly – private sector co-operation and collaboration is much quicker.”

That said, Beard notes the Ministry of Transport is leading a review of supply chain issues.

“But they don’t have much influence outside of New Zealand.

“Officials are watching the situation closely and there are working groups, led by the Ministry of Foreign Affairs and Trade and Ministry of Transport, with Singapore and Australia on supply chain challenges.

“There is some talk that the government could better support domestic coastal shipping and some in the industry would like to see more investment in roads and rail.”

Given the New Zealand supply chain remains “facing the most challenging period in recent memory”, the ICLC spokesperson is seeking greater government influence.

“The Ministry of Transport does have a part to play in this with some critical infrastructure direction in our small economy, to improve our landside logistics network. The coastal trade, inland hub development and port capacity/ownership needs to be co-ordinated well.

“Our duplication and lack of collaboration in landside infrastructure is one area which is necessary to consolidate our country’s strengths into a presentable and productive package to the world.”

In contrast, Silva believes that natural market forces are already shaping to return balance to the global supply chain.

“It is possible that well-intentioned governments can frustrate these adaptations by attempting to centrally plan supply chains. The impulse is based on the principle that no problem is so complex it can’t be solved by someone with a political science degree. Any such attempts are, of course, doomed to the same failure visited on centrally planned economies throughout history.”

#### CONTRASTING FUTURE PERSPECTIVES

In that vein, Silva is adamant that freight costs “will come back to pre-pandemic prices before long”.

“That is because the extraordinary profits of the major shipping lines have attracted new players keen to get a share of that bonanza. Capacity will increase and so will competition.

“Likewise, freight schedules will return to some level of predictability, as supply chains gradually adapt to the new conditions.

**“It is possible that well-intentioned governments can frustrate these adaptations by attempting to centrally plan supply chains. The impulse is based on the principle that no problem is so complex it can’t be solved by someone with a political science degree.”**

“The capacity to spontaneously adapt is what makes supply chains so resilient. They are a product of millions of decisions made independently by millions of individuals every day.”

However, while predicting an end to Covid-related supply chain disruptions, Silva is wary of the potential impacts of looming inflation and “inevitable corrective recessions”.

“These are the results of the economic mismanagement perpetrated by those who fervently believed that ‘this time it’s different’. It wasn’t.

“Importers will need to do what an earlier generation did in the 1970s and manage as best they can. This too will pass, but it could take one or two decades.”

The ICLC spokesperson also notes global indices pointing towards “some difficulties in most economies” as inflation continues to rise.

“This may have an effect on demand. There is caution around the industry in committing any timelines on ‘normalisation’. What is apparent is the pre-pandemic status will not return quickly, but carriers are collectively doing as much as they can to address this by their own actions.”

Beard expects current supply chain challenges to remain prominent for at least another year.

“Markets respond to high prices and there is a lot of ship and container building going on, but you still need the workforce in the supply chain to be there as well.

“People in the industry say New Zealand had container prices that were too low as to be sustainable for the shipping lines pre-Covid, so we are unlikely to get back to the same low prices for shipping.”



Similarly, given growing global inflationary pressures, increased fuel costs and new policies around fuel quality and carbon taxes, Finny cannot see shipping rates returning to pre-pandemic levels.

“Prices are showing signs of stabilising and services are getting a bit more reliable, and delays into many ports, in New Zealand and around the world, are not as bad as they were.

“But we have growing Covid disruption in China and the Russia-Ukraine war and sanctions disrupting also. Personally, I fear that we are going to see disruption occurring until late 2022/early 2023.

“From 2023 onwards we should see global shipping capacity increasing as new ships come on stream. Hopefully, we will see more reliable services.”

#### ADVICE TO DIRECTORS

Finny says he is “cautiously confident” of prospects improving in 2023 when compared to the past two years.

“But we should be expecting a ‘new normal’ – not the one we enjoyed in the run-up to Covid’s emergence. Directors should be reflecting deeply about what this will mean for their businesses.”

Reflecting on what has unfolded over the past two years and what potentially lies ahead, Beard urges business leaders to stay regularly and well informed, as well as to “think global and think about how to scale up for more prioritisation”.

“I think most businesses have weathered the last two-and-a-half years as best they can and done all of the obvious things – such as holding more inventory, putting their prices up to reflect higher costs where they are able, and even outsourcing production closer to the market you are selling to etc.

“We are hearing about more businesses choosing to offshore manufacturing to get closer to customers and get around supply chain problems and staff shortages. Those businesses that were literally shut down in Level 4 lockdowns are also putting more investment into overseas locations for production than in their New Zealand-based businesses.”

Beard notes another successful strategy for exporters has been collaboration to scale, as per the Kotahi supply chain model.

“Those with bigger volume have bigger clout and get looked after by the shipping lines better. The small- and medium-sized enterprises get buffeted around the most.”

Making adroit choices over service partners throughout the entire supply chain is one of the most important considerations in the current environment, says the ICLC spokesperson.

“While costs are a focus for all organisations, the flexibility and behaviour toward the environment is becoming very high in considerations in a global context. Reliability, capability and service are all prominently mentioned items.”

The spokesperson adds that a key challenge to business leaders is to rethink pre-pandemic supply chain models.

“We need to be more organised, co-ordinated within industries and future-proof our thinking.

“The sustainability of landside options are highly important, as they are for ocean carriers with the International Maritime Organization regulations from 2023. Carbon emissions and a reliance on road transport will be an item to consider heavily and development of rail or better sea options connecting to hub ports.” **BQ**

“While costs are a focus for all organisations, the flexibility and behaviour toward the environment is becoming very high in considerations in a global context. Reliability, capability and service are all prominently mentioned items.”

# Saving the farm

AUTHOR:  
**DR JACQUELINE  
ROWARTH**

**The challenge for governance is to change the messaging on value, ensuring primary producers are regarded as highly valued environmental enterprise managers, producing food while managing the land sustainably.**

**T**he primary sector cushioned the economic impact of Covid-19 by continuing to operate during lockdowns – the privilege of being deemed essential workers meant farmers and growers were able to go on milking cows and harvesting vegetables and fruit, albeit under very difficult and increasingly expensive circumstances.

The descriptors of ‘difficult’ and ‘expensive’ have continued to be appropriate and are compounding with an ever-increasing regulatory (read ‘paperwork’) burden. The Covid-related value that radiated towards the primary sector during 2020 appears to have evaporated in the face of the constant suggestion that farmers are the despoilers of the environment.

It’s not surprising, then, that it is increasingly difficult to find Kiwis that want to work in the primary sector.

Workforce shortages have featured in the media and various recruitment programmes such as ‘GoDairy’ have appeared, but the fundamental problem remains – the primary sector in general, and the dairy sector in particular, is more famous for hard work and environmental impacts than the nutrition it provides.

New Zealand’s dairy sector provides almost 1% of the global requirement for essential amino acids, for less than 0.05% of the world’s GHG emissions.

The message needs changing and the value proposition made clear.

The role of governance, which always includes rigour of debate, is to ask the



questions that will bring clarity to the path forward, balancing the long and short term.

The starting point is that New Zealand has probably reached peak ruminant animals. The number of people required on the farm has also probably peaked. But rural professionals will continue to increase, driven by regulation.

The On-Farm service being established by MPI to assist with Farm Environment Planning is an example of a new and people-hungry initiative.

#### MATTER OF PRIDE

What farmers see is more work, more cost, more regulation and more paperwork . . . to 'legislate' a better job. And therein lies the problem. People need to be able to feel pride in their work in order to recommend it to others.

Workforce shortages are a failure in governance at all levels. The failure was in understanding the unintended consequences of new strategies imposed on the farm, in education and in careers.

Producer subsidies were removed in the mid-1980s and numbers enrolled in tertiary education in agriculturally related subjects crashed. Agriculture was termed a sunset industry for rednecks, with manufacturing and tourism the new stars.

In the 1990s, the liberalisation of the curriculum and 'bums-on-seats' tertiary model enabled enrolments in all sorts of new degrees, all of which were marketed as having career value. Of course.

In 2000, the Knowledge Wave initiative declared New Zealand's future to be IT, the creative and performing arts and biotechnology. And the NCEA system and the various iterations which followed allowed all subjects to be weighted equally.

At the same time, parents encouraged their children to be all that they could be . . . and follow their passion.

“Workforce shortages are a failure in governance at all levels. The failure was in understanding the unintended consequences of new strategies imposed on the farm, in education and in careers.”

For many children, looking at their parents in whatever industry, including the 'redneck sunset' industry that continues to be the bedrock of the economy, the decision was to do something else.

#### FAILURE IN PLANNING

What we are experiencing on the land now started 40 years ago and reflects a failure in workforce planning, the unintended consequences of a liberal education system and the negative impact of a highly vocal environmental lobby.

Agricultural groups, including levy bodies, co-operatives and companies, have tried to change the tide with scholarships, ongoing education, and positive messaging.

The workforce is now highly diverse, and people arriving for short stints for horticulture (PSE workers) and backpacking holidays, have spread the word about opportunities. For almost two decades, immigrants from countries such as the Philippines and India have come to make a better life for themselves and their families.

What is only just being realised is that their children will be heading into careers in the cities; in one generation, they have left the land.

The challenge for current governance at all levels is to change the messaging on value – to ensure that primary producers are regarded by society as highly valued environmental enterprise managers, producing food while managing the land sustainably.

This will require signals from national as well as local government, through workforce planning and fees/scholarship adjustment, as well as the establishment of subsidised apprenticeship schemes.

At the same time, new ways of working on the land are required and, again, this is a matter of governance and management, on the land and in organisations.

The traditional ways of working are being examined. What roster suits rural people? Can people who are saving for their own farm work longer hours than those who aren't? Can the enterprise cope with different goals and requirements while remaining economically viable? Can the animals cope with staggered milking? All of these questions are being discussed openly.

On the farm, technological developments are reducing labour requirements. They are, however, also increasing costs in infrastructure, operation and repairs and maintenance. Can the farm afford the technology? Or is it a case of adoption or extinction?

#### UNDERSTANDING THE ISSUES

The challenge for directors remains knowing enough to be able to ask the insightful questions that will allow management to address the issues.

Collectively, it means knowing what is happening on the farm, while watching consumer trends, and being able to track a path of influence back through agribusiness to farmers and growers – to help them understand why a change might be necessary and how it can be achieved without impacting negatively on economic viability.

It also means understanding the issues sufficiently to be able to make suggestions to policy-makers, while sometimes having to explain the possible consequences of a well-meaning suggestion.

The future of the industry is bright as long as we, collectively, understand the possibilities and barriers, and work together with policy-makers to achieve the agreed goals.

'Think papers' launched to start a discussion abound, but most are not written by people connected to the land in quite the same way as a farmer-elected director on the board of a primary sector organisation.

Plant-based, organic and regenerative approaches are being pushed to policy-makers by some groups, but a global food shortage is looming. Within this, the meat and milk from the pasture-based systems in New Zealand are in demand.

Over the past few years, dairy debt has been reduced to the extent that it is no longer in the news, and higher prices for milk solids have enabled the changes in rosters, hours and technology mentioned above.

The current high costs of production have eroded that profit, but the big challenge for farmers ahead is the extra costs being imposed through regulation. This constant feeling of scrutiny erodes the intrinsic rewards that used to be found in farming.

For the younger generations, it is the match of intrinsic (pride in work) and extrinsic (e.g., salaries, holidays, professional development and perks) rewards that are attractive when considering employment. If the intrinsic value isn't apparent, other career choices can be made.

At the end of 2017, the Institute of Directors' *Boardroom* contained 'Issues for Directors in 2018 – trust and confidence'. Directors were urged to tell the story of their organisation's work in a holistic and transparent way, engage with the community and other stakeholders to build their social licence to operate, and be prepared to respond quickly and constructively to public scrutiny and criticism.

The primary sector organisations have been trying. With the support of society, simply in a change in attitude towards the farmers and growers producing superb food while providing the bedrock of the economy, even more could be achieved.

And directors will continue to try to gauge the future while asking the questions to achieve progress towards the goals of the nation as well as the industry. **BQ**



#### **Dr Jacqueline Rowarth CNZM, HFNZIAHS**

is an adjunct professor with Lincoln University and a farmer-elected director on the boards of DairyNZ and Ravensdown. She has also held government-appointed positions as a director of Crop and Food Research, a director of New Zealand Fast Forward and a trustee of AGMARDT. This column is based on 40 years of tertiary education experience, 30 years of research in agricultural science and agribusiness, 20 years of governance and a decade of farm ownership. The analysis and conclusions above are her own.

# Understanding Asia

AUTHOR:  
**SIMON DRAPER,**  
 EXECUTIVE  
 DIRECTOR OF THE  
 ASIA NEW ZEALAND  
 FOUNDATION  
 TE WHĪTAU TŪHONO



**New Zealand businesses would be wise to invest in growing Asia-related skills among staff. After all, we need the region more than it needs us.**

**A**fter two solid years of frankly sub-optimal international engagement on Zoom, the Asia New Zealand Foundation has spent a fair bit of time planning international travel. This has involved careful research into where we can actually go and how to get there, risk management documents, and trawling the internet to make sure we don't miss any testing or paperwork requirements (note: the IATA Travel Pass mobile app is helpful in this respect).

It's not clear if we will ever return to the pre-pandemic travel experience. Kiwi travellers will have to navigate various border, quarantine and testing requirements around Asia – and download local apps. Things will simply take longer, there is more complexity, and it is likely you will spend more time in one place.

Much like it has been for New Zealand, deciding how much to open up, and when, has been a delicate political balancing act for many Asian countries. And a few, most notably China, remain all but closed.

But despite the hassles of travel planning, the bottom line is New Zealand businesspeople and leaders of all stripes need to start getting out to Asia. Zoom just isn't going to cut it when it comes to getting

a feel for changes on the ground or for valuing relationships.

And with the announcement that New Zealand's borders will be technically reopening to all visitors and visa-holders at the end of July, now is also the time to start planning to host guests and showing some manaakitanga.

Looking back to 2019 – the last full pre-pandemic year — six of our top 10 trading partners for goods and services were in Asia. While border closures have negatively impacted services such as tourism and international education, Asia has remained a crucial part of the picture. In 2021, the top five export destinations for New Zealand were China, Australia, the United States, Japan and South Korea.

And yet we hear barely anything in our news media about what's going on in Asia, and how rapid developments in the region might shape New Zealand. Prime Minister Jacinda Ardern's recent trip to Singapore and Japan represented a brief blip in coverage.

## HOW TO RE-ENGAGE

So, what are some of the challenges businesses may face in re-engaging with the region? And how can they address these?

Last year, the Asia New Zealand Foundation got some hints from a research report we published looking at South Island business links to Asia. ‘Te Waipounamu and Asia: *South Island business connections with Asia now and in the future*’ canvassed the views of 115 companies with existing links to Asia, and 35 that were considering establishing links.

While the report’s focus was on the South Island, the findings were relevant to businesses across the country. In particular, the research highlighted the importance of personal connections and networking. It was striking how many of the businesses – well over half – had connections with Asia going back more than a decade.

Asked about the most useful forms of support and advice when establishing links with Asia, South Island companies said that working with existing Asian business partners, attending trade expos, cold-calling suppliers and distributors, and using personal and professional contacts were important tools.

In short, time spent on the ground and face-to-face had been central to business success in the region. In that context, Covid-19 had been challenging.

But we were also interested to see the report identifying a lack of language capability and detailed market knowledge as the two biggest challenges when it came to establishing links. They were seen to be bigger challenges than competition, logistics or trade barriers.

That is astounding, but fixable.

The report highlighted that New Zealand businesses have a lot of often-overlooked resources to call on, including within New Zealand’s diverse and rich Asian diaspora communities. They can also talk to different sectors that may already be in market to gain intel.

After two years’ absence from the region, it’s especially important to be on the ground. Asia is fast-moving and vibrant – and New Zealand businesses risk missing

“We were also interested to see the report identifying a lack of language capability and detailed market knowledge as the two biggest challenges when it came to establishing links. They were seen to be bigger challenges than competition, logistics or trade barriers.”

opportunities if they don’t understand changes taking place in market.

Many of the transformational changes we have experienced in New Zealand during the pandemic – for instance, remote working, video conferencing, QR scanning (a Japanese invention, by the way) – have been even more pronounced in Asia.

The pandemic has sped up developments in fields such as artificial intelligence, digital payments, online retail and livestreamed sales events, social media apps and delivery services. Increasingly, Asia will be leading the rest of the world in digital transformation.

#### **POLITICAL DIVIDES**

Meanwhile, wider political developments are also having a profound effect on the region. In March, the Asia New Zealand Foundation hosted an online meeting with our Asia Honorary Advisers, 15 leaders who collectively hold a wealth of knowledge about developments across Asia. They also know a lot about New Zealand.

We heard New Zealanders should not underestimate the shifts that the pandemic and then the Russian invasion of Ukraine had caused. These would impact everything from supply chains to security arrangements.

Kiwi businesses will need to keep a careful eye on wider political developments to understand how that might be impacting business partners. A simple start is not to talk about Asia, home to some 4.7 billion people, as a homogenous whole.

In summary, what happens in Asia will be at the heart of success for many businesses in the years ahead. As a country, we like to think we’re savvy when it comes to our Asia engagement. After all, we’ve done well out of trading with the region.

But there are plenty of signs that we continue to underrate the value of Asia knowledge and capabilities, and that New Zealand businesses need to invest in growing Asia-related skills among staff.

We need Asia more than it needs us, so we can expect to have to do the heavy lifting. **BO**



# Sink (and get eaten) or swim

AUTHOR:  
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‘Defence in Depth’ is a strategy delivering multiple layers of protection and makes you among the fastest swimmers in the murky ocean of cyber threats and malicious hackers.

**W**hen a shark is after you, there’s no need to outswim it. You only have to swim faster than anyone else.

This grisly metaphor is at the heart of many cybersecurity measures. While complete defence from a cyberattack is nearly impossible, taking steps to make your organisation the least appealing target is the next best option. That means having measures in place to ‘swim’ better than other organisations when facing a cyber-criminal.

With high-profile attacks making headlines in recent years, the most common question we field from boards is how their organisation can avoid falling victim to a major attack – like recent examples of Distributed Denial of Service (DDoS) and ransomware affecting large New Zealand entities.

Unfortunately, there’s no silver bullet to protect yourself against a major incident. Instead, organisations and directors need

to take a holistic approach to cyber security.

That’s where it’s worth taking a closer look at the concept of ‘Defence in Depth’. This approach delivers multiple layers of protection for your organisation, is cost-effective, and makes you among the fastest swimmers in the murky ocean of cyber threats and malicious hackers.

## DEFINING DEFENCE IN DEPTH

Defence in Depth is the application of multiple layers of security controls throughout your organisation. Strictly speaking, technologists might say it only applies to information technology (IT) systems, but really, Defence in Depth should extend to physical security, processes and human resources, too. These measures can be categorised as physical, technical and administrative controls.

What Defence in Depth does is quite simple: if a bad actor gets through one line of defence, they face another, and then another. Defence in Depth makes getting into your organisation’s systems or

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Jeremy Bezanger on  
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information more hassle than it's worth, increasing the likelihood that the attacker will simply move onto a new target.

Ultimately, hackers are opportunistic – they are looking to extract maximum reward for minimum effort. By making their job more difficult, your organisation becomes a less appealing target.

#### **TARGETING YOUR SECURITY SPEND**

While Defence in Depth is an all-encompassing approach, it's unrealistic to assume that businesses have the unlimited budgets and people resources to invest heavily in every single security measure. Aiming for impenetrability is unrealistic and impractical.

This is where good governance can come in. When organisations are bound by budgets that determine what can be achieved with cyber security, the board needs to support the business to make the right decisions around prioritisation of defences.

Therefore, the first step with Defence in Depth is assessing your organisation's risk profile: know where attacks are likely to come from, what data or infrastructure is most valuable and needs the highest level of protection, and what kind of breaches you are most susceptible to. This is best done in consultation with cyber security professionals, who can objectively assess your security profile and help create a blueprint for the layers of defence which will best protect your unique situation.

Often, it's the foundational cyber security controls – antivirus, authentication, encryption, good passwords, vulnerability scans, intrusion detection, firewalls and more – that are the measures from which Defence in Depth is constructed. Doing the basics well means protecting your organisation from most threats, and it's alarming how many organisations fail to get these right.

The other factor to consider is the human element – technology systems rarely make mistakes, but people do. Ensuring your cyber security team are continually educating employees through regular awareness training is among the best returns for security investment possible.

“Ultimately, hackers are opportunistic – they are looking to extract maximum reward for minimum effort. By making their job more difficult, your organisation becomes a less appealing target.”

The trap to avoid is targeting investment in a single tool or solution over implementing multiple security measures. Don't go all in on the world's greatest firewall to the exclusion of everything else, or you'll find yourself with an amazing firewall but a poor overall security posture. Understanding the threat surface and constructing defences appropriately reduces the chances of a breach.

#### **PLAN FOR THE WORST**

A good Defence in Depth approach should also include planning for when things do go wrong. Cyber security is a harsh taskmaster because you can do everything by the book and still get breached – but it isn't the end of the world and, provided you've planned appropriately, a cyber incident won't be fatal to most businesses.

Having a clear response strategy and incident plan which helps get you back on track with minimal disruption will lessen the effectiveness of the attack, and, in turn, avoid putting your organisation in a position where you need to recover data or system access from an untrustworthy cyber-criminal.

#### **THE ROLE OF THE BOARD**

If I could give any advice to boards on how to support a best practice Defence in Depth strategy it would be this – consider cyber security as a broader risk-based issue. While directors today have vastly improved their knowledge, cyber security is still often seen as a technology issue which belongs in the IT department. While IT has a role to play, cyber security should be elevated to a standalone governance issue. Your Chief Information Security Officer should be regularly updating and engaging with the board.

As directors take a holistic, risk-based view of cyber security, they should be asking for evidence that the cyber security team are reporting on the right metrics that build up a picture of the overall posture, and continually assessing the organisation's risk against emerging and current threats. This is the key to staying ahead of the circling sharks. **BQ**

# Trial and error

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FREELANCE WRITER

Photo by Federica Campanaro  
on Unsplash

**What is the best design for your workplace as environments continue to evolve? Directors give their perspective on the future of work in New Zealand.**

**W**hat is the purpose of the office? Once we would have said it is the space to connect to enable business, but Covid-19 has proven that the wheels will not necessarily fall off if employees work outside of the office.

Employees' requests for flexibility are stronger than ever and, in a market where there is a massive war for talent and resignation rates are at an all-time high, they are expecting to get what they want.

Across the globe there has been a varied response to how companies view the future workspace. Tech companies such as Google demanded their employees work from the office at least three days a week, but staff are asking why, given Google's record profits through the pandemic.

US consulting and staffing firm Robert Half says two-thirds of employers want workers back in a "near full-time capacity", but half of employees say they would look for a new job if that was required.

Other organisations are having a major rethink of how to maximise productivity and keep their employees satisfied in a fair and equitable environment. That is no easy task.

Governments, too, are looking at future work through policy development. Paris has developed the 15-minute city concept where everything is available to citizens within a 15-minute radius; Spain is trialling a four-day working week and Ireland is designing a national remote worker strategy covering worker rights, broadband infrastructure and worker hubs. In contrast, ministers in the UK were recently ordered to send their civil servants back to the office.

If there is any agreement around the world, it is that there is no single model for every organisation and businesses must experiment with what is right for them. New Zealand is no different.



“People are giving clear messages they want more flexibility, and while I don’t think we’ll see a grand reset, I hope we can be cleverer and make the most of trying some working patterns, going into this new era.”

#### PRE-PANDEMIC

If you think of offices pre-Covid-19, they were not working well: rows and rows of desks in soulless buildings with large investments in technology which was not being maximised. Around 16% of professionals or managers working in office environments had arrangements with employers to work from home (WFH) for part of the week.

But overall, the concept of WFH was a bit of a Tui ad: ‘she’s working from home’ was a general view that if you could not be seen, you were not working.

This attitude meant that employees with commitments outside of work who needed flexibility were not as valued as other staff, nor encouraged to progress.

During Covid-19 alert levels three and four in New Zealand, around 30% of employees were able to work full-time from home. And analyses of flexible work has shown that employees who work remotely or on a hybrid schedule perform at equal levels compared to employees who work in the office.

#### EXPECTATIONS HAVE CHANGED

The belief that WFH and working from anywhere (WFA) is acceptable for the future is not universal. Internationally, some senior managers have publicly stated that those in the office are higher performing and more likely to be promoted.

The CEO of WeWork, Sandeep Mathrani, was quoted as saying it is easy to tell the workers who are most engaged – “they are the ones who want to come back into the office”. Given this, managers are more likely to promote and give bigger raises to employees who come into the office compared to those who do not – even though there is no difference in performance.

But, in New Zealand, directors are warning that for those wanting to return to the ‘old days’ they may lose staff whose expectations have changed.

Denise Church CFInstD, chair of Airways NZ and ESR, asks why we would do that if we have found something better.

“People are giving clear messages they want more flexibility, and while I don’t think we’ll see a grand reset, I hope we can be cleverer and make the most of trying some working patterns, going into this new era.”

Mark Cross CMIInstD, director of ACC, Xero, Chorus and Milford Asset Management, says staff have got used to working from home and do not want to let go of that completely, and that is an important issue for board agendas.

“One of the top risks is attracting and retaining great talent. We know that if we are going to be rigid about work practices, we will lose talent. For a board, it’s less about dictating specific aspects of staff management and more about making sure we work in a way to achieve our strategic goals.

“What we need to ensure is that we are enabling people to feel engaged and do their best work because, if we don’t, we know other employers are and we will lose our best people.”

The flip side is international experience showing that hybrid or remote workers have weaker social and emotional connections with their co-workers, which makes it easier for them to quit their job. There will also be more opportunities to move because, as hybrid and remote work becomes normal, the geographic radius of the organisations someone can work for will grow.

#### DIVERSITY AND EQUITY

International data has shown that in a hybrid world, women and ethnic groups prefer to WFH, compared to white men, and Cross sees an opportunity for organisations to widen the talent pool because a more flexible environment also enables more diversity and inclusion.

Company intervention to create more flexible environments could support

the narrowing of gender pay gaps, broaden diversity within leadership and increase current underrepresented talent in important conversations, career opportunities and other networks that drive career growth.

Pre-Covid-19, the MetService was one step ahead there. Chair Sophie Haslem CMinstD says they had introduced a concept called Metflex with flexible working hours, location and job-sharing because they recognised the lack of flexibility was discouraging those with additional personal obligations, particularly women.

“When Covid hit, it was a godsend as we had all the ‘rules’ already defined and we were already learning about how WFH suits some but not others, how to manage health and safety in a home space, and the need for some compulsory attendance days and other work rituals.”

#### WHAT NEXT THEN?

All over the world, academics, consultants, companies and governments are undertaking research into what future work looks like, including asking staff for their wish lists. Weirdly, there has been an unusual demand for ping pong tables, which perhaps reflects the desire for connection, spaces for collaboration and taking breaks.

Table tennis aside, do we need more space for collaboration or less when only 50% of the team are there at any one time? And how do we enable those valuable water-cooler chats when we are not all in the office together?

Directors, too, are pondering what we have learned from lockdown:

- We can WFH, we do not have to be in one fixed place all week and that also includes the option of WFA.
- There has been a dramatic change in expectations of employees who have had the time to rethink their values, what is important to them and what they want out of a job.

## Netsafe’s gamechanger

Online safety organisation Netsafe is one New Zealand company already reimagining and reviewing its current office space, including surveying staff about what they want the office to be like.

New CEO Brent Carey MInstD says they are actively examining what ‘togetherness’ means and want to be deliberate about the purpose of bringing people together – the concept of ‘the gathering’.

He is very clear the office design of the past is out of date and not right for creating an interactive work environment.

After working in a home environment, no one is going to want to come into an office with a ‘battery hen set-up’. They will be looking for nooks and places of sanctuary to do focused work and we need to create deliberate spaces.

Netsafe is not holding back in diving into a new way of working. It is about to launch into an international pilot scheme to test a 32-hour, four-day week. Staff are paid for 40 hours and expected to spend the other eight hours working on their wellbeing.

The nature of the Netsafe business helped motivate this approach where security and safety of staff are their top priorities.

“Covid has seen a 27% spike in our services, and no one needs to be looking at some of the stuff our staff have to watch for more than 32 hours a week.”

The pilot runs for six months starting in August and Brent says it is a game-changer.

“Companies also need to think about our rituals of reward and recognition, with simple things like how do we make morning teas inclusive? If we’re working from home that day, the last thing we want to do is stare down a screen watching our colleagues eat cake.”

Carey believes this new way of working will be attractive to current and new employees where flexibility is what really matters, such as those from ‘the sandwich generation’ where staff are juggling the commitments of young and old.

And he has a warning for organisations investing in staff-monitoring tools. “The future is about mutual trust between employer and employee – I would run from any organisation running that type of management”.

- We will be very dependent on tech and we must continue to invest in it and ensure we can interact in a frictionless environment and free of frustration.
- Humans are social creatures who are still seeking a common place to engage some of the time, which could mean a redesign of office space.
- Not all staff can perform in WFH.

Many boards in New Zealand are well aware the workplace could change dramatically. That view is supported by an AT&T study which says hybrid work will be the default by 2024, and half of work will be performed offsite. It also claims 72% of businesses lack a detailed hybrid work strategy and 76% do not have the right key performance indicators to support hybrid models.

A McKinsey study in 2021, which analysed WFH potential across more than 2,000 tasks used in 800 occupations in eight countries, found about 20% to 25% of workforces in advanced economies could WFH between three and five days a week. This represents four to five times more remote work than before the pandemic and could prompt a large change in the geography of work, as individuals and companies shift out of large cities into suburbs and small cities.

But it also found that some work that technically can be done remotely could lose effectiveness if not done in person. Examples of this are negotiations, critical business decisions, brainstorming sessions, providing sensitive feedback, and onboarding new employees.

George Hickton, chair of Weta Workshop, Hawke's Bay Tourism and director of Kapiti Island Nature Tours and the Kapiti Tourism Advisory Board, says the discussion around WFH is very office-centric and is certainly not high on the agenda of New Zealand tourism businesses.

"While it's nice to think about the future of work, we are trying to think about the future with work."

**"Flexible work arrangements can just as easily happen in offices as they can in spare rooms. But they need a leadership mindset and organisational culture of high trust that values productivity, not just when we clocked in."**

He says there is a fairness issue in organisations where some of the workforce have to be physically at work to perform their jobs.

"In my view, we should be focusing on what's best for the business. Say, if you're operating a business where 90% of the workers have to be there, that's the business and that's where the focus should be. When you get to the point that the office environment loses contact with what's happening, then you have problems."

Hickton also believes you get a far better cultural and creative environment if people are working together and benefitting from each other's experience and energy.

Haslem is also a director of companies who have a mixed workforce – Livestock Improvement, CentrePort, Kordia and Rangatira Investments – and she says they are not having quite the same conversations because once you get onto a container port, or are climbing a tower, or working with animals on a farm, the concept of WFH does not exist.

"But they do work to a different rhythm that has an element of flexibility. In a port environment they need to be on site for their shift, but they might be watching TV or playing pool in the mess waiting for the next ship. In a dairy farm environment there is a time of intense work when the cows are in the sheds and then times when it's quieter."

The challenge for boards and executive teams is to ensure that organisations find the right balance between what employees want and what meets business needs. That will need careful planning and design.

#### SETTING CLEAR RULES

Chair and director Steve Maharey says international examples show the companies who do not set clear rules for their staff will be the ones who find it difficult to operate effectively.

“Overseas experience tells us that clarity for all staff and how they fit into the company will help build the right operating culture in this new environment.

“We need to take an active approach in ensuring people know how they fit into their organisation. I don’t think in reality you can rely on goodwill and trust,” he says.

“The risk, if you don’t create the parameters and build the right culture, is that people will drift away. And if organisations don’t continue to collaborate it will impact their bottom line and their ability to deliver outcomes.”

Maharey says Covid-19 has accelerated the speed of change we were already seeing.

“This means as directors we’re asking our managers to read the research, talk to other managers and have good conversations with employees. Rethinking the way we work could be as basic as asking why we have such a large physical footprint or influence the lay-out of the office.”

He says out of the organisations he works with (Pharmac, ACC, Education New Zealand, UCol and WREDA), the new design will be hugely influenced by how they interface with customers.

“If you’re an organisation that is technology-based things could change dramatically, but there will be different challenges for a place that needs to have face-to-face interaction with their customers.”

Experienced NGO governor Jo Cribb CFInstD questions whether our leaders will be bold and brave enough to accept that for employees to be the most productive and effective, they need to cater for different needs, including being clear about the difference between WFH and flexible working.

“Flexible work arrangements can just as easily happen in offices as they can in spare rooms. But they need a leadership mindset and organisational culture of high trust that values and measures productivity, not just when we clocked in.”

**“Our health and safety committees are well aware the workplace has extended, and we are not only thinking about office accommodation but that staff are set up ergonomically at home, as well as having good internet.”**

Cross says it is also important that firms get a good balance and that employees understand the impact of flexible work on others.

“If staff are deciding themselves when they come in or stay home, it could be chaos. One approach is teams setting up ‘anchoring days’ when the full team can be together.

“After a period at home, employees are seeing the value of working in the office. One of those is the informal opportunities, including the benefits of senior staff working alongside junior employees, not just instructing them but also role-modelling through their very actions.”

Church says for directors, when it comes to connecting with the business there is no substitute for showing up. She says despite virtual morning teas, her boards missed the benefits of chatting with staff and the opportunity for face-to-face celebrations and acknowledgements.

“That phenomenon of catching up with people in the margins of other meetings just hasn’t been possible under virtual working conditions.”

#### **HEALTH AND SAFETY**

There is no doubt now that the boundaries between work and home have softened, and directors are conscious they need to monitor staff for not just achieving their goals but also ensuring they are working in a safe environment at home.

“Our health and safety committees are well aware the workplace has extended, and we are not only thinking about office accommodation but that staff are set up ergonomically at home, as well as having good internet,” says Cross.

It’s not just home-work spaces that will be getting a refurbish. Directors believe offices will need to be redesigned, not to house all business activities but focus more on days when they need face-to-face interaction.

Maharey says Covid-19 put considerable stress on health and safety managers within organisations who are now having to look at the implications of WFH or WFA.

“It’s quite a shift from a health and safety perspective. Suddenly you’ve got people working in locations that you will never visit, yet you’re responsible for and that is having considerable impact on the breadth and scope of our health and safety plans.”

There are many predictions that offices will look markedly different. Cross does not see reducing office space as a primary driver, but believes as leases come up for renewal they will think ‘wait a minute, how much do we need?’

“Then the question is: do you size the office for the peak, or do you compress it down a bit? I think companies will have a much better view of what they need over the next couple of years.”

Overseas, companies are already looking at the cost-savings of WFH on office space. A survey of 278 executives by McKinsey in 2020 found that on average, they planned to reduce office space by 30%.

Remote work may also put a dent in business travel as extensive use of videoconferencing during the pandemic has shown a new acceptance of virtual meetings.

Of course, none of this flexible work is possible without adequate internet facilities. Even in advanced economies, almost 20% of workers in rural households lack access to the internet. So, organisations will need to pressure policy makers to expand and enhance the digital infrastructure.

Most agree it will be trial and error over the next few years as they work through what is the best design for their unique workplace.

All directors agree that this is just the beginning of considerable change and New Zealand business will need to keep watching and learning from best practice overseas, as well as talking to staff as work environments continue to evolve. **BQ**

## Meet you in the metaverse

The future of work is not isolated to decisions around flexible working. Covid-19 has also propelled discussions on factors such as a faster adoption of automation, the use of AI, virtual reality and leveraging the metaverse. If you think about the economic theory of creative destruction and how forward-thinking companies replaced organisations that failed to adapt to technology, these are issues and opportunities that directors cannot afford to ignore. They only need to think back to businesses closing when they failed to adapt to the digital age.

The metaverse is an obvious next step following a successful pivot to videoconferencing. The metaverse goes beyond simple virtual connection to a real-time experience where decentralised workers connect with access to support and data. The same goes for interaction with customers who can give instant feedback, saving time and money.

Just think, in the building world it is one thing to look at a 3D model, it is quite a step up to be in the model. Hardware is continually improving. Microsoft’s Bill Gates predicts that work meetings at least will transfer to the metaverse in just two to three years.

We usually associate virtual reality with the gaming world but many industries are finding ways to use VR. In manufacturing, smart glasses can help a person assemble a product and VR is perfect for remote maintenance. In the health sector, they have discovered VR can assist with pain relief. In marketing, sales, travel and even journalism, VR is being used as the next step in story-telling.

AI has been increasing rapidly particularly in organisations with high levels of human interaction. In a McKinsey global survey of 800 senior executives last year, two-thirds said they were investing in automation and AI either somewhat or significantly.

New Zealand businesses will have to step up their AI capability, according to a Qrious ‘State of AI’ report. It found that those organisations trialling AI have not only begun to realise the benefits but are likely to be outperforming rivals in matters of efficiency, improving existing products and services, enriching customer experience and creating differentiation.



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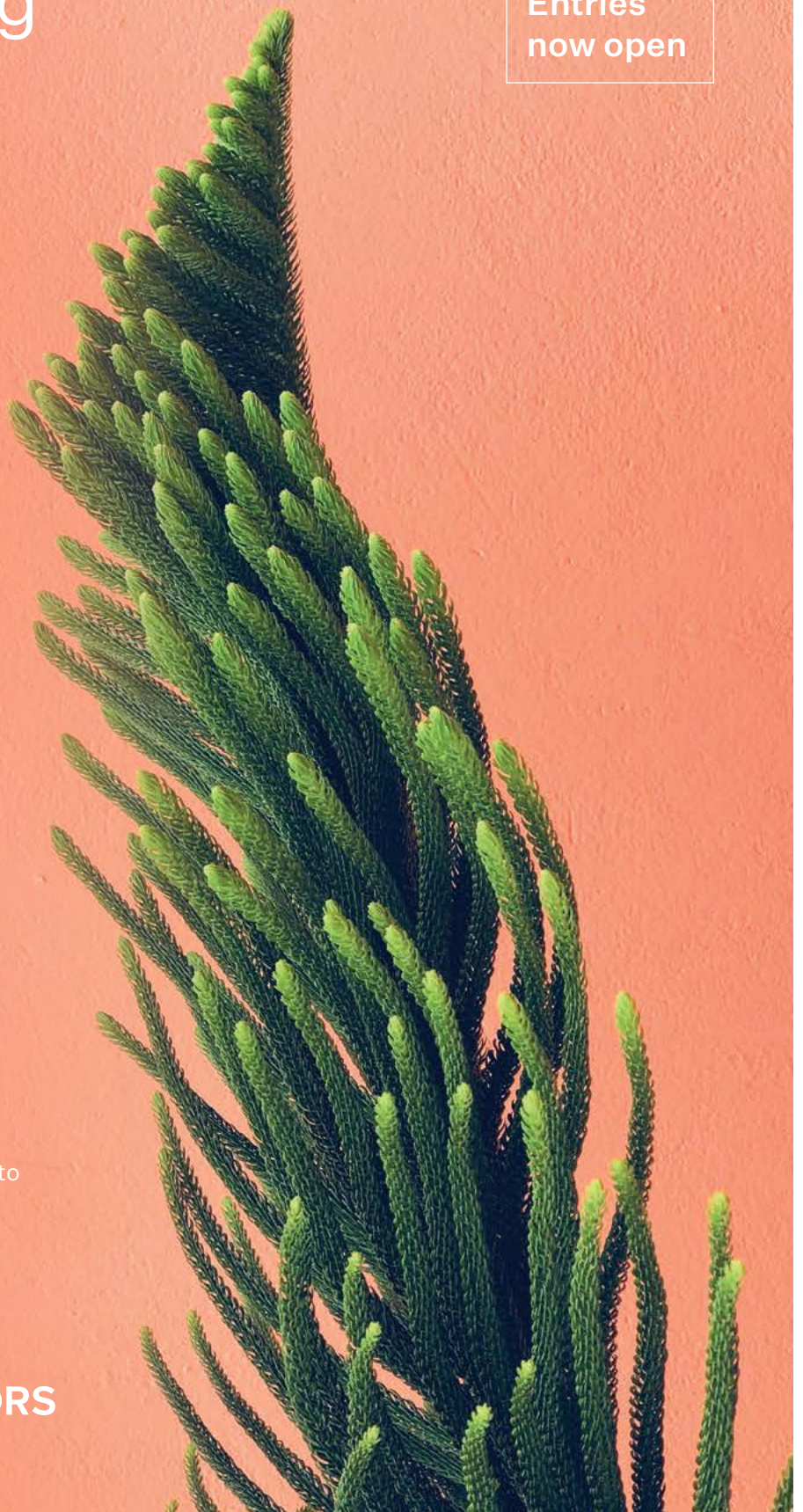
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# Does an office still figure in your life?

AUTHOR:  
**EMMA GIBBONS,**  
HR DIRECTOR,  
DENTONS

**Hybrid working will suit some people and not others. Look at the lived experience rather than theory in fine-tuning policies.**

The inevitable question that arose with the evolution of our online-and-everywhere networked digital world was: Do we still need an office for all of this?

Enthusiasts swiftly embraced the liberating possibilities, logging on from the spare bedroom, the kitchen table and the beach house. The wider business world followed more tentatively. But clearly the traditional office way of life is being superseded.

The Dentons board has long supported a flexible approach to working – fluid start and finish times, part-time, nine-day fortnights, structuring days flexibly – and in 2019 the company undertook a wide-angle review of those arrangements, asking how they might sit with the future of work.

Flexibility in work arrangements was a key consideration, both for candidates looking to join and for people already on board.

With that in mind at the beginning of 2020, just before Covid-19 hit, two new

policies, Flexible Work and Remote Working, open to all staff regardless of role, were introduced.

The outbreak then became a pandemic, offering the biggest possible field trial and putting the potential for adoption of new arrangements into high gear. The board and management believed the company was in a strong position with the necessary technology to support its workforce, wherever they were locked down.

Sure enough, the return to the office after the first lockdown saw a huge uplift in flexible and remote working arrangements. It had a significant impact on work practices. Like everyone, we were not returning to the same workplace we left.

Hybrid working will suit some people and not others – some work remotely all of the time, some are in the office all of the time and others come in a couple of days a week. Policies were amended after looking at it in the light of lived experience rather than theory.

Photo by:  
Michael Jasmund on  
Unsplash

A large number of individual, flexible and remote working arrangements are in place. People are able to decide on the most effective working arrangement in discussion with their partner/manager.

An ongoing challenge to providing flexibility is ensuring consistency of approach across the business.

A large focus has been on the ability to manage, engage and build a positive culture, regardless of team members' physical locations.

There is no question that collaboration technologies have played a big part in making this run smoothly. When you are managing hybrid teams, connection and inclusivity really matter. Partners and managers have been given additional training to help support them to manage their hybrid arrangements.

Not only has the past two years changed where people work, but also how they work. Teams and team members are being more purposeful in making the most of the opportunities when coming into the office, including social engagement and collaboration with their team.

Overall, the hybrid work arrangement has been a positive evolution. Dilemmas remain, however:

#### **Learning and development can be impeded**

For junior solicitors, access and accessibility to senior members of their team is very important. The office setting provides the ability to learn by osmosis, easily ask questions, hear informal discussions and connect with the team in a way that a remote connection cannot.

#### **Collaboration may become stilted in certain settings**

It can be difficult to manage meetings when there is a mix of in-person and remote attendance. Meeting leaders with sufficient skill and flexibility will be able to take this in their stride, but some adaptation can be required. Key to this is collaboration, leaders communicating, sharing insights and learning off each other's experiences.

“There is no question that collaboration technologies have played a big part in making this run smoothly. When you are managing hybrid teams, connection and inclusivity really matter.”

#### **A blurred boundary can be bad for your wellbeing**

Although the flexibility and choice that remote working can offer around your routine and how you manage their work can be highly beneficial, it can equally harm wellbeing if the line between work and home life is not effectively managed and becomes blurred.

Over the past two years there has been a real focus on providing mental health support and information to our workforce. We have also increased our focus on wellbeing programmes and initiatives.

CEO Charles Spillane has stressed the importance of keeping an open mind.

He says it is difficult to know what the workplace will look like over the next few years; that we know hybrid work is fast becoming a new expectation of the workforce; and we will keep assessing the landscape to help inform our approach to flexible and remote working.

It is important for directors and boards to remember that the world is still emerging from a transformational period, and that they could be helping management to think critically about the development and execution of their return-to-work plans.

That starts with understanding the workforce challenges, in a post-pandemic world, so they can ask the right questions and act as a sounding board. That will help determine what approach to take to flexible and remote working and what systems, procedures and policies need to be in place to support the approach.

For some businesses, this may be a greater investment in technology, reconsidering office layouts or updating processes and operating procedures to reflect a hybrid workforce.

Meanwhile, the firm's overall productivity over the past two years has increased. And management is enthusiastic to see what else can be achieved in a remote-but-still-connected world. **BQ**



# Moving to a new beat

AUTHOR:  
AARON WATSON,  
IoD WRITER/EDITOR

## Has the pandemic changed expectations for the future of work in governance?

**I**n September 2019, the Institute of Directors published *Always on Duty*, a paper exploring the ways in which directors and boards would work in the future. In December 2019, Covid-19 arrived.

Produced in association with MinterEllisonRuddWatts, *Always on Duty* featured the ideas of leading directors who commented on how the role of directors and the practices of boards might evolve. But no one factored in Covid-19.

Has the pandemic changed their views on how boards work and what directors will be doing in the future? We asked some of the contributors to *Always on Duty* to reflect on the changes in the past few years.

### FLEXIBLE AND AGILE BOARDS – DAME THERESE WALSH CMINSTD

In 2019, Dame Therese said: *“I think in 10 years there will be more tools (likely AI based) which will decrease the amount of time directors spend on the more functional or administrative matters. Meeting structures and formats will likely become more agile and issue-focused with fewer pages to read. You would hope to be having more quality conversations less frequently due to the previous changes.”*

In 2022, Dame Therese still feels boards are evolving to work in more agile, issues-focused ways. “The pandemic hasn’t

changed my view,” she says. “Many boards have had to work in a different, ad hoc and virtual manner to deal with the fallout of the pandemic.”

As a result, boards are becoming a little more flexible and mixing in-person with virtual meetings.

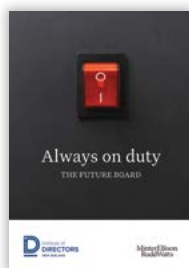
“I think an agile approach to governance is still evolving and each organisation will take a different approach and timeframe to making changes.”

### RISK OF BOARD PAPERS GROWING – TONY CARTER, CFINSTD

In 2019, Carter said: *“My boards have generally been meeting less and for longer, with the intent of focusing more on the future. They have also been working to get board papers shorter and shorter. But because of the environment and expectations on them, we are reaching important inflection points where boards may revert to meeting how they used to and the size of board papers may increase.”*

In 2022, Carter says board meetings became more frequent in response to the pandemic, but this is not necessarily the case today.

“Boards tended to meet more often during the pandemic, often for quite short durations. This was simply because we were going into the unknown, with



*Always on Duty*,  
Institute of Directors

lockdowns etc, so frequent board updates were required,” Carter says. “As companies adapted to the new environment that tended to dissipate.”

Covid-19 also led to a more “transactional” style of board meeting, in part driven by meeting virtually.

“I know all my companies have found virtual board meetings less productive. So there is certainly a trend to get boards to meet more often in person. This is complicated when there are people who need to travel, internationally, for board meetings.”

And, sadly, he acknowledges board papers have not become more succinct in 2022.

“It is a theme that still resonates but is a work in progress for many companies. I am reminded a little of the famous Mark Twain quote that: “I wrote a long letter as I didn’t have time to write a shorter one!”

#### **THE RISE OF RISK – MARK CROSS CMINSTD**

In 2022, Cross said: *“The risk side of the Audit and Risk Committee will absorb most of the committee’s time, rather than the financial reporting side, continuing the trends we are seeing already. Committees will need to be capable of moving between discussions on emerging strategic risks through to deep dives on current enterprise risks, all the while maintaining a detached view in order to see the wood for the trees. The greater workload will put pressure on the committee agendas, which may necessitate more frequent and/or longer meetings, or separation of the committee into both an audit and a risk committee.*

*“Committee members may also need to spend time in the business between meetings to better understand certain risks in the same way that health and safety now requires time out of meetings for directors to undertake safety visits and get better visibility on safety risks.”*

In 2022, Cross says the pandemic has confirmed his view that Audit and

**“The pandemic has shown the importance of considering unforeseen risks and scenario planning for their impact. In hindsight, the pandemic was a known unknown and could have been planned for.”**

Risk Committees should spend time on emerging strategic risks – with a detached view in order to see the wood for the trees.

“The pandemic has shown the importance of considering unforeseen risks and scenario planning for their impact. In hindsight, the pandemic was a known unknown and could have been planned for,” Cross says.

With staff returning to offices slowly, and unevenly, following lockdowns and the shift to working from home, it has been a difficult time for directors to spend more time in the business, he says.

“However, directors have had their hands full dealing with a range of risks and issues from cyber security, geopolitical risks, supply chain challenges, inflationary pressures, and attracting and retaining talent.”

Cross also welcomes the return of in-person meetings as the initial response to the pandemic has evolved.

“The reaction to in-person board and committee meetings has been universally positive and, despite the benefits of virtual meetings, shows that there is no substitute for being able to discuss these matters around a table.”

#### **CULTURE OF BOARD PROFESSIONALISM – ALAN ISAAC CFINSTD**

In 2019, then IoD President Isaac said: *“The culture of board professionalism will continue to be advanced. There will be greater emphasis on ensuring prospective candidates have demonstrated high ethical standards, competency and made a commitment to continuing development. My vision is that the IoD’s chartered designation will be the gold standard, and that boards will be expected to have a certain percentage of Chartered Members.”*

In 2022, Isaac feels the culture of professionalism in governance has advanced, but the way it influences board composition has changed.

“The pandemic hasn’t changed my view as expressed,” Isaac says. “However, in the past three years there has been an increasing tendency for boards to appoint individuals who are ‘representative’ of the stakeholders, rather than appointing people purely based on the skills required by the board to govern effectively.”

With the IoD introducing a governing board for the first time in 2022, board composition and professionalism has been a subject very close to home, he says.

“It is pleasing the IoD has set an important example by appointing a board with the appropriate skills, with a minimum of Chartered Members, while continuing to reflect the interests of members by maintaining a council.”

#### **ENHANCED COMMERCIAL INFORMATION FLOW – ROB CAMPBELL CFINSTD**

In 2019, Campbell said: *“I believe there will be more constant communication between board members and between the board and management. The communication will be more directly with management information and less ‘curated’ by senior management. The content of board decisions will be more directly related to commercial risks and less procedural in nature.”*

In 2022, Campbell feels communication between board and management has become more frequent and in-depth. However, the change has not been without teething problems.

“I think there has been an increase,” he says. “This is possibly frustrating for many, as the mechanisms and protocols are not always clear or are dated.”

Campbell says board chairs, in particular, are seeking regular, direct interactions with management.

“Chairs, and committee chairs, do from my observation,” Campbell says. “This is a two-way process which I think is a ‘new normal’.”

**“I have encouraged broader strategy sessions with senior management and staff – face to face – as soon as we were able to do so. Being able to see the business in operation was particularly important.”**

#### **DIRECTORS WILL SPEND MORE TIME IN THE BUSINESS – DAVID PILKINGTON CFINSTD**

In 2019, Pilkington said: *“I believe it is important for boards to be exposed to key senior managers and not just the CEO and CFO. I think this is best achieved by having the key senior management present with the board for strategic discussions. Just as the focus on health and safety has resulted in more interaction and observations carried out by directors, I see spending time visiting various parts of the business and talking informally with staff on the ground will be increasingly important in expanding a director’s detailed knowledge of the business. For this to operate successfully, directors must be clear on their roles and responsibilities as governors and the interface with management.”*

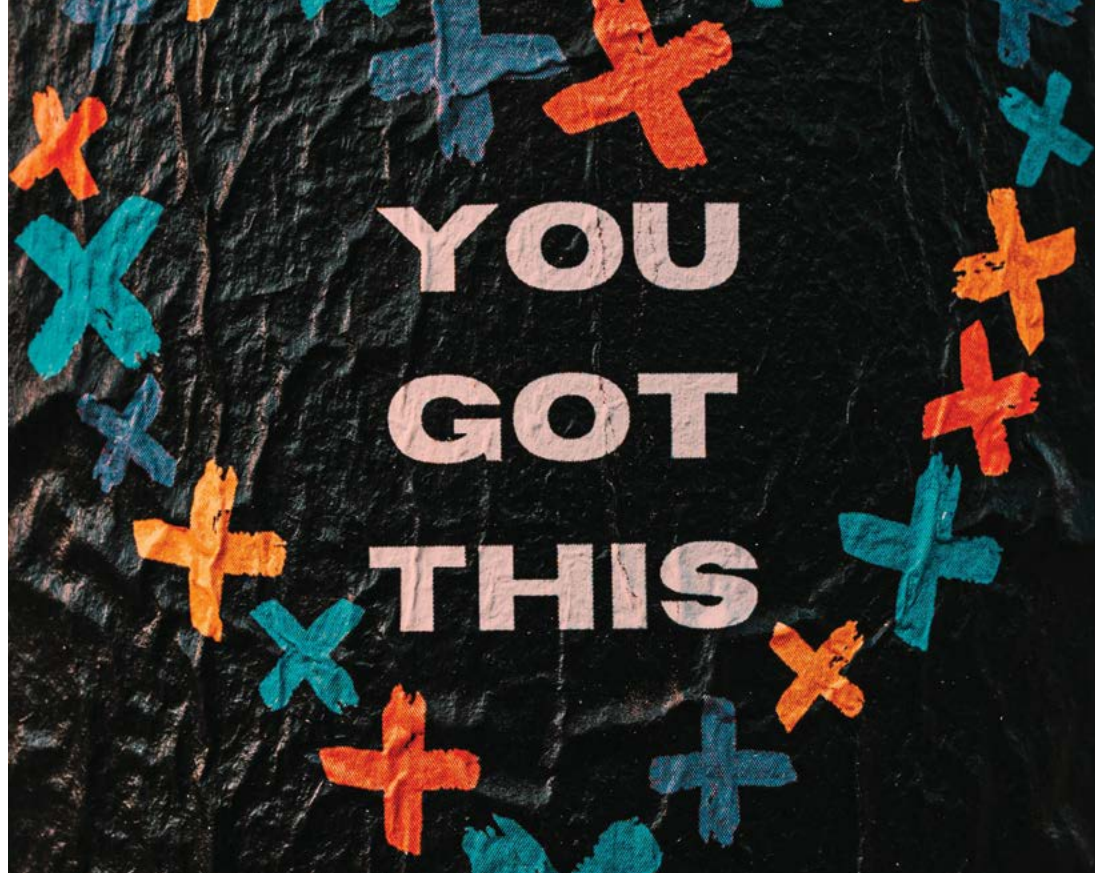
In 2022, Pilkington says the pandemic disrupted the trend towards directors spending more time “in the business”.

“I was involved with two businesses classed as essential, operating right through various lockdowns. The capacity to meet staff was certainly compromised.”

However, as things have opened up there has been a hunger for face-to-face interaction as boards seek to understand the cultural shifts wrought on organisations by lockdowns and pandemic protocols.

“I have encouraged broader strategy sessions with senior management and staff – face to face – as soon as we were able to do so. Being able to see the business in operation was particularly important,” Pilkington says.

“Having bureaucrats issue orders as to how a business should operate in a day-to-day sense was, in some ways, hugely frustrating. We were keen to engage staff to ensure they saw the benefit in the way we were operating, which wasn’t easy. In many cases, as restrictions were loosened the way we operated became stricter.” **BQ**



# Stressed Out

AUTHOR:  
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BENEFITS COUNTRY  
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**Cumulative stress is real and one way it can manifest is a feeling of ‘languishing’ – the void between depression and flourishing. What can employers do?**

Covid-19 has pushed mental and physical wellbeing up the corporate agenda, but organisations must tread carefully.

Poorly designed plans or ‘quick-fix’ solutions are likely to cost more money and yield little to no return on investment with the added potential to undermine health and employee engagement.

An evidence-based approach that understands and addresses the specific needs of the workforce is the key to successful program design, measurement and implementation.

We all wanted to start celebrating again as we learned to live with Covid-19, yet for many, other events and shocks occurred, bringing despair and anxiety.

At one extreme, some people feel fine or are even flourishing; at the other end of the spectrum, some people may experience depression.

Workforce exhaustion was identified in Mercer Marsh Benefits’ “The Five Pillars of People Risk Report 2021” as the third highest risk among all people risks, and is an escalating concern that requires immediate attention.

When asked, ‘To what extent is your organisation currently addressing this risk?’ respondents rated it 14th on the list of organisational priorities, behind other items such as data privacy, labour and employee relations, and communicable health conditions.

Photo by:  
Samuel Regan Asante  
on Unsplash





Besides the long-term health risks of workforce exhaustion, there is also an organisational cost to ignoring this issue, including toxic work cultures, low employee morale and engagement, high employee turnover, low productivity and higher medical claims.

#### NEW BUZZWORDS

Since the pandemic, we have acquired a new glossary of terms to describe the various states of workforce exhaustion:

**Languishing:** While not all New Zealanders are feeling levels of distress and discomfort that warrant a mental health diagnosis, many are experiencing the effects of ‘Pandemic Languishing’. “Languishing is the void between depression and flourishing — the absence of wellbeing,” psychologist Adam Grant wrote in the *New York Times*. Languishing dulls your motivation, disrupts your ability to focus, which increases the workload (as things pile up) but significantly reduces your motivation to get through it. While languishing is not a diagnosable mental health condition, it appears to be a significant risk factor for developing mental illness.

**Emotional Exhaustion:** This is the sense of being overwhelmed to the point where you feel like you don’t have the capacity to deal with life anymore. It’s physical tiredness. It’s mental tiredness. It’s difficulty concentrating. It’s all the things that we experience when we’ve reached our limit or capacity.

**Burnout:** Burnout was the unofficial 2020 mental health buzzword. According to the World Health Organization, burnout is specifically a form of work-related stress that has not been successfully managed. Common symptoms include feelings of energy depletion, cynicism about one’s job and reduced professional efficacy.

“Languishing dulls your motivation, disrupts your ability to focus, which increases the workload (as things pile up) but significantly reduces your motivation to get through it.”

**Alonely:** Aloneliness is the opposite of loneliness. It’s the dissatisfaction that comes from not spending enough time by yourself. During the pandemic, when home, school and office life has been combined in one space, this feeling is becoming more common.

New Zealand’s workplaces need to provide solutions that meet these varied needs. Organisations should take a human-centred design approach when developing a curated mental health and wellbeing framework that is data-led and research-informed.

Workplaces are craving initiatives that provide benefits to employees that address mental health or emotional health issues; train managers to identify mental health issues and support with early help-seeking activities, and provide access to digital or remote mental health services.

Interestingly, there has also been an identified need for organisations to take a more coordinated and multi-year approach to mental health and wellbeing, with the implementation of an overarching strategy or framework – rather than a quick-fix or tokenistic approach to employee wellbeing.

Mercer Marsh Benefits has identified two primary initiatives that can assist in managing mental health risks at an employee level:

1. **Mental health literacy training:** elevating employees’ knowledge regarding mental health-related terminology, the signs and how to identify these workplace hazards is a proven method to reduce the risk of exposure and strengthen workforce resiliency.
2. **Mental health capability and skills-based training:** Building employee competency through the adoption of

practical skills required to strengthen psychological immunity can be effective in mitigating employee mental health risks. These can include developing employee health and wellbeing tools around areas such as setting clear boundaries for 'power down' time, implementation of a peer support system at work, stress reduction activities like mindfulness or meditations, and more.

#### VACCINATION POLICIES

When considering whether a vaccination policy is required for your workplace, review if there are any government requirements for your employees to be vaccinated, as well as your reporting obligations as an employer.

You should also ensure your workplace is a safe environment for your employees – review what you need to do to ensure the safety of your workforce.

Employers also need to assess their corporate travel policies as international borders reopen and businesses return to a new normal.

There is a renewed focus for employers to provide a holistic people risk approach, including reducing risk profiles in conjunction with assessing how clients' insurance coverage may be impacted by insurer-imposed Covid-19 limitations and exclusions.

Insurers experienced bounteous insurance claim volumes largely for loss of deposits, cancellation and additional expenses claims. Consequently, insurers no longer consider Covid-19 unforeseen and related claims are for that reason not insured.

This has again brought into question the viability and practicability of international travel versus a virtual presence, local resource capabilities, Covid-19 restrictions and infection rates.

**“Almost half of long Covid patients were working reduced hours six months after infection, and a fifth of individuals were not working at all, both as a direct result of their illness.”**

The vast majority of corporate travel policies have remained active on a reduced declaration of travel basis to act as a safety net for unplanned travel or earlier than expected travel.

As insurers are regularly reviewing coverage, which is being influenced by community expectations, care is required to understand individual policy terms and conditions at renewal.

#### LONG COVID

According to recent studies, around one-third of Covid-19 cases experience ongoing symptoms months after the initial infection. According to official Ministry of Health records, 1.21 million New Zealanders have contracted Covid-19, although this number is thought to be much higher, meaning a potential 400,000 people may have long Covid, posing a serious impact on business. To ensure a healthy and productive workforce, companies need to have both organisational and workforce strategies.

Without any intervention after illness, individuals are more likely to experience a lower quality of life and lower ability to successfully complete daily tasks. Research has shown that less than a third of individuals who contracted Covid-19 were back working the same amount of hours as they were prior to infection.

Almost half of long Covid patients were working reduced hours six months after infection, and a fifth of individuals were not working at all, both as a direct result of their illness. Of those individuals who were back at work, almost 90% reported feeling mildly to severely unable to complete their work.

This means that businesses can expect to see a reduced workforce size, as well as reduced productivity and efficiency from workers who are suffering from long Covid. **BQ**

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# Teen at the table

AUTHOR:  
**PATRICIA THOMPSON,**  
FREELANCE WRITER

Young director and university student Hunaara Waerehu admits to being outspoken, but that first got him noticed. At 19, he already has a passion for governance and is driven to create economic equality for communities.

**T**he words still ring in Hunaara Waerehu's ears – "Shut your mouth and listen". He did and his actions now speak louder than words.

Waerehu MInstD, who at 19 (he will turn 20 in August) is the youngest of the IoD's 10,260 members, took that advice to heart as he stepped into his first governance role, as an associate director of Hikurangi Enterprises at the age of 16, while still at school. He then became a full director in July 2021.

"I'm quite outspoken in the community but the first advice my mother gave me when I was invited to take on a governance position was 'shut your mouth and listen'," says Waerehu.

"She said, 'You are young and in a new space like governance, your objective is not to make yourself look good but it is to listen and learn'."



## MEMBER PROFILE

Hikurangi Enterprises is owned by the Hikurangi Huataukina Trust, which supports community-led economic development in the communities between Waipiro Bay and Rangitukia on the East Coast of the North Island. It was the parent company of medicinal cannabis firm Rua Biosciences, which in 2020 became the first NZX company headquartered in Tairāwhiti and the first to be founded by a Māori community.

In December 2020, Waerehu also joined the board of the Waiapu River Restoration Project, a 10-year programme, funded by the Provincial Growth Fund, to restore the Waiapu catchment.

He combines his governance commitments with his studies, including for his Bachelor of Commerce (BCom, Finance and Economics) at Victoria University of Wellington, as well as running his own business, Paronga Limited, which supports clients to meet their te reo translations and cultural advisory needs.

He is also co-project lead for the Te Taura Tairāwhiti Carbon Credits Project, part of NIWA's Deep South National Science Challenge, looking at the impacts of 'carbon farming' of permanent exotic trees on the local environment and economy.

Waerehu says he used his time as an associate director very much as a learning opportunity.

"I have been very fortunate to have very good mentors in governance who have supported and advised me. Sheryl Smail, the independent chair on the board of Hikurangi Enterprises, has been a huge help and Panapa Ehau, managing director of Hikurangi Enterprises and director of Rua Bioscience, as well as the other directors on the board of Hikurangi, such as Mateawa Keelan, Eliz Ngarimu and Bella Paenga, who is a former director.

"I also have been supported by Manu Caddie, one of the founders of Rua Bioscience who has been a huge help to me, as well as my uncle, Hilton Collier, chair of the Waiapu River Restoration Project, who has also been mentoring me.

"Every day that I am in the boardroom is still a learning experience, but now I can also build on the skill sets I am learning at university and take that to the board table to benefit the organisations."

### DRIVEN BY DIALECT

Waerehu grew up in remote Tikitiki, two hours' drive from Gisborne, and studied at Te Kura Kaupapa Māori O Te Waiū O Ngāti Porou in nearby Ruatoria where he gained the country's top NCEA results for te reo Māori and was awarded The New Zealand Scholarship – Te Reo Rangatira.

He is passionate about the genealogy, customs, traditions of Ngāti Porou and, in particular, helping to preserve and promote the tribe's unique traditional dialect.

"I come from a very rural background," he says. "The community of Tikitiki is overwhelmingly Māori – about 95% – and that extends to most of that East Coast community. Most of the people in Tikitiki are my relatives. We share our genealogy, our land, customs and tradition. I will introduce myself as Ngāti Porou before I say that I am Māori.

"I grew up in a low income, tight-knit multi-generational family. My grandfather was retired, my father was a seasonal labourer and my mother and grandmother were the main breadwinners. We live in a three-bedroom house on a small farm. It was my grandmother and the other elders in my community who instilled in me and my younger sister the traditional tribal customs and Ngāti Porou dialect.

"Ngāti Porou are a different kettle of fish to other tribes. We are flamboyant. We do not like being told what to do, but we like telling other tribes what to do. We have

"Ngāti Porou are a different kettle of fish to other tribes. We are flamboyant. We do not like being told what to do, but we like telling other tribes what to do. We have a distinct dialect, we chop words and use a lot of body language when we speak, especially on formal occasions."

“From a young age, I have always believed you should identify problems, say what they are and work collectively to solve them. I think those were the qualities the directors first saw in me.”

a distinct dialect, we chop words and use a lot of body language when we speak, especially on formal occasions.

“I am passionate about the revitalisation of the dialect for Ngāti Porou people living outside of Ngāti Porou areas, which is most of them. They pick up the dialect of other tribes, but I think it is important to be able to speak the dialect your ancestors spoke.”

#### SPEAKING HIS MIND

Waerehu says he believes speaking out about the need to create opportunities for the East Coast community was what led him to be initially invited to become an associate director.

“Before I got that call, I had gone to some community hui and, of all the young people there, I was probably the most outspoken.

“In our region, we have one of the highest unemployment rates, the highest poverty rates. Many people struggle to put food on the table. The Hikurangi Huataukina Trust, and by extension Hikurangi Enterprises, was set up to try to create opportunities for whānau and community members to be employed, and to create employment that would also benefit the environment and the wider community.

“From a young age, I have always believed you should identify problems, say what they are and work collectively to solve them. I think those were the qualities the directors first saw in me. People started taking notice of what I was doing and that led to me being invited to join the Waiapu River Restoration Project board, too.”

Waerehu says he was keen to become a member of the IoD in order to find opportunities to connect with the wider governance community.

“I would like to connect with people from a variety of governance backgrounds and find mentors outside of boards that I am

on. I’d also really like to connect with other young directors.

“Due to last year’s lockdown and my university studies, I haven’t been able to make a real commitment to the IoD yet, but I find the ongoing updates the organisation provides around governance really interesting, and useful and affirming around my commitment to governance.

“I have found a real passion for governance and I want to develop my skills further and really upskill in terms of what I can deliver – where I am currently and where I will be in the future.”

Alongside his degree studies, Waerehu is also undertaking part-time distance studies towards a BA degree in mathematics and philosophy through the University of Auckland. He had begun his studies there before switching to Wellington where he has many relatives.

“Ultimately, my goal is to go into finance – the banking space,” he says. “And continued governance. I have a passion for economic development, not just to create financial gains but to create economic equality and opportunities for our communities.

“I come from an area where it might seem we have nothing, but if you look closer you’ll see we have the tools we need to succeed. You don’t have to be the best at accounting or know the KPIs off by heart, as long as you bring the skills and experience you have to the board table.

“I think the most important thing is building on that and constantly learning. I want to merge my finance skills, my economic skills and my cultural and te reo skills and bring that to bear on governance and on my career. I don’t know exactly how yet – but where there’s a will, there’s a way.” **BQ**

# Young gun

AUTHOR:  
NOEL PRENTICE,  
EDITOR

**Carl Bates is making a name for himself in boardrooms and now as a Chartered Fellow at the Institute of Directors.**

**C**arl Bates CFInstD has always been on the fast track. And Covid-19 is not slowing him down.

Bates describes himself as an entrepreneur and a business owner. The 39-year-old is much more. He is also a director, an international speaker, a mentor and an author. He has written two books. He has founded five companies.

His biography says he bought his first rental at the age of 15, started university at 16, and gained his first independent directorship at 18 and chief executive role at 22. He has developed a leading-edge profiling technology, won awards for business, the latest among them for the Lockdown Collection in Africa.

Already, he is a Chartered Fellow at the Institute of Directors, one of the youngest to be awarded the designation.

Whanganui-born Bates lives in Sanson in the lower North Island and has found a way to adapt during the pandemic and keep all his interests and initiatives ticking along.

It has also given him time to stop and think about the more pressing issues that directors should be discussing and acting upon.

On top of the list are the “headline challenges like climate change and diversity”.





Bates and his team have just released their survey of directors' fees, performance and diversity in Africa, particularly for privately held and family businesses, and one of the results is the direct correlation between the number of ethnicities in the boardroom and the profitability of the business.

"Diversity includes age," Bates says. "I was very lucky that I got my first directorship at the age of 18. I joined the IoD in 2003 and now I'm a Chartered Fellow. Age is an important part of that diversity and means getting young directors into the boardroom."

Also high on his list is a four-letter word that can strike fear into boardrooms – "risk".

"There is a concerning trend to try to remove all risks from customers, from stakeholders, from shareholders, from government, from the community. We have to be careful that we do not make directors and boards the punching bag for everything that goes wrong.

"If we try to remove all risk, we ultimately remove all return. Business is a correlation between risk and return. You have got to have a way in which that is managed. While that trend has a big impact for directors who ultimately take on that risk, what it also does is move directors' focus away from taking risks around things like, how do we deal with climate change? How do we promote diversity? There is balance that we need to find. It's a real concern."

Bates says the dissemination of information in media is also a confronting issue for directors.

"There is a challenge in traversing the changing way in which information in media is released into the world and how quickly that can impact a business' performance and social standing. I'm not saying that this should be a cover

**"The social media culture we are now living in means that directors have got to be conscious of how something that happens within our business, within our teams, at our front door, could overnight fundamentally change our organisation."**

for things that go wrong in business – absolutely, there are times when businesses should be removed because of the way they have acted and what they have done.

"The social media culture we are now living in means that directors have got to be conscious of how something that happens within our business, within our teams, at our front door, could overnight fundamentally change our organisation.

"As a director of a business that affects thousands, one person's actions can have a negative impact – for valid reasons – yet at the same time affect the trajectory of thousands of other employees, or in a small business, maybe 10 people.

"As directors we need to understand how we to respond in those moments – what I call critical moments – and achieve what is in the best interests of the company and its stakeholders."

Bates is particularly proud of the skills he has developed and now putting to good use in not-for-profit and charitable causes. These include the Lockdown Collection company in Africa that raised over NZ\$400,000 for vulnerable artists, providing food, study and income through the pandemic and more recently as chair of Feilding and District Promotions.

He says he also took great enjoyment from chairing a primary sector board as an independent and helping navigate the animal health business through changes, growing it four-fold and then being bought out by a private equity company.

"If it wasn't for the role we played as independent directors in that journey, supporting and guiding the relationship between the founders (the veterinary scientists) and the private equity player, then it could have gone a very different way."

“I was lucky enough to grow up in a family where my parents were in business. We went through some hard times and some good times. I really got to understand the value of hard work and when you do something you can impact your own life and those around you.”

Bates’ drive comes from a very young age and the examples set by his parents.

“I was lucky enough to grow up in a family where my parents were in business. We went through some hard times and some good times. I really got to understand the value of hard work and when you do something you can impact your own life and those around you. That set up a foundation for me to go on and do that sort of thing.”

Bates currently sits on four boards, all paid appointments, outside of his own businesses and the charitable work.

He sits on a Manuka honey export business in New Zealand; an Australia-based packaging business that has manufacturing in New Zealand, Australia, Papua New Guinea and Fiji; a family conglomerate out of Ghana that has large interests in Africa and Asia; and an automotive distribution business in southern Africa.

He has a strong business connection with Africa after living in Johannesburg for 10 years.

He is a founding partner and executive director of Sirdar, a professional services firm, and co-founder and executive director of Contribution Compass, a personality profiling business used by partners around the world and in New Zealand by some DHBs for nurses, doctors and senior leaders.

Sirdar works with directors, training, developing and running boardrooms for predominantly private and family businesses, but also listed and governmental organisations across the African continent.

“Sirdar has offices in Cape Town, Johannesburg, Nairobi (Kenya) and Accra (Ghana), and works through Skills Consulting Group here in New Zealand. Over the years, I also spent a lot of time

speaking at – and running – events for a number of IoDs around the world, a number of sister institutes to the New Zealand IoD, including in Mauritius, South Africa, Kenya, Sri Lanka and in the Middle East.

“We are also involved in a procurement business enabling black South African entrepreneurs to become part of the supply chain, particularly in relation to government and large corporate contracts, providing the funding to uplift that sector of South African society.”

Bates, who also has interests in residential property built up over a number of years, says he is looking to step away from some of his more business-focused activities and explore ways he can contribute more to society in coming years.

The small town of Sanson may barely register on the world, but he has found a way to stay connected, adapting a work-from-home model during the pandemic.

In the year prior to Covid-19, Bates says he clocked up 92 flights to fulfil directorship and business commitments, as well as speaking engagements around the world on governance and entrepreneurship.

“What Covid did for me was create a reset. We rebased in New Zealand after attending a family wedding, packing our home in Johannesburg on Zoom, and waiting for the container to arrive.”

He burns the midnight oil on Zoom to fulfil all his board commitments, but the benefits are being able to take his son to kindergarten in the mornings, go for a run or bike ride and to the Friday Farmers Market in Feilding. The things he could rarely do before his globe-trotting.

“We found we could run four- or eight-hour workshops on Zoom really effectively. We have found a mix but it’s not easy.” **BQ**

# Finding her sense of purpose

AUTHOR:  
**PATRICIA THOMPSON,**  
FREELANCE WRITER

When considering director roles, Katie Bhreatnach always asks herself: ‘Is it speaking to my purpose and my values, and can I add value?’

**K**atie Bhreatnach’s portfolio of governance roles is wide-ranging, but they are all connected to her “sense of purpose” and allied to Māori knowledge and wisdom.

“I am passionate about Aotearoa and contributing to making business and society in it better,” says Bhreatnach CMIInstD. “Fundamentally, governance is about giving our collective time and experience for the greater good of the organisation, its people, its shareholders and its customers.

“I am currently working across a broad portfolio of governance roles, but what they all have in common is that they are all strongly aligned to my values and sense of purpose.”

Bhreatnach’s governance journey began seven years ago when she was appointed to the board of Te Wānanga o Aotearoa – New Zealand’s second-largest tertiary institution with national reach across 80 sites.

Since then she has taken on several other directorships, including the College of Law New Zealand, The Trusts Arena, and Atua Matua, a tech start-up she co-founded in 2020 that is currently working with X, formerly Google X.

She combines her work as a director with an executive career that has included Fortune 500, ASX-listed and SOE companies in sectors as diverse as telecommunications, aviation and fast-moving consumer goods.

“What initially attracted me to apply to Te Wānanga o Aotearoa was its purpose. I have a deep connection with the organisation and its values.

“For me, being Māori, transforming and empowering whānau through education really speaks to me. The opportunities I was given, through support of my whānau and by others, has opened many doors.



“Māori knowledge and wisdom informs my values, so I was humbled to be able to use the technical skills I had developed in service, and to work with and learn from an amazing group of directors.

“I then found the skills I developed in that context, combined with my experience in a broad range of executive roles and advising boards, came together so that I had value to offer more broadly.

“In applying for a directorship or accepting, I ask myself ‘is there something I can offer here. Is it speaking to my purpose and can I add value?’ That is what motivates me.

“Diversity on boards and the diversity of thinking that it brings around the table is critical. However, I’m also very interested in how that translates into more diversity across the C-suite.”

Bhreatnach would like to see more women and, in particular, more women of colour leading organisations in Aotearoa.

“If there are any directors out there who are struggling to identify a diverse pool of candidates to lead their organisations, I challenge them to think about their criteria.

“If they are only looking for someone who has done the job before, then they will likely be focused on a narrow and less diverse range of candidates.

“If the focus is on fit, potential and capability, and they are struggling with candidates, I know plenty of incredibly talented women and women of colour itching for the opportunity to work with a diverse board focused on positive impacts for business and society.”

Bhreatnach joined the IoD early in her governance career. A self-professed “continuous learner” from undergraduate study at the University of Otago, to Trinity College, to undertaking the Advanced Management Programme at global business school INSEAD, it was natural for her to look to learning to support her governance journey.

She has since completed the Company Directors’ Course and is now a Chartered Member and on the

“Diversity on boards and the diversity of thinking that it brings around the table is critical. However, I’m also very interested in how that translates into more diversity across the C-suite.”

Mentoring for Diversity programme.

“The Company Directors’ Course was a fantastic experience and opportunity. To step outside my governance roles, reflect on them deeply, and learn from others and what they do, was very valuable. It’s also a stark and important reminder of the responsibility and service that sits behind governance.”

Bhreatnach is also finding the Mentoring for Diversity programme highly valuable.

“I cannot overstate how grateful I am to the IoD for the opportunity. As well as being part of a group of inspiring mentees many of whom are now friends, my mentor, Julia Raue (CMInstD), is an amazing source of inspiration and practical advice.

“She has shown me even more strongly the importance of being clear on your purpose, making sure you are going to both add and receive value from director roles, and not to take on roles that do not align with who you are or where you want to go.

“As a governance career grows, a director may be flattered by offers but having that strong sense of purpose and what drives you will help you to make the best decisions about whether opportunities are right for you.

“Julia has also helped me to refine my elevator pitch, about who I am and what I have to offer. That is important in so many areas of life. If you want to be considered for any role you need to have a really crisp explanation of what you have to offer and the value you can bring to the role.”

And what is that pitch?

“I am passionate about using my skills and experience in business that is a force for good and in service to our environment.

“We have to completely change how we power and fuel our lives – not just to meet the requirements of regulators and capital markets, but in order to produce the amount of renewable energy we need for our future.

“That we can grow and innovate in a way that serves the environment and respects culture excites me.” **BQ**

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# Thinking long term

AUTHOR:  
**AARON WATSON,**  
WRITER/EDITOR

**Directors should look at their business through a long-term lens, not just short-term opportunities, if they are to create sustainable value, says Cecilia Tarrant.**

“**T**here has been a lot of talk that opening the borders and getting people in is going to be the answer to all our problems. I don’t believe that is going to be the case,” says Cecilia Tarrant CMIInstD.

Chancellor of Waipapa Taumata Rau - the University of Auckland, Chair of New Zealand Green Investment Finance and ArcAngels NZ, and on the boards of Payments NZ and kiwifruit grower and post-harvest operator Seeka, Tarrant is involved in many industries that have waited eagerly for borders to reopen.

She says loosening border restrictions will be a double-edged sword for New Zealand, with the ability to bring in new people offset by an exodus of – particularly young – people looking for opportunity in the wider world.

“We will see people leaving New Zealand and that is quite natural. New Zealanders and Australians grow up with an understanding that we live at the bottom of the world. Part of our growing-up experience is to go overseas and work for a while.”

Tarrant spent more than 20 years overseas, forging a successful career in investment banking, before returning to New Zealand and “wanting to make a contribution”. Governance attracted her as a way to use her skills in a new environment and make a difference.

“I am very passionate about helping young women. I started a mentoring programme at the Auckland University business school, matching women from the school with women in the community. That led to me being approached first by Treasury about being on the board of the Government Superannuation Fund Authority, then being approached by Fletcher Building.

Her current roles span a range of sectors that are all eagerly awaiting a return to “normal” global trade and travel. But Tarrant believes supply chain disruption will remain an issue that loosening border controls cannot solve in the midst of Covid-19.

“The pandemic is still with us. The agriculture industry is seeing this in China, one of our largest markets, where they are still pursuing an elimination strategy. That is having a real impact on our exports into China.”

This remains a concern for the Seeka board, which relies on industry marketing company Zespri to smooth out issues related to trading into China.

“At the moment we are picking and packing gold and green kiwifruit. Zespri will be looking to ship a substantial amount into China. They are going to be very concerned.

“It is the same for Fonterra getting dairy products into China, the same for our meat producers. Then we have the issue of getting things into New Zealand when the costs of shipping have gone up.”

The impact of trade disruption is not being felt evenly across the primary sector. Fonterra was able to secure good prices for milk products in early 2022 and dairy farmers may see good returns flow through, though production costs are rising, Tarrant says. The same may not be true for other producers.

“It is too early to know what impact it will have on pricing in the kiwifruit industry.”

**“Climate action, in terms of addressing our greenhouse gas emissions, is absolutely critical. We absolutely have to take steps to reduce our emissions. The amount of investment required will have to come not only from the government but also from the private sector.”**

#### **GREENBACKS FOR GREEN PROJECTS**

For boards in 2022, the urgency of climate action should not be underestimated, Tarrant says.

“Climate action, in terms of addressing our greenhouse gas emissions, is absolutely critical. We absolutely have to take steps to reduce our emissions. The amount of investment required will have to come not only from the government but also from the private sector.

“Every business has to be thinking about it. Accounting for your emissions and looking at how to reduce your emissions is absolute table stakes for any company now. It’s a necessity.”

The imperative comes not only from regulation, but also by consumer demand, both of which are impacting all around the planet, she notes.

“You only have to look at Nestle [which has committed to sourcing ingredients from sustainable producers] and the requirements it is pushing down its supply chain which affect Fonterra. This is a global phenomenon.”

As chair of New Zealand Green Investment Finance, Tarrant is keen to see boards adopt investment strategies that can reduce greenhouse gas emissions and make businesses more sustainable. There are no one-size-fits-all solutions, so boards will need to look at climate issues in context, she warns. And manage finances carefully.

“A large part of what New Zealand Green Investment Finance is trying to do is demonstrate to the private market that you can lend money on solar, electric vehicles and other low-emissions solutions, and make a good commercial return. A lot of the investments we have made are quite scalable, or demonstrate that other investments of this type can be made. That’s what we need to be doing.

“The amount of money it is estimated we need to spend – around the world – to tackle climate change is eye-watering.”

She is optimistic the global banking industry will make finance available for climate-friendly business initiatives “because it is being demanded by consumers”. Those consumers include investors, who are increasingly active in seeking climate-friendly options.

“Where does the money come from? A lot of the money being invested comes from investment managers. Where does that money come from? It comes from the public.

“You can see that the industry is really looking to embrace this change. And while there is some greenwashing, that is increasingly being called out. There certainly is money available globally for climate-related initiatives.”

In Aotearoa, securing investment for large-scale climate initiatives may prove challenging because we are not a big enough market to interest large financial institutions.

“For New Zealand, one of the challenges in attracting that outside capital is that we need to have large enough transactions. How do we put a large enough transaction together to bring in that money from overseas?”

The popularity of green investing reflects changes in the way we view the relationship between business and society, Tarrant says, with directors increasingly expected to integrate environmental, social and governance perspectives into their decision-making.

“When I first became a director the best interests of the company were very much understood as what was best for shareholders. There was a sentiment that the director was there to have concern only for the interests of the shareholders. In the past 10 years there has been a shift.

**“If you don’t understand your position in your ‘ecosystem’ and take the interests of stakeholders into account then I don’t think you are doing the best thing for your company.”**

“I believe it is important to take the interests of stakeholders into account. You can’t survive as a company if you are not doing your best for your employees, your suppliers and your customers – who are not necessarily your shareholders.

“If you don’t understand your position in your ‘ecosystem’ and take the interests of stakeholders into account then I don’t think you are doing the best thing for your company.”

She also advocates for boards to improve their cultural competency – their understanding of the historical forces that have shaped New Zealand’s society and economy.

“I am heartened to see the number of boards – those I am involved with and not involved with – engaging with our history, learning about Te Tiriti o Waitangi and te ao Māori.”

This is part of a general trend in governance to value, and find value, in diversity and inclusion, she says, adding that the work that the IoD and other organisations such as NZ Global Women and Champions for Change are doing is also heartening.

“It’s far more than gender. We need to think about diversity of thought, of background, of many other types of diversity when we think about the make-up of our boards.”

And these things come together – our links with the world, climate action, cultural competence and diversity – in modern conceptions of sustainability, Tarrant says.

“A lot of people think about sustainability only in terms of the environment. But it is about the role of directors, the environment, the community, the financial sustainability of the business, all these things. Having that lens and understanding long-term sustainability is very important to me.” **BQ**

# Taking some licence

AUTHOR:  
**KEVIN JENKINS,**  
CMINSTD

**‘Social licence’ is much more than a turn of phrase. It has substance and a role in Te Tiriti and co-governance.**

“Social licence to operate (SLO)” is an important, often high-profile topic that boards need to pay attention to. However, it is an ill-defined concept and can mean different things to different people. Its link to co-governance is also seldom understood.

The term was coined around 1996 by an executive of Placer Dome, a Canadian mining company, and not by activists as many assume. It followed a disaster at their Marcopper mine in the Philippines, when millions of tonnes of mining waste spilled into the Boac River, destroying the region’s water supply.

This, with other factors, prompted a shift by the Philippines government to a stricter regulatory regime. The executive described SLO as a new industry challenge.

Usage quickly spread, connected mainly to the idea of the ‘social risks’ around potentially losing public favour.

The idea of there being more to conforming to society’s requirements than simple legal compliance has a wider context, of course. A 2017 Canadian review of social licence within the context of public administration (Gehman et al) concluded that social licence has long played a vital function in society “whereby social norms can precede and supersede legal rules”.

In other words, sometimes social licence may lead to new law, and sometimes it might demonstrate when the “law is an ass”. There are echoes of Rousseau’s social contract and the sovereignty of the people to legislate, too.

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Dion Beetson on Unsplash





### SLIPPERY CONCEPT

Gehman et al noted that the use of the term was exploding. From 1997 to 2002 it had been mentioned in less than 10 new media articles per year, but the number jumped to over 1,000 from 2013 to 2015, and to more than 2,000 in 2016.

I'm sure that growth has continued since. On the other hand, they concluded that the concept "has so far had only tenuous scholarly footing".

In an early attempt to "provide the term with substance" as Gehman et al described it, Joyce and Thomson (2000) listed "social risks" facing mining companies in Latin America, noting that, at the project level, those risks threatened "social acceptability" by posing "problems of legitimacy".

They also surveyed the use of the term, finding that ". . . scholars have concluded that the concept of social licence to

operate initially emerged as little more than a memorable turn of phrase".

They revisited the concept in 2008, describing three normative components:

- **Legitimacy** – conforming to established legal, social and cultural norms. This distinguishes between projects that do not have acceptance and those that do by "playing by the rules".
- **Credibility** – being believed; this distinguishes between projects that have been merely accepted and those that have been approved through negotiation.
- **Trust** – "the willingness to be vulnerable to risk or loss through the actions of another"; this distinguishes between projects that have been approved and those where stakeholders have a sense of co-ownership.

“. . . scholars have concluded that the concept of social licence to operate initially emerged as little more than a memorable turn of phrase.”

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“The emergence of social licence mirrors a broader trend towards ‘networked governance’, or a shift from traditional hierarchal and centralised governance to a more horizontal mode . . .”

Work has continued on providing the term “with substance”, with various models developed, including the three strand model and the triangle model. The model that seems to be used by organisations the most – and the one I find most useful – is the pyramid model:

As just two of many examples, the model has been adopted by the Australian Centre for Corporate Social Responsibility and also adapted by Ngāti Porou Fisheries in developing its Land-Based Aquaculture Assessment Framework.

#### **SOCIAL LICENCE IN AOTEAROA**

Gehman et al argued that governance models have changed along with the emergence of the social licence concept: “The emergence of social licence mirrors a broader trend towards ‘networked governance’, or a shift from traditional hierarchal and centralised governance to a more horizontal mode . . . democratic accountability derives as much from judgments of the target population of policy initiatives, as much from officials acting as the final decision-makers” (shades of DAOs, discussed in my 6 April article “Australia to legalise DAOs” at [iod.org.nz](http://iod.org.nz)).

Ruckstuhl et al (2014) pointed to “the prevalence of global communication technologies” and the international expectations to gain indigenous peoples’ “free, prior and informed consent” that emerged from the 2007 UN Declaration on the Rights of Indigenous Peoples.

In reference to the successful opposition by Te Whānau-a-Apanui to Petrobras’ plans to drill for oil, they noted that: “A social licence has to be considered in the context of the Treaty of Waitangi . . . social licence will be granted only

when it goes beyond regarding iwi as ‘stakeholders’, which limits the indigenous Māori voice to an aggregated ‘social’ voice and masks the specific history and experience of Māori. Instead, we suggest that the Treaty-based partnership approach . . . has much to offer as a process for engaging in meaningful dialogue with Māori communities to assess the impacts of mining within a context of shifting social expectations and concerns about resource exploitation.”

Inject this thinking into the pyramid model and its plain that, first, social licence remains ill-defined, and second, it certainly makes no sense in Aotearoa without reference to Te Tiriti.

Baden Vertongen, in a defence of co-governance in *Law News* (May 2022), argued that: “Our constitutional beginnings are about how different governance concepts are to be balanced, intertwined, reconciled here in Aotearoa. Talking about co-governance is at the core of our constitutional whakapapa.”

Perhaps the pyramid model would be improved with “co-governance” added below and overlapping with co-ownership?

#### **LET’S NOT BE LAZY**

“Social licence” isn’t a synonym for “permission”. Any discussion of social licence could just as easily lead to considering other levels of the pyramid, including co-governance and even co-ownership.

As Vertongen agreed, “free inquiry, reason and the persuasion of others is fundamentally important in any discussion of co-governance”, and this applies equally to any discussion of social licence in general. **■**



# What does the future hold?

Ahead of the July-September quarter, Chief Economist Nick Tuffley looks into his crystal ball to see what might lie ahead.

## What is the outlook for the New Zealand economy?

“Generally speaking, the economy has weathered the Omicron outbreak with far less disruption than in 2020 and 2021. That is a benefit given the broader macroeconomic headwinds we are seeing.

GDP growth is expected to be sluggish over the first half of 2022, despite increased mobility post-Omicron. We expect calendar 2022 and 2023 to deliver growth around 1.5% per annum.

High inflation, the resultant increases in interest rates, labour shortages, and weakening global growth are now the more dominant economic issues to grapple with.

Consumer spending growth will be crimped by reduced real incomes, weaker balance sheets and the squeeze on the mortgage belt. The housing market will continue to weaken as high interest rates impact.

The full reopening of New Zealand’s border in July will allow some recovery later this year in the international tourism and education industries. However, net immigration is unlikely to stage a modest recovery until 2023.”

## We are hearing a lot about inflation as rates continue to be tightened. What are you seeing in terms of the inflationary outlook?

“Annual CPI inflation hit 6.9% in the year ended March 2022, its highest in more than 30 years. Short-term inflation has

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Daniel Schludi on  
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been boosted by higher costs for freight, oil/materials and housing. Stretched capacity and rising wages could potentially underpin more persistent high-core inflation.

Unfortunately, the inflation outlook is still inherently uncertain. We see the risk of high inflation outcomes persisting.

Annual consumer price inflation is forecast to peak at around 7% in the first half of 2022, remain above 5% over 2022 and get potentially get back to around 3% late in 2023.

The forecast moderation in annual headline inflation is driven by a cooling in external inflation influences, with the risk inflation from this source taking longer to cool. Annual non-tradable inflation is expected to remain elevated, at above 4% over the forecast period.”

#### **What about the outlook for global growth?**

“This has been softening for a number of months. Oil, gas and grain costs have risen sharply, partly because of Russia’s invasion of Ukraine.

Central banks are suddenly becoming less complacent about inflation and lifting interest rates, and China’s economic growth is also weakening as it continues to pursue a zero-Covid-19 policy.

These factors will all impact on New Zealand’s export industries in different ways.”

#### **How do you see some of these factors influencing whānau and households in Aotearoa New Zealand?**

“The labour market is exceptionally tight. The current 3.2% unemployment rate is a record low and labour shortages are the most elevated since the 1970s. Employment growth will be hamstrung by sluggish demand and labour shortages.

Wage growth is expected to strengthen over the course of 2022. However, household purchasing power will be sapped by the soaring cost of living, including higher borrowing costs.

**“The labour market is exceptionally tight. The current 3.2% unemployment rate is a record low and labour shortages are the most elevated since the 1970s. Employment growth will be hamstrung by sluggish demand and labour shortages.”**

Households will likely reallocate expenditure, with more household budget going towards the essentials (food, shelter, fuel), crowding out discretionary spending.

Housing has clearly softened under the weight of tighter credit regulations, rising interest rates, and surging construction creating added supply.”

#### **What about the ever-present household value discussion?**

“We expect house prices to fall around 12% in total, with circa 5% of that having already happened. That forecast fall is slightly larger than during the Global Financial Crisis, though in inflation-adjusted terms is larger (20% vs 15%).”

#### **With households feeling the crunch, what do you anticipate for business over the next quarter?**

“Covid-19 disruption for businesses has reduced this year compared to the first two years of the pandemic. Businesses can use lessons from the past few months to refine how they will respond to future waves.

Meanwhile, inflation, supply chain and labour challenges have intensified – and will persist in 2022.

Supply chains should start untangling next year. The Ukraine invasion and China’s Covid-19 lockdowns are, however, prolonging the pain.

Labour shortages will persist through into 2023, even though New Zealand’s border restrictions are going to end.

These challenges, and the aforementioned geopolitical tensions, also mean that businesses need to start thinking more strategically about their future export markets and sources of imports.

Investing in cost- and labour-saving capital and technology is one option for businesses. We expect capital spending to continue to lift. **BQ**



# Examining healthcare



**Tom Varghese** is Sales and Marketing Manager with Aceso Health. His professional background spans clinical orthodontics, strategic business development and, more recently, governance. His passions are people, healthcare and technology and his goal is to make healthcare better for all.

Two years ago, Tom Varghese watched, like a lot of people, the Canterbury District Health Board implode. Seven executive team members resigned over six fateful weeks. Varghese was surprised at what unravelled. His faith in health leadership was dented. Were the directors asleep at the wheel, or even worse? And then his curiosity about good governance in healthcare kicked in. The former orthodontist interviewed a range of experts in the healthcare governance sector, exploring experienced viewpoints. Varghese, an Associate Member of the IoD, tells *Boardroom* about some of the things he learned.



“... after a while, you realise what a big machine the healthcare delivery system actually is. You start to realise who is making decisions, about what happens on the whole.”

### **1. HEALTHCARE BOARDS MUST HAVE HEALTHCARE REPRESENTATIVES**

They can be clinicians, researchers, sector savants or others. If the board's ultimate aim is to ensure an equitable distribution of health services and improvement of health outcomes, how can boards ask the right questions if the clinical information in front of them leaves them overwhelmed?

Ash Revell MInstD, an independent consultant says “after a while you realise what a big machine the healthcare delivery system actually is. You start to realise who is making decisions, about what happens on the whole”.

“You have to put your hand up, first and foremost. You have to be in the game to play the game. Plato said, ‘the chief penalty is to be governed by someone worse if a person will not themselves hold office’. I think some people are keen to just get on there and lead,

but I think it's really important for the reluctant leaders to come forward. The people who actually don't necessarily think they have anything valuable to offer. You can probably add more than you think.”

Ranjna Patel MInstD, director and founder, Tamaki Health, says “you don't see many doctors in governance because most doctors do what they do best, which is doctoring. And when it gets to the point of being on a health board, they may think everything's irrelevant except the fact of health. That's not what a board does. When management executives come from a health background and are passionate, they may not always put a business lens on top”.

*A Harvard Business Review* survey concluded that boardroom capital is built on five different types of intelligence: financial, strategic, relational, role and cultural. A share of the accountability for the consumer voice rests firmly within the boardroom. In New Zealand, community involvement in health is a long-standing tradition. With numerous silos in health delivery, it isn't surprising that consumer engagement is among them.

The Health Quality and Safety Commission has listed consumer engagement as a strategic priority and there is growing evidence in support of the relationship between consumer engagement and improved healthcare outcomes.

### **2. EMBEDDING THE CONSUMER VOICE WITHIN HEALTHCARE BOARDROOMS**

As the CEO of the country's largest primary health organisation, ProCare, Bindi Norwell MInstD says she has “always been the voice of the customer in the boardroom, thinking innovatively and doing things a bit differently, being open to change. The board, as well as the ELT, need to walk the talk and be culturally aware and support of an inclusive and diverse environment not only in the board, but also in the organisation”.

Norwell described ProCare's renewed commitment to take a brave look at how they work, “we went through a very big piece of work on our equity journey, taking a look at our organisation from

governance through to people on the front line, providing healthcare directly to patients. We took a brave look at how we work and what we needed to change, to be more open, transparent and inclusive. From that piece of work, we launched our pro-equity journey, and governance is part of it. We've got new Māori directors and mana whenua directors. We've absolutely turned it inside out. I would hope that other organisations would lean into it."

Norwell's observations sit comfortably within the expressed intention of the health and disability system reform. "The future system will be supported by a clear set of expectations and guidelines for how local, regional, and national organisations should listen to and involve communities and consumers. This will ensure everyone understands the importance of the community and whānau voices in the services they use."

While the elected DHB boards, as we know it, will no longer exist, the voice of the healthcare consumer remains a top priority.

For Patricia Mitchell CMInstD, CEO of Health Connections and Independent Director, her journey into the boardroom stemmed from a growing sense of frustration with not seeing the healthcare outcomes she had expected, as a clinician.

"I firmly believe governance has a massive impact on how clinicians can truly do the great work that they're trained to do. And I often found and felt more frustrated when representation across the board table didn't reflect the outcomes that were required for unique and underserved populations".

Many boards are distracted by the details of compliance and new regulations, not knowing enough about long-term strategies that will add value to the organisation. "Do I think that we do well from a governance perspective? Mitchell asked, then answered: "No, we do not. There is a lack of bravery around healthcare boards. I think that we are compliance focused and not innovation focused. I think that we talk about outputs

**"The future system will be supported by a clear set of expectations and guidelines for how local, regional, and national organisations should listen to and involve communities and consumers."**

and outcomes. I think we talk about personalities or personality led and not partnership led."

### 3. PERSONALITY TRAITS AROUND THE BOARD TABLE MATTER

The manner in which a director communicates, deals with conflict and how they relay their opposition will leave their mark with the rest of the board and the management teams. Boards inherit not just expertise, but also inherent behavioural traits from members.

There has been a lot of focus on visible diversity, but a mix of skin colours, genders and ages will only get you so far.

While these boards might look different, they may end up thinking alike. We are all vulnerable to groupthink. We tend to mirror social patterns. In reality, well-appointed boards acknowledge that unconscious biases exist. Tackling the causes of bias requires leadership and continuous conversation focused on getting the right mix of competencies, culture and diversity of skills and age around the board table.

Ben Kepes CFInstD, a professional board director who sits on the Pegasus Health Primary Health Organisation Board among others, says "that a decent board can actually withstand a reasonable amount of individual vested interest because it is about consensus decision-making. If you've got seven people around the table, of which two or three have a particular angle, that's probably going to be okay because the seven is where the decision-making lies, with all of them".

The multicultural fabric of New Zealand society lends itself to challenging long-standing norms. Many among us might look at boards as mystical ivory towers of governance. This needs to change. Governance is not an exclusive club of chosen individuals.

Patel says "that without diversity of thought boards are going to miss out on whole segments of the population". She suggests questioning the intent of

the board when you are offered a role as director. “I ask boards why they have chosen me, if I sense that it is a tick box exercise, I will let the opportunity go”.

Being a director is not an easy task. It is highly demanding of your time, expertise and commitment, without a comparable income to match the effort. Between council-controlled organisations, state-owned enterprises, not-for-profits, NZX/ASX-listed companies, cooperative companies, unlisted private companies and statutory boards, there is no shortage of opportunity.

“At a macro level, when you’re changing the status quo and you’ve got systematised or institutionalised bias, somebody has to pay the price to redress that,” says Kepes. “Having said that, there’s lots of organisations that need governors. There’s lots of governance opportunities. So there are plenty to go around, I think.”

#### **4. LOOK THROUGH THE WINDSCREEN, NOT THE REAR-VIEW MIRROR**

Governance is tethered when directors spend too much time and energy pondering the past, and not enough time looking past the horizon. Boards need to look further out than anyone else within the organisation.

Deb Boyd MInstD, CEO, Ormiston Hospital and HiNZ Board member, says “it’s important not to get bogged down with operational matters but to stay future-focused and actively engaged in monitoring international trends. One example of this is cyber security, which is a most significant risk and I don’t think that organisations in New Zealand are still very cognisant of it. In 2016, cyber-security insurance was hard to find. I had to ask for something specifically to be underwritten. This was very new for New Zealand but something more common internationally. Directors need to maintain their education and currency on a wide range of subjects and ensure they can advocate and support the change that is required for

“At a macro level, when you’re changing the status quo and you’ve got systematised or institutionalised bias, somebody has to pay the price to redress that . . .”

companies to stay relevant and future-focused”.

So, is there an evidence-based approach that healthcare directors can follow?

Taimi Allan, board member of the Mental Health and Wellbeing Commission and director of Ember Innovations, says we need more. “I’m leading an innovations company at the moment. The very first thing I did was say, ‘okay, where is a more innovative governance structure that we can work with that operates differently?’ It doesn’t exist. There’s nothing there. I’m sitting there going, how do we do this different, better?”

“The normal structure of how board meetings run, and how often, isn’t going to work for us because we’re working in a really lean model. I’ve got the best people in New Zealand in innovation and healthcare on my board. How do I get the best out of them? If they’re just turning up to meetings and going through an agenda, I think there must be different structures. So I’d say yes, more evidence needs to be built about what are different models and in what circumstances they work in health”.

Lloyd McCann, CEO and Head of Digital Health, Mercy Radiology and Healthcare Holdings Ltd, says “if there is good governance, it can potentially be quite invisible because you won’t see failures, you won’t see system failures, you won’t see organisational failures, you won’t see failures in terms of healthcare service delivery. So there is that risk that good governance will actually go unnoticed. We must point to good examples of governance when it does occur. We must raise the profile of people working in governance to highlight their contribution and its impact on system performance”.

In the end, boards and governance structures are about people. Often, the problem boards face is not having too few people with sector expertise. The problem is too many people who know their sectors all too well, and predict the future looking into the past. **EQ**



# Why sea level rise matters

AUTHOR:  
**SARAH BOGLE**,  
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**Many of New Zealand’s built assets are close enough to the coast to be affected by rising seas this century. But it doesn’t matter where you live, you will be impacted.**

The stark headlines in May – “Sea levels rising twice as fast as thought in New Zealand” and “The problem is growing every day” – cannot be forgotten.

So what is the story from a business perspective? What do directors need to know about sea level rise (SLR) and how should they be supporting businesses to respond?

These headlines were triggered by the release of new research from the NZ SeaRise Programme that, for the first time, provided:

- Data on how New Zealand’s coastal geology is moving.
- The latest projections of SLR around New Zealand based on climate change models.

In some parts of the country, the coast is sinking. Over the next few decades, to someone regularly standing on these shorelines, sea levels could appear to increase at a much faster rate than we might have expected.

In other parts, our landscape is rising and therefore sea levels will appear to increase more slowly. Highly complex systems,

including tectonics and geomorphology, are responsible for this.

Key within the research findings is that vertical land movement in New Zealand can have a material impact on coastal flooding and erosion. It therefore needs to be monitored and incorporated into our national SLR models going forward.

However, sea levels are rising and are likely to continue to do so for hundreds of years. Up until now, most of the rise we have seen has been a result of the ocean absorbing the additional heat trapped in our atmosphere by greenhouse gasses. The oceans have absorbed roughly 90% of that heat to date.

In the future, how much the seas rise, and how fast, will increasingly be due to ice melting in Greenland and the Antarctic. And this is driven by past, current and future use of fossil fuels.

Billions of dollars of New Zealand’s built assets are close enough to the coast to be affected by rising seas this century. And the effects will be felt much faster than you might think – only another decade

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**Birger Strahl**  
on Unsplash



or so before we are seeing what we are used to thinking of as ‘1-in-100-year’ coastal flooding happening every year.

Two key takeaways from a business perspective are:

- Rapid transition to zero carbon is the only way to play our part in putting an eventual halt to sea level rise.
- That the only real certainty about New Zealand of the future is that it will look very different to the New Zealand of today.

### DEALING WITH UNCERTAINTY

The SeaRise study is a great step forward in understanding the risks to our coastal areas, but it is not a crystal ball. The science involved in SLR projections is incredibly complex but we are fortunate that we have highly capable experts at NIWA, GNS Science and our climate research centres across New Zealand.

We can predict the direction of travel, and a likely plausible range of scenarios, but the actual metres and centimetres in any given location, at any particular time, still hold a great deal of uncertainty.

We know from a business perspective that uncertainty makes everything more challenging. And these are challenges we have to learn to live with. Climate change is a risk multiplier – it stretches the standard distribution curve – so what used to be an occasional occurrence becomes normal, and we will start to see extremes that we have never experienced before.

### THE WAY FORWARD

Like many aspects of climate change, SLR will permeate and change our communities. On the coast itself, tough choices will have to be made to *Protect*, *Accommodate* or *Retreat* (PAR) housing, infrastructure and commercial buildings, as well as sites of special significance such as urupā. This will bring an emotional and financial toll on people and businesses affected.

Wide-scale regional planning, supported by significant funding and resources, will be needed simply to work through what affected parties can expect to see, and to deliver the necessary changes to infrastructure and services, such as

transport, education, health and the Three Waters programme.

So if you do not live on the coast, with your business within a few metres above the tide line, do you really need to concern yourself with these reports? The answer is a resounding ‘yes’.

Many of our major transport routes, urban centres and amenities are near the coast or accessed via coastal routes. Telecommunications and power lines often follow the same paths.

Adaptation effort will be needed all around our coastline at the same time. This could have cascading effects and delays across the country, similar to those we saw from Covid-19, but over a longer timeframe. And it is not just New Zealand going through this. Seas are rising globally and the resources needed for the PAR approach will be in high demand.

Even if you work entirely remotely in Queenstown, you will still be impacted by the effects of sea level rise, along with all the other aspects of climate change on the local and global economies.

### EMERGING OPPORTUNITIES

So what should you be doing, or planning to do?

- Start off by understanding and assessing your risks – from the transition to zero carbon and from the physical changes to our weather patterns and sea levels.
- Consider how you can make your strategy, business model and operational planning dynamic and adaptive. This will help you become more resilient to future impacts and more agile to take advantage of emerging opportunities.
- Embed this resilience and agility into your business – through your operating model, systems and processes. Focus on resilience and agility at every level – individual, team, function, division, executive. And then help your key suppliers and customers do the same.

The businesses of today and tomorrow will be a part of this uncertain future. They will help determine how successfully we all adapt around our threatened coastlines, as a society and as a nation. **BQ**

“Even if you work entirely remotely in Queenstown, you will still be impacted by the effects of sea level rise, along with all the other aspects of climate change on the local and global economies.”



# Voting for change

**ESG was a unifying force across a fractured political landscape in May's federal election. What does it mean for corporate Australia?**

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As the end of the financial year approaches for many companies in Australia, the annual general meeting still seems like a distant prospect. However, the clock is ticking when it comes to making changes that may be the difference between resolutions passing or failing.

Shareholders expect ambitious policy statements to be accompanied by demonstrable action and measurable change.

The outcome of the federal election

revealed voters share that sentiment.

Primary votes for the major parties fell to a record low. There was a pronounced swing away from both the Coalition and Labor, with increased support for the Greens and independent candidates.

As the parties reflect on what they have gained, lost and learned, it is timely for organisations in Australia (and those in New Zealand with close ties to Australia), to consider the wider implications. ESG has emerged as a critical issue that transcends the political divide.





## **ENVIRONMENTAL: MORE ACTION, MORE QUICKLY**

More certainty and action from the government on climate change is at the top of directors' wish lists. Climate change has been their number one long-term priority for the government for eight consecutive AICD Director Sentiment Surveys, and their number one short-term priority for the past five.

In an election campaign that largely took a small target strategy, both major parties had similar policies across a range of issues, from tax rates to public sector efficiency. Climate change was a key source of difference, both in terms of interim targets and the plans to achieve them.

Both major parties were criticised for their climate policies falling short of what is required to limit global temperature increases to 1.5 degrees Celsius under the Paris Agreement. It demonstrates the increased emphasis on environmental policies that are backed by scientific evidence.

As organisations finalise their business plans for next financial year, it is an opportune time to review environmental goals against the backdrop of new government policy. It includes setting interim emission reduction targets and disclosing plans for how to achieve them.

## **SOCIAL: CLOSING THE GAP**

Fourteen years after the national apology to Indigenous Australians and five years after the Uluru Statement from the Heart, a commitment to constitutional recognition was among the first words spoken in Anthony Albanese's victory speech.

For the first time, First Nations representation in the Australian Parliament has surpassed the wider community (4.4% versus 3.3%). And for the first time, the Minister for Indigenous Affairs is an Indigenous woman.

While there was a marked uptick in successful candidates from diverse cultural backgrounds, it was from a very low base. We are not yet halfway to

“The private sector also needs to do more to prevent systemic governance failures. ASIC has called on directors and CEOs to strengthen whistleblower policies, including ensuring there is sufficient board oversight.”

our elected representatives mirroring Australia's multicultural society.

It is the same story in our boardrooms and executive suites. Despite significant gains in increasing the proportion of women on boards, people from a non-European background remain under-represented.

Both major parties suffered defeats in seats where their candidates did not reflect the local community. Organisations similarly need to prepare for customers, employees and investors looking elsewhere if leadership appears out of touch.

## **GOVERNANCE: LEADERSHIP AND ACCOUNTABILITY**

All Australian states and territories have an independent authority that investigates reported corruption and misconduct in the public service.

The need for an equivalent federal body was a consistent focus of the election campaign for Labor, the Greens and numerous independents.

It is strongly supported among company directors, with almost three-quarters (72%) saying a federal anti-corruption body should be established, according to the latest AICD Director Sentiment Survey.

However, the private sector also needs to do more to prevent systemic governance failures. ASIC has called on directors and CEOs to strengthen whistleblower policies, including ensuring there is sufficient board oversight.

Their concern appears well-founded. Over the past 12 months, at least eight CEOs of Australian organisations have lost their jobs due to falling significantly short of stakeholder expectations. They include major brands, ASX-listed companies and not-for-profits.

Whether in business or government, leaders face a growing challenge to meet the expectations of an increasingly divided community. Those who listen can create lasting change that benefits the bottom line and the future. The others are likely to discover that people have lost patience with not being heard. **EQ**

# Did you know...?

## KOTAHITANGA – PRINCIPLES OF MĀORI GOVERNANCE

The Institute of Directors has launched a new course to help directors understand Māori cultural values and the relevance of Te Tiriti o Waitangi in governance.

The course, 'Kotahitanga – Principles of Māori governance', provides an overview, an introduction to Māori cultural values and ideas on how to integrate these perspectives into governance culture.

The unique position of Te Tiriti o Waitangi is also explored, with reference to its impact on the expectations of Māori directors and the opportunities it has created in the burgeoning Māori economy.

Many boards are seeking to ensure they have an improved level of cultural competency, in order to get best-value from the diversity in their ranks in terms of governance insights and decision-making.

'Kotahitanga – the Principles of Maori governance' offers practical advice and knowledge on how to be prepared for, and recognise, new opportunities to work more effectively on behalf of organisations.

## CHANGES FOR BODY CORPORATE GOVERNANCE

The *Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Act 2020* passed into law on 9 May 2022 (to take effect on a date yet to be set).

It aims to ensure a higher standard of governance by body corporate committees and body corporate managers. The Institute of Directors made a submission supporting each of the following provisions introduced in the Act:

- A duty for committee members to act in good faith and in the best interests of the body corporate.
- No pecuniary penalties for committee members who may breach the Act because it would deter people from serving on committees.
- A requirement for committees to record meeting minutes and to provide them to the body corporate.
- A duty for committee members to disclose conflicts of interest.

The need to disclose conflict supposes an up-to-date interest register will be maintained. This interest register must be available to be inspected by members of the committee and, subject to the body corporate operational rules, by any member of the body corporate.

The Act also introduces a code of conduct for committee members, including a duty to act honestly and fairly; a requirement for members to have a commitment to acquiring an understanding of anything in the Act; and a duty not to unfairly or unreasonably disclose information held by the body corporate.

## BE PREPARED FOR CLIMATE DISCLOSURES

The External Reporting Board (XRB) and the Financial Markets Authority (FMA) have released a guide for directors to New Zealand's forthcoming climate-related disclosures regime.

The *Aotearoa New Zealand Climate-related Disclosures Director Preparation Guide* outlines the current climate-related disclosures framework, the role of boards in disclosures and the regulators' expectations for best practice.

Proposed governance disclosures include information on the board's oversight of climate-related risks and opportunities, the development of the organisation's climate risk assessment and its association with organisational strategy, and the climate competence of directors.

About 200 climate-reporting entities will be required to make disclosures for the year beginning 1 April, 2023.

XRB Chief Executive April Mackenzie and Director Climate Standards Dr Amelia Sharman provide valuable insights into director's responsibilities under the new standards in the video "Climate Change Disclosures", available to members at [iod.org.nz](https://iod.org.nz)

Further information is available from Chapter Zero NZ, the local chapter of the Climate Governance Initiative, which brings together directors and subject matter experts in chapters around the world. Chapter Zero supports the World Economic Forum's Climate Governance Principles for boards and is proudly hosted in Aotearoa by the Institute of Directors.

## ACTIVIST INVESTOR SHAKES UP AUSSIE BOARDROOM

Australian energy company AGL has announced the departure of half its board – including its chair and its chief executive – in the face of anger from shareholders over its lack of a plan for climate action.

The company is Australia's largest electricity generator, but 85% of the electricity comes from burning coal, making it among Australia's largest greenhouse gas emitters.

A shareholder revolt led by Mike Cannon-Brookes, a tech billionaire and now significant investor in AGL through his company Grok Ventures, has seen the announcement of board departures and possible reversal of plans to split AGL's retail arm from its coal-fired generation business.

The board resignations have ignited debate in Australia over the climate competency of directors in the energy industry.

## TIPS ON HIRING AND KEEPING WORKERS

The world of work that organisations have invested in is no longer fit for purpose, according to Ravin Jesuthasan, global leader of transformation services at Mercer.

Digitalisation, the democratisation of work, and new challenges in the way people want to work require new ideas about hiring and maintaining a workforce, Jesuthasan says in an article for US National Association of Company Directors. He offers four starting points for boards who wish to reconsider how their human resources policies and practices create value for their organisations.

Firstly, ensure your policies focus on the work that needs to be done rather than the job that needs to be filled. This frees management to consider AI or contract resources alongside permanent employees.

Secondly, realise that automation and employees are a team – technology can augment human work, not necessarily replace it.

Thirdly, recognise that the pandemic has changed the way people understand work and consider how an expectation of flexibility will impact your workforce.

Fourthly, hiring people to perform specific roles may limit organisational resilience and agility. Consider ways to ensure your HR strategy allows talent to flow to work, rather than having talent within your organisations sidelined or siloed.



A brave new world and adventures await as countries reopen their borders despite Covid-19 still running rampant.

Photo by Hanson Lu on Unsplash

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