

Magazine of the Institute of Directors in New Zealand

# boardroom

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THE STATES

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WHERE ARE THEY?



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## FROM THE EDITOR

When an economist tells you that it will be a good year, you tend to sit up and take notice. And so I did when New Zealand Institute of Economic Research Principal Economist Shamubeel Eaqub said that 2014 would be the best year since 2007. His comments feature in our lead story, where we have asked everyone from a political commentator to a winemaker what they think the challenges and opportunities will be in the new year.

Not all our contributors were quite as upbeat as Shamubeel, but I can report that there is a new spirit of optimism. Optimism in the story on New Zealand businesses gaining a foothold in the US. And, I have to say, pride and optimism in seeing the third intake of mentees begin their journey in the IoD's Mentoring for Diversity programme.

Optimism, hope, consumer confidence, call it what you will, it does have a habit of being a self-fulfilling prophecy, so I wish you all a very Happy Christmas and an optimistic New Year.

**Katherine Robinson**  
Editor, boardroom



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Recent focus has been on improving the gender imbalance on boards, but as Amy Williams reports there are issues further down the pipeline

## Institute of Directors (IoD)

The IoD has staff based at the National Office in Wellington, and eight branch managers based in the regions. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 47

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2013 has been a busy year full of change for the IoD – a new President and CEO, the introduction of a commercial board and the introduction of a framework for the Chartered Director programme. There were many successes – Health and Safety Governance Guideline, Mentoring for Diversity and our inaugural conference. Among all the change there was a consistent commitment to our members and to best practice governance. All our activities and efforts are done with those two things in mind.

2014 promises to be another busy year with the rollout of Chartered Director, a new internal structure and the annual conference all in the first half of the year. We are committed to continuing to build on the hard work of 2013 to ensure that we secure the IoD as the go-to place for governance and that we do everything we can to effectively represent the interests of directors.

The team at the IoD would like to thank you for your support and commitment to good governance.

We wish you and your families a very Merry Christmas and a Happy New Year. We wish you all the very best for 2014 and look forward to working with you again.

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## CEO REPORT

# A whole new tune

*At the end of another busy year there are many things for the IoD to feel proud about because numerically and qualitatively we are better off. It is a cause for celebration, says IoD CEO Dr William Whittaker, but it is no reason for complacency*



A major challenge for all voluntary organisations, ours included, is relevance. We know that many are struggling worldwide. This is looking like a trend that's here to stay rather than a temporary blip. The time has come to start doing things smarter.

In 2013 the IoD experienced record membership growth, reduced churn and high levels of member satisfaction with the services on offer. In the past year, we have further expanded the range of member benefits including a successful leadership conference, *Health and Safety Governance Guideline*, produced with MBIE, *A Director's Guide* produced with the FMA and new categories of membership including the popular under-40's category. So, what's the cause for concern?

Participation is key in organisations like ours. This translates to member volunteerism in administration and governance functions and to consumption of services or participation in events. *Bowling Alone* by Robert D. Putnam, a Harvard sociologist, is helpful in understanding this phenomenon. A lack of time and the pressures of two-career families are most commonly cited reasons for low participation and volunteer fatigue. But, actually they are not. The principal cause, he argues, is generational change. For those born before or near the beginning of World War II participation has not declined. But the "boomers" and especially Gen's X and Y are substantially less active. We already see social media networking organisations where participants' only commitment is to sign on.

Will our continued success do the biz? Maybe, but this is operating to an existing and traditional combined services model,

the "professional" association, technically not-for-profit but actually not-for-loss.

Are there ways of operating that combine the traditionalism and depth that have helped the IoD become a strong brand with a different way of doing things? IoD Council think so. To adapt is to survive. That is the first law of evolution. So, the IoD needs to be an adaptable corporation.

Two issues dominate the planning horizon. One relates to ensuring the continuing success of the IoD, the other the future of the profession. The two are inextricably linked.

There are three philosophical drivers for an aspirational best practice voluntary member association like the IoD: to lead through the development and promotion of professional standards; to influence for the benefit of the profession and community; and to service those in need of its specialist services. The SIS (Standards, Influence, Services) model often gets muddled between public good and commercial activity and creates dilemmas about what should be provided as an altruistic, beneficial service and what can be developed as a revenue stream.

So, why not separate them out and impose a structure that enables one part of the organisation to remain true to its mission of raising standards of governance and another to pursue financial growth? This is the reasoning behind creating the commercial arm of the IoD, whose purpose is to increase market share (in a huge market) through the provision of relevant, proven, quality services that carry the IoD quality mark. These will be director training and board services. A more structured commercial approach

will enable IoD to grow these, enter new markets and expand in existing ones. It will achieve this through single-minded focus, diversification of delivery media, greater responsiveness to changing market needs and strategic partnering. The dividends from this will enable the parent organisation (IoD) to continue to offer excellent value for membership, speak out on professional issues and pursue its goal of being the organisation that all professionally minded directors want to belong to. In other words pre-eminence, effectiveness and reach.

And this introduces the other scene changer: professionalism. We want the IoD to be the place where the dedicated come to establish their credentials. Through the introduction of a competency-based Chartered or Professional Director programme we will enable those with the right stuff to signal to the market that there is value in securing the services of such a director. This is good for society. This is good for the IoD.

You will hear much more about both in 2014. There is a saying attributed to Ali the Lion of Allah – "Three things cannot be retrieved: the arrow once sped from the bow; the word spoken in haste; the missed opportunity". We cannot afford the last.

On behalf of Council and staff I wish you an enjoyable Christmas and look forward to engaging with you on these two key initiatives. Please participate. It is your organisation.







# The best year since 2007?

*boardroom* asked leaders from a range of sectors what they thought the challenges and opportunities for 2014 would be. First in line is New Zealand Institute of Economic Research principal economist, Shamubeel Eaqub, who believes 2014 will deliver the country's best economic performance since 2007

It has taken seven years to recover from one of the deepest and longest recessions on record. A brighter outlook is driven by some one-offs and some durable underlying improvements.

One-off boosts are from an accelerating Canterbury rebuild and rebounding farming from the summer 2013 drought. More enduring growth will be from returning 'normalcy' in spending and investment behaviour by businesses and households – who have been sitting on their hands since the recession started.

There are some risks: the global economy is still fragile and a soaring Auckland housing market could derail economic and financial stability.

#### **GLOBAL RECOVERY, BUT FRAGILE**

The global economy has recovered from the worst of the GFC, but it is still patchy. Many countries need major policy reforms. The US needs to fix its dysfunctional fiscal position. Europe needs to liberalise its labour and product markets, and clean up its zombie banking system.

Emerging markets have driven much of recent global growth. New Zealand's exports reflect this pivot towards emerging markets, China in particular.

Like people, markets have lifecycles: infancy, formative and mature. Each stage has its own risk-reward and requires different strategies. The shifting composition of global growth and exports has leadership implications, because doing business with new partners may require a new approach.

**LOCAL RECOVERY UNEVEN**

Confidence, spending and investment behaviour is slowly returning to normal. This is the foundation of enduring economic growth in 2014 and beyond. But the recovery across regions is uneven. Canterbury and Auckland are leading the charge. Rural provinces are recovering from the drought in the summer of 2012.

The Canterbury rebuild is speeding up. This will add significant impetus to economic growth.

The Auckland economy has led the recovery so far, particularly in highly skilled industries like finance, insurance, and professional services. But alongside this house prices have surged, from already overvalued levels. This is a key risk for the economy.

**HOUSE PRICE RISK**

Auckland house prices have surged to unprecedented levels, relative to history and international experience. The average house in Auckland now costs ten times the average household income, compared to the historical norm of three to four times. There is more borrowing and the risk from a potential house price fall is high.

The RBNZ is loath to raise interest rates to control the Auckland housing market, because inflation is still low

and the recovery is still in its early stages. It is instead using novel tools to reduce highly leveraged mortgages. If these policies do not cool borrowing and house prices sufficiently, the RBNZ will raise interest rates in 2014.

Tighter credit conditions and potentially higher interest rates are headwinds for the Auckland housing market, and also for the whole economy.

**POLICY UNCERTAINTY**

The general election will be held in late 2014. Elections do not typically impact on economic growth, but any changes in policy direction will affect regulatory settings affecting businesses and households in the future.

**STRATEGIC DIRECTION**

2014 presents business leaders with a positive economic backdrop, with less time required for crisis management and more time for strategic thinking. The secular economic forces remain unchanged: technological change, globalisation and ageing. These forces are feeding off each other, meaning the pace of change is getting faster. The secret of success in an environment of accelerating change is nimbleness and adaptation.

# 2014 A Year of Legislation

The Financial Markets Conduct Bill was enacted in August 2013. Still in the pipeline are three more statutes that will impact upon directors, and increase directors' legal risk.

These are the Health and Safety Reform Bill, the Commerce (Cartels and Other Matters) Amendment Bill and the Companies and Limited Partnerships Amendment Bill.



## GOOD CHEER FOR WINEMAKERS

2014

*For the first time in more than 15 years, New Zealand isn't producing enough wine, compounding what one analyst called the world's "deepest shortfall between supply and demand for 40 years". Karen Fistonich, Chair of Villa Maria Wines, tells Sharon Stephenson why that could be good news for our wine industry*



Karen Fistonich

"It's a great opportunity for producers to take advantage of the global wine shortage, but I would caution that it's also important to maintain profitability while preserving New Zealand's reputation as a quality wine producer," says Karen.

More than two decades working for the company her father George started on an acre in South Auckland 51 years ago has given Karen a unique

perspective on New Zealand's wine industry. She's picking that next year the popularity of New Zealand wines will continue to grow, spearheaded by our most popular variety, Sauvignon Blanc.

"Pinot Noir is also recognised internationally as a premium wine well worth seeking out. And overseas markets are also discovering that we are great producers of Chardonnay, Syrah and aromatic varieties."

Overall, Karen predicts the wine industry will continue to thrive and be showcased to the world, aided by both the industry body, Winegrowers New Zealand, and government initiatives through NZTE.

"And sustainability will continue to be a priority with increasing consumer demand for ethically sourced and produced goods," she adds.



## RAISING THE TEMPERATURE

2014

*Elections change politics but not necessarily policy direction. So there are two questions for 2014: will the politics change much; and will the policy direction change? Political commentator Colin James ponders the effect of 2014 as an election year*



Colin James

In 2011 the politics changed little. National stayed in office, supported by the same three parties as after 2008 but needing at least two for a majority instead of ACT alone as in 2008-11.

Moreover, the Maori party claims it voted more often against National than Labour did in National's first term and now sounds like an opposition party, especially when new co-leader Te Ururoa Flavell is talking. That reflects its mauling in 2011, the Tai Rawhiti by-election and recent polling, which for the first time has Labour ahead in the electorate vote overall in the Maori electorates. To survive, the Maori party has to detach from National.

Slimmer politics usually means more timid policy. Not so for John Key's cut in leeway post-2011. Before the 2011 election National strategists talked of the need for results to put to voters in 2014. So policy change has accelerated. This is now the most reforming cabinet since the late 1980s radical reforms.

The list is long, headed by major changes to resource management, local government, environment

and labour law. Add welfare reform, state sector reform to judge agencies by outcomes, not just outputs, fiscal consolidation (taking spending down to 27 per cent of GDP by 2020) and tighter management of assets. Throw in asset sell-downs to raise capital for irrigation, infrastructure and schools and hospitals.

The dominant objective is GDP growth. Ingredients include less red tape, friendlier mining rules, water to boost agriculture, weaker climate change action, more accessible and more disciplined government agencies and ultra-fast broadband (UFB).

The Labour party has bought into the fiscal straitjacket, with maybe some lengthening of the sleeves for itself and a bit more to accommodate the Greens and, if needed, New Zealand First. Labour backs the UFB and some resource management and local government changes.

But it has sworn to reverse many of those changes and the labour law reforms. It would redirect welfare and education reform, toughen climate change and environmental law and change direction in health and housing. It would be less generous with mining and prospecting licences (though would face down the Greens' extremism) and with foreign investment approvals (though less stringent than the Greens and New Zealand First would want).

Labour calls this hands-on government, reflecting its reading of economic theorists' diverse criticisms of the market-liberal orthodoxies in the wake of the global financial crisis.

Hence proposals for sweeping changes to monetary policy, a single state purchaser of electricity from generators, 100,000 houses built by the state for lower-income buyers and a state-backed insurance company, plus tighter tax on trusts and foreign-owned companies and a capital gains tax.

Labour has talked of criminal liability for directors for the likes of the Pike River mine collapse. Many voters would approve.

Is that just a throwback to the 1930s-70s "mixed-economy"? The difference, Labour says, is that it wants to work in partnership with firms, not-for-profits and local authorities, not as overlord.

The message for companies is that a Labour-Green-based government would aim to make major policy change, not just trim the edges. So boards and top management would logically be proactive in Labour's partnerships to influence changes so firms can live with the changes. In behind that, forward-thinking boards will make contingency plans to cope with the regulatory risk lurking in the 2014 election.

### HOW LIKELY IS THAT RISK?

National faces a lonely election. ACT can offer help only if they can get a saleable candidate for Epsom and even then National voters will take some persuading to vote that candidate in. Will National voters indulge Peter Dunne one more time? In any case, the maximum Act and Dunne can add to the National side is a net one seat.

The Maori party can offer at most two seats and instead may desert. So, unless another helper emerges or Winston Peters (on the reasonable assumption he clears five per cent) can somehow be persuaded against huge odds to join Key, National must engineer a seat for Colin Craig's Conservatives which would add three or four MPs to its own total.

That looks bleak for National but Labour has yet to get traction. The economy will be mildly positive for middling households next year. National might well just squeeze back.

But if it does, it will most likely not be the vigorous reformer of this term. Some finishing off 2011-14 reforms and fine-tuning will likely be its limit. But even that could be good news for boards: a change of government in 2017 is likely to undo less of the 2011-14 changes than if the change is next year.

## Sir Mark Solomon outlines his view of the key elements to getting the Christchurch rebuild right

The rebuild is as much about investing in the people of Canterbury and creating opportunities for them to build a better community for the future as it is about replacing the old bricks and mortar of the central city with new buildings. There are still too many families, mainly from the eastern suburbs, who are struggling with the long-term effects of the earthquakes particularly as it relates to their housing needs. We need to continue to provide new housing options on sound ground and to find a way to make good housing stock more affordable and more available to those families.

We also need to balance the way we provide for the demands on our housing and social institutions from the influx of workers into the region with the needs now and into the future of our permanent population. In addition to the work in central Christchurch, replacing or creating the facilities in the outer suburbs that foster a sense of community has to take place alongside the rebuilding of institutions such as the University of Canterbury. We also see an opportunity to get Māori youth involved in the rebuild through the He Toki Ki Te Rika programme, a partnership between Ngāi Tahu, CPIT, government and industry designed to get young Christchurch Māori into apprenticeships and ultimately leadership roles in the rebuild.



## THE YEAR OF LIVING SUSTAINABLY

2014

*Winner of the 2013 New Zealand Institute of Chartered Accountants Crombie Lockwood Chartered Accountant of the Year, Nick Main, believes that the challenge for 2014 will be to put sustainability back on the boardroom agenda in New Zealand*



Nick Main

“What I saw in Europe is that despite the global financial crisis, major corporate entities have stayed focused on sustainability, as a core function of business, not just an adjunct,” says Main, former CEO and chair of Deloitte NZ.

A chartered accountant with a focus on sustainability, Nick has been influential in the shift in thinking around climate change and sustainability – most recently working in London as Global Managing Partner, Climate Change and Sustainability Services for Deloitte Touche Tomatsu.

“In New Zealand the sustainability agenda seems to have lost direction. There seems to be a lack of discussion in the corporate sector compared to what’s happening in Europe and the United States,” he says.

His main focus in London was developing a global sustainability practice for Deloitte designed to help clients meet sustainability goals, “a vast and rapidly developing area” alongside decreased availability of resources, climate change and increasing marketplace and regulatory demands.

The role was testimony to his extensive experience as a leader in the field having held high-profile roles ranging from chair of the NZ Business Council for Sustainable Development, deputy chair NZ Leadership Institute, member of the Climate Change Leadership Forum and the Growth and Innovation Advisory Board, through to Chief Sustainability Officer for Deloitte’s Corporate Responsibility Council. He also served on the advisory board for the Cambridge Programme for Sustainability Leadership and the Prince’s Accounting for Sustainability Project.

While Main sees signs of the sustainability discussion starting to pick up in New Zealand, the challenge at a governance level is to drive a fundamental shift in perspective.

“Business leaders need to be thinking about the long-term risks and opportunities in the market and the role of business in society, going way beyond thinking about the relationship with the consumer. It is about considering what business is delivering to society as a whole – not just the bottom line.”

Main says there are many examples of global corporates addressing global issues by putting sustainability at the centre of their business model. Outcomes range from reducing environmental impacts to enhancing livelihoods by supporting micro-businesses in developing countries.

In the face of increased regulatory requirements around sustainability along with investors wanting to know how companies are addressing long-term risks, businesses also need to embrace integrated reporting.

“The Global Reporting Initiative (G4) offers a framework for sustainability reporting that measures and reports economic, environmental, social and governance performance. Feedback from the early adopters is that one of the significant benefits is that the process transforms the way they think about their business from a short-term focus on how it can make a profit to a longer term strategic view of how it can be a sustainable, relevant and profitable business in the long-term.”

Main is now taking his leadership skills to the community having retired from his role as Chair of Deloitte NZ to become Chair of Middlemore Foundation for Health Innovation as well as chairing a stakeholder body working on the plan for the development of the Hauraki Gulf.



## MASTERING THE HELM

2014

Leading a sports team requires both a business sense and an in-depth knowledge of the code. Amy Williams spoke to Emirates Team New Zealand's managing director Grant Dalton about what it takes



Grant Dalton

**"Primarily in my case I'm a sports mind. At the end of the day it's a sports team. If you don't know your sport I don't know how you'd get respect"**

It's still tough for Grant Dalton to think back on his team's narrow defeat to Oracle in the recent America's Cup racing in San Francisco. He knows there will have to be changes in the ranks in the year ahead.

Even so, Dalton is already preparing for the next campaign and is currently overseas meeting the team's sponsors to gauge their appetite to be involved in Team NZ's challenge for the 35th America's Cup.

It's been a decade since Dalton was called in to restructure and revitalise the team after its loss of the America's Cup in 2003. His mission was to rebuild the team and bring home the Cup in 2007 – the team came close, winning the Louis Vuitton Cup, and has followed up with two season wins in the Audi Med Cup and four of the five Louis Vuitton regattas.

So what's it like managing a team that's such a household name?

Dalton says he's like any chief executive – he has to know the

business and the industry, in this case there's no shortage of experience (he's sailed around the world eight times).

The components of a yachting campaign combine raising money, getting the right people and structure in management, and building a team.

He likes to think of it as building a culture and managing that culture.

"The Team New Zealand culture is easy because it's the New Zealand culture, which is based on values of work ethic, honesty, loyalty and trust. They're all values that we as kiwis aspire to," Dalton says.

There is a point of difference managing Team NZ, and that's the lifestyle. Dalton says he, and other parts of the team, wouldn't survive long if they viewed it as a job because of the long hours and commitment it requires.

"You're just going to have to be prepared to work hard. I believe

what you don't have in skills you can make up for in hard work."

He says he enjoys working with both the athletes and the management team – he knows the workings of an America's Cup campaign inside out.

Dalton says he learned the importance of understanding each person's job from his grandfather Samuel Parker who owned a roller door, metal bin and boat building factory. Dalton would walk the factory floor with his grandfather each Saturday, watching him interact with the workers.

"I learned that from him; to spend as much time as I can with the guys and it helps me understand what they do."

As for managing a sports team, Dalton says the most important aspect is to really know the sport.

"Primarily in my case I'm a sports mind. At the end of the day it's a sports team. If you don't know your sport I don't know how you'd get respect," he says.

Image: Chris Cameron /Emirates Team NZ



## AN EYE FOR THE FUTURE

2014

Sir Mark Solomon examines the challenges and opportunities for Ngāi Tahu in the year ahead



Sir Mark Solomon

Our commercial team at Ngāi Tahu Holdings Corporation is focused on growing our asset base, particularly in green fields infrastructure development, and expanding our direct investments. We are also investing heavily in converting our rural lands from forestry to farming. It is important that Ngāi Tahu invests wisely, not only for our people, but for the New Zealand economy.

For Ngāi Tahu, settlement restored a fraction of our economic base and we have simply got on with business since then. In a commercial context, iwi are often cautious and conservative. Our edge comes

from a focus on kaupapa Māori values. For us business is about partnerships and creating wealth for future generations. And it is as much about social equity, cultural affirmation and rangatiratanga as it is about economic success.

We are interested in the options and possibilities for Ngāi Tahu and other iwi in the growing Chinese economy. Clearly as iwi become more to the forefront of primary production there are opportunities to develop Māori branding of our products, and to grow partnerships in a way which resonates in international markets and in particular in China.

The challenges lie in identifying and growing strong partnerships to take us forward. We are also ensuring our Māori leaders are as confident and comfortable on a global stage as they are on the marae.

Iwi and Māori business tend to operate according to Māori values and culture and they build on the key Māori values that were considered essential for traditional leadership.

We have an eye to the future, and we are focused on creating a better future for our whānau. Business for us is not about short-term unsustainable growth.



## SOMETHING IN THE WATER

2014

*When asked what the challenge is for farmers will be in 2014, Federated Farmers President Bruce Wills told Katherine Robinson that it's all about water*



Bruce Wills

"The number one issue for farmers next year is water, and it is highly likely to be the number one issue in the years ahead. There is considerable focus on better, more sustainable management of water – and there needs to be," says Bruce.

"Most of the world is preoccupied with finding enough water, but we are blessed with it in vast quantities. As much rain falls on New Zealand every year as falls on the entire continent of Australia. We get two and a half times as much rainfall as the UK. This gives us a real competitive edge."

However, this abundance is not evenly spread – largely unfarmed areas such as Fiordland get more than their fair share of rain. Nor does rain fall predictably or regularly, as shown by last summer's drought. And, Bruce says, 95 per cent of our rainfall flows into the rivers and out to sea.

A Hawke's Bay farmer with first-hand knowledge of farming in a drought-prone region, Bruce is a staunch advocate of harnessing water resources to counter the dry years. This includes proposals to encourage New Zealanders to conserve water, wider use of irrigation and the development of more water storage, such as Hawke's Bay's proposed Ruataniwha Dam, which Bruce firmly supports.

"For the sake of our economy and to maintain New Zealand's place in the world, we need to grow the profitability of our agricultural base – and for that we need water. However, we also need to balance that against impact on the environment."

And there lies the challenge, as shown with the controversy that erupted over the Ruataniwha Dam. Perceptions of exactly how much impact to the environment and to the wider community is acceptable vary according to your point of view.

But Bruce does not see the issue generally as a case of environmentalists versus farmers. He says that farmers also have a strong interest in protecting the environment.

"Our animals drink the water, and our children swim in the rivers. Farmers want to leave their properties in a better state than they found them to pass on to generations to come and know that they need to keep our water quality to a very high level. On average they manage this pretty well. There may have been intense agriculture in some areas that has impacted upon the environment and we do acknowledge that there needs to be change."

"Federated Farmers has changed over the years. Meetings used to be all about profitability and

prices, those issues are still around of course. But there is more focus on sustainability and water has become front and centre the number one issue.

"While business associations like us are not huge in size six of our policy staff are working solely on the water issue. That's a small point but it's just to highlight the importance that farmers attach to this," he says. "There is no point running a profitable farm if you are going to ruin the water."

Bruce believes that they are about halfway to finding a solution – something he thinks will only come about with consultation and collaboration with councils and the wider community.

"We have got to get this stuff right. The decisions that we make in the next year or two will set the course for water management for decades to come."

*"Meetings used to be all about profitability and prices, those issues are still around of course. But there is more focus on sustainability and water has become front and centre the number one issue."*

BRUCE WILLS





## DRIVING CHANGE

2014

*With the success of innovative companies such as Xero and Orion Health, Callaghan Innovation CEO, Dr Mary Quin says that she would expect investment in R&D to continue to rise in 2014*



Dr Mary Quin

*“Directors can help encourage business innovation by influencing company cultures so that they tolerate change and uncertainty.”*

Innovations will be seen particularly in the high-value manufacturing and services sector, which covers areas such as ICT, biotechnology and high-tech manufacturing. This is a sector that is well aware of the benefits of innovation, as can be seen by the almost 10 per cent increase in R&D investment by New Zealand’s top 100 technology-based exporters reported in the 2013 TIN 100 report.

The ICT area is set to build on strong innovation-driven growth in 2012-13. ICT companies will benefit from an added boost through the government’s new \$3m programme to help New Zealand digital technology firms compete and grow globally, which Callaghan Innovation will help New Zealand Trade and Enterprise deliver.

ICT is also one of the areas where we are going to establish national technology networks, which will align New Zealand’s research organisations with the needs of associated industries.

Other networks we are working to establish are in high value food and beverages, sensing technologies, automation and robotics, and advanced materials.

Directors can help encourage business innovation by influencing company cultures so that they tolerate change and uncertainty.

They can help create value for their shareholders by ensuring that companies put innovation at the heart of their business, for example by adopting a strategic direction that prioritises continual value creation through business innovation.

Being innovative is less about size than it is about focus and attitude. Smaller businesses are often more nimble and flexible than larger ones, and many industry breakthroughs come from new entrants into those industries – companies no one in the industry had heard even a year or two earlier. For

small companies the challenge is to build the resources, through partnerships and internal capability, to commercialise innovation. Many small businesses have good ideas but are new to product development and new to raising the capital needed to fund product development. They don’t yet have sufficient sales capability and distribution channels in place. They need help developing the business processes to deliver successful products from their ideas.

Large companies, on the other hand, have the resources, experience and in-house R&D capability to commercialise ideas. For them the challenge to innovation is being able to bring fresh thinking to their traditional product lines and markets, and even discard the successes of the past to leap into emerging new opportunities. Acquisition of smaller companies is one way well-established large companies achieve innovation.

## director Vacancy noticeboard



*The noticeboard is a cost-effective way to reach IoD members – New Zealand’s largest pool of director talent. We will list your vacancy until the application deadline closes or until you find a suitable candidate.*

### TEACH FIRST NZ

**Role:** chairperson and a board member  
**Location:** Auckland  
**Applications close:** 24 January 2014

### CHRISTCHURCH CITY CHOIR

**Role:** chair  
**Location:** Christchurch  
**Applications close:** 12 February 2014

### HE HUARAHI TAMARIKI TRUST

**Role:** trustee, treasurer  
**Location:** Porirua, Wellington  
**Applications will remain open until position/s filled.**

### PARENT HELP WELLINGTON INC

**Role:** chairperson and board members  
**Location:** Wellington  
**Applications will remain open until the positions are filled.**

### DISABILITIES RESOURCE CENTRE TRUST

**Role:** board member  
**Location:** Bay of Plenty based  
**Applications will remain open until the position is filled.**

### NEW ZEALAND GYNAECOLOGICAL CANCER FOUNDATION

**Role:** trustee and chairperson  
**Location:** Auckland / National based  
**Applications will remain open until the positions are filled.**

### DRESS FOR SUCCESS WELLINGTON

**Role:** vice president and treasurer  
**Location:** Wellington based  
**Applications will remain open until the positions are filled.**

### VOLUNTEER SERVICES ABROAD (VSA)

**Role:** co-opted member (two positions)  
**Location:** Wellington-based  
**Applications will remain open until the positions are filled.**

### CHILTON SAINT JAMES SCHOOL

**Role:** Member of Board of Trustees  
**Location:** Wellington-based  
**Applications will remain open until a suitable candidate is appointed**

*You’ll find more governance positions advertised on the Director Vacancy Noticeboard on the IoD website, in the monthly Director Vacancy Noticeboard email distributed to IoD members and on the IoD Twitter feed.*





## SHARPENING THE FOCUS IN TOURISM

2014

For Tourism Industry Association (TIA) CEO Martin Snedden, 2014 is another step towards implementing an ambitious strategy, known as Tourism 2025, a framework for New Zealand's \$23.9 billion tourism industry



Martin Snedden

Since the global financial crisis, consumer power has switched from West to East, and this is where New Zealand's tourism industry should focus, says Martin.

Most opportunities for growth in tourism over the next year or so, he says, are likely to come from the Pacific Rim and China, with emerging interest out of India and Indonesia.

"It will be a challenge and an opportunity for the industry," says Martin, "Businesses have worked out how to give great experiences to what we think of as traditional markets such as Australia, the US and the UK or Europe.

"It is not about changing our offering but about changing the packaging around it - there should, for instance, be more effort around language for an Asian visitor. I'd

like to see a much better cultural understanding about who visitors are, and food should better cater for them. If we get those things right then visitors will relax. But the heart of what we are offering shouldn't change much."

Visitors from Asia, he says, travel at different times to other visitors, and this could help alleviate tourism's down-time outside the busy summer months.

Other areas of focus in Tourism 2025 include better research, and use of industry data. We should rely on "fact not anecdote", he says. New Zealand should look at attracting higher value tourists, particularly in international education, and at improving productivity.

"We need to understand our weaknesses and turn them into strengths. New Zealand gets

2.6 million visitors every year and mostly they arrive by plane. Already, there has been a lot of work into developing sustainable air links with emerging markets. Direct flights from Shanghai to Auckland have been a good start in this."

Tourism 2025 offers New Zealand's tourist industry a "high level sense of direction," he says.

"We were getting a strong signal that the industry would really benefit from having something to create improved industry cohesion and consensus about how, long-term, New Zealand tourism could survive then prosper. This is not a strategic plan for a corporate body. It is a framework for a very diverse and, at times, fragmented industry."



## AFTER NEW YEAR'S EVE

2014

It's been ten years since Hamish Pinkham, founder of Rhythm & Vines, pondered what to do on New Years Eve. Now he's looking to take the Rhythm Group beyond 31 December



Hamish Pinkham

As a 21-year-old student at the University of Otago, Hamish Pinkham was looking for a fun but safe festival to see the New Year in with his friends. Finding nothing he liked led to him creating Rhythm & Vines (R&V), a New Year music celebration that draws 30,000 to the festival site in Gisborne.

Ten years on, Hamish wants to build on what he and his team have learned from running R&V.

"In the past, everything would ramp up to New Years Eve then we would have to let contractors go. Now we want to maintain the momentum and retain experienced people to make it more sustainable as a business."

The company now employs 12 full-time staff plus an event delivery team of up to 2000 at R&V. This year the Rhythm Group relaunched the Gisborne Wine and Food Festival over Labour Weekend, re-branding it as Feast. And there is now a southern off-shoot of R&V, with the launch of Rhythm & Alps in Wanaka this New Year.

He sees the strength of the Rhythm Group in two parts, the first being able to "run a world-class festival for 18-35 year olds in a stunning location".

Not such an easy feat, especially if you consider that over the ten years the festival has run, only three or four arrests have been made.

"We have had people from the Alcohol Licensing Authority look at the festival as a model for crowd control. Safety is one of the visions for the festival, but really it comes down to keeping people entertained," says Hamish.

The other strength of the brand is the team, whom he says have the skills, contacts and expertise to deliver entertainment year-round. His ambition for 2014 is for the Rhythm Group to dominate in event management in Australasia.

# Mentoring For Diversity Programme now in third year

*The achievements of this year's mentees were celebrated and the 2014 intake welcomed at a function in Auckland last month*

"The IoD is passionate about increasing diversity in the boardrooms of New Zealand and we believe that this programme is making a real difference," said IoD CEO Dr William Whittaker.

The IoD's Mentoring for Diversity programme was developed three years ago with the aim of providing assistance and guidance to 'board-ready' women who aspire to be directors on the boards of listed or large companies.

"It isn't about extensive training or skill development as these women are already very skilled and successful. It is about a senior director providing the benefit of their experience and some guidance on how they may network and position themselves to take the next step in their governance career," he said.

The programme has achieved solid results. Over the last two years, there have been 12 appointments to large or listed company boards including one that is also ASX-listed.

"This is a fantastic result and is testament to the programme, its mentors and mentees. While one of the long-term hopes was that the programme would assist mentees in gaining board positions, we did not expect to have already had such success in this area," said IoD President Stuart McLauchlan.

"Another measure of success of the programme is the endorsement our mentors give it by volunteering to

continue as a mentor for another year. For the 2014 intake we have 12 mentors who have volunteered for the second time and eight for the third time. It is not only the mentees who get value from the programme, mentors also value this opportunity and find they learn something from mentees as well," he said.

2013 mentee, Rangimarie Hunia said that she had learned to recognise the characteristics of great leadership.

"Firstly, it's the obligation of service – each of the mentors demonstrate that the great privilege of leadership carries with it an even greater responsibility to give back.

"Secondly, commitment to the big picture – we care about the prosperity of our beautiful nation. We inherit the responsibility for the wellbeing and stewardship of those that we lead.

"And thirdly, know thyself – diversity should not be limited to whether I'm a woman, the colour of my skin, the ethnicity to which I belong nor the age I am. The strength of diversity is evident in the way I think. My thinking is based on my view of the world, values and experiences."

Interest was strong in the 2014 programme with 74 applicants applying to be mentees. Twenty one women were chosen in a selection process which included a selection panel of three experienced senior directors.

The Minister of Women's Affairs, the Hon Jo Goodhew, said that the IoD is to be congratulated for its persistence and commitment to increasing the number of women on private sector boards.

"The Mentoring for Diversity programme brings together experienced and skilled women interested in governance careers with senior chairs and directors as their mentors for a year. It is vital that we get more of our outstanding and talented women participating at the board table," she said.

"Board diversity is needed to help maintain a competitive and vibrant economy. Research increasingly tells us that there is a positive relationship between women on boards and organisational performance, particularly bottom-line financial performance.

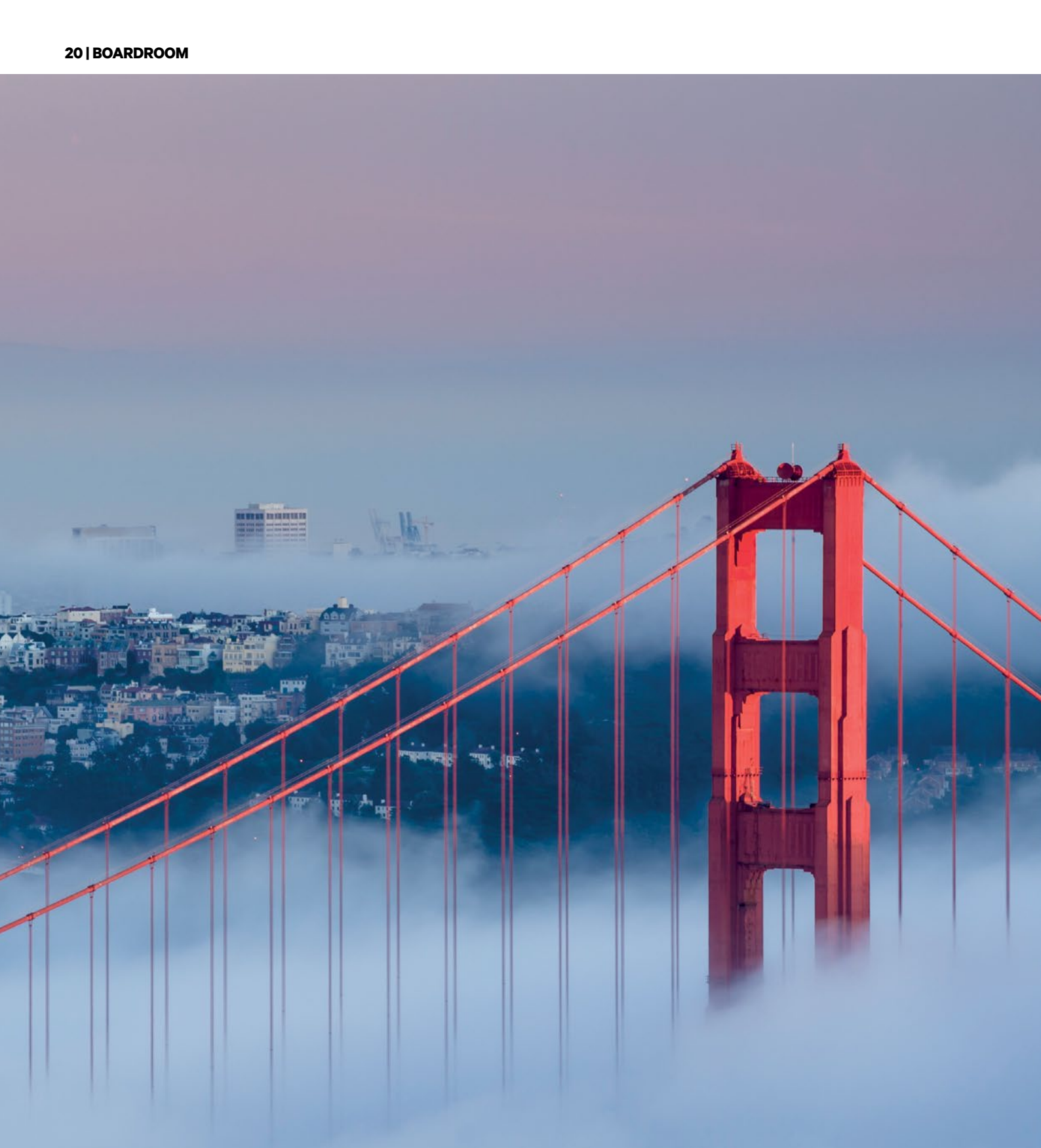
"The Mentoring for Diversity programme makes an invaluable contribution by building up a cohort of women ready to take on leadership roles," she said.

Stuart McLauchlan thanked the mentors for their commitment to the programme and for giving up their valuable time to be involved this year.

**For a list of mentees, please visit [www.iod.org.nz](http://www.iod.org.nz)**



- 1 | Cath Robinson and Samantha Sharif
- 2 | Pam Roa and Marise James
- 3 | Stuart McLauchlan, Julia Hoare, Rangimarie Hunia, Hon Jo Goodhew, Minister of Women's Affairs
- 4 | Nikki Franklin and Suzanne Carter
- 5 | Graeme Hawkins and Sarah Hayden
- 6 | Julia Hoare, Lyn Lim, Don Huse, Catherine Taylor, Robyn Clement
- 7 | Kerrin Vautier and Warren Dalzell
- 8 | Hon Jo Goodhew, Minister of Women's Affairs
- 9 | Pam Roa and Rangimarie Hunia
- 10 | Louise Edwards and Sarah Jane Weir



# Kiwis touch down in the States

*Kiwi entrepreneurs are heading to the US, but is it the land of plenty? Director of Kiwi Landing Pad, Catherine Robinson, tells Amy Williams the opportunities are there if companies get their pitch right*



Catherine Robinson

Catherine Robinson says part of her role as a director of Kiwi Landing Pad, a non-profit tech business incubator based in San Francisco, is to prepare arriving New Zealanders for a culture shock because Americans do business differently.

“At the beginning when a company comes over it’s intimidating but then they realise they know how to operate in that environment. The questions they ask and conversations they have show that depth of knowledge,” Catherine says.

She joined the Kiwi Landing Pad (KLP) as a director based in San Francisco just over a year ago, after the successful sale of her and husband Ed’s tech business.

It’s a world away from South Taranaki where she grew up, but it’s a good fit for Catherine and her husband who found it difficult to settle back into New Zealand after spending seven years living in Seattle.

They’re both successful technology entrepreneurs, and in July 2011 sold their business Aptimize to Nasdaq-listed Riverbed Technology. Before then, Catherine was a founding team member of an online project management start-up Action This, and the online accounting software company Xero.

Her expertise lies in communications and marketing for technology businesses, particularly when it comes to brand creation, media relations, shareholder communications and internet marketing strategies for companies in their early stage.

When the opportunity came up for Catherine to join KLP, she jumped at the chance to help others starting out like she once did.

“When you’re doing start-ups you don’t have time to look outside what you’re doing day-to-day,” she says of the hard-graft entrepreneurs put into their companies.

“We really believe in growing and maturing the New Zealand business ecosystem because New Zealand’s home and we hope to live back there at some point.”

Catherine says her role is to listen, advise and help companies adapt and bust out of the environment they’ve come from, so they can successfully integrate into the American tech community.

The Kiwi Landing Pad was set up two years ago by entrepreneurs John Holt and Sam Morgan, as a springboard for New

Zealand tech companies wanting to crack into the US market. It’s jointly funded by the NZ Ministry of Business, Innovation and Employment and NZ Trade and Enterprise. Companies that land at KLP pay just \$500 a month for the business support services and office space.

The tenants have access to business guidance and mentoring and are introduced to invaluable networks in the US technology and investment community.

KLP is based in SoMa, San Francisco’s South of Market district, alongside a who’s who of technology companies including Twitter (which recently debuted on the New York Stock Exchange), Instagram and Dropbox.

The Bay Area alone has a GDP of \$5 billion and a population of 8 million – figures Catherine says are mind-blowing to many Kiwis.

San Francisco is also a direct flight from New Zealand, and KLP offers entrepreneurs a way around the usual US necessities, including a social security number, so that when they hop off the plane there’s a desk and internet connection waiting.

“It’s having an office space in SoMa surrounded by some of the biggest names in technology. That ecosystem, investors, resellers, that’s of huge value,” she says.

With just two years behind it, KLP has already had some success stories to shout home about. Among them is Mako Networks which provides a secure payment system using the cloud.

Mako’s team spent 18 months scoping appetite in the US for its services, including trips to KLP which allowed them to network and build clients. They now have their own office space in the city, and the business is expanding rapidly.

Focusing back on KLP, Robinson says it is becoming well integrated into the tech community in the Bay Area, and has built strong relationships with the investment community there.

But she says not every entrepreneur who visits KLP walks away with their own office space and clients to boot. That’s due to some common mistakes.

“A lot of companies are coming to the US with structures that make it difficult to raise investment here. Who’s on your board is important, having just friends and family won’t cut it in the US, you need experience and expertise.”

She says it’s also common for a Kiwi chief executive to hold onto their company and not let shareholders take more of a cut.

“The danger is you might be a big part of something small,” she says, recommending instead a more open ownership structure that would be more appealing to US investors.

Another pitfall is that companies often bring products and services that fit the New Zealand market, and expect them to work in the US market.

Catherine says it’s important for people to first spend time in the market they’re targeting before going to market with the product or service. She advises companies to send someone to the US early so they can validate the concept and build a product based on in-market knowledge.

“It’s pretty easy to hop on flight NZ8, and for \$500 a month [at KLP] get a really strong feel for the market conditions here.”

Most companies visit KLP in San Francisco in cycles as they develop their concepts, returning home to New Zealand in between visits.

Robinson says the Bay Area’s economy is booming, and being a tech business is from New Zealand is no barrier to entering the US market.

“We really can compete. Our innovation is as good as anything else you’ll see here.”

Robinson says the KLP team is getting a good feel for exactly what it can provide for Kiwi entrepreneurs landing on its turf.

“It’s about continually expanding our own networks as we see different companies coming through. We’ve got more sense of where our expertise lies and how to commercialise those things,” she says.

And as for her own business interests, watch this space because she says her husband is already working on some new ideas.



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Paul Cooper



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Melissa Clark-Reynolds



David Gonski

# The stuff of leadership

*IoD Leadership Conference 2014 – The Right Stuff draws on an outstanding line-up of international and national business leaders*

An organisation's ability to thrive is only ever as good as the decision-making ability of its leaders. Like the astronauts in Tom Wolfe's *The Right Stuff*, directors and senior managers need to have the right blend of vision, judgement and courage to anticipate and meet challenges just beyond the horizon. For those early astronauts, breaking the sound barrier to travel at supersonic speed was the goal and the challenge. For today's directors the challenge lies in being able to survive, even flourish, in a world of accelerating change.

"Building on the success of the IoD's first national conference earlier this year, we are able to draw on the talents of an exceptional group of directors, strategists and business leaders. They are willing to share their point of view on exactly what it takes to be a leader in the 21st century," says IoD CEO Dr William Whittaker.

"What they have to say will be very relevant to today's business leaders. We are pleased to be able to offer such a thought-provoking programme to

coincide with the IoD's celebration of 25 years representing directors' interests in New Zealand," he said.

The 25th anniversary will be celebrated with a formal gala dinner on 15 April. Olympic gold medal winner, Emirates Team New Zealand member and now New Zealand's Olympic team Chef de Mission, Rob Waddell will deliver the after-dinner speech.

## SPEAKERS

Keynote speaker, **David Gonski**, one of the most influential chairmen in Australia, can draw on a lifetime's experience in the boardroom. He chairs Investec Bank Australia, Coca-Cola Amatil, Ingeus Ltd and the Guardians of the Future Fund (Australia's Sovereign Fund).

**Paul Cooper** chair of Centro Properties Group tells the inside story of how the board, management and employees weathered the storm prompted by Centro's refinancing difficulties at the beginning of the GFC.

## IoD Leadership Conference 2014 – The Right Stuff

SKYCITY Auckland Convention Centre  
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For more information or updates on speakers and the conference programme, visit [www.iod.org.nz](http://www.iod.org.nz)

Serial entrepreneur, **Melissa Clark-Reynolds** went to university at 15, was a solo mum at 18, and made her first million by 35. In 2008 Melissa founded MiniMonos, the virtual world for boys. There were over a million users when Melissa pulled the plug. She tells her story.

**Jamie Tuuta** is the Maori Trustee, responsible for protecting and enhancing Maori land and assets. This means administering 100,000 hectares of land throughout the country and managing a variety of investment interests.

**Simon Walker** became Director General of the Institute of Directors (UK) in October 2011. He was Chief Executive of the BVCA, the organisation that represents British private equity and venture capital, from October 2007 to March 2011. He was also Communications Secretary to HM The Queen from 2000 to 2003. From 1996-1997 Simon worked as a special adviser in the Prime Minister's Policy Unit.

# Update

## GENERAL MANAGER APPOINTED

Earlier this year the IoD established a commercial board to focus on growing the IoD's Director Development and Board Services business.

We are pleased to announce that **Tim Allen** has been appointed to the role of General Manager of the new company, encompassing the commercial wing of the IoD. Tim brings a wealth of experience to a demanding role.

He was General Manager Business Development at the Wellington Institute of Technology (WelTec). Prior to that he was Commercial Manager at the Hurricanes Rugby franchise (2007-2009), Marketing and Sales Manager at Learning Media (2004-2007), Business Development Manager at Centreport (2001-2004) and in a number of management roles at ENZA (formerly the New Zealand Apple and Pear Marketing Board). Tim holds a BA and Graduate Diploma in Marketing from Victoria University.

## UPDATE ON CHARTERED DIRECTOR

Plans on this project continue to progress. At the heart of the programme is a move to change the IoD from a membership organisation to a professional body. This aligns with best practice adopted by other professional bodies such as the New Zealand Law Society and the New Zealand Institute of Chartered Accountants as well as counterpart director institutes in Australia and the United Kingdom.

Chartered Director Programme Project Leader, Dr David Dickens says that the work has been time consuming but "it needs to be because we want to get it right."

Work is being carried out to bolster the administrative structure to support membership and continuing professional development. This work includes identifying detailed internal IoD database changes and as well as website design.

We expect to be able to deliver a full outline of the proposed changes in the New Year.

## RISK SURVEY

Many thanks to those who answered Marsh's recent survey on how New Zealand directors prioritise risk. Marsh reports an excellent response and we will be running a feature based on your replies in the February-March issue of *boardroom*.

## NEW BRANCH MANAGER FOR NELSON MARLBOROUGH

**Jane Peterson** has been appointed Nelson Marlborough Branch Manager. A qualified lawyer, she takes over the role from Julie Baxendine. We would like to welcome Jane and thank Julie for her excellent work in managing and developing the branch.

## IoD INPUT ON HEALTH AND SAFETY EXPOSURE DRAFT

The IoD made a submission on the Health and Safety Reform Bill Exposure Draft last month. Giving wholehearted support to improving the safety of New Zealand's workplaces, the IoD stressed that health and safety should not be seen solely as a compliance issue. It should be about achieving a good workplace culture, and focus on ensuring the health and wellbeing of employees.

"We would like to see a regime where accountabilities are balanced between the directors, the managers, the employees, and the regulator. They share the responsibility for achieving safe workplaces," said IoD CEO, Dr William Whittaker.

**To read the IoD submission on this important piece of legislation, visit [www.iod.org.nz](http://www.iod.org.nz)**

## IOD BY NUMBERS\*

# 6241

Number of IoD members as at 21 November

# 1518

Number of women members

# 130%

Increase in women members of the IoD over the last eight years

# 214

New members joined over the last two months



Scan for the latest IoD News



### LOCAL GOVERNMENT SEMINAR

Keynote speaker at a recent joint Local Government New Zealand (LGNZ) and IoD seminar was the Leader of the Opposition, Hon David Cunliffe. The seminar, on the theme of Why Good Governance Matters in Local Government, also featured IoD Vice President Michael Stiassny and Lawrence Yule (LGNZ).

David Cunliffe outlined Labour's local government policy, saying that to succeed in the new world after the global financial crisis, there needs to be a new partnership between local and central government.

Michael Stiassny observed that although local government is answerable to voters, there are similarities between councillors and directors when it comes down to processes. Like directors, every councillor has to take responsibility for the best outcome.

*boardroom* includes an article based on Lawrence Yule's speech in this issue (p42) or see the seminar recorded on YouTube under Why good governance matters in local government.



## directorRem

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DESIGN FURNITURE



# What does it take to get to the top?

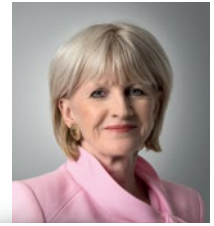
*Although the focus has been on boosting the number of women on boards, if you were to take stock of the upper reaches of management, you'll find that there are relatively few women CEOs, particularly on NZX Top 50 companies. This has implications for achieving a better gender balance on boards, as many directors are drawn from the ranks of top management.*

*By Amy Williams*





Norah Barlow



Joan Withers

According to a Ministry of Women's Affairs report published this year, called Changes in Women's Earnings, women in New Zealand are more able, and more likely, to be economically independent today than at any time over the past 30 years.

However it also showed that in higher-skilled occupations, women tend to concentrate in areas that are less likely to lead into senior management roles than those in which men concentrate.

Perhaps more surprisingly, women continue to be under-represented in statistics on business ownership. Given small and medium-sized enterprises account for 97 percent of all the country's businesses and 31 percent of all employees, most people would expect women to be a large part of this group in 2013 – yet women make up only about one third of self-employed people.

Across the Tasman it's a similar story. The Australian Census of Women in Leadership shows women make up three per cent of chief executives at ASX500 companies, nine percent of executive management and nine percent of board directors.

There are 12 female chief executives running ASX500 companies, and as Australian journalist and author Catherine Fox said in a recent report, the size of this select and successful group is barely believable in 2013.

"There is plenty of robust evidence that reveals a continuing dismal lack of women in the mid to senior ranks of listed companies in Australia, and a gender gap that widens the further up the ladder you go," said Fox.

"Little wonder that the women who have reached the rarefied environment of the C-suite can virtually be identified by their first names."

Back home there's no doubt the women who head large companies can be easily identified by their first names.

#### LONE WOMAN ON TOP 50

Norah Barlow admits she was shocked when she realised that she had been the only woman chief executive on an NZX Top 50 company for some time. Unless another woman is appointed to an NZX Top 50 company in the meantime, she will be passing that torch on to Pumpkin Patch's CEO Di Humphries. She's retiring from her executive role at Summerset to step into a position on the board – a decision that didn't come lightly after 12 years as chief executive.

"I do think women make slightly different choices, even me. Part of my choice is that I'd like to spend more time with grandchildren. A man's unlikely to make that choice."

Barlow says changing the statistics is not about women trying to be men, and she says it's really important for women to have role models in their industry.

"I believe in the right person for the job but there are differences in the way men and women handle situations.

"If you see people like you, whether it's ethnicity or gender, you do think I can do it too. It's really important for women in mid-career to not think the highest they'll get is a certain point but that they will get to wherever they want to."

That's a sentiment with which the former chief executive of Fairfax New Zealand, Joan Withers agrees. She says although there's a dearth of women heading up NZX-listed companies there are large private entities not listed that women are leading.

Among them are Barbara Chapman at ASB Bank, and Jane Hastings at the Radio Network. And in the public sector the numbers are less dire in that seven of the 29 central agencies are headed by women and 42 percent of senior management roles are filled by women.

***"If you see people like you, whether it's ethnicity or gender, you do think I can do it too. It's really important for women in mid-career to not think the highest they'll get is a certain point but that they will get to wherever they want to." Norah Barlow***

Withers says there are also many women in senior management positions who are preparing for chief executive roles, and many women who are board-ready.

"I've got a huge amount of confidence in the group of women coming through."

#### A SLOW PROCESS

Through her role as chair of Auckland International Airport, she's been involved in a programme that gives aspiring directors experience in the boardroom. She is now also a mentor on the IoD's Mentoring for Diversity programme. Withers says there are plenty of qualified and experienced women candidates.

Yet as a woman, she's still in the minority at business functions and says "it's a much slower process than I anticipated it would be".

"Women need to understand they can do anything they want to do. It's whether they want to do it and that's the challenge. Women are more concerned about the trade-offs they have to make."

Work-life balance is certainly not a passing fad, according to Professor Jarrod Haar of Massey University, who's researched workplace diversity, and work and families.

He questions the role men play in their partner's work choices if they have children. "Where are the fathers saying 'your career is important I'm going to take a three-year part-time assignment so I can look after the kids?'"

#### ANYONE FOR QUOTAS?

Professor Haar says women add an important balance to a company and around the board table.

A Thompson Reuters report called Mining The Metrics of Board Diversity, released in June, reported on levels of board gender diversity for 4100 public companies in the world, for the past five years (during the global financial crisis).

It found that globally companies with no women on their boards displayed slightly more volatility.

But Professor Haar isn't a fan of quotas, and says requiring a certain number of women to sit around a board table can end up being more of a token.

"Quotas don't go far enough. You also need a culture that embraces different perspectives, where individuals can share their ideas without feeling isolated. This is why enlightened companies that actively seek varied perspectives do well."

On the flip side, Catherine Fox says in Australia quotas have at least started a debate and awareness of the issue of gender diversity.

In her report she says the sheer number of experienced and qualified women in the business sector makes tokenism unlikely these days.

While Professor Haar was also shocked to learn so few women head up NZX-listed companies, he says the pipeline of women in management roles should feed into chief executive roles in the future.

"Perhaps the silver lining is that if companies develop women into senior management roles, women will have the opportunity to go for leadership roles."

#### DOES THE PROBLEM LIE IN RECRUITMENT?

The problem is, women often don't put their hand up for the top positions

***"Quotas don't go far enough. You also need a culture that embraces different perspectives, where individuals can share their ideas without feeling isolated. This is why enlightened companies that actively seek varied perspectives do well." Professor Haar***

and Andrea Waines says although companies want women candidates, they can be difficult to attract.

She's a partner at the executive search and leadership consulting firm Heidrick & Struggles, and says while there are female candidates for top jobs, there are many more men.

"Historically many of the senior executive roles that lead to the CEO positions have been filled by men and therefore the CEO role gets filled by men."

Waines says men and women also tend to network in different circles in both a business and social sense.

"While there are women who are qualified to be considered for CEO roles, they are oftentimes not as visible to the networks that are making the decisions," she says.

"They don't tend to push themselves forward as assertively as their male counterparts."

Despite this, Waines says companies want women candidates on their shortlists and even go so far as to specify a percentage.

"Companies are challenging us all the time to really go beyond the traditional sources and find strong female candidates to be on those short lists," she says.

Part of the answer to the problem has been the formation of groups addressing this gender imbalance.

Among them are the IoD's Mentoring for Diversity programme, and the 25 Percent Group which aims to have 25 per cent of women on boards in New Zealand.

Waines says New Zealand business is trying to break some of those patterns by creating new organisations, but it's not a comprehensive approach.

"There are a lot of good ideas and initiatives being undertaken but the initiatives are separate and fragmented. In order to address it in a sustainable way there needs to be a systemic solution whereby all those different groups join forces."

She moved to New Zealand from North America three years ago, and says the issues are the same.

Professor Haar agrees, he sees the same patterns around the world and says "it's less about discrimination and more about the structure that makes it easier for men and harder for women."

Despite that, both Norah Barlow and Joan Withers say they didn't encounter barriers, and being a woman in business has been an advantage and not just because everyone knows their names.

They both felt like they had more opportunities because they were females, qualified and experienced for the positions they wanted.

"When you don't see people like you at different levels of your organisation you start thinking you can't do that. There's a few of us who put ourselves out there and think I'll be the first to do this," says Barlow.

She says gender balance in a company or around the boardroom table can make up for any lack of knowledge – simply because there's another point of view included.

"There's a lot of complexity in the reasons, but if we can get to it the gender balance adds a lot of value."



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# A leg up for start-ups?

*If the promise of an improving New Zealand economy in 2014 is met, it may be that a small but important part of the growth story for start-up and early stage companies will be the enhanced capital raising opportunities created by the Financial Markets Conduct Act. By Bradley Kidd and Josh Blackmore*



Bradley Kidd



Josh Blackmore





On current form, it is likely that the biggest beneficiary of these new mechanisms will be the capital-hungry software design and computer services industry. This accounted for 41 per cent of all New Zealand's venture and early stage investment deals in 2012, with almost half of the firms in the sector investing in expansion (more than twice the New Zealand average) while one third undertook some form of R&D (four times the New Zealand average).

The extraordinary rise of Xero and Pacific Edge, and the IPOs from SLI Systems and Wynyard have been part of the stock market resurgence this year. But current securities law (the FMCA does not begin to come into effect until 1 April) puts challenges in the path of the good idea looking for a dollar.

Finding capital to support unproven concepts is often hard as large institutional investors usually want to see products and services in development with solid business and marketing plans in place before funding can be provided. Debt funding from banks is usually a non-starter without regular cash flow, which can be some way off for most start-ups, particularly technology ventures.

Then there is the further challenge of attracting and retaining talented staff through the lean early years without the ability to pay competitive salaries.

Common solutions to these problems are to look to angel or venture capital investors, and to offer foundation employees equity in lieu of, or as a supplement to, their pay packet.

But the Securities Act does not make any of this easy. Under current rules, most offers of shares to the public must be via a full investment statement and prospectus with all of the expense that entails.

The Act contains certain exceptions from these requirements, designed to facilitate private offers to those presumed to be in a position to look after themselves or otherwise obtain the relevant information from the company. But these provisions are complex, often require legal advice and have generally been interpreted narrowly by the courts.

For example, the habitual investor exception has been construed as directed at professional investors only, not necessarily persons who invest regularly; and the close business associate definition has been held to exclude mere

employees with the result that off-market employee share offers have tended to be limited to senior management, where it is easier to establish that they qualify for other bright line exemptions.

The FMCA oils the capital-raising engine by expanding the range of options available outside the full disclosure regime. All of these are within the FMCA's first phase of implementation, meaning that they will be effective from 1 April.

#### EMPLOYEE SHARE OFFERS

Reduced disclosure requirements will (broadly) apply where shares are offered:

- as part of an employee's remuneration arrangements
- not for the primary purpose of raising money, and
- provided they do not together exceed an annual limit of 10 per cent of the company's total shares.

#### SMALL OFFERS

To qualify for this exclusion, the offer:

- must be limited to 20 investors, each of whom is connected to the issuer (whether professionally or otherwise) or through previous association or through an expression of interest by the investor in the venture or that kind of venture (for example, through membership of an angel network), and
- must not result in the company raising more than \$2 million within any 12-month period.

#### CROWD FUNDING/PEER-TO-PEER LENDING

These internet services exist now – but even the provision of a small loan or equity contribution can require the publication of full offer documentation if an investor is a member of the public.

The FMCA removes this impediment by creating a new category of licensed intermediary which website hosts can apply for and which will allow them to let people make equity or debt offers on their platforms without having to meet the normal disclosure requirements.

Crowd-funding and peer-to-peer lending providers must prove that their principal purpose is consistent with the intention behind the exemption (that is, to provide innovative ways for small businesses and individuals for raise money).

The Ministry of Business, Innovation and Employment is also proposing limitations on the amount that retail investors in a crowd-funded issue can invest (including fixed limits in a single issuer and overall, or limits scaled depending on the investor's income and net assets, in any 12 month period).

And, as with the small offers above, a limit of \$2 million per 12 months will be imposed on how much a borrower may borrow or an issuer may raise. Importantly for crowd funding services, the \$2 million cap will count only retail investments, meaning that additional amounts can be raised if there is participation from wholesale investors.

#### CLEARER INVESTOR EXCLUSIONS

The new Act also clarifies the pool of investors who can participate in private offers and exempt themselves from the full panoply of protections the legislation provides for the prudent but non-expert investor. In particular:

- the habitual investor test is redrawn to include specified categories of persons as wholesale investors, which will cover certain types of institutions that are investment businesses, persons who can demonstrate evidence of sufficient investment activity and large persons with sufficient assets or turnover
- the existing experienced person exemption is retained but through self-certification (eligible investors). This certificate must be confirmed by an authorised financial adviser, a lawyer or a chartered accountant, and
- the close business associate exemption will be available to persons who have a close professional or business relationship with the offeror, or a director or senior manager of the offeror – a definition which should cover more employees than the present law allows.

The combined impact of all of these changes should give New Zealand entrepreneurs better access to equity capital at lower cost. This has to be good for 'NZ Inc' and, depending upon the take-up rates, could bring a new dimension to the economic recovery.

**Bradley Kidd, and Josh Blackmore are Partners, at Chapman Tripp specialising in corporate and securities law.**

# The rise and rise of social media



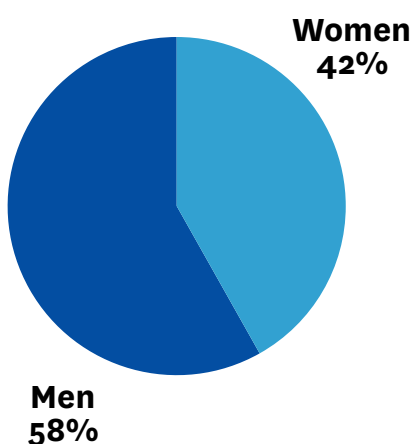
Natasha Martin

*Kiwis have enthusiastically adopted all things online, putting New Zealand in the top ten of the world's habitual internet users. And this heavy use extends to social media, writes IoD's Social Media Advisor, Natasha Martin, who reports a surge of interest in IoD sites over the last year*

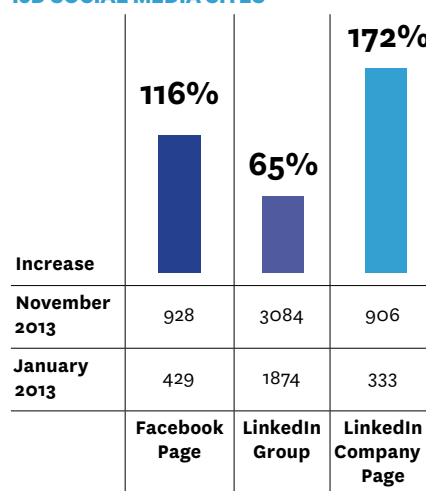
Recently Statistics New Zealand released findings from the 2012 Household Use of Information and Communication Technology study. These showed that two out of every three of the 2.8 million New Zealanders over 15 who went online between December 2011 and September 2012 accessed social networks. That's 65 per cent of New Zealanders over the age of 15.

These numbers come as no surprise to us at the IoD as we've witnessed phenomenal growth in our LinkedIn group and in the IoD's Facebook page, which was only established in June. The IoD's Twitter account, set up earlier this year, has also been attracting more followers.

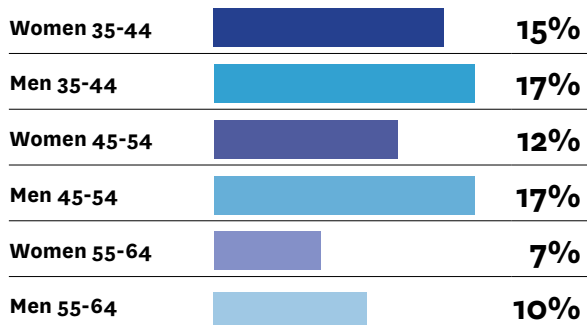
### IoD FACEBOOK PAGE FANS GENDER SPLIT



### FOLLOWING THE GROWTH OF IoD SOCIAL MEDIA SITES



### IoD FACEBOOK PAGE FAN AGE RANGES



### IoD LINKEDIN GROUP DEMOGRAPHICS

Industry	Percentage	Seniority	Percentage
Management Consulting	16%	Senior	21.1%
Information Technology and Services	6%	Director	19.8%
Financial Services	5%	Manager	12.6%
Accounting	4%	Partner	11.2%
Law Practice	4%	CXO	10.9%
Government Administration	3%		

## APP-DATE



### Audio Memo

Turn your smartphone into a high-end audio recorder that can record meetings, voice notes, anything. Then send your recordings by email or upload them to Dropbox. Price: \$US0.99



### CloudOn

CloudOn lets you run Microsoft Office on the iPad. There are a few apps that run Microsoft Office on the iPad and Android tablets but CloudOn is good because 1) it's free, 2) it supports many of Office's more advanced features, 3) it's designed to work on a touch interface. Price: Free



### Yammer

Yammer is a work-group chat app. Chat, share photos/files, track projects. It has dozens of add-on apps that can make any work group more productive. Price: Free

# Locking up digital security

*The protection of information systems assets, and more importantly, the protection of the information itself is a key component of any company's governance strategy. Failure to implement effective measures to protect information against loss, leakage or modification can damage a company's reputation, breach legal and ethical responsibility and seriously impact financial viability, says Tony Krzyzewski*

For many companies the response to an IT security threat is to throw another piece of technology into the mix. This approach might cure some specific information security-related issues, but it does not contribute towards the company's overall information security maturity. In fact, new technology may actually introduce additional risks if risk assessment and change management procedures are not in place.

The first step towards creating a secure computing environment is to define the rules and guidelines for managing, operating and using corporate information systems within a set of clearly defined IT security and acceptable use policies. These policies mandate how users, managers and technical staff interact with your company's important information systems.

For IT security policies to be effective they must be available to all staff members and should reflect the complexity of the IT structure. If your company's current policy only consists of four to five pages then you should be concerned that your business is leaving much of its information protection strategy to chance.

Unfortunately, many IT managers don't have sufficient time to develop effective IT security policies. This can mean that the management and use of information systems and information assets is never fully defined or documented. You wouldn't give a company car to someone that didn't know the road rules, yet you might be allowing them access to information critical to your business without ensuring that the rules are defined, documented and understood. Where IT security and acceptable use policies are insufficient

to protect your business then you should seek professional assistance.

Effective IT security policies need to be adhered to by all members of staff and associated third parties and there should be consequences for breaching these policies. Yes, this does mean all staff, including those at the executive level, so if the IT Department requires you to have a PIN code on your mobile phone because this is defined in the IT security policy then this is an ideal opportunity to demonstrate leadership and show that you consider IT security a serious matter.

Despite the belief by some that if they implement an internet firewall and anti virus they are protected from electronic threats, it is not possible to mitigate this risk through technology alone. The process involved in the development of IT security and acceptable use policies will highlight many areas where procedures must be created to complement the deployment of the technology.

Documented procedures and processes ensure consistency during system implementation and operation, considerably reducing vulnerabilities due to misconfiguration or error. IT staff including system administrators are notoriously bad at documenting system configuration and network design however this is an important area that should not be overlooked.

The final stage of any IT security policy deployment is the implementation of controls that ensure policies are being complied with. The complexity of these controls will vary depending on the sensitivity of the information being

protected and the level of regulatory compliance required. Controls may include basic logging of activity, confirmation of the completion of tasks as part of a particular process, random testing of individual processes and internal technical security audits.

Information security requires a whole of business approach encompassing frontline staff, management, executive and board to effectively protect the company's most important asset, its information. As a director you need to ensure that your company takes information security into consideration in every business operation and provides sufficient resources to ensure the protection and ongoing viability of its information assets.

**Tony S Krzyzewski**  
**Director, Chief Technical Officer**  
**Kaon Security a division of MPA**

## CHECKLIST

- Do we have comprehensive IT security and acceptable use policies in place?
- Are our policies communicated to all staff that use information technology resources?
- Are our operating procedures and processes documented and aligned with the IT security policy?
- Do we undertake an annual technical security audit to identify both external and internal threats to our information technology resources?
- Do we maintain an up to date IT security risk register?
- Are the IT security technologies we currently deploy appropriate to the level of identified risk?

# Taking the ASEAN tiger by the tail



*With the growing importance of China to the New Zealand economy, the opportunities for investment into ASEAN are often overlooked, says KPMG partner Ian Kowalski. He says that there are a growing number of New Zealand companies who have successfully invested into ASEAN markets. They are making a good return on their investment and the opportunities are only getting bigger.*



Ian Kowalski

New Zealand is in the excellent position of already having concluded a free trade agreement with ASEAN. This means that 99 per cent of our current exports will eventually become tariff-free. Current total bilateral trade with ASEAN countries reached \$11.7 billion in 2012. Exports make up \$4.5 billion of this with imports \$7.792 billion. The biggest exported commodities are, not surprisingly, related to the agri-business sector, while crude petroleum is one of the largest imports. While there is on-going vigorous debate between the ASEAN countries as to the exact policy settings required to achieve their economic growth agenda, what is certain is that all these nations are actively seeking foreign investment and are trending towards liberalising free trade in the region.

So the opportunities for New Zealand are significant and will only get bigger. A select group of New Zealand companies are ahead of the curve in that they have already grabbed those opportunities with both hands. There are some common characteristics for the businesses that have succeeded in the ASEAN region. They have all invested for the long-term and not taken shortcuts. They realise that the key is to establish strong long-term relationships, particularly where joint venture local partners are involved, and that it is critical that sufficient market research and establishment of what your strategy in the market will be is properly thought through.

In all cases it has taken a number of years of intensive investment before the profits begin to flow. Key to building the business is establishing human capital in the specific market. Having a great product or service is only part of the equation. The more important asset is establishing the human capital, and by that I mean building over the long-term very strong personal relationships with joint venture partners in the local markets, customers,

service providers and employees. If you don't do this you will likely fail.

In our experience too many New Zealand companies try to expand offshore without being prepared to commit to having senior decision makers, often those with an ownership interest in the particular company, being permanently or semi permanently based in the country in which they are investing. This takes a lot of energy, ambition and most of all resilience. It is of course a big call for a Kiwi to relocate and live in a large, developing Asian city – but that call needs to be made strategically if more of our companies are going to grasp the opportunities. And for those individuals and their families prepared to take the plunge it is often the experience of a lifetime.

It's also important to engage with the best service providers, the ones that have the best people on the ground who can pragmatically steer you in the right direction. Navigating the regulatory landscape can be challenging but with the right advice this is getting much easier as the various ASEAN countries are actively chasing foreign investment and are making it easier to do business, and are lowering barriers to entry. As an example foreign exchange controls are largely a thing of the past and the respective tax systems are being simplified and tax rates lowered. Incentives are available to invest in certain industries or geographic regions so it is important to understand these before investment decisions are made.

One area that it is important to get right is to understand your land use rights, as it is generally not possible to acquire land outright. Given that the key success factor is the human capital employed in the market, good succession planning is very important. When you have people in a market that have built deep relationships that are critical to your

business outcomes, it is often difficult to transition those relationships to new leaders in your business – a succession plan is crucial. The other important point to remember is that each of the countries within the ASEAN economic framework is very different culturally and hence in the way they do business. Do not expect that what works for you in Indonesia will work for you in Vietnam.

The ASEAN block of countries represents a diverse mix of people and cultures but with a common theme that they are all emerging and growing economies keen for investment and global trade. New Zealand with its ASEAN free trade agreement in place is in a prime position to take advantage of those investment opportunities.

#### WHAT IS ASEAN?

- ASEAN is the Association of South East Asian Nations that is looking to create an ASEAN economic community by 2015, that is, effectively a free trade zone
- it consists of 10 nations; Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
- ASEAN has combined population of 620 million people. This includes a very young population base that is already experiencing above trend economic growth
- the ASEAN group includes Indonesia, the country with the largest Muslim population in the world (around 250 million) and a growing middle class at around 40 million. Indonesia is forecast to be the world's eighth largest economy by 2050. Vietnam with a current population of 90 million is experiencing five per cent economic growth and is forecast to be the world's fourteenth largest economy by 2050.

# what we learn from our mistakes

Success may make us feel better, but Sharon Stephenson discovers, failure is a harsh but more effective teacher

"I've missed more than 9,000 shots in my career. I've lost almost 300 games and I've been trusted to take the game-winning shot 26 times and missed," admitted former professional basketball star, Michael Jordan. "I've failed over and over again in my life and that's why I succeed."

As contrary as it sounds, Jordan is absolutely right, says Sydney psychologist and researcher Rachel Simpson.

"Human beings are designed to learn by making mistakes and, I'd argue, we learn more from our failures than our successes," says Simpson. "For instance, as babies we learn to walk by falling and trying again. We learn to ride a bike by falling, sustaining some injuries and trying again. Without making mistakes and falling, we would never progress in life."

Unfortunately, society seems to have mislaid that particular memo. From an early age, most of us have been scolded, given poor grades, passed over for promotion, ostracised or belittled for making mistakes. Society's general message is 'Don't make mistakes and bad things won't happen to you'.

"It is hard to go against that ingrained belief, to step outside your comfort zone and say, 'I'm going to take a risk', says Simpson. "But getting stuck in the safe zone could lead

you to the biggest mistake of all - being so cautious that you stop taking risks."

The key to the whole mistakes business is learning from them. "Almost all mistakes contain a number of learnings if you're smart and humble enough to suck the juice from them."

In a business context, says Neil Green, Wellington-based Chief Executive of PR firm SenateSHJ, that means "telling the truth, telling it fast and telling it yourself".

"If we accept that an organisation's reputation is one of its primary assets, then it should be treated as such. Around per cent of respondents to the 2013 Senate SHJ/loD Reputation Management Survey believe that reputation is one of their organisation's primary assets. That's why it's critical that any mistake, particularly one involving duty of care (where the public can suffer if information is withheld), has to be disclosed immediately," says Green.

The way a business responds post-mistake can have as much, if not more, impact than the mistake itself. "If you handle it well and decisively, you can survive and even prosper. The worse it's handled the higher the collateral damage," says Green.

The key, he adds, is the CAP model - Care, Action, Perspective. "Own it, show you care about it, show what you're doing about it

and, if possible, put it into the perspective of longer term performance. The response needs to be decisive, emphatic and timely."

A good example is Air New Zealand's recent issue with a breast cancer sufferer which led to headlines such as "Sick Mum Belittled by Air New Zealand". Green says the national carrier's response was swift and positive. "It was a major mistake but Air New Zealand quickly took responsibility and provided the right response."

There's no magic bullet for dealing with mistakes, and the response of the market or other businesses will be determined by how those responsible own up, and then repair, fix, mitigate or make the situation right, believes Green.

So you've done the right thing by fessing up, taking steps to correct it and learning from the mistake. Does that automatically give you entry to the Valley of Forgiveness?

It depends on the kind of mistake it was, believes Mike Stenhouse, Director of Sheffield Consulting.

"There are generally two types of mistake in the business community - an ethical one, which essentially involves fraud or dishonesty offences, or a strategic business decision that's gone wrong, such as implementing a new IT system that's failed or an acquisition that hasn't

**"Getting stuck in the safe zone could lead you to the biggest mistake of all – being so cautious that you stop taking risks."**

Rachel Simpson

worked. As far as the first type of mistake is concerned, I would say there's no way back from that, particularly to the same role the person responsible had at the time. It's very hard to get back that level of trust after an ethical mistake."

However, the business culture tends to be more forgiving of business mistakes, says Stenhouse, who heads up Sheffield's South Island activities.

"As long as the individual faces up to his or her mistake, reflects on what went wrong and why, and takes learnings from the mistake, then people tend to be quite forgiving."

With a 25-year tenure in the human resources/director trenches, Stenhouse says people are generally willing to give others a second chance, "but definitely not a third".

"Consistently bad leadership decisions can devalue both an organisation's and an individual's value and it's very hard to recover from a track record of bad decision making. People tend to assume, probably rightly, that the person is either unwilling or unable to learn from their mistakes."

Green agrees, saying Kiwis tend to be forgiving of a "human slip or technical error, but people won't forgive attempts to mislead them or sweep information under the carpet".

"A classic example is Fonterra, who seem to have mismanaged the recent botulism crisis in the same way they handled the Sanlu issue a few years ago," he says.

"It's not about making people love you, but showing that you are responsible, openly explaining the situation and your intended actions, and then being seen to be taking the right action, including involving the authorities and community stakeholders. It's not about winning, it's about not losing in the short-term so that you can rebuild in the future."

Perhaps the final word should go to Simpson who says the key to mistake making lies in giving ourselves, and others, permission to slip up every now and again.

"When we make mistakes, we actually create an environment within our own being and within our key relationships and teams that's conducive to trust, connection, risk-taking, forgiveness, creativity and genuine success.

"While it can seem a little risky, and even counter-intuitive, allowing more freedom for mistakes to be made ironically creates the conditions for fewer errors to occur and more and productivity to take place..."

## Five ~~6~~ STEPS TO TAKE WHEN YOU MAKE A MISTAKE move down

Richard Westlake, IoD Director Development course facilitator and founder of Wellington's Westlake Governance, has seen more than his fair share of business mistakes in his 20 years as a board chair and director. These are his five tips on how to manage a business mistake:

1. Accept responsibility and don't blame anyone else. When you blame you abrogate part of your role as a leader, but when you accept responsibility, you'll be forced to focus on yourself and seek answers.
2. Analyse the situation and figure out where you or your team went wrong.
3. Look for corrective measures and take action to put them into practice.
4. Take note of the lessons learned from the mistake and try not to repeat it.
5. In the words of the late Lloyd Morrison, founder of Infratil, "At our company, we've made a lot of mistakes. We try to learn from those mistakes...and then we look for new ways of making mistakes".

# A look through the rear view mirror and the road ahead – insurance and risk in 2014

*At a recent IoD function, a director commented on the importance of looking in the rear view mirror before you navigate the road ahead. In thinking about what the key opportunities and challenges are on the risk and insurance front for 2014, let's recap some of the key issues for 2013 and then look at how they will impact directors moving into the new year. By Steve Walsh*

## INSURANCE LANDSCAPE

Despite being devastating for some individuals, the earthquakes east of Seddon that impacted the upper South Island and lower North Island, including Wellington, earlier this year have not severely impacted the insurance market.

The New Zealand property insurance market for 2014 will remain a challenge

for some, and provide a good news stories for others depending on your risk profile and size of your business. This is due to a number of competing factors however, mostly the returning competition from insurers to obtain greater market share balanced against their requirement to adhere to their post Canterbury Earthquake underwriting criteria.

The global reinsurance market is softening, providing some relief in local insurers' costs, but that is somewhat being offset by the ever increasing cost of day to day business expenses such as new regulation, compliance and increases in claim settlement costs.

In the larger corporate space, the local insurance market is doing its best to



attract clients back from overseas markets as well as competing heavily to retain all of their existing business against their competition. For clients that have active risk management and a positive risk profile this is providing a great lever to create competitive tension providing some significant reductions in premium costs.

The flipside of this, is the small to medium size enterprises or those suffering from seismic strength building challenges. In this area of the market, local insurers are still pushing for small increases in premiums, although with a good go to market strategy improved results are certainly achievable.

### REGULATORY ENVIRONMENT

Governments and regulators continue to tighten the regulatory environment, which will have different ramifications for all of us.

In the World Economic Forum's Global Risks 2013 report, "unforeseen negative consequences of regulation" moved into to the top five changes of impact. New Zealand is following in Europe's footsteps as it strives to reach a global standard. A global standard introduces increased activity as evidenced below:

- Between 2007 and 2011 there was a 63% increase in Directors' and Officers' (D&O) claims in Europe
- In the UK, the Financial Services Authority handed down 47% more fines against individuals in 2011 than in 2010, with non-monetary penalties ranging from disqualification and imprisonment to enforced changes to boards and organisational strategies

To reinforce this point, New Zealand directors will be impacted by two key pieces of local legislation in 2014.

### Health & safety reform

On 7 August 2013 the Government announced its response to the Independent Taskforce on Workplace Health and Safety in *The Working Safer: a new blueprint for health and safety at work in New Zealand*.

The proposed reform reflects the Australian model and represents the most significant change to New Zealand's Workplace Health and Safety system in 20 years. This is intended to come into effect late 2014.

Whilst it is (and is expected to remain) illegal for insurers to cover fines under New Zealand Health and Safety legislation, insurance can still provide valuable cover for legal costs of defence and sentences of reparation, subject always to the general principle that insurance does not cover wilful or reckless breaches of the law.

- If corporate manslaughter becomes an offence, additional insurance cover may be required
- The possibility of civil claims (e.g. for nervous shock damages) has likely increased

As yet insurers have not imposed any restrictions on cover but we predict, at a minimum, that within the next year underwriting will tighten and insurers will be looking for improved transparency of demonstrated risk management at an executive level, to filter through the business.

### Securities law

In August this year Parliament passed the Financial Markets Conduct Act. This is considered to be the most sweeping reform of New Zealand securities law within several decades.

Phase one is likely to come into force in April and phase two in December 2014. It is anticipated that this Act will increase risks for directors.

As with the New Zealand Health and Safety legislation, these changes will require a review of your coverage and the Limits of Indemnity available under your D&O Liability, Statutory Liability policies and / or Management Liability policies.

Our advice is to ensure that you understand these regulatory changes and what the implications are for you personally as a director.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Over the last few years Marsh has seen an increase in the cost and complexity of claims under D&O liability insurance.

Poor economic conditions, both locally and worldwide, have played a part in this, as the risks to businesses have increased during this time. The collapse of over

30 finance companies in New Zealand alone has had a huge impact, along with the large increase in liquidations and receiverships over the last five years.

Despite the abundant insurance capacity becoming available to the market, the financial crisis (both legacy and current) around the world continues to have an impact on D&O risk and rates, which are consequently not softening in line with other classes of insurance. They are rather expected to harden further for financial institutions.

Whilst we are moving more into recovery mode, we don't expect the risks to lessen in 2014.

As companies move to become more competitive different risks arise. For example, organisations moving into acquisition or capital raising may face inadequate disclosure or misrepresentation claims. Those wishing to expand their operations and transact overseas can also get caught out by not understanding the new parameters they are operating under.

Any company with a multinational footprint or multinational growth faces increasing multinational risks. Regardless of the type of business conducted in a foreign jurisdiction, there will be a variety of government agencies with different agendas that will regulate your business. Regulatory environments are not static and if something changes to your detriment, a local director or officer may be called on to represent the company and further could be the targets of any ensuing regulatory action.

### FURTHER UNDERSTANDING DIRECTORS' RISK CONCERNS

As this edition of boardroom goes to print, Marsh will be reviewing the results of its first directors' risk survey, which was conducted during November. We look forward to bringing the results of this to you early in 2014 with further commentary around the key risks facing directors.

**Steve Walsh, Executive Director, Marsh**

**For more information please contact Steve Walsh on 09 928 3126 or [stephen.walsh@marsh.com](mailto:stephen.walsh@marsh.com).**

# Why good governance matters in local government

*Following the local authority elections newly-elected and re-elected representatives and mayors are immersing themselves in the work communities across New Zealand have tasked them to do. These people have taken on a huge commitment. The demands on them will be considerable, says Lawrence Yule, President of Local Government New Zealand (LGNZ), the organisation that will help ensure that they have the knowledge to support them through the challenges ahead*

The business of local government is vast. The infrastructure value of the sector is not much less than central government. Councils' own community assets are worth more than \$120 billion.

This includes 90 per cent of New Zealand's road network, the bulk of the country's water and waste water networks, and libraries, recreation and community facilities. Council expenditure is approximately \$8.5 billion dollars, representing approximately 4 per cent of Gross Domestic Product and 11 per cent of all public expenditure.

Supported by skilled council officers, elected representatives oversee scores of services. From the potable water that comes from your taps, to the pavements you walk on, the roads you drive on, the swimming pools and parks where you exercise. It provides your street lighting, takes your rubbish away, sorts out your sewage and much more.

This is funded from rates, and elected members often have to make tough decisions about how to prioritise use of that money.

This is set against the constant challenges of the value proposition - managing an increasing demand for services against the reluctance of people to pay for those services. It is important to note, however, that the average New Zealand rates bill is only \$5 per household per day.

Private sector directors will be familiar with the concept of making tough decisions and there are similarities between the role of an elected representative and that of a director. Certainly, the mayor/ chief executive relationship is akin to that of the board/ chief executive.

However there are also many differences. Board members are usually appointed, local authority representatives are elected every three years, and a far broader mandate and set of visions is brought to the council table than the board table.

The decisions that council members have to make are often very significant and may be intergenerational. A new bridge or wastewater plant might have an expected life of 50-plus years and involve tens of millions of dollars.

There are great efficiencies for communities in doing such projects collectively, but it means that it is all about scaling up the size of decisions and assets and, by their very nature, they are very big numbers.

Which brings me to one of the key differences between private boards and councils. A board member is usually appointed and a key criterion is likely to be that they have broad governance experience.

A councillor or community board member will have been elected by their community. While they will bring passion, enthusiasm

and commitment, many will, initially, have limited or no governance experience or knowledge of council-specific legislative and regulatory requirements and processes.

In the wake of the elections Local Government New Zealand (LGNZ) has been providing intensive workshops and induction training for newly elected members and for new and re-elected mayors to ensure they have the essential elements they need in their first months in office.

This training builds on the information provided in our sought-after *Elected Members' Governance Handbook* - the best practice governance pillars for the sector - which provides the 'must have' information they need to navigate the legislative and procedural requirements that will govern their time in local government.

We will be developing this with further ongoing governance practice and training. A major aspect of this in early 2014 will be the IoD-recognised programme to be delivered by LGNZ as part of this continuing professional development.

This is particularly pertinent as LGNZ is in the process of embedding change though lessons learnt in the governance space, with some high profile governance issues in our local authorities.

Commissioners have been appointed to several councils; Environment



Canterbury Regional Council's governance arrangements were extended earlier this year and local government expert Doug Martin is reviewing Christchurch City Council's building consents issues.

As I write, publication is due of the Office of Auditor-General (OAG) report into the Kaipara District Council sewage scheme debt issues.

Annual OAG audits of all local government agencies are ongoing – indications are that a number of councils will need to get their houses into order and improve processes.

However, the situation is certainly not all doom and gloom.

What is very clear to me, from my experience in the sector and working with my colleagues around the board table and in our zone and sector meetings, is that we have many very skilled people, and strong established and up-and-coming leaders in local government.

There is a rapidly growing awareness across the sector of the crucial importance of lifting governance performance and the significant demand for the crucial post-election training and the IoD/LGNZ joint venture training reflects that.

The high profile governance issues I have already mentioned underline how important good governance is. We need to convey the vital message that governance is not about ticking boxes. It is about changing culture,

lifting performance, providing better service to local communities and a stronger, more efficient local government sector.

Combining the skills, passion and commitment these people bring to their roles, with the specialist training to provide our mayors, councilors and community board members with very sound governance skills will, I believe, in time bring about a sea change within local government in New Zealand.

#### ONGOING TRAINING THROUGH KNOWHOW WORKSHOPS

We are confident that our ongoing training, and the new governance programme in conjunction with the IoD, will contribute significantly to developing a more effective, and more efficient local government sector.

These workshops will focus on key governance, leadership and strategy skills for elected members and contribute to improved governance and performance in the local government sector. Through this partnership, mayors, chairs and elected members will be able to build on their current skills set and strengthen their collective governance abilities using the IoD's Better Boards appraisal tool.

This joint programme and on-going training will do much to enable that strong leadership and strong governance, to help them deliver on the ambitious visions they have for their

***“A councillor or community board member will have been elected by their community. While they will bring passion, enthusiasm and commitment, many will, initially, have limited or no governance experience or knowledge of council-specific legislative and regulatory requirements”***

communities and the expectations of those who have elected them.

It will empower elected members to ask the right questions, get to the heart of matters, ensure proactive management of council finances and make the right decisions that will assist to prevent future governance-related issues.

# Director Development – plan your course

*Professional development is key to keeping up in a fast-changing world. It offers the chance not only to gather new information, but also to take time out and see the world from a different perspective. Sharing the learning experience with others not only deepens the learning process but widens networks.*

*The IoD offers a portfolio of courses designed to suit directors at all stages of their careers. For more details and to register, visit [www.iod.org.nz](http://www.iod.org.nz) or use the QR code below*

## A Passion for People

*Director Development facilitator Steve Punter is a natural as a professional trainer but his long career in professional development began almost by accident*



Steve Punter

“In 1987, my then employer suggested I train my own staff – I was a Division Manager with some 18 managers reporting directly. They sent me on a ‘train the trainer course’. I found that I enjoyed it more than anything else I was doing. Three years later I formed my own training company and applied for registration and accreditation under NZQA.”

Steve says that he has “a passion for helping groups of people explore new knowledge and skills, in particular with adults who have their own experiences and knowledge to contribute to the mix. I have served on boards where certain members were clearly at a disadvantage through a lack of knowledge and thus didn’t contribute much.

“The combination of knowledge and skill adds up to confidence. And confidence is vital for anyone who wants to be a director so they can debate around the board table and not feel inadequate. Boards composed of trained people are less likely to engage in ‘group think’ and more likely to challenge when things don’t look right”

He says that the challenge for him as facilitator is ensuring that his own knowledge is current, and that he is able to pick modern cases to debate.

“In the Essentials courses I often find that I am working with a diverse range of board experience in the room, so I need to be able to support those with little experience without slowing down the experienced ones.

And what does Steve enjoy the most? “Making people laugh and actively engage in the discussions. I like reading the feedback and seeing that they’ve had a good day and got some useable take-home stuff to try out. It’s good to know that their board is going to benefit from it. And of course, making new friends – as is often the case.”

Steve has a Master’s degree in Human Resources and Organisational Development, and is currently in the middle of an MBA. He’s a Fellow and professional member of both the Human Resources Institute of New Zealand and the NZ Association for Training & Development, and served on the boards of both. He owns NZQA-registered training company STA Training and a human resources consultancy The People Effect Ltd.

### IOD BY NUMBERS\*

# 21

Tailored training courses run in 2013

# 1110

Course participants

# 402

Women on Director Development courses in 2013

# 48

Average age on a Director Development course



Scan for more on Director Development

\* Correct at time of publication

## Company Directors' Course

*The Company Directors' Course is week-long residential course that has been the bedrock of governance training for New Zealand directors for some years. It covers governance best practice, strategy, understanding finance, a director's legal obligations and board dynamics. One of the hallmarks of the course is its relevance to governance today as it draws on the talent and experience of facilitators who are current practising directors. We proudly show graduates of recent courses, below:*



### Auckland, August 2013

**FRONT ROW:** (Left to right) Phil Parkes, Brendon O'Connor, Wayne Pihema, Brandi Hudson, David Taipari, Raewyn Kirkman, Blake Richardson

**MIDDLE ROW:** Jodi Tong, Jo Devine, Neil Woods, Chris Moxon, David Galler, Shelley Hodgson, Roger Thompson, Janice Wilson

**BACK ROW:** Roy Macdonald, Michael James, Andrew Brown, Wayne Pickup, Tony Mossman, Mike Shapland, Chris White, John Quigley



### Tauranga, October 2013

**FRONT ROW:** (Left to right) Glenn Martin, Martin Saunders, Taria Tahana, Matthew Washington, Nicola Martin, Anna Stove

**MIDDLE ROW:** Brent Taylor, Terry Youngman, Bill Evaroa, Christine Burr, Thoje Hood, Basil Tapuke, Dianne Mulhern

**BACK ROW:** Bruce Fraser, Ian Stevens, Matthew Pickering, Simon Karipa, Jeremy Sole

*"Excellent experience. Is now my responsibility to work with this learning for the benefit of me, our business and our clients."*

*"I would definitely recommend this course to others and feel there could be a bigger drive to let Mum and Dad company owners know how valuable this course is"*

### MAKE PROFESSIONAL DEVELOPMENT YOUR NEW YEAR'S RESOLUTION

Professional development can feel a bit like going to the gym – you know you should do it and that you'll feel better for it, but somehow it never seems to be the right time. If you need extra inspiration, check out next year's Director Development courses on [www.iod.org.nz](http://www.iod.org.nz)

### RISK ESSENTIALS

Director Development's newest course, launched earlier this year, addresses risk management and the opportunity to practise risk techniques in the boardroom. Taught by webinar and a one-day workshop, it allows for interactive learning. Three more Risk Essentials courses are planned for 2014, if you would like to know more about the course or about learning by webinar, visit [www.iod.org.nz](http://www.iod.org.nz)

### NEW IN ROTORUA

We are pleased to be able to offer the Governance Development Programme (GDP) in Rotorua from May to September in 2014.

Like Governance Essentials, this is a course for new or emerging directors and covers the fundamentals of governance. Unlike Governance Essentials, it is delivered over an extended ten-session time span. According to feedback from course participants, they particularly enjoy the interactivity and the way the time between sessions allows learning to sink in.

GDP is also run in Dunedin, Christchurch, Hamilton, Rotorua and Queenstown in 2014.

# Climbing the ladder

*Run by the branches, the Aspiring Director Awards, and now Auckland branch's inaugural Emerging Director Study Award, aim to give promising new directors a boost. The details of the prizes differ from branch to branch, but usually they offer funding towards a Director Development course, complimentary IoD membership for the year, including free attendance of a number of events. Most importantly, the awards also offer mentoring by one or more of the branch's senior directors. Recently Canterbury, Wellington, Nelson Marlborough and Auckland branches announced this year's winners*



## AUCKLAND WINNER WITH BLUE CHIP CAREER PATH

**Nicola Duggan** has won Auckland branch's Emerging Director Study Award. Nicky is an executive director and a shareholder in Evolution of Surfaces Ltd, and has already made contributions in sports, community and commercial governance.

Her background combines a blue chip career path with exposure to best-practice strategy, sales, marketing and commercial processes, complemented by a range of entrepreneurial business experiences. She is currently a board director of Auckland Rugby Union and her own businesses, and a former director of Surf Life Saving New Zealand, Lifeline NZ and Hell Pizza.

Congratulating Nicky on her award, convener of judges Warren Dalzell said, "The judges selected Nicky from more than 20 new and aspiring director applicants because of her commitment to and understanding of the profession, and the varied relevant skills she brings to a board."



*Dr William Whittaker, Michael Lay, Helen McLeod, Elizabeth Hopkins*

## JOINT WINNERS OF THE CANTERBURY ASPIRING DIRECTOR AWARD

For the first time in the award's 15-year history the Canterbury Branch's Aspiring Director Award has been awarded to joint winners. **Elizabeth Hopkins** and **Michael Lay** both impressed the selection committee with their experience, business skills and understanding of governance.

In addition to funding towards a Director Development course and a year's complimentary membership of the IoD, Elizabeth and Michael are offered a year's internship with the one of the CCHL boards and mentoring with an experienced director.

Elizabeth has a strong scientific background with international business experience. She sees herself adding value to a board by the business acumen she has developed through working in some highly challenging situations.

Michael runs a rural-based accountancy practice. He is actively involved in governance of community organisations,

including chairing both of the boards of trustees of Christchurch Girls High School and Selwyn Sports Trust.

"CCHL is fully supportive of these awards and sees great value in nurturing the next generation of directors. Having diversity around the board table, whether it is gender, ethnicity, age or professional background, will benefit the success of any company and therefore the shareholders," said Bruce Irvine, chair of CCHL.

"The local branch is grateful to the CCHL companies which are providing these internships and helping to develop the skilled directors of the future. I challenge other companies to also introduce this low-risk option to enhance diversity on their board," said Helen McLeod, Chair of Canterbury branch.



### LUCY ELWOOD WINS ASPIRING DIRECTOR AWARD FOR WELLINGTON

**Lucy Elwood**, this year's winner of the Wellington branch's Aspiring Director Award can draw on a legal background as well as a science degree. Lucy Elwood has worked for a major national law firm and acted as in-house legal counsel in both the public and private sectors. She and husband John Elwood are now principals in their own practice, Elwood Law.

Lucy's interest in governance stems from her career in law, where she has often offered legal advice to boards, and also from her involvement in community, sports and school boards.

"It's interesting what makes an idea fly or an organisation win and another not – often it is governance that makes the difference. I've always been interested in the effectiveness that good leadership brings whether it is in a not-for-profit or in a corporate."

In presenting the award, Wellington branch committee chairman Phillip Meyer said that the selection committee was impressed with the high calibre of candidates, but chose the award winner whom they felt had the most potential to develop as a director.



### IMPRESSIVE NELSON MARLBOROUGH WINNER

**Marina Hirst-Tristram** has won the 2013 Duncan Cotterill Nelson Marlborough Aspiring Director Award.

Selected from an exceptional group of applicants, Marina impressed the selection committee with her career experience, business skills and understanding of governance.

Marina is currently Executive Director - Operations and Marketing Manager at Tasman Bay Food Group and is actively involved in a number of governance roles in the region. While Marina already has considerable practical experience in governance, she sees the Aspiring Director Award as a springboard for her to perform at her best on any board and for any business or organisation.

"There is great value in developing the next generation of directors so that we can ensure a high standard of governance around the board table, which will contribute to the success of any company and therefore its shareholders," said Jeremy Barton, Partner at Duncan Cotterill in Nelson.

Marina was presented with the award by Jeremy Barton at the IoD Nelson Marlborough branch AGM and dinner on Friday night, along with the two runners-up, Martin Bryne and David Johnston.

# branchnews

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Branch News



## AUCKLAND

Skellerup chair and senior director, **Sir Selwyn Cushing** was guest speaker at a breakfast held to honour the branch's two newest Distinguished Fellows, **Jeff Todd** and **Graeme Hawkins**. Both were presented with their Distinguished Fellowship certificates by Auckland branch chair, Liz Coutts.



## CANTERBURY

**Ray Polson, Bruce Matheson and Mike Stenhouse** shared learnings from their governance journeys .

Senior Lecturer **Dr Deb Shepherd** from the University of Auckland and the ICEHOUSE was guest speaker on 7 October. She said that New Zealand is a country of SMEs and they need a range of supports at a governance and advisory level. She challenged us to make time to plan for the future and use the voices of young people to influence our thinking.

Broadcaster **Peter Williams** reflected on his 40-year career on 21 October. He gave this advice to any director facing the media: tell the truth, say it clearly in short sentences and without jargon. Admit any mistakes (even if it is embarrassing)





- 1 | Ann Hawkins, Graeme Hawkins, Britta Hawkins, Ross Hawkins (Auckland)
- 2 | Kathryn Todd, Jeff and Glenys Todd, Joanna Williams (Auckland)
- 3 | Gary Swift, Alistair Kirk, Craig Sain, Tony Gibson, Richard Pearson (Auckland)
- 4 | Graham Learning, David Mair, Steve Walsh, Iasmu Mair (Auckland)
- 5 | Warren Sowerby, Fay Sowerby, Lenny Bloksberg (Auckland)
- 6 | Sarah Haydon, Shelley Joyes, Colin McKenzie, Cecilia Tarrant (Auckland)

- 7 | Peter Williams, Jeff Field (Canterbury)
- 8 | Ray Polson, Dr Deb Shepherd, Liz Hirst (Canterbury)
- 9 | Pam Clarke, Cilla Hegarty, Jane Jackman, Lucy Powell (Canterbury)
- 10 | Steve Abley presenting Neil Pattinson with his GDP certificate (Canterbury)
- 11 | Adam Thompson (Wellington)
- 12 | Phillip Meyer, Lucy Elwood, Jackie Lloyd, Megan McKenna, Dave Frow (Wellington)
- 13 | Stuart Frazer, Brian Steele (Wellington)
- 14 | Michael Gross, Dr Helen Anderson, Mandy Burt, Shelley Major (Wellington)

- 15 | Jessica Hill, Natasha Martin, Hannah Naftel (Wellington)
- 16 | John Milne, Garth Ireland (Wellington)
- 17 | Phillip Meyer, Lucy Elwood, Sir Roderick Deane (Wellington)
- 18 | Margaret Hunn, John Hunn, Malcolm McCaw (Wellington)
- 19 | Jane Wrightson, Jill Hatchwell (Wellington)
- 20 | Sue Kohn-Taylor, Tonia Cawood, Marcus Kohn-Taylor (Waikato)
- 21 | William Durning and Paul Bennett (Waikato)
- 22 | Allen Johnstone, William Oliver, John Reeves (Waikato)
- 23 | Glenys Steele and Lynnette Flowers (Waikato)



**WELLINGTON**

The difficulty of doing business in an over-regulated era was the theme of **Sir Roderick Deane's** presentation to IoD members gathered for the branch annual dinner. Wellington branch chairman, Phillip Meyer also announced the winner of the Aspiring Director Award – Wellington lawyer, Lucy Elwood.

**Sir Maarten Wevers** addressed issues in governance best practice in the public sector at a branch breakfast.

New members were welcomed at a lunchtime function at National Office.



**WAIKATO**

Financial journalist **Rod Oram** backgrounded the Global Financial Crisis, and outlined relevant economic history of New Zealand, especially around our positioning globally when it comes to value creation and value chain. Examples were given in relation to Fonterra and Comvita – comparing strategies and market integration.

**Iain McCormick**, Managing Director and executive coach with the Executive Coaching Centre in New Zealand, offered insights based on years of governance coaching and observation and analysis of board behaviours.



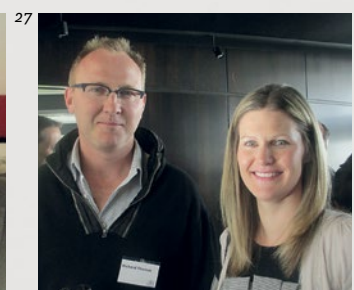
*Each year IoD members and their guests attend around 120 events held in the main centres and in regional locations around the country. Events range from speaker presentations to workshops and seminars, and feature international and national speakers. The aim is to offer a thought-provoking programme that will also keep you informed on developments in governance and the wider world.*

We have valued your support and we are looking forward to another busy year in 2014. The branch programme of events closes over the summer holiday period, but will restart in February 2014. We will be letting you know by email of future branch events, or please check [www.iod.org.nz](http://www.iod.org.nz)



**NELSON MARLBOROUGH**

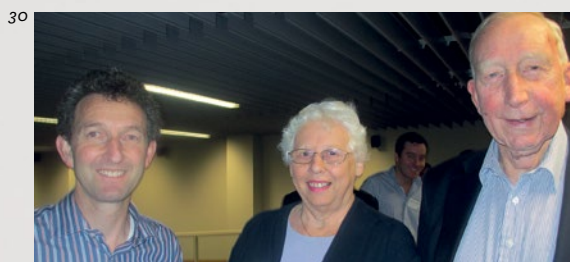
The Nelson Marlborough branch and NZICA hosted **Simone Robbers**, Head of Primary Regulatory Operations at Financial Markets Authority. Simone outlined opportunities with the pending implementation of the Financial Markets Conducts Act.



**OTAGO SOUTHLAND**

The branch hosted visitors to Dunedin for the Bledisloe Cup match on 19 October, at a luncheon that showcased some of the city's most innovative businesses, including ADInstruments Ltd, Oritain Global Ltd, Scott Technology Ltd and Otago Innovation Ltd.

"These organisations are a snapshot of the fantastic business community here in Dunedin and we are proud to celebrate their success," said **IoD President Stuart McLauchlan**.

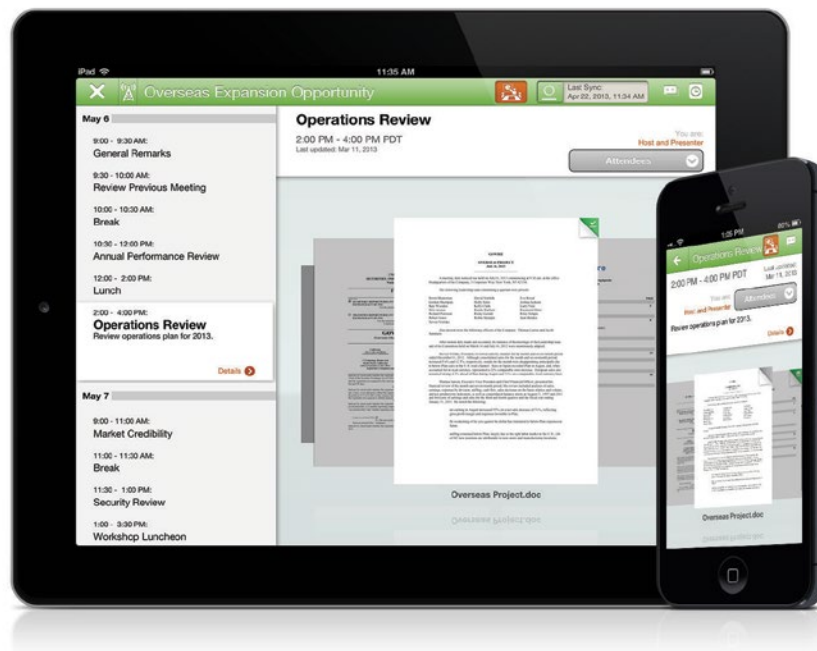


Other branch events included presentations by **John Judge**, **Jim Boulton**, CEO of Christchurch International Airport Ltd and cyber safety consultant **John Parsons**.

- 24 | Guest speaker Simone Robbers with Robin Whalley, Lindsay Hay and David Penrose (Nelson Marlborough)
- 25 | Branch committee member Paul Dalzell with Nick Dalgety from the NZICA executive (Nelson Marlborough)
- 26 | Michael Woolley, Professor Richard Blaikie, Dr William Whittaker (Otago Southland)
- 27 | Richard Thomas and Kate Skeggs (Otago Southland)

- 28 | Mayor Dave Cull (Otago Southland)
- 29 | Hon Michael Woodhouse with Trevor Scott (Otago Southland)
- 30 | Vincent Pooch, Shirley Farquhar, Ian Farquhar (Otago Southland)
- 31 | Chris Hopkins (Otago Southland)
- 32 | Frazer Barton and Anne McLeod (Otago Southland)

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