

boardroom

Magazine of the Institute of Directors in New Zealand

PUTTING SAFETY FIRST

GOING WITH THE FLOW AT NZX

BUILDING A SOLID PROFESSIONAL FRAMEWORK

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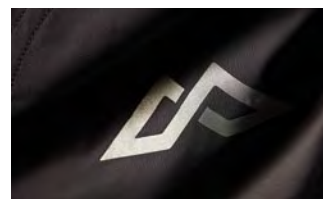
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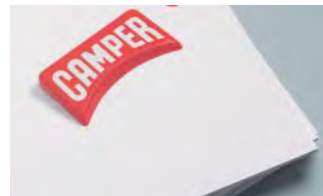
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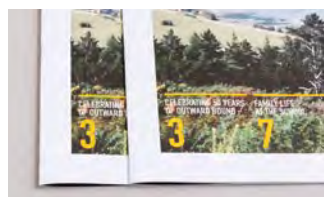
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FROM THE EDITOR

Sometimes change comes from a piece of harsh learning. Pike River Mine and the revelations of the Royal Commission's report put the spotlight on a bleak record in health and safety in this country. Every week one or two workers die from work-related injuries – no one finds this appalling record acceptable. We literally need to put safety first, and the guideline published with this issue is designed to help directors to do just that.

Other changes are more like evolution. The IoD's Chartered Director programme, for instance, stems from a realisation that if the level of governance is to be raised in New Zealand, there must be a credible framework of standards against which directors can be measured. A desire to secure the future and bring on a new generation of directors has prompted programmes such as Mentoring for Diversity, Aspiring Directors and Future Directors.

I'd like to hear your views on these stories or any of the issues raised in this magazine. If you would like to comment, email katherine.robinson@iod.org.nz

Katherine Robinson
Editor, boardroom

 **Institute of Directors**
IN NEW ZEALAND (INC)

Institute of Directors in New Zealand (Inc)
Mezzanine Floor, Tower Building,
50 Customhouse Quay,
PO Box 25253, Wellington 6146,
New Zealand.

tel: 04 499 0076,
fax: 04 499 9488,
email: mail@iod.org.nz
www.iod.org.nz

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How does a board know that it is receiving the right information to adequately assess risks and opportunities? The answer could lie in Integrated Reporting



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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 46

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For all editorial enquiries:
Editor, Katherine Robinson 027 5639 686
or katherine.robinson@iod.org.nz

For all advertising enquiries:
Edward Hodges: 04 801 0450

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Institute of Directors in New Zealand (Inc)

Mezzanine Floor, Tower Building,
50 Customhouse Quay, PO Box 25253,
Wellington 6146, New Zealand.
Tel: 04 499 0076, fax: 04 499
9488, Email: mail@iod.org.nz

www.iod.org.nz

EXECUTIVE MANAGER

Dr William Whittaker

DIRECTOR DEVELOPMENT

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Manager

Jodi Percy – Director Development Advisor,
Northern Region

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CEO REPORT

In his last column as CEO, Ralph Chivers offers his view of his two years with the IoD



Looking back over the past two years I am very satisfied with the progress the IoD has made. I took over the role of CEO with the aim of putting the IoD in the heart of the director community, to make it the “go-to place for governance” and above all relevant to directors’ needs. While there is always room for improvement, tremendous progress has been made towards that goal.

We have now reached the point, for instance, where we can lay the foundations for a robust framework of standards that will fully establish the organisation as a professional body. This is a huge step, and one that I believe will add both clarity and credibility to the role of the professional independent director in the business community.

We have updated and expanded resources available for directors, including the publication of *The Four Pillars*, the establishment of the director competency framework, *A Directors’ Guide* and the *Health And Safety Guideline*, the latter two in collaboration with FMA and MBIE respectively.

The IoD has also championed greater diversity on boards. The Mentoring for Diversity programme, for instance, is now into its second year and has helped develop the governance careers of nearly 60 talented women so far. I would see this programme perhaps in future years being extended to embrace other kinds of diversity.

Importantly, we have also steadily grown membership when many others are struggling, and have significantly grown our professional services businesses during a time of fiscal restraint. We have

benefited from a growing awareness of the importance of good governance triggered by the regrettably regular flow of examples of how it shouldn’t be done. But we wouldn’t have achieved what we have without also building and maintaining relevance.

Lastly, and perhaps most importantly, we now have a much more outwardly focused IoD that has established itself as an authoritative voice on issues of importance to the governance community, and has developed quality relationships with its stakeholder community. We see part of our mandate as providing a voice for directors in public policy, and as a source of objective commentary on governance issues in the media.

I am very grateful to our hard-working National Office team and branch managers who do the IoD proud every day of the week. And would like to offer thanks also to the many councillors and members who have encouraged, guided and challenged me along the way.

I would like to make a couple of final observations. We have a very diverse staff representing a wide range of personal and professional backgrounds with a diverse set of interests. There’s no one type that is interested in and able to be effective in governance work, a message that’s relevant to boards as well. I also learned what a valuable resource professional part-timers are. By offering part-time, flexible hours we have access to some excellent talent that wouldn’t otherwise be available to us. I’m not sure that New Zealand business has fully appreciated the opportunities available by tapping into this segment of the talent pool.

“It’s much the same with organisational culture: whatever gets poured in from the top filters down through the whole organisation all the way through to the end product.”

The second relates to the importance of the tone from the top. It’s something that we often talk about, and I’ve had the opportunity to learn from experience and observation how vitally important that is.

In a visit to the Tui brewery in Mangatainoka I learned that the famous multi-story brick building was constructed to implement a method of brewing where basically all of the ingredients get put in the top and beer comes out the bottom. It’s much the same with organisational culture: whatever gets poured in from the top filters down through the whole organisation all the way through to the end product. Boards, CEOs and executives have a critical role to play in setting the organisational tone and culture, and they do so whether consciously or not.

The IoD has a promising future and I look forward to participating in that future as an active member.

Focus on health and safety flows from tragedy

The tragedy at Pike River shocked the country, as did the findings of the subsequent Royal Commission which exposed a pervasive tolerance of risk in the workplace. It also fuelled a drive for change in attitudes. As a step towards this goal, the IoD and the Ministry of Business, Innovation and Employment (MBIE) have published guidance for directors to play a more active role in health and safety. By Katherine Robinson

1-2

the number of workers who die in work-related accidents every week

“What this is all about is leadership in bringing about a culture change in health and safety,” said Minister of Labour, Hon Simon Bridges at the launch of *The Good Governance Practices Guideline for Managing Health and Safety Risks* last month.

“The guideline is a ‘how to guide’ for directors – how to set strategy, how to set targets and how to show leadership in this area,” he said.

New Zealand suffers from a poor record in keeping workers safe, particularly in high-hazard industries. In addition to the one to two New Zealanders killed in the workplace every year, an estimated 600 to 900 workers die annually from occupational diseases. The financial toll is estimated at \$3.5 billion or more each week. In management of workplace health and safety, New Zealand falls well behind Australia and the United Kingdom.

“If you look at the total number of people killed in workplace-related accidents we have more than three Pike Rivers every year,” said Peter Griffiths, chairman of New Zealand Oil and Gas (NZOG).

Griffiths, who has worked as an employee, manager and director in high-hazard industries over a 25-year career was part of a discussion panel at the guideline’s launch. Also on the panel were Council

of Trade Unions President Helen Kelly and manager of Occupational Health and Safety, Paul Jarvie.

Griffiths observed that real interest in safety only appears in a person after they have been close to the negative outcomes of a safety event. “That’s an enormous price to pay for a bit of learning,” he said.

Urging directors to use the guideline as a tool to better manage the risk, he said that good risk management is not inherent in either the New Zealand psyche or in our business culture. He says that there is “a do-it-yourself, she’ll-be-right... and when-all-else-fails-read-the-instructions” mentality deeply embedded in New Zealand’s DNA.

“These are all things that we are proud of but when it comes to a health and safety situation this is not something that you can take a chance on. We have a culture that belittles individuals that don’t take risks. We also have a tendency to push back against rules or anything that infringes on our rights to make a choice.”

Council of Trade Unions President Helen Kelly welcomed the guideline as one move towards implementing the many steps listed in the Royal Commission’s Report and recommended by the Independent Taskforce on Health

and Safety. She pointed out that the bulk of workplace accidents are in forestry, construction, fishing and agriculture – industries where the work is seasonal, insecure and low-paid.

“Directors, are in the hot seat where decisions are made and they hold the key to insuring that an organisation’s health and safety culture changes,” she said.

Occupational Health and Safety’s Paul Jarvie said that the guideline offered a tool in the toolbox for directors to drill down from the board into the organisation.

“The world has changed, you need to ask the right questions,” he said.

WHAT’S IN THE GUIDELINE?

As well as setting out the roles and responsibilities of directors, the guideline also offers supporting tools such as diagnostic questions, actions for directors and checklists. While the principles detailed in the guideline apply to all organisations, the guideline is primarily aimed at directors of medium-to-large organisations. There will be a separate document for small businesses.

We’ve enclosed a summary of the guideline with **boardroom** to give you an overview – for the full version, visit iod.org.nz

600-900

number of deaths from work-related diseases annually

\$3.5 billion

the annual financial cost to the country of work-related deaths and injuries



WORKSHOPS AND DISCUSSION

As part of the follow-up to the guideline, the IoD is running a series of discussions around the country. Members will have the opportunity to discuss the practical application of the information in the guideline and ask questions. See pp 47 for details or visit iod.org.nz

NEXT STEPS

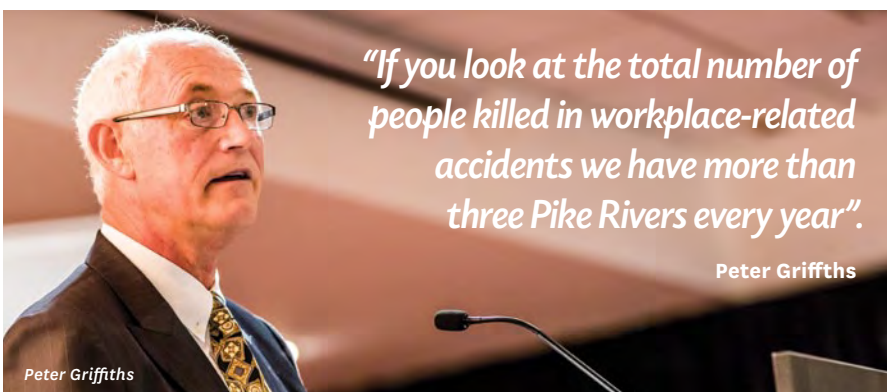
After the release of the Royal Commission's report into Pike River, the Government charged the Independent Taskforce on Health and Safety with identifying measures that would cut New Zealand's workplace death and injury rate by at least a quarter by 2020. The taskforce has recommended sweeping reforms including the establishment of an independent health and safety agency (already agreed to by the Government). The Government is expected to respond to the taskforce other recommendations by July.

Recommendations include:

- giving the new regulator the power and resources to enforce regulations
- establishing a risk-based standard that would require duty holders to secure a safe work environment
- legally obliging directors to be actively involved in ensuring the health and safety of workers. This duty should be ranked as equal to the fiduciary duties that are already held by directors
- extending the crime of manslaughter to apply to corporations and increasing the penalties that apply to breaches by duty holders.



Paul Jarvie, Helen Kelly,
Peter Griffiths, Ralph Chivers



"If you look at the total number of people killed in workplace-related accidents we have more than three Pike Rivers every year".

Peter Griffiths

Peter Griffiths



Helen Kelly



Hon Simon Bridges

Update

RECENT MOVES

Synlait Milk has appointed **Bill Roest**, the former chief financial officer of Fletcher Building to its board.

Z Energy has appointed **Abby Foote** to the board.

Sir Henry van der Heyden replaces Joan Withers as chairman of the board of Auckland Airport in October this year.

Beca has appointed **Catherine Drayton** to its board.

Tax Management New Zealand has appointed **Victoria Carter** and **Peter Schuyt** as independent directors.

New Appointments to Ngati Apa Ki Te Ra To Trust

Ian Fitzgerald and Brian Steele have been appointed as independent directors on the board of the commercial arm of the Ngati Apa Ki Te Ra To Trust. The trust was set up for the South Island iwi to administer treaty settlement funds on their behalf. Both appointments were made through the IoD's director recruitment service, DirectorSearch.

NEW CHALLENGES FOR IO D CEO RALPH CHIVERS

IoD CEO Ralph Chivers leaves the IoD this month to take up an executive role in the public sector. He took up the position of CEO in August 2010 and presided over a time of significant change within the IoD, including a renewed focus on governance from the business community.

Ralph came to the IoD after taking on the role of Telecom's Christchurch Earthquake Recovery programme director. Prior to this his career encompassed key roles in the telecommunications industry, both in the private and public sector. He has worked as Telecom's general manager for government and industry relations, and was ultra-fast broadband (UFB) programme manager during Telecom's negotiations over the \$1.35 billion UFB project. Before that, he was involved in setting up Crown Fibre Holdings for the Ministry of Economic Development (MED) and was the inaugural CEO of the Telecommunications Carriers' Forum (TCF).

In an email to IoD members, IoD President Stuart McLaughlan thanked Ralph for his contribution and wished him well in his new role. "Under his leadership the organisation has made significant strides forward. We have seen a fundamental change in the way that the organisation is viewed by stakeholders and members which is not an easy thing to achieve."

Dr William Whittaker, currently executive manager, will be Acting CEO from June 22nd.

IOD DIRECTORS' FEES SURVEY 2013

Thank you to all those who have filled out this year's Directors' Fees Survey. Released at the end of July, the survey is a key source of information on director remuneration trends.

We're pleased to say that it's been a record year for responses and we're happy to offer the survey to participants at \$350 (usually \$495) when available.

CHANGE OF TACK ON LEGISLATION

The Government has moved away from imposing greater criminal sanctions on directors for failing in their duties with a change to the Companies and Limited Partnerships Amendment Bill.

The changes will now mean directors will only face criminal sanctions if they knowingly let creditors suffer a serious loss, or if they act against the best interests of the company.

"The changes in relation to directors' duties follow substantial consultation with key stakeholders," said Commerce Minister Craig Foss. "They strike the right balance between holding to account directors who irresponsibly breach their duties and cause serious loss while still allowing for legitimate risk-taking."

Mr Foss's planned legislation would have made it a criminal offence for a director to let a business be managed in a way that created a substantial risk of a serious loss to its creditors.



Scan for the latest IoD News

THE QUEEN'S BIRTHDAY HONOURS 2013

We would like to warmly congratulate the following members who have been appointed to various levels of the New Zealand Order of Merit.

CNZM – Dr Murray James **HORN**,

of New Plymouth.

For services to business and health.

CNZM – Ian Duncan **MCKINNON**, QSO, JP,

of Wellington.

For services to education and the community.

ONZM – David Andrew **IRVING**, of Auckland

For services to business and education.

ONZM – Dr Wanda Lee **MATHIAS**,

of Auckland

For services to health and business.

ONZM – Dr Stephen Paul **MCCORMACK**,

of Christchurch

For services to community health.

ONZM – Norman John **THOMPSON**,

of Auckland

For services to business and tourism.

ONZM – John Culyer **WIGGLESWORTH**,

of Auckland

For services to art, waterskiing and the community.

MNZM – Joseph Gordon **BUTTERFIELD**,

of Timaru

For services to health and the transport industry.

MNZM – Captain Craig Fraser **HARRIS**,

of Auckland

For services to the cruise industry.

MNZM – Elizabeth Clare **KERR**, of Waikanae

For services to music.

MNZM – Cameron Wylie **MCGREGOR**,

of Auckland

For services to rugby league.

MNZM – Darrin Arthur **SYKES**, JP,

of Wellington

For services to touch rugby administration.

QSO – John Stewart **OMBLER**, of Wellington

For services to the State.

For further information visit

www.honours.govt.nz

CNZM - Companion of the NZ Order of Merit
ONZM - Officer of the NZ Order of Merit

MNZM - Member of the NZ Order of Merit
QSO - The Queen's Service Order



FAST FACTS ON THE DIRECTOR'S ROLE

If you haven't read it already, have a look at *A Director's Guide*, published by the Financial Markets Authority (FMA) in collaboration with the IOD.

Pithy and to the point, it alerts directors to the scope of their role and would be particularly useful for first-time directors or directors of small and medium-sized businesses.

For a copy of the guide, visit www.fma.govt.nz

WIN A NIGHT AT THE MUSEUM ART HOTEL



WRITE TO BOARDROOM AND WIN A NIGHT AT THE MUSEUM ART HOTEL*

Send a letter for publication to the editor and you could win a \$250 voucher for accommodation at the boutique Museum Art Hotel.

If you have concerns that you would like to raise, news that you would like to share or you would like to comment on any of the issues raised in this magazine, please send an email (250 words maximum) to katherine.robinson@iod.org.nz

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IOD BY NUMBERS*

6111

Members

218

New members joined over April/May

25.6%

of these new members are under 40

600

Directors registered for the health and safety workshops within two weeks

NZX50

3,215.5

Last four w

Taking stock of the market

Crown asset sales, increasing liquidity from Kiwi Saver funds and growing investor confidence perked up the sharemarket earlier this year. But NZX CEO Tim Bennett tells Katherine Robinson there is still some work to do





“We got off to a good start this year. Investors are starting to see the benefits of investing in New Zealand. Fonterra and Moa coming to the market and sell-downs such as Trade Me have excited investors,” says Bennett.

“There are also structural changes being put in place by the Financial Markets Authority that are rebuilding trust in the market.”

But the main factor driving renewed interest in market investment is the Government’s mixed ownership programme.

High profile floats such as Mighty River and Meridian draw media attention, make the language of investment part of the national conversation and ultimately increase financial literacy. Although he says, we have some way to go before New Zealanders discuss equity in the same way as that they might talk about investing in property.

Bennett took up the role of NZX CEO just over a year ago, after a 20-year career working in the Asian financial markets, including Singapore and Malaysia. “Malaysia is more like the New Zealand market in some ways, the difference is that businesses want to list as soon as they are of a certain size. Some of the most successful of these have gone on to become conglomerates.”

Bennett parallels New Zealand with Australia in the 1990s when the introduction of compulsory superannuation coincided with the partial sale of State-owned assets. “It significantly increased the public’s understanding of the benefits of saving, and the range of investment options available.”

Currently, New Zealand has one of the lowest ratios of GDP to market capitalization in the world at 0.35 compared with Australia at 1.35 and Britain at 1.4. Less than a third of New Zealand’s Top 200

companies are listed compared to around 80 per cent in Australia, according to the Capital Markets Taskforce report in 2010.

New Zealanders may be putting their money into Kiwi Saver (valued at \$13.8 billion in 2013) but only 10 per cent at the end of September 2012 has been invested in New Zealand companies. Around half is invested in overseas companies.

One of the barriers to investment, Bennett says, is the relatively small number of listed companies on NZX’s books. Demand for investment far outstrips supply and NZX, he told the *NZ Herald* in February, “doesn’t yet have enough products on the shelves.”

Why are New Zealand companies so reluctant to list? “The owner/shareholders of many closely held private businesses think a public listing will mean they lose too much control by having independent directors on the board. It’s more of a perceived threat than real,” he says.

Others believe that preparing a company for a public listing is too lengthy, too costly and complicated in terms of meeting all the regulations. This, he believes is a fundamental misconception. “I would say that it would take two to three years to prepare a company for an IPO, which is around the same time that it would take to prepare a business for a trade sale.”

The two-year prepping time means that NZX is sensitive to companies that might want to list, and tries to build a relationship with them well before a sale. “We also try to connect them with people who have been through the public listing process and talk through their concerns. While there are regulatory costs to a public listing (which NZX would like to see reduced), the advantage is that a business can raise a second or third round of capital very cheaply.”

“Kiwi Saver funds are growing exponentially – we have to ask where do we want these invested – in New Zealand companies, in the bank or in overseas companies?”

Good communication with all parts of the market, he says, is also vital to success. This means communicating with brokers and fund managers on developing opportunities or with private companies to encourage them to list. There is also a dialogue with listed companies, particularly smaller ones, to ensure they effectively tell their story to investors.

“Outside of the top 40 companies, there is not a lot of research. As a market operator NZX needs to provide better information on those companies so investors can find out what the opportunities are.”

Essentially, Bennett is driving a culture change – and with a sense of urgency. “There is an opportunity this year to capture the funds inflows that will reinvigorate the equity market,” he says. “The change is critical for NZ economy and for the country’s productivity. Kiwi Saver funds are growing exponentially – we have to ask where do we want these invested – in New Zealand companies, in the bank or in overseas companies?”

All change at the IoD – building a professional framework

After consultation with members and stakeholders, the IoD National Council has approved a proposal to go ahead with the implementation of a Chartered Director programme and the establishment of a new framework for IoD membership

“We see this as representing a fundamental step in the ongoing professionalisation of the IoD and a key strategy for raising the standard of governance in New Zealand,” said IoD President Stuart McLauchlan.

“The Chartered Director programme recognises that becoming a professional independent director is a challenging career path. As with any profession, there need to be clear benchmarks against which standards of experience, knowledge and competency can be set.

“By introducing a tiered framework of membership we are giving boards, shareholders, stakeholders and the wider market a clear indication that a director has met certain professional standards. It also gives members recognition for their experience and expertise,” he says.

“This puts the IoD more in line with sister organisations in the UK and Australia.”

Under the new programme, all current members will automatically be moved onto the new framework. Under the new rules members will have to demonstrate quality of experience and pass assessments to attain Member and then Chartered Director status. In line with other professional organisations, such as the Law Society, they will also be required to participate in a compulsory

programme of Continuing Professional Development (CPD). They will also sign an annual disclosure under a new Charter.

Current IoD members who do not want to participate in the programme can opt out and take up an Associate membership. This will confer the same current benefits and privileges of membership, but they will no longer be able to use the post-nominal, MInstD.

The programme will require a change to the IoD constitution, in order to change the requirements for entry to membership. This is expected to be carried out at the 2014 AGM.

CANVASSING VIEWS

Over the consultation process, more than 100 members responded to our online survey, and a further 60 gave their time to focus groups held throughout the country. They indicated a readiness for the IoD to evolve from a membership organisation to a professional body.

We have also received the support of our key stakeholders who have encouraged a move to lift the game of directorship, for the overall good of New Zealand businesses and organisations.

Steve Rich, Manager of Appointments for the Crown Ownership Monitoring Unit (COMU), says, “COMU supports any initiative that will develop the quality and depth of the director pool in New Zealand. We would see [Chartered Director] as adding to that depth.”

COMU advises Ministers on the governance arrangements of 52 Crown-owned entities with assets of \$120 billion.

The Government is very focused on making skills-based appointments to Crown entity boards. Rich says, “COMU strongly encourages CPD among directors and we can see the contribution chartering could make to that.”

He considers though that the perception that there is a shortage of candidates to be “a bit of a myth. Our experience is that New Zealand doesn’t face a supply shortage. There is a wide variety of very competent people who are willing to put themselves forward.”

But he says that the Chartered Director programme will “help us to refine options for State board appointments, and it will be a valuable addition to the information that Ministers consider when they make an appointment to a Crown board.”

ASSOCIATE	MEMBER	CHARTERED DIRECTOR	FELLOW CHARTERED DIRECTOR	RETIRED
Meets current membership requirements, receives current member benefits	<ul style="list-style-type: none"> • Nominated by sponsor • Experience guidelines to be developed* • Assessment* 	<ul style="list-style-type: none"> • Nominated by sponsor • Experience guidelines to be developed* • Assessment^ • References • Interview panel 	At this stage there will be no changes to Fellow criteria	Includes: <ul style="list-style-type: none"> • Member • Chartered Director • Fellow • Distinguished Fellow • Receives current retired member benefits
Subject to IoD Code of Practice	CHARTER Initial sign-up and annual declaration (continuous disclosure)			Subject to IoD Code of Practice
CONTINUING PROFESSIONAL DEVELOPMENT Evidence-based portfolio (linked to IoD NZ Director Competency Framework)				

*Experience guidelines will be developed to measure quality of experience, using a range of indicators.
 ^Assessments for Membership and Chartered Director will be developed from the Competency Framework. IoD courses will not be a prerequisite, but as an indication of preparedness the Essentials courses will be recommended at member-entry level, and the Company Directors' Course at Chartered Director level.

Sam Maling, a senior director and a founding member of the IoD's Accreditation Board, was involved in the development of the proposal at focus group level. He said the promotion of a Chartered Director programme is to be applauded.

“Post-GFC the role of the company director has come under intense scrutiny. Increasingly the public and regulators are looking for reassurance that there are competent people on the boards of businesses in New Zealand, people who have hands-on experience, know what is required of them and act accordingly.”

The Chartered Director programme would not answer all of the questions “but it is a tangible way to offer that assurance and to recognise that we have true professionals amongst our directors who are committed to their governance roles.”

The programme has evolved from the current Accreditation programme

introduced in 2005. Building on what has been learned from its strengths and weaknesses, and alongside a review of similar programmes offered by our partners in the GNDI, the IoD is excited to have developed a programme that is based on sound practice and an awareness of the rapidly changing nature of the governance environment.

Many of our members will be aware that the AICD introduced compulsory Director Professional Development for all its members this year.

We will be working this year with experts in the field to develop leading-edge assessment methods, and a continuing professional development programme tailored to directors, who are often also involved in another profession.

NEXT STEPS

The move to the new programme will take time and it is important that we get it right. We will be following up with a consultation period of six-to-eight months where we will return to our branches to talk face-to-face about the programme and its potential for individual members, and receive feedback on the rule changes.

We will keep you informed through email, boardroom and boardroom update or visit iod.org.nz for updates.



Fast forward

Tony Carter sits on the boards of some of New Zealand's most dynamic companies, including Fisher & Paykel, Vector and Fletcher Building. Previously Deputy Chair of Air New Zealand, he takes over as chair in September. Like many directors, his governance career grew out of many years as a CEO. Here he shares insights into making the transition from management to governance

I was a CEO of a major company for nearly 17 years – seven years as CEO of Foodstuffs South Island and ten years as CEO of Foodstuffs Auckland and managing director of Foodstuffs NZ.

That is a long time. About three years before I retired I decided that it would be better for both me and for Foodstuffs to hang up my boots so to speak. A CEO's role is all-consuming and quite frankly it can wear you down. So I decided to move into governance.

I suppose that is my first point: PLAN. I planned my transition very carefully and executed it over an extended period.

I decided to seek an independent director role while I was still at Foodstuffs. Fortunately my board were supportive of that. When I approached recruitment agencies, I was able to explain that my board were supportive of my accepting a governance role. I was subsequently appointed to the Vector board.

As an aside, I think it made me a better CEO. A CEO's role is a very lonely one, and having another business experience allows you to think about things a little differently. As a very practical example, as a consequence of Vector's very strong focus on health and safety I was able to bring that back to Foodstuffs and further develop that as a real area of focus.

I have also seen, within a company where I am on the board, where the CEO has been appointed to a governance position, it has widened their experience and they approach some issues a bit differently. CEOs also perhaps appreciate the board's role and responsibilities a bit more as well!

As a general principle I would encourage boards to allow their CEOs to accept one governance role in a non-competing industry after three or four years in the role.

Succession at Foodstuffs is very carefully planned so I advised my board probably a couple of years early that I was going to leave, and we announced that publicly probably 18 months or so before I left. This worked for Foodstuffs, and it also worked for me, as it became

pretty well known what my intentions were so I started getting approaches to consider independent director roles.

I was incredibly fortunate to be appointed to the boards of some outstanding companies. It seems to me that the hardest part is to get onto your first board. After that I suspect it gets easier as when boards are considering appointments, it is very easy to make a call and ask how so-and-so is as a director.

I got some very good advice about which boards to join. I think the best advice I had was "be careful of the company you keep". If you like and trust your fellow directors, life can be fulfilling and relatively safe. If you don't trust your fellow directors or the executive, don't go on in the first place, but if you do, get out before it is too late!

FIRST IMPRESSIONS

The first thing I found was the complete lack of administrative support: you have to do everything yourself. When you are a CEO your PA sorts out your diary, types your letters, sorts out your IT problems and millions of other things. Essentially as a non-executive director you are a sole trader and you have to do it all yourself.

I didn't find the divide between management and governance difficult to adapt to. I think that was partly because I had been a director on Vector for a fair while so I understood where my role stopped and management's starts. And of course in a multi-faceted company like Foodstuffs you can't get too involved in day-to-day stuff anyway.

The second thing I found was unexpected. As a CEO you spend all of your time focusing on one organisation. As a director on four or five boards, you have to be able to switch from one company to the other very quickly. That is a skill I had to learn and I found it quite challenging. Professional services people have spent their entire careers jumping from one client to another, but I found it really quite hard.

As an example, I sit on every remuneration committee of every board I am on and chair a couple of them. Every company

"As a general principle I would encourage boards to allow their CEOs to accept one governance role in a non-competing industry after three or four years in the role."

does it differently and the STI/LTI schemes tend to be quite complex but also quite bespoke. So trying to remember the particular nuances of an LTI at Company X compared to Company Y can be difficult.

The third thing that surprised me is that as a CEO you absolutely control your diary. If you want to go away, you can pretty much organise the company calendar to achieve that. As a director, you don't control your diary at all. And it is not only the meetings that catch you out. One company will send you a document which you didn't know was coming and ask for feedback in a pretty short period of time. And I think it's a director's responsibility to accommodate that if possible. So often you end up working weekends or long hours that you hadn't foreseen.

Given what I know now, would I do things differently? I don't think so. I really enjoy the life of a NED. The role is one of enormous responsibility and you shouldn't and can't take it lightly. I often think that I am basically a trustee of other people's investments and they expect you to take it seriously.

But having said that, it is rewarding in that you get the opportunity to work in diverse industries with some stimulating peers and executives, and hopefully you can take some inspiration when things go well.

This article is based on a presentation Tony Carter made to the Wellington branch last month.



You had to be there

Convened with the ambitious goals of challenging delegates with big-picture thinking and opening minds to new perspectives on leadership, did the IoD's first national conference meet the brief?



SURVEY FEEDBACK SAMPLE

"There was no one stand-out – the conference surpassed my expectations."

"At a professional level I got something from every speaker. The balance of the conference seemed right. There was an attempt to cover the key economic and legislative issues and leave the audience with an understanding of where NZ is at and where we are likely to end up in the medium and long-term. Some controversial opinions at times. Great. What more could you ask."

The IoD is keen to build on the success of the conference and will definitely be holding another. We will keep you informed through boardroom and other IoD communication channels.

For those members who were unable to attend, or for those delegates who would like to refresh their memory of presentations, there is a selection of the conference presentations and speech notes now available for members to view on the website under Conference/Speaker presentations.

Photos (opposite) are a fraction of the images taken. To see them all, visit the IoD's Facebook page



Edie Weiner

Absolutely. Feedback has been consistent in its praise of the high calibre of the speakers, relevance of the topics and organisation of the event.

The conference began on a high note with US futurist, Edie Weiner setting the tone with a perspective-changing keynote speech. She said that it was possible to know so much about a subject that you lose the ability to innovate – or as she elegantly put it you're left behind at the airport struggling with your Gucci luggage while someone else strides off with a backpack.

Economist Shamubeel Equb followed with a look at the impact of New Zealand's ageing population on the economy. And Sir Mark Solomon's speech on leadership initiatives within Ngai Tahu delivered a salutary reminder that boards should speak more clearly to shareholders. John Waller distilled the essence of governance best practice in his presentation, while Michael Stiassny and Justice Heath each took a candid look at directors' responsibilities from a governance and legal point of view respectively.

Other highlights included David Mahon's engaging discussion of leadership style in relation to doing business in China. According to Mahon it is an area where Kiwi humility is a winning characteristic (although he cautioned that we should not over-do it). And speaking of winning, after the gala dinner, Rugby World Cup winner Nick Farr Jones came from across the ditch to lighten the mood.

These were just a few of the many stand-out moments – each of the delegates would have had a different list.

"We had great feedback and a fantastic result. Can we repeat and improve? Yes, we can," said Dr William Whittaker, Conference Director. Of those surveyed*, 96.6 per cent said that they were either very satisfied or quite satisfied with the conference overall, while 84.6 per cent rated it as very relevant to the role.



Sir Mark Solomon



John Waller



Nick Farr Jones

*50% of conference delegates completed the survey

How do you measure value?

As a board, how do you know that you receive the right information to adequately assess the risks and opportunities? How do you understand what might truly add value? Jamie Sinclair discusses the value of Integrated Reporting



We all know good governance underpins the building of a strong and resilient business. However businesses are navigating a course that is increasingly uncertain, and society expects those at the top to take responsibility when things go wrong.

We can all point to recent examples where actual or perceived failures in governance have led to value destruction – impacting investors, shareholders, employees and the communities in which they operate. Similarly we can look to examples over the last year of high profile IPOs where both the board and management have been able to successfully communicate the value proposition for investors, creating additional investment and enhancing the future prospects and sustainability of the business.

DEFINING AND MEASURING VALUE

In essence, we believe the issue comes back to understanding what creates value. It would be interesting to assess how many boards or senior management really understand how this is done in their organisation. If not well articulated, how can the board receive the right information to adequately assess the risks and opportunities relating to the company's individual value creation story?

A rapidly emerging idea that deals directly with the missing links in this story is Integrated Reporting (or IR). The IR framework is based around the following fundamental concepts:

- an extended concept of capitals
- the business model
- value creation.

The “capitals” concept recognises the broader suite of dependencies that the business has in delivering its goods or services. These capitals include: financial, social, natural, human, intellectual and manufactured.

The business model concept represents the fundamental activities that link the capitals flowing into the organisation with the increased, decreased or transformed capitals flowing out. Value for shareholders is created or destroyed over the short, medium and long-term depending on the interaction between the business model, the capitals and a range of internal and external factors.

INTEGRATED THINKING

Importance of this integrated thinking for those charged with governance is that it:

- helps identify emerging or under-reported issues
- provides the basis to explain performance more clearly to investors and other stakeholders
- is a powerful strategic lens through which to evaluate the organisation
- helps broaden the board perspective beyond the historical financial position

Given the potential importance of this framework and thinking in improving corporate governance, it is perhaps not surprising that the chairman of the body overseeing IR is Professor Mervyn E King. Professor King is probably best known for authoring the King Reports in South Africa which are seen as the seminal works on corporate governance. Through his influence, companies listed on the JSX are now required to adopt IR on a “report or explain” basis. Although still early days, things are moving fast. The draft IR framework was released in April with a full release expected at the end of 2013.

Now is the time to begin looking at how your organisation can benefit from the thinking embedded in this approach.

Ultimately Integrated Reporting is about business making its case for capital in a more effective way – bridging the gap between the value creation story and the investors’ assessment of business value and stewardship. Boards have a key role in embedding this thinking and structuring how the story is communicated. We believe that IR is not about more reporting – rather it as one element of better business reporting.

QUESTIONS YOU SHOULD BE ASKING

Directors have a key role in helping deliver short, medium and long-term value for the organisations they represent. They also have a responsibility to understand how the business creates or destroys value and to identify and manage capital dependencies. As a director, ask yourself these three questions:

- how does our business model and activities create or destroy value?
- what are our capital dependencies and how

will these dependencies change over time?

- do we have access to the information needed to assess the business’ performance in managing these dependencies and in creating short, medium and long term value?

If you are unclear about the answers, it may be worth using some of the thinking and concepts from IR to start looking at your business in a different way. This may be uncomfortable and require more or different information from management. Nevertheless, it is a journey all boards will have to take as the level of business complexity continues to gather pace and the societal expectations on those charged with governance increase.

Jamie Sinclair – KPMG Director - Sustainability Services

Jamie Sinclair leads KPMG’s national climate change and sustainability services practice. His clients include some of the largest and most complex companies in New Zealand and span all sectors of the economy.

directorVacancy 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.



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.

NEW ZEALAND UTILITIES ADVISORY GROUP (NZUAG) INC

Role: independent chairperson
Location: national
Applications close: 28 June

CASPER (COMMUNITY ACTION ON SUICIDE PREVENTION, EDUCATION AND RESEARCH, INC)

Role: external director (two positions)
Location: Prefer Auckland Christchurch/Wellington
Applications close: 1 July

ENRICH+

Role: trustee
Location: Te Awamutu
Applications close: 1 July

TENNIS AUCKLAND

Role: director (two positions)
Location: Auckland-based
Applications close: 1 July

PARS INCORPORATED

Role: independent council member
Location: Auckland-based
Applications close: 5 July

CHILDFUND NEW ZEALAND

Role: board member
Location: Auckland-based
Applications close: 12 July

HUTT CITY KINDERGARTENS

Role: Board member
Location: Lower Hutt / Wellington
Applications close: 17 July

TOUCH COMPASS DANCE TRUST

Role: trustees (two positions)
Location: Auckland-based
Applications close: 26 July, 4:00pm or when suitable applicants are found

VOLUNTEER SERVICES ABROAD (VSA)

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

LANTERN HOUSE TRUST

Role: independent chair & independent trustee
Location: Taranaki-based
Applications will remain open until the position is filled.

For further details see Director Vacancy Noticeboard www.iod.org.nz

What's happened to the kiwi dream home?

Home ownership, once regarded almost as a New Zealand birthright, is now beyond the reach of many New Zealanders, even those on middle incomes. Reversing out of this position will not be easy – or quick



New Zealand and Australia have two of the least affordable housing markets in the world according to the *Demographia International Housing Affordability Survey*, and have had for the nine years that the index has been collated.

Hong Kong tops the list on 13.5 followed by Australia on 5.6 and New Zealand on 5.3. Anything over 5.1 is rated "severely unaffordable". Hong Kong's placing is unsurprising as it is supporting 7 million people on a land mass of just over 1,100km². But Australia and New Zealand are relatively lightly populated, suggesting that at least some of the explanation must be down to market failure or poor policy design.

So the first job the Government gave the newly established New Zealand Productivity Commission in 2011 was to investigate what was driving New Zealand house price inflation and what could be done about it. The commission delivered its final report in April 2012 and the Government, having accepted the commission's analysis, is now implementing its recommendations.

EVERYONE MOVES TO AUCKLAND

A lot of the immediate focus is on Auckland which already has an unaffordability rating of 6.7 and is expected to absorb 75 per cent of the North Island's total population growth over the next 20 years, requiring another 400,000 dwellings in a city which is now building only 3,600 new units a year.

The council is currently developing a Unitary Plan which will drive Auckland's development over the next 30 years. The plan provides for around 65 per cent of this new housing to be accommodated within the existing metropolitan boundaries, with the balance being built on what is now rural land. The Unitary Plan could, under normal circumstances, take up to ten years to complete but the Government is legislating to create a streamlined process which will allow completion by 2016.

The Government and the council have also recently entered an Auckland Housing Accord to apply until the plan becomes operative. This creates a fast-track consenting process for Special Housing Areas (SHAs). Consent applications for Qualifying Developments will go before an Independent Panel which must process them within six months for a greenfields site and within three months

for a brownfields site. There will be no appeal rights, except for brownfield developments over three storeys.

A bill to support the accord and to allow similar accords to be developed in other high housing demand areas, such as Christchurch, was introduced to Parliament as part of Budget 2013. It also gives the Government the power to establish an SHA directly and to issue consents for development should negotiations to reach an accord fail.

DEVELOPMENT CONTRIBUTIONS

Also out for consultation is a series of proposals to reduce the cost impact of development contributions.

These are levied by councils to recoup some of the capital costs of providing infrastructure services to new property developments and can be imposed on growth-related investment only – not on quality upgrades, maintenance or operational costs. They can be substantial, ranging as high as \$64,489 per housing unit equivalent.

DEMAND SIDE FACTORS

Consistent with its terms of reference, the Productivity Commission considered whether the tax treatment of owner-occupied and rental housing was driving up prices but was not persuaded of the need for a capital gains tax.

However, in response to strongly rising housing markets in Auckland and Christchurch, the Reserve Bank is considering new mechanisms to cool demand. These include increasing the risk-weighting applied to, and imposing limits on higher loan to value ratios for, residential mortgage lending.

CONCLUSION

None of these initiatives on their own, or in combination, is likely to deliver significant change in the short term and the Government is being careful to manage expectations.

But, over time, the electorate – and particularly younger voters – are going to expect traction on an issue which runs to the heart of how New Zealand functions as a society.

Suzanne Janissen and John Hassan are partners and Jo Bain is a senior solicitor at Chapman Tripp, specialising in resource management.

RESOURCE MANAGEMENT

ACT (RMA) CHANGES

The SHA legislation has a life-span of only three years as it is designed to fill the gap until the Phase Two RMA changes come into effect. The Government has indicated that these will include:

- a six-month timeframe to decide consent applications for medium-sized projects and residential subdivisions
- a ten working day limit for processing straightforward, non-notified consents – these would cover small scale residential developments or infill housing where plans anticipate increasing housing densities
- where an application is notified, limiting the scope of submissions and third party appeals to the matters which required the notification (e.g. if a ten storey apartment block needs consent only because it is over the maximum height specified in the plan, it can be appealed only on matters relating to the building's height)
- requiring all councils to have in place within five years a single plan per district (or broader area, if agreed). A national template, to be developed by central government, will increase consistency between councils by setting out a basic structure and standardised terms and definitions
- restricting appeals to the Environment Court on both plan and consent decisions to an appeal by way of rehearing rather than from fresh
- inserting in the RMA principles to guide decision-makers, a direction to recognise and provide for the effective functioning of the built environment, including the availability of land for urban expansion, use and development
- changes to councils' RMA functions to ensure there is adequate land supply to provide for at least ten years' residential growth
- giving central government more levers of control over local government, including an ability for the Minister directly to amend an operative plan, and
- providing consent authorities with new tools to discourage land banking (e.g. by allowing them to set conditions when approving survey plans that the work must be completed within a deadline less than the three-year default period or the plan will lapse).

Access to a wealth of knowledge

Now into its second year, the IoD's Mentoring for Diversity programme enlists some of New Zealand's most senior directors and chairmen who act as mentors to women at an earlier stage in their governance career. But what defines the mentoring relationship? Amy Williams asks some of the mentors and mentees

Earlier this year the IoD selected 27 women out of more than 100 applicants to take part in the second year of its Mentoring for Diversity (MfD) programme. They each were paired with a senior director who had volunteered to act as a mentor for the year.

Mentoring is about encouraging others to find their own solutions or career pathway, developing skills and knowledge so as to improve performance. Ideally, mentors will be able to draw on similar experiences that will allow them to empathise with the mentee and have a good understanding of their issues. Mentoring often occurs informally in business – few will have climbed the corporate ladder without support or advice from a trusted senior colleague.

IoD executive manager Dr William Whittaker says that the form and style of mentoring will vary from person to person. The relationship is defined by what each party brings to it.

SPOTLIGHT ON MENTORS

MfD mentor Sir Henry Van der Heyden likes to think of his mentoring role as passing on the knowledge he's built up over the past 21 years. He was Chair of the Fonterra board for ten years and in October takes the Chair's seat at Auckland International Airport. He says that he likes to challenge his mentee's thinking, particularly honing what they want to achieve in 12 months. It is something he wishes he'd had in the early stages of his own career. And, he says that he also benefits from the relationship: "it's not onerous at all and you actually learn things too, it challenges your own thinking."

For John Waller, being a mentor is part-coach and part-sounding board. His wealth of knowledge stems from broad experience in governance – including as the Chair of BNZ and a director of Fonterra.

"I see mentoring as being someone people can talk to. It's not my role to go out and find roles for the mentees but if there are opportunities I would certainly put them forward."

"I think we can narrow our horizon because we think we're competing against women for very limited space. I think we'd be better to consider that we've all got a space and we can all get there."

John says a mentor should help their mentee to think outside of the square. He and his mentee have discussed topics including networking, preparing a governance CV, and the type of boards or industries his mentee is interested in.

"One of the big things I ask the mentee is how do they think they are relevant to the market. That's what the market is looking for, people with a skillset or experience. Most people take quite a while to get their directorships. There are not a large number of directorship roles. It's a pretty competitive market out there."

That's something Don Huse agrees with – he's been a director for four years (AMP NZ Office and Transpower are among his directorships) since stepping down from his role as chief executive of Auckland International Airport.

As a mentor with the programme, he sees huge value in imparting his knowledge.

"There's an amazing talent pool of women out there and it's a question of finding the best way of developing them," says Don.

For him, the benefits go both ways: "It allows me to gain a better understanding of the talent pool that's out there. That's very useful when you're making appointments."

Fellow mentor Peter Cullinane has spent his entire career in the ideas business, including as Chair of Saatchi & Saatchi Australasia.

Peter says that the matching of mentors and mentees is crucial and there has to be some rapport and a willingness to share for it to work.

"A critical piece of that is making sure the mentee knows why they want to be a board director."

LESSONS FROM THE TOP

Mentee Raewyn Lovett says her mentor has helped her whittle down boards she's interested in and why, what she brings to a board table and how she can communicate that in interviews for governance roles. She is already Chair of Duncan Cotterill and Netball NZ and she also sits on the boards of a number of private companies. Raewyn says it's been a long time since she's had a mentor, especially in a formal sense.

"Until you've spoken to somebody and got an idea of what's happening at that level you probably don't have an idea of whether you're ready or not. That's where mentoring really does help."

When it comes to getting directorship roles on large company boards, she says women shouldn't think they're competing against each other.

"I think we can narrow our horizon because we think we're competing against women for very limited space. I think we'd be better to consider that we've all got a space and we can all get there."

Teresa Ciprian also joined the mentor programme this year, and says it's good having a mentor who is outside of her usual networks.

"It's actually really good for me to have someone who's never known me before and to look at me cold because that's essentially how I'm approaching governance here."

Teresa spent her executive career overseas, working in New York and Paris for Danone before returning home. She is a director on the boards of Firstlight Foods (a Wagyu beef and venison company) and the Aviation Industry Association, and is keen to progress her career in governance.

"This is something that you have to really want to do. It's not something that will or should happen in the short-term."

Fellow mentee Joanne Keestra says people wanting to join the programme as a mentee need to make a name for themselves in their field – something she’s done over 20 years as a strategy adviser in New Zealand and overseas.

“Think about what you have to offer. You need a great career record under your belt if you’re going to contribute as a board member, earn the trust of directors and fellow managers,” Joanne says.

Directorships of NZX-listed companies are highly sought after, and being in governance is not a job to be taken lightly. The spotlight’s been on directors’ responsibilities and it’s clear where the buck stops. That’s something mentee Julia Hoare is aware of having worked as a partner at PWC. She stepped down from the role to pursue a career in corporate governance, and wants to learn as much from her mentor as possible to be equipped for directorship roles.

“I’m very mindful of [the responsibilities] and so I want to be incredibly careful in terms of the organisation and good governance,” she says.

“You have to be willing to put in the hard yards and understand the organisation, and not only in your own areas of discipline.”

Having been a mentor to others, Julia’s says she’s been blown away by the depth of knowledge her mentor’s been willing to share.

“It’s valuable to take a step back and be able to get really sage wisdom from very seasoned and fabulous directors.”

MENTORING FOR DIVERSITY 2014

The IoD expects to run the MfD programme again in 2014. We will notify members of further details in boardroom update and also by email.

For a full list of mentees from 2012 and 2013, please visit iod.org.nz



New opportunities for the new generation

The IoD aims to encourage a healthy pipeline of director talent, through the regional Aspiring Director awards, nationwide initiatives such as Mentoring for Diversity (MfD) and support of the Future Directors programme



Liz Hirst and Lyttelton Port Company directors Lindsay Crossen and Brian Wood

ON BOARD IN LYTTELTON

Liz Hirst, winner of the Canterbury 2012 Aspiring Director Award, shares her experience of her one-year internship on the Lyttelton Port Company (LPC) that made up part of her prize

It has been a privilege to be the first Christchurch award winner to benefit from the Aspiring Director internship experience. The initiative, instigated by the Christchurch IoD committee in 2011, has been so successful that Janice Fredric, the 2013 award winner, is now enjoying the second internship on the board of Connetics, a subsidiary of Orion.

I am doubly grateful to the LPC for putting their hand up to host the first Christchurch internship. They made this generous offer during a challenging time in the company's history. Throughout 2012 the port achieved

record volumes of containers and other cargo, while experiencing aftershocks. Despite this, the port maintained its 24/7 service while implementing repairs, planning the rebuild and embarking on the insurance claims process.

Remarkably, the company went on to achieve an earthquake-adjusted profit after tax of \$17m – a 40 per cent increase on the previous year. My internship gave me an appreciation of the burden the aftermath of the earthquakes is still placing on Christchurch businesses and their governing boards.

CEO Peter Davies and CFO Kathy Meads took time out of their hectic schedule to provide me with a port tour and orientation. After my initial watch, listen and learn approach, Chair Rodger Fisher encouraged me, to participate fully as a non-voting director.

Starting and finishing my internship with the shareholders AGM, gave me the benefit of a full year's work programme. I was fully included in online conversations, board/committee meetings and social events.

What distinguished my LPC experience from my Ngai Tahu Tourism board directorship was the opportunity to learn the additional roles and responsibilities of a publicly listed company, particularly regarding disclosure, information management and dividend decision-making.

Any company considering offering an internship opportunity to an emerging director may have concerns about the associated risks. I believe the Christchurch branch has developed a systematic policy to mitigate this possibility. The Aspiring Director selection process provides a number of checks and balances, including

choosing interns who already have governance and directorship experience. An approved IoD mentor is also available to the intern to act as a sounding board to discuss issues and provide guidance as necessary.

Internship is a concept that does not have to be limited to Aspiring Director award winner. It could be developed as a way to mentor or trial potential candidates under consideration for a directorship appointment. It can provide a way to facilitate and promote diversity on boards as it introduces existing board members to an intern from a different industry background, gender, age and ethnicity.

We all know that gaining that first corporate directorship is not easy. Many say it is more about 'who you know' than what you know, but in the era of personal branding it is increasingly more about 'who knows you'. The award exposure, combined with my internship experience and term on the Ngai Tahu Tourism board has added value to my evolving professional

brand. As a local Cantabrian wanting to contribute to the Christchurch rebuild and local economy, I now look forward to building on this platform to pursue new work and directorship opportunities.

I encourage more branches to create internship experiences for their local Aspiring Director award recipients, and call on diverse, emerging and aspiring directors to apply.

HEADS UP FOR CANTERBURY ASPIRING DIRECTORS

Canterbury branch will be running its Aspiring Director Award again in 2013. Details were being finalised at time of going to press but as with previous years, the award is expected to offer a non-voting directorship as part of the prize.

For more details, please visit the Canterbury branch page of iod.org.nz

VECTOR TO HOST FUTURE DIRECTORS

Vector joins The Warehouse and Auckland International Airport as one of the host boards for the Future Directors programme running nationwide. The programme aims to give young, talented emerging directors the experience of being on a commercial board for a year. It's to everyone's benefit as emerging directors may gather insight into what it means to be on a board, the board benefits too by gaining a new perspective on issues such as new technology, sustainability, diversity and social media.

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For further information please contact peter.anderson@iod.org.nz – phone 04 470 2643

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The Institute of Directors in New Zealand (IoD) promotes excellence in corporate governance, represents directors' interests and facilitates their professional development through education and training.

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- Are you committed to development of governance abilities and roles?

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- complimentary attendance at all branch functions for one year
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- funds toward an IoD Director Development course of your choice

This award is open to members of the Bay of Plenty branch of the IoD and to non-members who complete the application process for membership.

Applications close on Thursday 27 June 2013.
To obtain an application pack please contact our Branch Manager, Jo Perry, email: bop.branch@iod.org.nz, tel: 021 557 116.



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Managing social media risks

The advent of blogging, tweeting and other forms of social media has created new opportunities for companies to disseminate information amongst employees, customers and investors. However, along with these opportunities come new risk exposures of which officers and directors need to be aware. By Denise Moller



As a marketing professional I know about the benefits of social media. Facebook, Twitter, LinkedIn and blogs are all incredibly effective communication tools. Likewise, as a director for a not-for-profit, I also appreciate the importance of good governance – especially when it comes to new and emerging technologies and their attendant risks.

With just over 51 percent of New Zealand's population on Facebook and 16.5 percent on LinkedIn, the risks associated with social media need to be clearly understood. Trying to distance your organisation from social media is not the answer.

Blocking employee access to social media in the office is not a solution either, as people can still access social media sites from their own personal devices. In fact, blocking social media sites at work is more likely to go against you, with recent research from Intelligent Office revealing that one in four people would turn down a job if they were restricted access to social media websites while at work.

THE RISKS OF SOCIAL MEDIA

When looking at social media strategies it is helpful first of all to understand the types of risks that can come into play. Here are a few examples:

- the loss of valuable intellectual property through users' sharing of copyright and trademark information.
- personal injury (defamation risks) as a result of an individual's defamatory social media remarks for which the employer is held responsible.
- negative and quick-spreading commentary about a company's business practices — for example, its customer service or charitable donations.
- the spread of inaccurate or intentionally false information about a company's operations, particularly during critical periods such as, ahead of a corporate earnings announcement or following a natural disaster.

MINIMISING SOCIAL MEDIA EXPOSURE

For those organisations who actively use social media, provide training to the people assigned – just as you would to other individuals responsible for your company's external communications. The informal nature of these sites can lead to an informal approach to your posted messages –

however, they are subject to the same laws regarding defamation and intellectual property rights as any other broadcast content. Employees must have a good understanding of the law in these areas.

If you are allowing user-generated content on your site you need to consider whether you will apply pre- or post-moderation to the content. If you moderate the content before allowing it on to your site you can be perceived as assuming editorial responsibility, which is potentially more onerous in the event of a claim against you. You need a clear take-down policy in the event of complaints, which should ideally include immediate removal of contentious content.

Are there copyright disclaimers for users to agree to prior to uploading content? If you are operating a post-moderation site, do you have appropriate filters for key words?

Whilst you may consider yourself domiciled in one territory and target your communications at that location, the internet does not respect international boundaries. Your comments can be seen far beyond the borders of the country for which the broadcast was intended. This can lead to international exposures, which need to be considered.

CRISIS MANAGEMENT

An organisation's reputation is particularly at risk during a crisis when social media activity can be heightened.

Managing the impact of social media relies on the crisis management practices you have in place, including communications policies. These typically define what employees are permitted to say and whether they can speak on behalf of the company.

Other questions to consider include:

- is social media incorporated into the detection, reporting, and escalation criteria in your crisis management plan?
- are you already monitoring social media? If so, what is being done with the information?
- what do you know about your company's social media profile and strategy? What are the capabilities of your communications team during a crisis, including in social media?
- is reputational risk incorporated into other internal risk dashboards?

- have you validated your response capability? Do your crisis management exercises incorporate social media risks/drivers?

The key is to acknowledge the role that social media can play and factor it into an overall crisis management approach. Social media exacerbates risks, but it can also be a useful tool to engage directly with stakeholders, as well as identify emerging risks through effective monitoring.

ARE SOCIAL MEDIA RISKS INSURABLE?

It is recommended that social media form part of an organisation's broader cyber risk policy as traditional liability policies will not provide cover.

However, cyber liability policies can be specially constructed to provide cover for claims arising from your social media activities. It is important to note that not all of these policies include social media activities as standard and so careful wording is required to ensure all your activities are included in the programme.

Cyber policies may also include a fund for public relations and crisis management in connection with a crisis event relating to a failure of computer security or a breach of privacy.

BALANCING REWARD VERSUS RISK

As with all business situations there is an element of reward versus risk. Social media has numerous benefits as a marketing and communications tool just as it presents an element of risk to your organisation. Having good policies in place combined with sound risk management practices and insurance cover will help you to strike a happy balance.



Denise Moller is Marketing & Communications Manager at Marsh. For further information, contact her on denise.moller@marsh.com or 09 928 3083

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Are you sharing your presentations?



Natasha Martin

The website Slideshare has just celebrated the uploading of its 10 millionth presentation. With around 60 million monthly visitors and 130 million page views, it is one of the most visited websites in the world. Natasha Martin helps explain why both individuals and companies need to understand the value of SlideShare

Slideshare is the world's largest community consisting of professionals from various industries, where people can upload, embed and share their presentations. You can also upload videos, webinars, PDFs and documents. It is a bit like YouTube for PowerPoints. People can add comments and download content. SlideShare content spreads virally through blogs and social networks like LinkedIn, Twitter and Facebook. It enables individuals and businesses to share their documents with the world.

WHO USES SLIDESHARE?

It is typically used by people who want to share ideas, conduct research and source learning materials, connect with others with similar interests and generate leads for their businesses. Anyone can view presentations and documents on topics that interest them, download them and re-use them for their own work.

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WHAT ARE THE BENEFITS OF SLIDESHARE?

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- members who upload content can choose to share the media publicly or privately. Sharing privately is good for presentations that are still in development, so you can share it with collaborators
- the website can also be used as a marketing tool to promote or advertise an event or product
- members can also choose to join groups and meet other people with similar interests
- SlideShare is also viewed among the world's top ten tools for education and e-learning. For example, if you want to know how to develop a social media strategy, you will find hundreds of presentations to guide you through the process
- members and guests can post comments on your presentation providing valuable feedback and constructive criticism.

You can search for presentations by keyword, topic, or user.

It is free to set up an account at www.slideshare.net An account gives you your own space/URL address so that other people can view all of your presentations in one location.

In summary, SlideShare is another sharing platform. It is the best way to get your slides out there on the web, so your ideas can be found and shared by a wide audience.

APP-DATE



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Bump

This is a revolutionary networking app that ends the need for traditional business cards. Bump users can trade contact information, photos, videos and files by simply 'bumping' two smartphones together. You can also share between your smartphone and laptop by bumping the space bar. www.bu.mp



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The Tript app organises travel plans into an itinerary that has all of your trip details in one place. The app also gathers weather updates, maps, and directions to make traveling easier. You simply forward travel confirmation emails to plans@tripit.com and Tript will automatically build an itinerary for your trip that you can access anytime, either online or from a mobile device. www.tripit.com



You only know what you've got when it's gone

Like good health, a good reputation could be something that we only value when we are losing it. Peter Hehir, Chair of SenateSHJ advises on keeping your most valuable intangible asset



Peter Hehir

Most directors in the world now accept that corporate reputation is their most important asset. Research by *The Economist* Intelligence Unit established this for a worldwide cross section of directors, and later research by SenateSHJ, the communication consultancy, established that this was also true in New Zealand.

Now, research undertaken especially for the recent IoD's conference in Auckland reveals directors' current views – but also reveals a lack of action to manage and protect company reputation in New Zealand.

It seems reputation has gone into the “too hard” basket for a large minority of companies. They are aware of the huge damage a crisis can inflict on their business and in many cases have a vague idea of what they might do if it happened. But given the significance of the value of reputation, they have put relatively little effort into understanding what significant stakeholders are thinking and doing which could affect reputation and into planning how to communicate in the event of a crisis.

Reading our newspapers, watching our televisions and looking online every day, we all see reputations crumbling under pressure. The annals of crisis management are packed with examples of where companies got it all wrong – and usually it's the very large companies who make the bad news, and who really should be expected to do better.

How much does this matter? It depends on whether you agree that reputation makes up a very large part of intangible assets. More and more companies do, so the fact that intangible assets now form much more than half the value of quoted companies around the world suggests this is of critical importance.

Yet how much time does the average company devote to the subject? According to SenateSHJ's research, about 60 per cent of New Zealand boards do discuss reputation at their board meetings. How systematic these discussions are is unclear, but asked what prompts discussion, those surveyed tended to point to specific incidents – a disgruntled shareholder getting publicity, a survey on “best places to work” making them look bad (or good, of course) or indeed a crisis.

What does not appear to be happening is a systematic approach to reputation management. This starts with continuous surveying and analysis of important stakeholders' views, properly benchmarked against both the past and against competitors.

A similar 60 per cent of companies do have a crisis communication plan in place. Which means a significant 40 per cent do not. They cite lack of awareness of the need for one or it lacking any priority in the business. This seems astonishing given the overwhelming view held by directors that reputation is of vital importance. It suggests that they don't really understand the subject.

To be fair, it is not a science and has not been above the radar for long. Books and academic research have sprung up over the past 20 years, setting out in great detail case histories of scores of incidents which cost companies their reputations – some temporarily though expensively, others critically and even fatally.

Think of the price BP is paying for the Deepwater Horizon disaster in 2010: \$40 billion and still rising. And this was a company probably better prepared than most in the world to manage crisis – as are the majority of large companies working in dangerous conditions.

“The rules are not the rules of the court room – these are issues played out at the bar of public opinion.”

TELL IT ALL, TELL IT FAST IS THE MAXIM

At least most companies do recognize that in a crisis, the buck goes straight to the top – the chair or CEO must front up. There are some absolute rules when the proverbial hits the fan – the boss must start explaining, apologising (almost always necessary), demonstrating real concern and acting to help those affected by the crisis.

Often lawyers oppose this, always on the grounds that it will be an expensive admission of guilt. We think they are wrong. The rules are not the rules of the courtroom – these are issues played out at the bar of public opinion. If the company has done something wrong, they will be sued anyway, and any mitigating behavior in the meantime will count in their favour.

Recently, Steve Maharey, former cabinet minister and now leading academic wrote eloquently about how to apologise. Writing in response to some recent examples of obfuscating wrongdoers fudging their *mea culpas*, he made the point that a real apology is not surrounded by defensive pleas in mitigation. Next time you hear a CEO or chair (and particularly a politician) apologizing for something we all know was wrong, look hard at the words. Judge how sincere you think they are.



Are boards flying blind on enterprise technology governance?

Considering the sheer speed, complexity and risk in today's technology saturated business environment, it's hardly surprising that the call for digitally savvy directors is increasing. Emerging research suggests serious consequences for boards that continue to ignore or delegate enterprise-level technology governance. By Elizabeth Valentine

Up until very recently the focus of technology governance has largely been within the IT department. But technology is increasingly integral to most business practices and processes, data monitoring and reporting, and to all aspects of stakeholder engagement. Governing technology investment and risk has become a part of a board's fiduciary duty of care whether boards realise it or not.

Enterprise business technology governance (EBTG) includes the leadership and governance oversight of technology at an enterprise level. EBTG differs significantly from operational IT governance in the same way that strategic and operational management differ.

At the enterprise level, the board focuses on making sure that strategy is enabled by technology. They promote a governance view where customers, stakeholders, people in IT and from across the businesses engage to better focus investment decisions and priorities. These boards understand how to best derive enterprise value from the use of data and information, services and business technologies, and govern accordingly. EBTG is integral to their activities, and it's not just happening in technology-related companies (Valentine & Stewart, 2013).

Looking across industry and scholarly research about boards and technology, several concerning trends emerge. Boards

know that technology is important to their businesses, but they don't seem to be building bench strength in EBTG or putting the systems and process in place to ensure they are governing technology investment and risk effectively.

A LACK OF GOVERNANCE MECHANISMS

Less than a quarter of boards have mechanisms such as CIO briefings and dedicated technology committees to monitor technology risk and evaluate the effectiveness of any EBTG they have in place (ITGI, 2011). This is surprising given the significantly increased compliance requirements introduced over the last decade. If a board doesn't know what it doesn't know and it doesn't have the means to easily find out, risk increases.

FOUR POSSIBLE OUTCOMES OF BUILDING EBTG COMPETENCY

Knowing whether it's time for digital directors starts with checking whether your board and senior executives are focused on four key aspects of EBTG. The organisation can then assess whether there is a need to recruit or develop talent, and ensure that effective systems, governance mechanisms and relationships are in place.

Make business technology strategy a fully integral aspect of business strategy and corporate governance. This board has the talent and mechanisms in place to move with the times and thrive. They know what it takes to strategically transition from legacy systems to a dynamic business ecosystem. They know how and when to invest in new and emerging technologies. They expect management to maximize technology and people capability in a planned way across system, product, process, operations, stakeholder engagement and innovation.

Oversee strategic business technology-related security and risk governance. This board understands how to competitively embrace new and disruptive business technologies while minimizing security, reputational and financial risk.

Oversee strategic business technology investments and technology asset performance. This board knows how to monitor business and technology performance, confident that it has the governance mechanisms in place to drive value-add for all stakeholders in a strategic, integrated and planned way. They are confident that enterprise business technology governance supports their meeting the board's fiduciary responsibilities.

Build dynamic information and technology governance capabilities at all levels. It requires leadership from the board and executive, in partnership, to build an enterprise with an information and data decision-making culture. Optimized EBTG is present when the board and executive can measure the effectiveness of data and information usage in decision-making within the board and throughout the organisation. The board has the capability to ask the hard questions. EBTG discussion is an integral part of the overall strategy calendar and board agenda.

THE GAP BETWEEN KNOWING AND ACTING

There is also a significant gap between what is being said and what is being done. Boards know technology is essential to their business but have been surprisingly slow to build digital director capability. Three separate surveys revealed more than 90% of senior executives and directors identify technology as competitively important or very important (Eisener-Ampler, 2012; ITGI, 2011; PwC, 2012). However only 1% of Fortune 500 boards (PwC, 2012a) and less than 16% of boards globally (Gartner-Forbes, 2012) identify having technology-relevant skills amongst their directors. Ironically in another 2012 survey, board respondents ranked technology as the most substantial missing or insufficiently represented skill set of all board skills (Groysberg & Bell, 2012).

This is of concern because board decision-quality is logically premised off having the right mix of knowledge, skills and experience. Directors must be competent to question both management and consultants. Further, Leblanc and Gillies (2005) suggest that if boards lack a full set and balance of competencies across its directors, they will not be fully effective, no matter how skilled individual directors are.

While acknowledging that not all directors need EBTG competency, such contrasting findings imply a heavy reliance on either internal expertise or external consultants. Neither are necessarily orientated towards meeting board compliance requirements.

CONSEQUENCES AND RISK

Without digitally-savvy directors in today's environment, boards risk 'flying blind' (Carter & Lorsch, 2004) and there are potentially serious consequences for having a hands-off approach to EBTG. While many boards have been successful in the past without digital directors, in the current apparent lack of focus on strategic information use and EBTG there is little to stop the misuse of information or of technology-savvy, innovative competitors gaining significant advantages.

A board's combined knowledge, skills and experience drives their actions and priorities. Their capability and orientation has a profound impact on whether the organisation not only has a culture that

uses data and information for decision making and competitive advantage, but also whether the organisation realises the value of technology investments.

With a strategy-matching and balanced set of competencies, boards are better equipped to meet their governance responsibilities. They can ensure the right information makes it onto the board agenda. They have the knowledge and experience to ask the right questions and check that investment decisions and technology priorities will maximize returns and minimize risk.

Organisations that do not competently "grasp the digital revolution risk failure, just like the Kodak and Xerox companies of this world, precisely the kinds of companies that ought to have been on the leading edge of this change. Their managements failed them, and certainly their boards failed them" (Feather, 2012). Boards can no longer afford to ignore or delegate enterprise technology governance (Van Grembergen & De Haes, 2009), and if they do, they court competitive, financial, compliance and reputational risk.

CONCLUSION

Boards know that business technology is essential, but have been slow to embrace a competency mix that includes digital directors in amid their ranks. EBTG is part of a board's responsibilities because technology pervades every aspect and level of business. To ignore this is to court risk. Further work is required to identify and validate a flexible range of board-level digital director EBTG competencies. This is the basis of our current and future research.

ABOUT THE AUTHOR

Elizabeth Valentine is a doctoral candidate at Queensland University of Technology. Her research and thesis focuses on, 'Board competencies for effective enterprise business technology governance'. To participate in a survey or in developing digital director competencies, please go to Elizabeth's research website www.enterprisegovernance.com.au

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Building Better Boards



A fresh look at MITO

A new board structure, a merger and a changing market prompted The New Zealand Motor Industry Training Organisation (MITO) to call for a board evaluation. MITO Chairman, David O'Kane shares his view into the process

“We had recently gone through a merger with another industry training organisation, and responsibility for industry training was increasing with merger activity.” says David. “Internally, the board structure had changed for the first time in 12 years.

“In addition, the market itself has been evolving with the government mandate demanding more performance from the sector.

“The board recognised the need for a governance evaluation to help us identify any gaps and those areas where we could make improvements at a board level. We wanted this process done independently from the MITO.

“Most importantly we wanted do something with the results. We wanted our chosen evaluation partner to work with us, to recognise and advise us where we could make positive improvements in our roles as directors to enhance the organisation.

We chose IoD's Board Services because it could work with us on these three levels.”

David says that the board evaluation process successfully identified things that the board could do to improve its overall performance.

“From a board chair perspective we are a stronger board with improved systems to help and inform all board members better, we have a stronger appreciation of our roles as directors, and how best to use the collective strengths of all directors.”

He observes that often in organisations like MITO the directors' full-time roles, their day jobs, are quite different to their role as a director.

“Having gone through the evaluation process we are all better prepared as directors and better able to contribute to the organisation, this board evaluation was the first for MITO, it will not be the last.”

WHY EVALUATE YOUR BOARD?

Boards are evaluated to ensure that the board is performing to the best of its ability, to identify strengths and weaknesses, and to make changes if there are areas for improvement. Just as with appraisals of staff and management performance, to be most effective, they should be done every year.

For more details, visit the Board Services section of iod.org.nz or use the QR code opposite

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 and focusing on all aspects of governance best practice. For more details and to register, visit Director Development, iod.org.nz or use the QR code below

CRUNCHING THE NUMBERS

Demystifying accounting is how facilitator Craig Rust sees his role in leading the IoD's one-day Finance Essentials course. He's used to presenting to people who represent the full spectrum of financial knowledge and ability.

"Some people come to the course feeling nervous. There are those who may have had a bad experience with maths at school and confuse finance and accounting with maths," he says.

Oddly enough, he finds that qualified accountants who attend the course sometimes also arrive in trepidation. "Accountancy is so specialised that they worry they will be expected to know it all on the course, whereas they may only know about their particular area. The kind of financial knowledge needed on a board is very general – you need to be a financial generalist."

First, he gets a handle on the financial knowledge of the group by asking participants to analyse a financial statement. He then splits them into groups accordingly. By the end of the day, all course participants leave armed with the ability to analyse and interrogate a company financial statement from a board's perspective. They will know what they should be looking for as a director, and most importantly, says Craig, "they will know to ask the right questions".

Craig Rust



A chartered accountant, Craig worked for Price Waterhouse Coopers for 12 years before leaving to form Business Innovators in 2002, a business development consultancy that has provided advice to SMEs (some of whom have gone on to win various business awards). He has first-hand experience as a director and chair of several boards, and in addition, he and his wife, Janine, run their own successful bakery, Divine Cakes and Desserts.

FINANCE ESSENTIALS

17 July Auckland

15 August Dunedin

27 August Wellington

15 September Tauranga

8 October Auckland

19 November Wellington



Scan for more on
Director Development

COURSE UPDATES

The **Governance Development Programme (GDP)** is scheduled to run in Invercargill for the first time. 4 September 2013 to 2 July 2014.

A **GDP** course will also be running in **Hamilton** from 1 August to 19 December.

New Risk Education Programme to Launch

The IoD has been developing a new risk education programme, delivered in two parts:

Risk Essentials – knowledge of risk management in governance. This will be presented as a facilitator-led live webinar series delivered over several weeks.

Risk in the Boardroom – use of risk management processes. This will be taught as a one-day workshop delivered after the webinar series.

In May 2013, aspects of the programme were piloted with a small group of directors. The IoD will keep you informed on progress and launch dates.

For enquires, please email alex.tait@iod.org.nz

TEST YOUR FINANCIAL ACUMEN

The message has been loud and clear over the last few years. All directors should have a good working knowledge of financial concepts. If you would like to enrol in the CDC course but are unsure of your financial skills, we recommend doing the one-day Finance Essentials course first. See how you measure up on the financial knowledge quiz under the CDC section of iod.org.nz

SPOTLIGHT ON THE COMPANY DIRECTORS' COURSE



Millbrook, Queenstown is one of the many quality venues for the CDC

At the heart of the IoD's Director Development programme, the five-day Company Directors' Course (CDC) offers a deep understanding of the role, duties, skills and knowledge required for being a director in New Zealand. Recently updated to ensure that we are providing current information, the course covers:

- corporate governance principles
- strategic thinking and development in the boardroom
- understanding finance and the board's role
- directors and the law
- understanding people and board behaviour
- risk – the board's role, looking at key risk management concepts, including risk appetite

The CDC is a residential course, and held in quality accommodation such as the Sofitel (Auckland) and Millbrook (Queenstown).

SCHEDULED CDC COURSES

- 7–12 July Christchurch**
- 4–9 August Auckland**
- 23–30 August Wellington**
- 22–27 September Queenstown**
- 13–18 October Tauranga**
- 3–8 November Wellington**
- 17–23 November Auckland**

APRIL 2013, CHRISTCHURCH



FRONT ROW: Sarah Mills, Guy Milburn, Greg Angell, Fiona Carrick, Arlee Folkers, Tom Alexy

BACK ROW: Fraser Wyllie, John Osborne, John Boswell, Reon Edwards, Mark Butcher, Greg Mills

MAY 2013, AUCKLAND



FRONT: Tadek Gawor, Paula Tesoriero, Andrea Gray, Susan Nemeth, Colleen Starsmore, David Mackrell, Lynn Crozier

MIDDLE: Craig Morris, Roger Landers, Diane Green, MJ Loza, Malcolm McCowan, Greg Hurn, Amanda Loeffen, Charlotte Sellar

BACK: Richard Hughes, Leigh Pearson, Scott Hamilton, Dave Waddell, David Foon, Steve Earnshaw, Mark Pattenden

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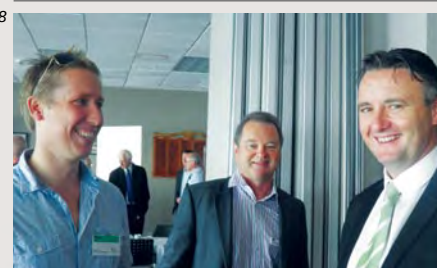
Scan for more
Branch News

OTAGO SOUTHLAND

Otago Southland Branch Fellows, Distinguished Fellows and their partners gathered in Cromwell in April. IoD President, Stuart McLauchlan, gave a brief overview of the future direction of the IoD.

Mr Nicholas Davidson QC talked of the governance issues around Pike River Mine at an Otago Southland lunchtime meeting. He stressed that successful health and safety practices require leadership and teamwork and that board members must drill down to the engine rooms of the organisations they govern to obtain their own first-hand perspective on health and safety.

In May, CEO of BusinessNZ, Phil O'Reilly outlined the key global economic and political issues. He then focused on current issues facing directors, such as the need for diversity in the boardroom, a culture of safety, increasing directors' duties and liability, the need to re-establish trust in capital markets. Communities, he said, need to be made aware of the contribution that is made by the businesses that operate within them.



AUCKLAND

In March, Ian Taylor, CEO of Animation Research Ltd, flew up from Dunedin to present a dazzling data show on his extraordinary accomplishments through Animation Research Ltd. This highlighted the importance of passion and knowledge coupled with intelligent leadership.

Last month, Governor of the Reserve Bank Graeme Wheeler delivered an excellent speech to the branch on the forces affecting the New Zealand economy, and outlined policy challenges around the exchange rate and the housing market.

WAIKATO

Stephen Allen, Chair of Tatua Co-operative Dairy Company Limited provided a detailed presentation on how Tatua started and evolved to become a highly successful producer of value-add dairy products in the Waikato.

Simon Lockwood spoke on management of commercial property risk for directors.

Iod Vice President Michael Stiassny, fielded questions in a Q&A session, ranging from the relationship between the CEO and chairman, CEO remuneration and board remuneration, how boards interact with each other, and management and board diversity.



BAY OF PLENTY

Sir Henry van der Heyden spoke frankly on governance issues at a breakfast function last month. As a sample of his advice, he cautioned against groupthink as the norm in the boardroom. You can be friends outside the boardroom, but your judicial duties should be to the forefront in the decisions you make as a director, on behalf of the shareholders.

- 1 | Geoff Thomas, Phil O'Reilly, Phil Moore (Otago Southland)
- 2 | Geoff Thomas, Nicholas Davidson QC (Otago Southland)
- 3 | Kate Skeggs, John Scandrett (Otago Southland)
- 4 | Greg Chiles, Bevan Dodds, Peter Truman (Otago Southland)
- 5 | Andrew Rooney, Ross Middlemass, Shona Cumming (Otago Southland)
- 6 | Ian Taylor, Susan Paterson, Paul Hargreaves

- 7 | Mike Pohio, Michael Stiassny, Michael Spans (Waikato)
- 8 | Thoje Hood, Graeme Fraser, Darren McGarvie (Bay of Plenty)
- 9 | Nathan Flowerday, Sir Henry Van der Heyden (Bay of Plenty)
- 10 | Al Percival (speaker), Scott Alman (Canterbury)
- 11 | Malcolm Wratt, Louise Edwards, Fiona McKissock, Helen Shorthouse, Christine Lake (Canterbury)

- 12 | Kim McGlashen, Sharon McGuire, Cath Taylor and Paul Dalzell (Nelson Marlborough)
- 13 | Sarah-Jane Weir, Dave Schaper and Murray King (Nelson Marlborough)
- 14 | Phillip Meyer, Professor Mervyn King, Jane Diplock (Wellington)
- 15 | John Milne, Jackie Robertson (Wellington)
- 16 | Mandy Burt (Wellington)
- 17 | Professor King's presentation led to stimulating discussion (Wellington)

NELSON MARLBOROUGH

Peter Chrisp, CEO of NZTE, shared his views on New Zealand's export opportunities, how we are placed in a global sense and NZTE's plan for business growth. He sees opportunities in high-value food niches, premium wine, technology and farming systems. NZTE's aim is to increase the GDP from 30% to 40% by 2025 by working with 500 targeted companies.



CANTERBURY

In April, Al Percival, Managing Director, Diligent Board Member Services, told the story behind Diligent Boardbooks. A global leader in secure board portals, the company's development began in 2000 when a major US company requested a solution to automate the management of its board papers.

At the AGM Dr Selwyn Maiser shared his experiences over the past 45 years of direct involvement in sports governance. He used his own Olympic sport – hockey – to provide a case study on the progression from an amateur governance environment to professional body.



WELLINGTON

The Reserve Bank's head of prudential supervision, Toby Fiennes, told a branch breakfast that in the unlikely event of a bank failure, it would instigate Open Bank Resolution (OBR). Fiennes assured attendees that it was "building a strong framework to respond efficiently, flexibly and swiftly in the rare event a bank should fail".



World-renowned governance expert Professor Mervyn King presented on the evolution of integrated reporting. This approach looks beyond the bottom line to include the company's place within a community. You can see it on www.youtube.com/edit?video_id=mYoehK8Neig&ns=1

branch events

A preview of branch events to be held over the next two months. For a full update check the branch section of www.iod.org.nz or use the QR code



Scan for the latest Branch Event updates

AUCKLAND

Managing Financial Risks in an Uncertain World

One of New Zealand's most respected professional advisors and commentators on local and international financial markets, Roger Kerr, will show how New Zealand exporters manage their foreign exchange risks. **7.30am, 21 June, at the The Northern Club**

New and Aspiring Directors Lunches

Visit www.iod.org.nz for more details on these lunchtime workshops for emerging directors.

12.00pm, 19 June at The Northern Club

12.00pm, 13 August at

The Northern Club

What the ITP Means for Auckland, Now and in the Future and Some of the Key Investments Over the Next Decade

Chief Executive of Auckland Transport Dr David Warburton examines the Integrated Transport Programme (ITP) and its meaning for Auckland, highlighting key investments over the next decade including the City Rail Link, Ameti and a reshape of the public transport. **12.00pm, 17 July at The Northern Club**

Simon Botherway

7.30am, 1 August at The Northern Club

Greg Gent, former Deputy Chair Fonterra

5.30pm, 8 August at The Centre in Kerikeri

WAIKATO

A presentation by New Zealand Shareholders Association Chairman John Hawkins

John joined the New Zealand Shareholders Association (NZSA) in 2005, and was Auckland Branch Chair in 2009. He took the role of Strategic Liaison Director with a brief to build professional relationships between the NZSA, Government and other groups involved in corporate governance and the capital markets arena.

In July 2010 he was elected National Chairman of the NZSA following the resignation of Bruce Sheppard **12.00pm, 10 July, at Southwell School, Hamilton**

BAY OF PLENTY

Business Leadership and the Role of Governance

The topic is addressed by Keith Tempest, a director on the boards of NZ Bus, Crown Fibre Holdings Limited, Ultrafast Fibre Limited and the Port of Tauranga Limited. **5.30pm, 18 June at the BNZ Partners Centre, Rotorua**

Governance to Suit Strategy

Lesley Kennedy, the inspiring Group Chief Executive of Maven presents on this theme, and the Aspiring Director Award winner is announced. **5.30pm, 24 July at 56 The Strand, Tauranga**

TARANAKI

Future-proofing, Transitioning, and Good Governance for Farming Businesses

This panel discussion includes keynote speaker, entrepreneurial farmer, Trevor Hamilton. A panel of speakers will include Barbara Kuriger (2012 Dairy Woman of the Year), Jenn Patterson and Jane Moffit (Venture Taranaki). Marise James (Director, Staples Rodway) and Marie Callander (Associate, Auld Brewer Mazengarb & McEwen) will discuss transitioning and good governance from accounting and legal perspectives. **6.30pm, 20 June at the TSB Hub, Hawera**

WELLINGTON



Jon Macdonald

Reporting to Three Successive Boards at Trade Me

In the hot seat over a time of accelerated growth and intense change, Jon Macdonald joined Trade Me in 2003, where he took the position as Head of Technology, before being appointed General Manager and, subsequently, CEO in 2008. **7.30am, 10 July at the The Wellington Club**

NELSON MARLBOROUGH

David Irving draws on experiences from a distinguished career as a past CEO of Heinz Watties Australasia and co-founder of The ICEHOUSE.

12.00pm, 8 August, at Chateau Marlborough, Blenheim

Peter Miskimmin, CEO of Sport New Zealand discusses aspects of sports governance.

12.00pm, 22 August at Trailways Hotel, Nelson



Peter Miskimmin

CANTERBURY

A Governance Career From Small Beginnings

Alan Grant, Managing Director and majority shareholder of Craigellachie Dairy Farms Ltd, shares insights from a varied governance career spanning 20 years. Board positions have been mainly in the agriculture sector including a role as deputy chairman of the New Zealand Meat Producer's board. **5.30pm, 26 June at the Ashburton Trust Event Centre, Ashburton**

Directors' Dilemma

Another thought-provoking, interactive meeting led by Richard Westlake to consider an issue most directors will face in their career. This meeting will appeal to everyone from aspiring to experienced directors.

5.45pm, 29 July at The George, Christchurch

OTAGO SOUTHLAND

Presentation of Aspiring Director Award and Upstart Director Award

Both the Aspiring Director Award and the Upstart Director Award are aimed at finding and fostering emerging, talented directors. Fellow of the IoD and founder of Prolife Foods, Bernie Crosby, will be presenting the keynote speech.

For more details please visit iod.org.nz

5.00pm, 22 July at The Hutton Theatre, Otago Museum, Dunedin



Bernie Crosby

HEALTH AND SAFETY GOVERNANCE WORKSHOPS – NATIONAL ROAD SHOW

Following the launch of *The Good Governance Practices Guideline for Managing Health and Safety Risks*, the IoD will be running workshops examining best practice in this critical area. Representatives from the IoD, Ministry of Business, Innovation and Employment (MBIE) will be presenting. Legal issues will be addressed by Duncan Cotterill in all regions apart from Otago Southland where Anderson Lloyd will be presenting.

OTAGO SOUTHLAND

Dunedin 5.00pm, 24 June at The Dunedin Club
Queenstown 12.00pm, 3 July at Queenstown Resort College
Invercargill 12.00pm, 4 July at Ascot Park Hotel

CANTERBURY

Christchurch 9.00am and 3.30pm, 25 June at the Addington Event Centre, Christchurch

NELSON MARLBOROUGH

Blenheim, 12 noon, 2 July at the Chateau Marlborough

TARANAKI

New Plymouth, 5.30pm, 9 July at the BNZ Partner Centre, New Plymouth

For full details and timing, please visit iod.org.nz

AUCKLAND

Shirley Hastings

bus: 021 324 340
 fax: 04 499 9488
 email: auckland.branch@iod.org.nz

BAY OF PLENTY

Jo Perry

bus: 021 557 116
 email: bop.branch@iod.org.nz

CANTERBURY

Sharynn Johnson

bus: 03 355 6650
 fax: 03 355 6850
 email: canterbury.branch@iod.org.nz

NELSON MARLBOROUGH

Julie Baxendine

bus: 03 546 6768
 fax: 03 546 6767
 mob: 027 622 8188
 email: nelson.branch@iod.org.nz

OTAGO SOUTHLAND

Vivienne Seaton

ph 03 401 1308
 fax: 04 499 9488
 email: otago.branch@iod.org.nz

TARANAKI

John Spurway

bus 027 443 8405
 email: taranaki.branch@iod.org.nz

WAIKATO

Megan Beveridge

bus: 021 358 772
 fax: 07 854 7429
 email: waikato.branch@iod.org.nz

WELLINGTON

Jeanette Wogan

bus: 027 566 8589
 fax: 04 499 9488
 email: wellington.branch@iod.org.nz

THE LAST WORD

The elephant and the fiesta



It was the last meeting of a busy day for Mary. Not the most important, perhaps, but one that mattered. It was a meeting to consider the board of a new enterprise, Aesop's Fables Incorporated. The group had been asked to consider the qualities its directors should have and who with those qualities might be approached. Mary was looking forward to making a contribution and had prepared, but perhaps not when dressing that morning. Without thinking, she had put on her suit of invisibility.

Bob was the first to speak. He had his grey suit on today: the same as yesterday, somewhat wrinkled. "Elephants," he said. "An enterprise like this is going to need high profile directors that everyone looks up to and respects. I think it's pretty clear we need elephants." He said it with such authority that others quickly agreed. Soon the whiteboard had an impressive list of elephants' names.

There was a lull and so Mary ventured, "A giraffe would be good. Giraffes have a quite different perspective and tend to be extremely well connected. It seems to me an enterprise like this would benefit from giraffes on the board." As it happened, Mary's own business depended on her own network and contacts. "Very

good," said Bob. "Very good. Does anyone know any elephants that are extremely well connected? Steve, what about you? You know some people. Can I put your name on the list?" And so the meeting went on. No giraffes on the list – certainly no 'Mary' on the list – but Bob declared they all deserved a pinot.

The evidence is accumulating that gender diverse boards operate more effectively and make better decisions, so why are there not more women on boards? Some would say it's Mary's fault for not 'leaning in' far enough. Others are in no doubt that it's Bob's fault, because he just doesn't appreciate the contribution people like Mary could make.

But maybe attributing blame in that way isn't so helpful. In our story, Mary and Bob were equally sincere in their desire for the new enterprise to have the best possible board. If you were to ask Bob why he thought the board needed so many elephants, he would simply say that that's what good boards "look" like. He would argue – perhaps quite fervently – that he has "nothing against" giraffes on boards. What's influencing him is his subconscious. Bob just wouldn't have felt comfortable if the outcome of the process didn't match his mental image of a good board, especially knowing other elephants were watching. Psychologists

call it 'cognitive dissonance': that anxiety we experience when what's happening around us is out of alignment with our internal beliefs. Save yourself the long technical explanation on Wikipedia and watch a Fox News anchor on YouTube coming to terms with a Mitt Romney defeat: you'll get the concept.

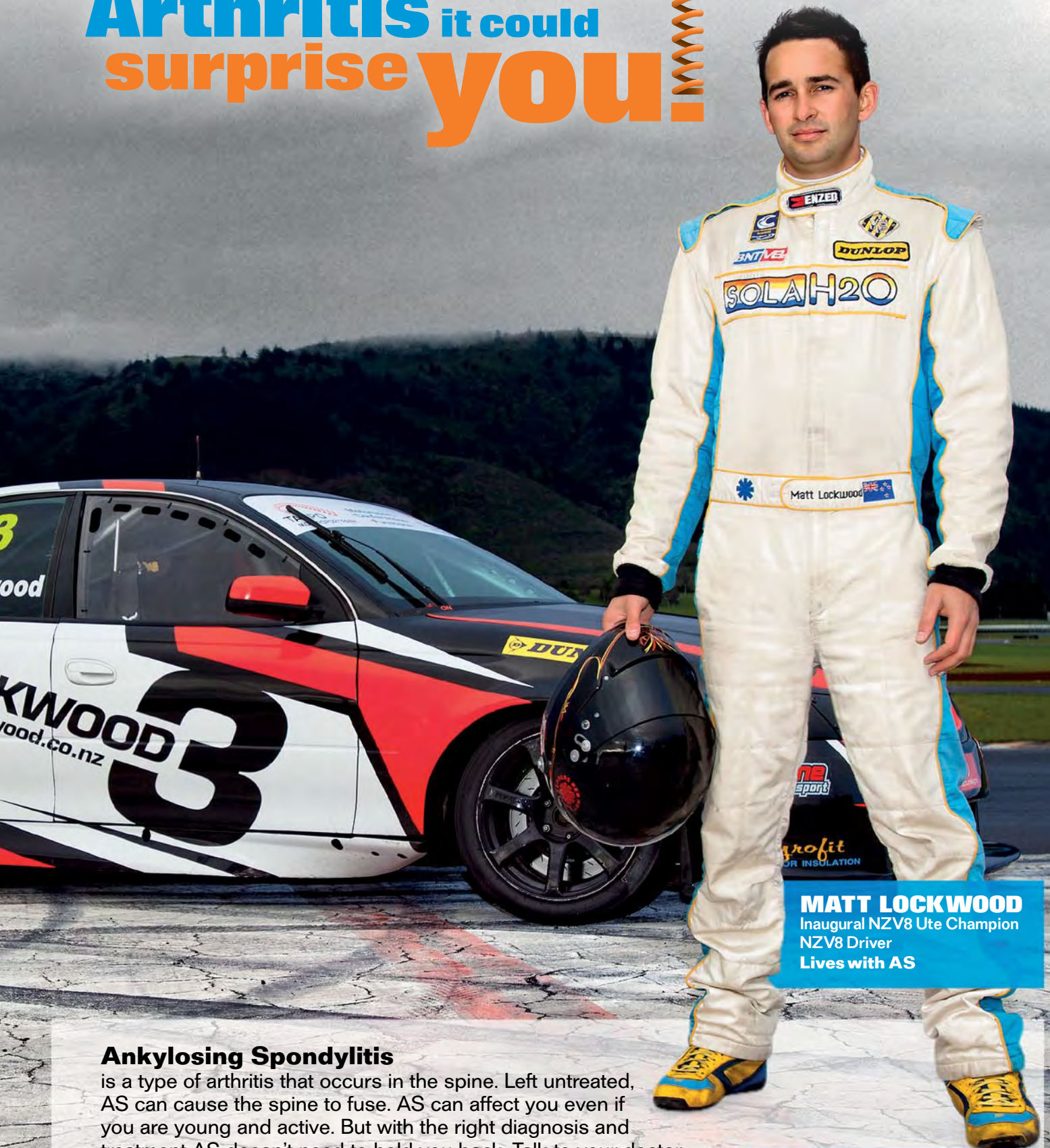
And so isn't that the elephant in the room? It's not that human beings lack intelligence; it's our imagination that holds us back. The reason the first mass produced car was not a Ford Fiesta that parks itself but a Model T, was not so much a lack of technology as a failure of imagination. We just couldn't stretch our minds that far beyond a carriage without a horse.

All of which means that if we want to achieve more diversity on boards, we might name and shame people like Bob and so achieve compliance – but with discomfort – or we could address the fundamental dissonance. We could help Bob – and the other elephants – see the benefits to enterprises of having greater diversity on their boards and make them aware of enterprises they would admire that have such boards. Creating a new paradigm of the ideal board might just enable new possibilities.



Christopher Bray is a corporate storyteller (christopherbray.co.nz) and the independent chair of Equestrian Sports New Zealand. Currently, half of those on the ESNZ board are women, although the President, Chair and CEO are all male

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