

# boardroom



## NO SILVER BULLET

*Tim McKnight talks cyber-security*

## GETTING ON BOARD WITH HEALTH AND SAFETY

## WHAT MATTERS TO MEMBERS

The increasing workload of the modern director

Optimal skills at the top

Networking: the ins and outs

Confidence to compete

Angel Investing

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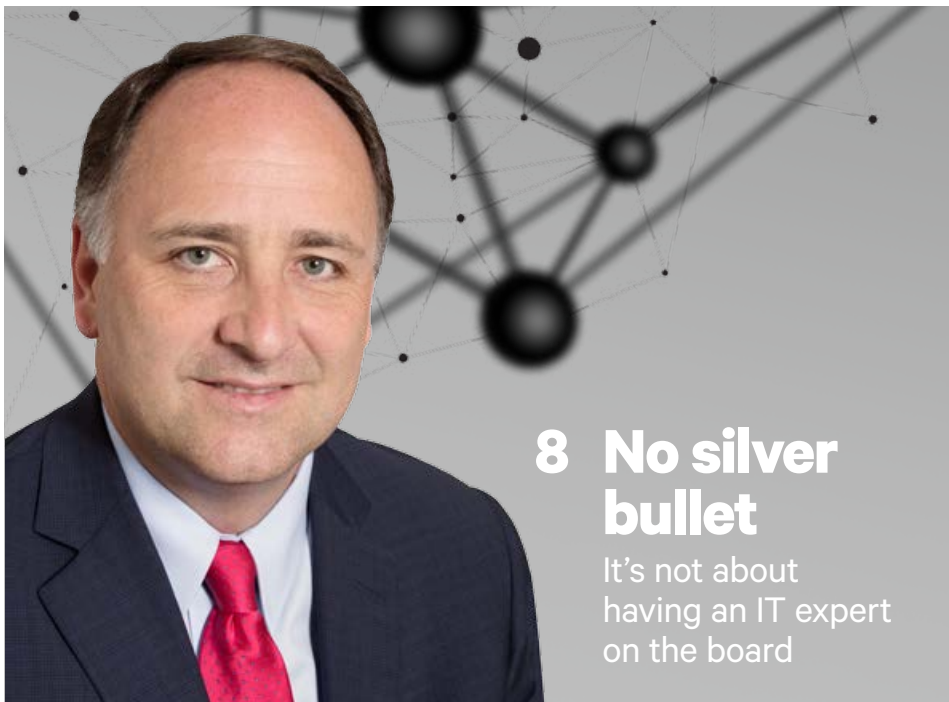
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IS SOMETHING TO BEHOLD”  
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## Upgrade to Chartered Fellow

As part of the Chartered Membership pathway we will accept applications for upgrade to Chartered Fellow from those members who meet the criteria. Applications are considered by Council at their bi-monthly meetings.

*See our website for detailed information, an application form and guidelines for making an application. If you have any questions please contact [ann.denboer@iod.org.nz](mailto:ann.denboer@iod.org.nz)*

# Chartered Fellows

*Congratulations to our members who became Chartered Fellows in 2015. This is the highest level within the IoD Chartered categories, and is awarded to members whose knowledge, character and experience makes them a role model for other members, their organisations and community as a whole.*

**Michael Stiassny**, *President Institute of Directors*



**Trevor Burt,**  
Canterbury



**Philip Cory-Wright,**  
Auckland



**Henri Eliot,**  
Auckland



**Andrew Evans,**  
Auckland



**Rodger Finlay,**  
Canterbury



**Catherine Savage,**  
Wellington



**Janine Smith,**  
Auckland



**Michael Smith,**  
Bay of Plenty



**Mark Verbiest,**  
Otago Southland

## CEO REPORT

VOLATILITY  
IS NOW  
NORMAL

Welcome to the first edition of *boardroom* for 2016. I trust the year has started well for you after a relaxing and well-deserved break.

We have an exciting year ahead at the IoD with plenty of activity in the branches, new vigour in thought leadership, and planning well advanced for some of our headline events including Direct 2016: the IoD Leadership Conference.

One thing about 2016 is certain. Multiple commentators, from the World Economic Forum to financial pundits, continue to assure us that 'volatility is the new normal.' Geopolitical and economic volatility and the pace of disruption and technology are a potent mix for directors to navigate in 2016 and beyond. We will also see the growing desire for tech/life balance from employees and, I believe, New Zealand labour laws are beginning to reflect increasingly outmoded 20th century practices for professional people.

Top issues in 2016 will include further global geopolitical and economic challenges, commodity volatility, the impact of the TPP, international tax reform, technology and people, and changes to audit reporting.

The Health & Safety at Work Act 2015 will become a reality in April which has been a key project of many New Zealand boardrooms. We may also see the influence of consumer driven reform in areas such as ESG and sustainability reporting.

Diversity remains top of mind for many directors and our view remains that

diversity of thought should be the ultimate goal. In a recent NBR article the IoD said again that 'diversity is not diverse enough' reflecting our long held position that we need to widen diversity beyond what we see with our eyes. The explicit link between disruption and diversity is a recent feature of governance commentary.

Diversity is also an issue through all of business. It is not realistic to ask why there isn't more female or minority representation on boards without asking where and how the chief executives and senior managers are being developed. American civil rights leader Rashad Robinson was recently quoted as saying lack of progress in diversity is about a deep lack of self-reflection on the part of those in roles of influence and power.

Your views matter to us. In this edition of *boardroom* we share with you the results of our recent membership survey. We take this survey very seriously and the data helps guide our member services and strategy. We need to make sure that the IoD offers our members the best tools to make a difference.

From 12 to 13 April, we will be holding our annual IoD Leadership Conference at The Langham hotel in Auckland. Our theme this year is Change IS NOW Constant where knowledge is power. Leadership, innovation and future trends are all topics directors need to be aware of to prepare for the future.

Our conference is now in its fourth year with the event reaching capacity last year. At the current rate it will be the same again this year.

Tim McKnight, our keynote speaker shares with us, in this edition, global trends and emerging issues in the cyber-security risk space and the influence of boards in responding to these problem. He tell us he expects cyber-security to become common, reaching into more facets of our daily lives. Tim is the Chief Information Security Officer for General Electric in the US, he began his career at the Federal Bureau of Investigation (FBI).

At the IoD I welcome two new members to the senior team. Willy Trolove, communications director in the Prime Minister's Office, will join us as External Relations Manager and Kirsten Ralph, a commercial manager from Department of Conservation, as General Manager Commercial.

The IoD has a role to challenge its members and provoke thought on the issues facing business leadership in New Zealand through the director lens. What we know about members of the IoD is that they are distinguished from others as members of the 7000 strong professional body for directors. As a profession they also have a commitment to ongoing CPD. A recent client for our *DirectorSearch* service sought only Chartered Members for their international board.

We should not be afraid to champion directors as the heart of the ethical and fiduciary foundations of New Zealand business. Directors are central to the well-being of the economy and the contribution they make in the business, not for profit and public sectors is fundamental.

I wish you well for the coming year.

# Upfront

## MOVING ON

*The IoD congratulates the following members on these board appointments:*

Chartered Fellow  
Rodger Finlay has been appointed as a director of Radio New Zealand.

Chartered Member  
Peter Tinholt has been appointed as independent director and Chairman of Bluelab Corporation.

Chartered Member  
Dr Don Elder has been appointed Chairman of Spanbild. He was CEO of Solid Energy for over 12 years before resigning in 2013.

Chartered Member  
Roger Sowry ONZM has been appointed to the board of payment solutions provider Indue's New Zealand Advisory Board.

Chartered Member  
Nigel Williams has been appointed as non-executive director of ANZ Bank New Zealand Limited.

Chartered Fellow  
Stuart McLauchlan was re-appointed for 3 year term as Chairman of PHARMAC.

Chartered Member  
Chris Bush has been appointed to the Institute of Geological and Nuclear Sciences.

Glenn Martin joins the board of Tasmanian company braap Motorcycles.

John Kelly has been appointed as TSB Bank Chairman

## A Fourth Industrial Revolution

The current technological revolution is fundamentally changing how we live, work and relate to one another. Labelled a Fourth Industrial Revolution it is the theme for the 2016 World Economic Forum's conference, usually referred to as Davos after the Swiss alpine resort hosting it. In January around 3,000 business and world leaders came together to debate global issues and encourage international co-operation.

The First Industrial Revolution brought mechanical innovations like the steam engines and railroads, the Second brought mass production through electric power and assembly lines, and the Third brought mainframe computers, PCs and the Internet. In today's digital world, with advancements in nanotechnology, 3D printing, mobile networks and computing technologies, radical system-wide innovation can happen in mere years. Widespread access to technology enables ready ability for inventing new product and services, disruption and the transformation of business models. The challenge is to ensure future jobs, productivity and equality and that the Fourth revolution improves the state of the world.

**For more information on Davos 2016 (20-23 January) visit [www.weforum.org](http://www.weforum.org)**

## Membership Survey Winner

**Congratulations to Gary Traveller**, winner of the membership survey prize draw. He wins \$500 towards the registration fee of the IoD Leadership Conference on 12-13 April.

SAVE THE DATE

**IoD Annual General Meeting**

Tuesday 7 June, 12pm, Hamilton

# New Year Honours 2016

The Institute of Directors congratulates the following members who have received honours in recognition of the contribution made in their respective fields.

**DNZM – Ms Paula Rae Rebstock, CNZM**, of Auckland for services to the State.

**CNZM – Mr Robin Michael Hapi**, of Foxton for services to Māori, the community and governance.

**CNZM – Mr Peter Hanbury Masfen**, of Auckland for services to business and philanthropy.

**CNZM – Ms Virginia Margaret Radford, QSO, JP**, of Auckland for services to Girl Guides.

**ONZM – Dr Simon Gardiner Allan**, of Palmerston North for services to palliative care.

**ONZM – Mrs Bice Awan**, of Wellington for services to mental health and rehabilitation.

**ONZM – Mr Stephen Lewis Boock**, of Christchurch for services to sport and the community.

**ONZM – Mrs Victoria Carter**, of Auckland for services to the arts, business and the community.

**ONZM – Mr Neil John Craig**, of Tauranga for services to business and philanthropy.

**ONZM – Mr George Roger Wayne France**, of Auckland for services to business.

**ONZM – Mrs Dianne Glenn, JP**, of Pukekohe for services to disabled women and the environment.

**ONZM – Mr Stephen Patrick Vaughan**, of Wellington for services to the New Zealand Police and the community.

**ONZM – Mr John Anthony Waller**, of Auckland for services to business and the community.

**MNZM – Ms Emeline Lilian Afeaki-Mafle'o**, of Auckland for services to the Pacific community.

**MNZM – Mr Peter Lawrence Hays**, of Auckland for services to accounting and the community.

**MNZM – Mr Timothy Grant Livingstone**, of Auckland for services to business and the community.

**MNZM – Mr Colin Neil Smith**, of Greymouth for services to the community.

**MNZM – Ms Rachel Emere Taulelei**, of Lower Hutt for services to the food and hospitality industry.

**MNZM – Captain Mark Robert Worsfold**, of Auckland for services to the New Zealand Defence Force.

**MNZM – Mr Darren Walter Wright**, of Christchurch for services to the community.

**QSO – Ms Sandra Joy Clare Beatie**, of Paraparaumu for services to the State.

**QSO – Mr Geoffrey Mark Dangerfield**, of Lower Hutt for services to the State.



Willy Trolove



Kirsten Ralph

## IoD boosts its leadership team

A couple of new faces have joined the IoD this year with Willy Trolove, a communications director in the Prime Minister's Office, set to take up the mantle of External Relations Manager, leading the sponsorship and stakeholder management portfolios for the IoD.

Meanwhile Kirsten Ralph, most recently the Commercial Manager – Public Conservation Land, at the Department of Conservation will be taking up the position of General Manager Commercial.

**DNZM** Dame Companion of the New Zealand Order of Merit, **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** Queen's Service Order

For further information visit [www.honours.govt.nz](http://www.honours.govt.nz)

### IoD BY NUMBERS\*

# 7299

members as at  
31 December 2015

# 73.7%

of our members  
are male

# 6.5%

growth in  
members 2015

# 9.6%

of our members  
are 40 and under

# 1143

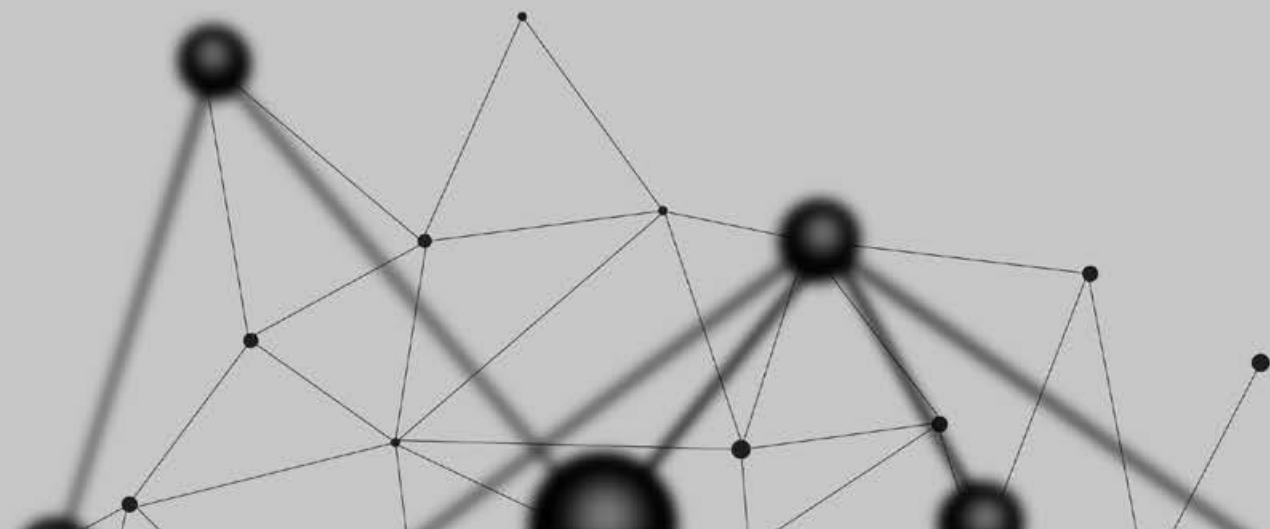
new members joined  
the IoD in 2015



NO

SILVER

BULLET





*As our lives become more interconnected with technology the risk of a compromise to an organisation becomes more attractive to criminals, nations, terrorists and hacktivism.*

Chief Information Security Officer for General Electric in the United States Tim McKnight says there is no silver bullet to managing risk.

An organisation must establish a program that identifies, prioritises and addresses cyber-risks but must be prepared for the eventuality of a failure. Acting fast and transparently during a cyber incident is critical to maintaining your brand and your customer trust.

The former FBI special agent who fought small scale cyber-crime is now responsible for the giant's information security, a taskforce of more than 1500 across the globe.

Tim says cyber-security has progressed rapidly in the past few years, so much so, he believes it is now globally one of the most discussed topics at the board table. If it is not it should be.

“Cyber-security has become a top priority for companies and nations around the world. Technology is embedded in everything we do and a crime that used to lose a company just tens of thousands of dollars, today, could be billions in

revenue, take down critical infrastructure impacting national security or do irreparable damage to a company brand.

“Just in the last four or five years cyber-security is on the rise as one of the top discussions in the boardroom.

“It's discussed more than performance. At GE it's number three on our list of priorities.”

The 2015 US state of cyber-security survey says cyber-security incidents were not only increasing in number, but also becoming progressively destructive, targeting a broadening array of information and attack vectors.

The report said a record **79%** detected a security incident in the past year with many incidents going undetected. Experts say the real tally is probably much higher.

Tim says for New Zealand companies the risk is just as great, and conversations need to happen at the board table and be shared between companies.

“I think over the last few years cyber-security has changed. It's not just an IT problem, it's a business problem.



Tim McKnight

This challenge has moved from the CIO to the CEO and the Board. It is a true business risk. Just look at the Sony breach as an example.

“I’m a big believer in intelligence sharing about incidents. The failure of one company can be protection for a thousand companies. Industry efforts to share actionable intelligence and protection mechanisms are critical to our collective success. Public-private partnerships are necessary as well.”

“We can’t afford to be wrong for ten days, two days or even eight hours. We must respond to these events in seconds and minutes.

“It’s about making the right decision quickly, to mitigate exposure and remain transparent in communicating to our organisation’s customers and shareholders.”

In December the New Zealand Government released its refreshed national Cyber Security Strategy with an Action and National Plan to address cyber-crime and encourage businesses to come together to share learnings and risk.

While New Zealand has yet to experience a significant cyber-attack, estimated economic losses last year reached \$257 million, with 56% of businesses experiencing an information technology security attack at least once a year.

Experts and commentators have remained vocal about New Zealand businesses needing to share to fight back. Tim agrees, and says although sharing should be regulated it’s imperative there is clear benefit to an organisation for participating. Otherwise, companies will under report incidents.

“A business should want to voluntarily participate. We must be incentivised to share. Without clear benefit to an organisation the effort won’t be successful” Tim says.

“I think sharing networks are really important. In the US GE is involved in 15 information sharing and analysis centres. I think they’re all really helpful. The problem we have now in the US is we have too much sharing. So it’s hard to tell what’s really important. That ability to find the needle in the haystack is getting more and more challenging.”

A challenge Tim believes needs to be adopted enterprise wide. Although he’s quick to point out it is the responsibility of the board to ask the right questions, to challenge the enterprise to perform.

“I regularly brief our board on our cyber-security programme; what we are doing, where we have gaps and how we are filling those gaps. It is part of our enterprise risk management program just as strategic or financial risk. Just like auditing and financial discussion, cyber-security is there too.

“You don’t have to have a security expert on your board, although that would be helpful. Most are looking for the best athlete that can play many positions. Not just a security background. Someone with a tech background or risk background with great interest in the cyber security area works well.

“It’s also important to bring independent expertise to brief the board. External experts as well as your internal technical audit team or external audit team are good resources as well.”

***56% of businesses experienced an information technology security attack at least once a year.***

“Cyber-crime has blown up and blown out. The opportunities are endless.”

“GE has one of the largest cyber-security teams in the world. Tim says that’s because it’s in such a critical infrastructure space.

“We are using analytics in the security space to not really look at the individuals, but the machines what’s their normal behaviour, profile that over time, and then if we really think it’s a problem, then we will take action on it. Otherwise we will try and drive that behaviour towards places we think are most secure.”

Tim says it is about thinking of solutions in a different way. Twenty-seven years ago he says cyber-crime was not a huge priority. As part of the national infrastructure protection agency he was hired to monitor cyber-crime and cyber-terrorism against critical infrastructure like dams, water, energy and transportation.

“As an FBI agent, I had the role telling businesses they had been compromised. Most had no idea that bad actors had been stealing their intellectual property for over a year or more. Clearly this is not how any organisation wants to be notified. In the corporate world ten years ago, using personal emails was a really bad thing, so everyone just blocked access. But you know everyone went and did it anyway they found another way to do it. They all went on with their personal PCs and circumvented it.

“Years ago my colleagues would have said shut it down, however I’m a great believer in let’s drive them towards the most secure solution. So today instead of blocking we’re more conscious about what are the top trends and then we

*... over the last few years cyber-crime has changed. It's not just an IT problem, it's a business problem.*

drive people towards more secure solutions. We're thinking about it a little differently than we were a few years ago."

"Another challenge boards will face is the growing rate of change and development in the cyber world, as more countries connect online.

"Crime will rise a lot through performance software. Criminals are creating systems where you can buy malware to do what you need. Money allows you to do that.

"There is a huge global focus on connectivity. Anything and everything is becoming attractive to a hacker. Take wifi devices in your home, alarms, body watches, tv cameras, microphones, even a heart rate monitor is appealing because these devices allow people to spy to obtain critical data. The more sensitive data it creates the more financially attractive it becomes.

Businesses need to move swiftly to put cyber-security on the agenda in the board room and the board needs to educate itself quickly and help the business manage this most important risk."

***Just in the last four or five years cyber-security is on the rise as one of the top discussions in the boardroom***

#### IOD LEADERSHIP CONFERENCE

***Tim McKnight will be giving a keynote address on 'The changing face of business' at the IoD Leadership Conference, to be held at The Langham, 12-13 April 2016***

## Best practice is often to print less, more often

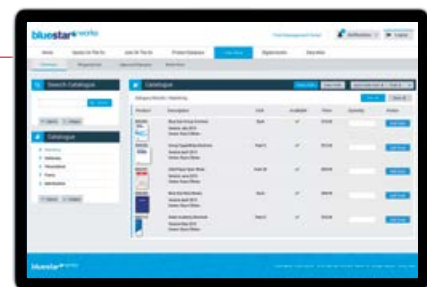
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**Direct**<sup>2016</sup>  
IoD Leadership Conference

# CHANGE **IS NOW** CONSTANT

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12–13 April 2016  
at The Langham, Auckland

Early bird registration  
**IS NOW** available.

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Institute of  
**Directors**

  
CPD POINTS

# Direct 2016

## IoD Leadership Conference

Knowledge is power when dealing with change. Leadership, innovation and future trends are all topics directors need to be aware of to prepare for the future. Change **IS NOW** Constant.

The IoD Leadership Conference **IS NOW** in its fourth year and is the gold standard professional development event for the governance community.

The programme includes another stunning line-up of thought leaders, strategists and business leaders from New Zealand and internationally. Our speakers will provoke thought, discuss and debate issues critical to today's changing environment.

This event reached capacity in 2015, so we encourage you to register early. Early bird closes 28 February.

### TUESDAY 12 APRIL

9.00 am

#### Session 1: The changing face of business

##### Keynote address

**Tim McKnight**, Chief Information Security Officer, General Electric, US  
*The Internet of Things - place your bets now!*

The marriage of big-data analytics and industrial engineering promises once unimaginable improvements in diagnostics, optimisation and planning for GE customers. Tim will discuss how this transformation is happening at GE and what he is learning on this journey from a security, risk and business perspective.

#### Session 2: Health and safety – putting it into practice

**Dr Kirstin Ferguson**, Non-Executive Director CIMIC Ltd, SCA Property Ltd, Australian Broadcasting Corporation  
*Beyond compliance: safety leadership and safety governance in the boardroom*

Dr Ferguson will share her PhD research into safety governance and safety leadership, as well as her direct experience as a non-executive director of some of Australia's largest organisations, to explore how boards can drive safety performance beyond merely ensuring compliance with relevant legislation.

Dr Ferguson will then facilitate a conversation with company director Vanessa Stoddart and CEO James Fletcher on some of the challenges experienced

for boards and senior executive teams on leading and governing in workplace health and safety.

This session is sponsored by



#### Session 3: The Leadership Toolbox workshops

The popular leadership toolbox workshops return this year. These interactive sessions will cover a wide range of topics and specialist areas.

#### Session 4: In the line of fire: tales from the corporate battleground

The biggest challenge you can face in the boardroom is turning a dire situation into an overwhelming success story. In these situations, the leadership within the organisation is key.

#### 5.00 pm End of day one conference sessions

#### 6.30 pm Cocktails and canapés

#### 7.00 pm Conference dinner

### WEDNESDAY 13 APRIL

9.00 am

#### Session 5: Disruption – facing the future

What does it take to lead in a disrupted era? How will emerging technologies affect our lives. What short and long-term strategies should you have in place to ensure your organisation is prepared and ready for the future.

#### Session 6: Sustainability and culture

**Dr Jane Cherrington**, Director String Theory, Director Good Books  
*The changing rules of governance*

Dr Jane Cherrington has conducted extensive research, globally and locally, on the subject of governance. The result is a call for change to new models of governance that can set us up for a more sustainable future. A thought-provoking take on governance to help you think about how prepared you feel to steer the business you direct into a sustainable future.

**Dr Margaret Byrne**, Principal Consultant, UGM Consulting  
*Looking towards the future and New Zealand's relationship with Asia*

The challenges faced by New Zealand organisations operating with Asian entities often feel like complicated puzzles. The key that unlocks the solution is cultural competence. This is about knowing what to do differently and why.

#### Session 7: The corporate governance landscape

**John Colvin**, former CEO and Managing Director, Australian Institute of Company Directors  
*The economy and recent key corporate governance developments in Australia.*

#### Closing address

#### 1.15 pm Lunch and close of conference

Principal sponsors



# 4 APRIL

ARE YOU  
READY?

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## Getting on board with health and safety

*Twenty nine lives were lost in November 2010 due to an explosion in the Pike River Coal Mine. This tragedy and subsequent findings from the Royal Commission showed our approach to health and safety to be wholly inadequate. It triggered a push for reform of health and safety in New Zealand, including establishing a new regulator, WorkSafe New Zealand, and new legislation.*

Five years on the new law is about to come in to force. From 4 April 2016 the Health and Safety at Work Act 2015 places a primary duty on organisations to ensure the health and safety of its workers, and others affected by the work it carries out. Directors will have a positive due diligence duty to ensure the organisation meets its health and safety obligations – they will be held accountable and personally liable if they breach their duties.

### PAINTING THE PICTURE

One to two people are killed every week in New Zealand while at work. In addition

there are an estimated 600 to 900 deaths each year from occupational diseases such as asbestosis. The financial cost is estimated to be \$3.5 billion or more each year. However these statistics do not begin to describe the impact on those who have been harmed, their families, friends and colleagues.

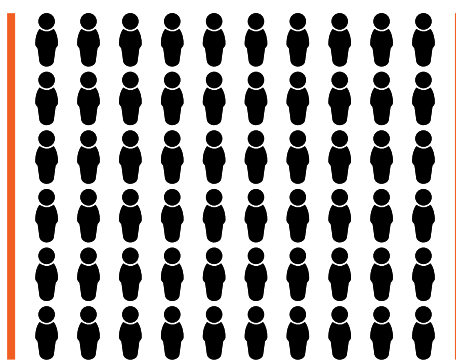
The Royal Commission on the Pike River Coal Mine Tragedy charged directors with changing these statistics in 2012 as “the board and directors are best placed to ensure that the company effectively manages health and safety” with their ability to allocate resources

and influence strategic direction, and the legislation followed suit.

This is defined under the new Act through their relationship with the Person Conducting a Business or Undertaking (PCBU), with directors (and other officers of PCBUs) responsible for exercising due diligence to ensure that the primary duty holder, the PCBU, meets their obligations. This duty is individual to each director and their responsibilities as an ‘officer’ of a PCBU, and all directors on the board need to understand health and safety risks – a responsibility which cannot be delegated.

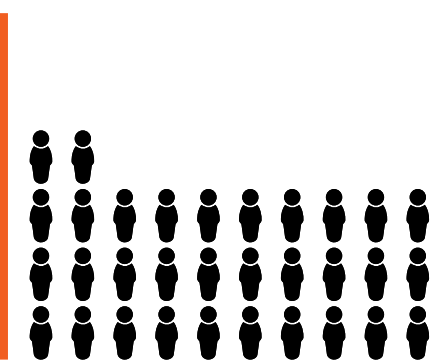
60%

of directors said they had the right board capability



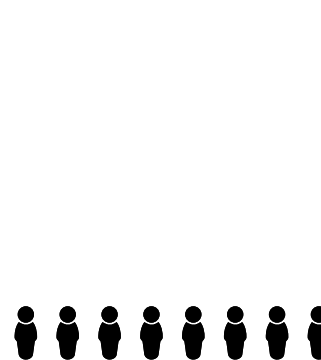
32%

were unsure of their capability



8%

said they were not ready



SOURCE: IoD-NZIER Director Sentiment Survey

The PCBU is something of a misnomer, as it usually will be a business entity such as a company, rather than an individual person. Serious penalties are in place for those who fail to meet their responsibilities and engage in what is considered 'reckless conduct', including fines of up to \$3 million and five years imprisonment.

#### WHAT'S CHANGED?

A key message in the legislation says Governance Leadership Centre Manager Felicity Caird, is that being reactive isn't enough – directors must be proactive in understanding the health and safety needs of their organisation.

This comes down to due diligence, says Felicity, "you're not expected to get involved in day to day management or become health and safety experts, but you need to understand the nature of the company's operations and the hazards and risks generally associated with

them, so you can hold management to account. You need to stay up to date on health and safety issues, and ensure what you think is happening on the ground floor, is what is actually happening on the ground floor. Directors need to dig deeper – to question, check and verify that the organisation is meeting its obligations."

Worker engagement is key to growing a positive health and safety culture. Under the Act organisations must have effective worker participation practices and workers should be encouraged to raise issues and ideas and contribute to continuous improvement. The board needs to set the tone for engagement by holding management to account to ensure workers are engaged.

"It's important for directors to show leadership by setting the direction of health and safety, with good policy and planning, and clear expectations on

how to deliver outcomes to measurable targets. Appropriate resources should be assigned, and worker participation practices put in place."

#### ARE DIRECTORS READY?

Many directors are ready for the new Act. In the 2015 IoD NZIER Director Sentiment Survey 60% of directors said they had the right board capability, up from 51% in 2014. However some are not feeling as confident with 8% of directors saying they were not ready, and 32% unsure of their capability.

#### PREPARING FOR APRIL

**The IoD has guidance resources to help directors on its website.**



**Opportunity  
beckons**



***“People are our greatest asset.” Heard that one before? Peter Bateman suggests new health and safety legislation offers directors a great opportunity to give it real meaning.***

Directors have six due diligence duties under the new Health and Safety at Work Act which comes into force on 4 April 2016. In essence, it is the job of the board to ensure the organisation is doing all it can to eliminate or minimise the risk that its staff or others could be harmed in the course of its operations.

Part of that requires directors to acquaint themselves with these risks and to seek data to show they are being successfully managed. That can mean getting out of the boardroom on a regular basis to view operations, and asking the right questions of the right people to ensure quality data flow.

If you think these new duties are merely a tedious matter of tick-the-box legal compliance, you are missing a golden opportunity to make your organisation more effective. Health and safety performance correlates strongly with business performance. A company which is doing well to protect the health, safety and wellbeing of its people is more likely to have better governance oversight and an attentive management.

Our new law borrows heavily from the Australian law introduced in 2011, so we can learn from their experience. Dr Sharron O’Neill, a researcher in corporate governance, performance and accountability with Macquarie University, has conducted studies to look at how Australian corporates have altered the way health and safety data is presented to boards.

Her research showed the high performers are providing their boards with concise regular information to help them verify risks are being managed. The key risks – those likely to cause death or serious illness or injury – are listed, along with each risk’s lead and lag indicators. Lead indicators are the inputs used to manage that risk – the defences or controls put in place. These could include training, equipment, safety conversations, climate surveys and so on. Lag indicators (such as LTIFR, lost time injury frequency rate) are the numbers of injuries, illnesses and near-misses, along with an indication of their severity or potential severity. O’Neill recommends listing each injury or illness individually so they are not lost in a total. Each one, she argues, represents a non-compliance. These figures show how well the controls – the lead indicators – are working.

Both lead and lag indicators are necessary for each critical risk. Ask for them so your board can quickly focus on the key risks and how well they are being managed. O’Neill acknowledges the reluctance of some organisations to give up indicators like LTIFR, but cautions that if you are still going to use it, you must also ask for total work days lost, because that indicates the severity of the illness or injury.

O’Neill also suggests board reports should label risk categories with real meaning: ‘fatality or permanent disability’ rather than the vague ‘severe’; or ‘long-term disability’ rather than ‘significant’. This helps focus the board’s attention on the key risks.

A caution: if the list of key risks in your board reports doesn’t include some relating to health and wellbeing (including psychological health), then ensure management provides this. Far more time off work is caused by physical and mental ill health than from injury incidents. Effective health and safety programmes need to focus significantly on the health side to provide the whole picture.

Directors need to go beyond tick-the-box paper compliance, to ask questions which approach serious risks and how well they are managed on the ground, where health and safety matters most.

To conclude, the new health and safety legislation is an opportunity to ensure health, safety and wellbeing becomes a strategic advantage for your organisation, one based on doing the right thing by your people because it is the right thing to do.

That’s what I call a win-win.

**Peter Bateman is editor of Safeguard magazine.**

**Safeguard also runs the annual NZ Workplace Health and Safety Awards. Entry information for the 2016 Awards is available at [safeguard.co.nz](http://safeguard.co.nz)**

**FIVE QUESTIONS FOR DIRECTORS TO TEST MANAGEMENT WITH:**

- 1** **How often are you and your direct reports in the field? What recurring themes are you observing when you do your site visits?**
- 2** **What are the top 3 safety risks in our business that could cause significant harm or injury? What are we doing to mitigate those? How are we receiving reporting on these risks in our board papers?**
- 3** **What in your view are the key health risks to which our people are exposed, including mental health risks? What is being done to reduce or eliminate those exposures? How is this being reported?**
- 4** **Which lead indicators are we developing to help prevent incidents and demonstrate the organisation’s health and safety system is alive?**
- 5** **When was the last time you asked an employee what frustrates them and prevents them from doing their job? (And what was the answer?)**

# The increasing workload of the modern New Zealand director

*The direction of law reform in New Zealand and comparable countries over the last 15 years, and particularly since the Global Financial Crisis, has been to pile more responsibility on directors and to expose them to greater liability and enforcement risk.*

Nowhere has this trend been more pronounced than in New Zealand, where it has been reinforced by local events such as the Pike River Coal Mine tragedy and the finance company collapses.

So it was unsurprising that the IoD's annual survey of its members found that workloads had almost doubled and

that directors' fees were struggling to keep pace. Only 50.6% were satisfied with their level of remuneration.

We look at what is feeding the increased workload and the increased risk profile of the director in New Zealand. Obviously the experience of individual directors will be different but there are some

themes in common. Our focus is on generic changes rather than those which are specific to an industry or a sector.

## **THE REGULATORY LOAD**

The big deal for this year will be the Health and Safety at Work Act 2015, which will come into effect on 4 April. Much has been written about this already in



boardroom and elsewhere so we will keep our comments brief. Suffice to say that it will create a positive due diligence duty on directors to ensure that the PCBU (essentially the business or enterprise) is fulfilling its health and safety obligations.

At a minimum, this will require that you:

- maintain an up-to-date knowledge of H&S matters
- have a detailed understanding of the nature of the business and any associated risks and hazards, and
- verify that the PCBU is equipped with, knows how to use and can be relied upon to use any resources necessary to eliminate and – where elimination is not possible – to minimise risk.

But business has been exposed to a steady stream of legislative change over the past several years so, even as boards prepare for the new H&S regime, many will still be grappling with new risks and requirements created by previous legislation.

#### Some examples:

- the **Companies Amendment Act 2014** makes it a crime punishable by up to five years in jail or a fine of up to \$200,000 for a director to act in bad faith knowing that, or reckless as to whether, the conduct will cause serious loss to the company or allow the business of the company to be carried on in a manner that causes serious loss to one or more of the company's creditors
- the **Financial Markets Conduct Act 2013**, which came into full implementation last year, makes civil actions against directors easier by providing that where a breach has occurred and investors have lost money, the losses will be attributed to the defective disclosure unless it can be proved that they were caused by something else. Liability can be incurred even if the director had no intention to contravene and no knowledge of the contravention
- the **Fair Trading Amendment Act 2013**, in force since June 2014, requires organisations to be much more careful about advertising claims as it is now illegal to make a claim which cannot be substantiated objectively. The largest risks attached to offending against this provision are to reputation but the fines are not insignificant – up to \$600,000

for a corporate and up to \$200,000 for an individual

- the **Crimes Amendment Act 2015** will mostly affect exporters and requires businesses to record any facilitation payments they make to foreign officials. It also establishes a maximum prison sentence for bribery and corruption of seven years, to bring the private sector into line with the public sector
- the **Credit Contracts and Consumer Finance Amendment Act 2014**, in force since 6 June 2015, requires lenders to comply with the responsible lending principles when dealing with borrowers (this includes when advertising, when entering into a loan, and in all subsequent dealings relating to the loan). The courts are able to impose tougher penalties, and the Commission is able to access a broader range of enforcement tools.

And there is more in the pipeline.

Although a new Privacy Bill has yet to be introduced, the principal changes have been agreed by the Cabinet and are designed to raise the reputational risks for business around data security failures. The Bill will provide for mandatory reporting of privacy breaches and give the Privacy Commissioner a new power to issue compliance notices, and stronger powers to initiate investigations (rather than wait for a complaint).

In the traditional pre-Christmas political rush, Commerce Minister Paul Goldsmith axed from the Commerce (Cartels and Other Matters) Amendment Bill criminal sanctions carrying a term of up to seven years in prison for hard core cartel behaviour. Goldsmith was persuaded that this might have a chilling effect on legitimate pro-competitive arrangements between companies.

The Bill, which should be enacted by mid-year, exempts “collaborative activity” which involves a cartel element where the collaboration is reasonably necessary to give effect to the arrangement and the agreement has not been entered into for the dominant purpose of reducing competition. The risk for directors is lower now that the threat of jail has gone but is not non-existent as:

- the scope of the collaborative activity safe harbour is uncertain and will need to

be established through the courts, and

- if you get it wrong, you are potentially liable for civil penalties of up to \$500,000.

#### STRONGER ENFORCEMENT

Enforcement has also been stepped up. New regulators have been created – the Financial Markets Authority and WorkSafe. Existing regulators have been given, or are about to be given, new powers: the Commerce Commission and the Privacy Commissioner.

#### FUTURE GOVERNANCE POLICY DIRECTIONS

Indications are that the policy trend toward tighter governance will continue. The benchmark tends to be set by the OECD which recently updated its corporate governance guidelines for the first time since 2004, and had them endorsed by the G20 conference in Istanbul in September last year. The FMA has said it will review its guidance this year to reflect the OECD update.

Trends observed by the OECD of potential relevance here, if not immediately then further down the track are:

- a developing expectation internationally that boards should oversee the finance and tax planning strategies management is allowed to conduct with a view to discouraging aggressive tax avoidance practices that do not contribute to the long term interests of the company and its shareholders, and
- a move in many jurisdictions toward recommending, or even mandating, that boards conduct regular self-assessment reviews and regularly review the performance of individual board members as well as of the Chair and the CEO.

None of this stuff should keep a diligent director awake at night. But it does require a strategic organisational response led from the top and supported by appropriate and well-understood policies and procedures.

**Roger Wallis is a partner in Chapman Tripp specialising in corporate and securities law. He is also currently Chairman of the Board.**

# Directors' Survey

*The hot and emerging risk topics in the boardroom Denise Moller,  
Marketing & Communications Manager, Marsh*



61.3%

were concerned about  
Reputational risk the most.



74.5%

told us they are reviewing  
risk more than they  
were two years ago.

Marsh ran its biennial directors' risk survey in November 2015 in partnership with the IoD. The survey asked directors about their key risk concerns across a number of topics including both personal and organisational risks.

With this being the second survey that Marsh has run, we were able to benchmark the results with our 2013 report. This enables directors to see how the risk landscape has changed over the last two years, as well as look at what their current and future risk concerns are.

## PERSONAL RISKS

**Respondents were asked to rate their concern around three key issues that would impact on them personally.**

Reputational risk surrounding you as an individual was the biggest concern with 61.3% of respondents rating the risk as high. (In 2013 62% of directors rated this issue as high). This was followed by being held personally liable for a legislative breach and loss of your personal assets if called to account. These results are very similar to our last survey.

It was unexpected that directors still appear not to be concerned about being held personally liable for a legislative breach or losing their personal assets if held to account – especially in light of the upcoming reform of the health & safety legislation.

## Directors' and Officers' (D&O) liability insurance

As with our 2013 survey, the issue that most directors were worried about in relation to D&O liability was "the policy not responding in the event of you needing to make a claim". Directors also had high degrees of concern with not knowing what was in their policy and not having sufficient cover.

With the ongoing litigation in the Bridgecorp case over the last couple of years, it is unsurprising that

directors are not entirely confident as to whether their policy would come to the fore when needed.

Our previous advice to ring fence defence costs under liability policies still stands.

Suffice to say it is recommended that you regularly review your policies with your risk and insurance advisor.

## ORGANISATIONAL RISKS

**We asked directors about the risks that impact them from an organisational perspective.**

### External risks

As with our previous survey, reputational risk was still the biggest risk concern.

Cyber risk however was ranked number two this year, which clearly shows how much things have changed on the technology front over the last 24 months. In 2013, cyber was ranked as the number two emerging risk and did not feature as a key external risk.

No one is immune from cyber-attacks. Anyone – whether they are an SME, government department or large corporate is at risk.

27.8% of directors said that they did not have a procedure in place to manage this risk. With the prevalence of cyber-attacks both locally and across the globe it is imperative to have plans in place to manage this risk and the consequences.

### Internal risks

Technology continued to be a strong theme in relation to directors' biggest concerns about the internal risks their organisations are facing.

"Disruption to your business following a major IT disruption eg software failure etc" remained at the top of the list similar to our 2013 survey as did loss of data, data corruption or failure of systems security or website security ("hackers" etc) at number three. Failure to keep up

with technological advances however moved up from eighth place to sixth.

Most directors were confident that they could handle a major technology disruption. There was less certainty however around the ability to manage a loss of data with 19.4% saying that there was no procedure in place to manage this risk. The lack of conviction around the ability to keep up with technology, with 35.2% of respondents saying that there was no procedure in place to manage their failure to keep up with technological advances, was also quite prevalent.

30.2% of directors rated "other" risks as high. Respondents were asked to specify what these risks were. Health and safety was mentioned several times along with theft and fraud by key officers.

#### BOARD'S INVOLVEMENT IN RISK

**We wanted to assess how the board's role has evolved in managing risk over the last two years.**

58.9% of directors said that their board's involvement in insurance / managing risk has increased over the past 12 months and 74.5% told us that they are reviewing risk more than they were two years ago.

Of those who are reviewing risk more frequently, 56.1% said that it was because of greater perceived risks in the current business environment while 16.9% stated "other".

25% of those who selected "other", wrote that the new health and safety legislation was one of the reasons that organisations are reviewing risk more often. This is in complete contrast to the earlier part of our

survey where directors were not concerned about their liability as individuals.

#### EMERGING RISKS

**Finally, we wanted to know what the main / future emerging risks are that may have an impact on organisations in the next 24 months.**

Increasing corporate governance requirements was at number one, which was consistent with our 2013 survey.

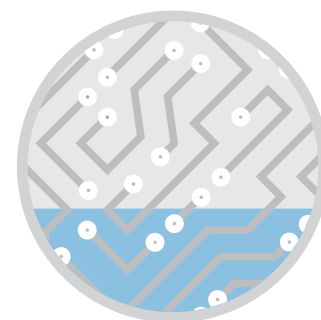
Health and safety is obviously a key driver in this area with the new legislation coming into effect this year. Other pieces of legislation are also under review, which means directors have to consistently be on their toes to keep abreast of these issues.

A slight shift in this year's rankings was the increase of identity fraud / theft to number three. Given that there have been a few cases of directors being investigated / charged by the Serious Fraud Office this year, this issue has become a lot more top of mind.

#### IN APPRECIATION

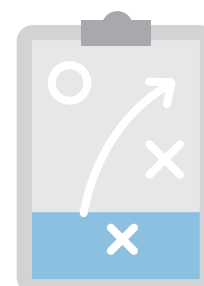
We would like to thank the 526 IoD members from around New Zealand that responded to the survey. Your contributions and insights were very much appreciated.

**A full copy of the report with more insights and detailed commentary can be downloaded from [www.marsh.co.nz/](http://www.marsh.co.nz/) directors. For further details please email [denise.moller@marsh.com](mailto:denise.moller@marsh.com).**



35.2%

say there was no procedure in place to manage their failure to keep up with technological advances.



27.8%

of directors said they did not have a procedure in place to manage cyber-attacks.



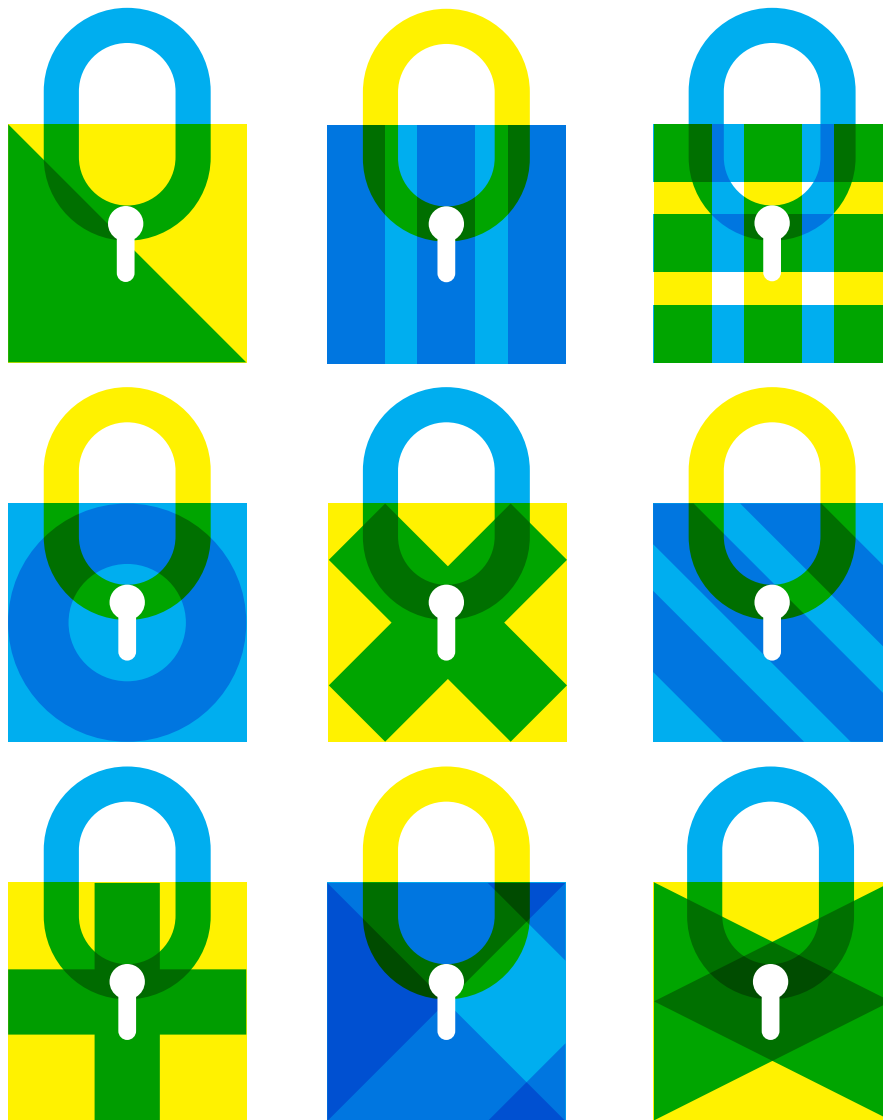
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# Working together to tackle cyber-crime

*“Cyber-crime is not an insurmountable problem, it is a challenge. By collaborating we can find solutions,” says National Cyber Policy Office Director Paul Ash.*

He says there will be great opportunities for the private and public sector to work together against cyber-crime this year following the launch of New Zealand’s Cyber Security Strategy, Action Plan and a National Plan to Address Cybercrime by Communications Minister Hon Amy Adams last December.

Plans for New Zealand’s first ever Cyber Security Summit and the formation of a

national Computer Emergency Response Team (CERT) were also introduced.

After strongly advocating for information sharing hubs to help businesses share intelligence on cyber-attacks and threats, Institute of Directors Chief Executive Simon Arcus supported the announcements.

“Without any avenues for the private sector to share information on cyber-crime, New Zealand businesses would be

in serious danger of becoming the cyber dinosaur of the developed world,” he says.

“Many companies have had no forum to share data and there has often been a reluctance to discuss attacks. But a collective response is more effective than companies trying to deal with cyber-risks alone.”

A recent Norton report noted that in New Zealand almost \$257 million was

lost to cyber-crime in the past year, affecting around 856,000 people, while the GCSB reported 190 significant incidents in the 12 months to June 2015.

“The damage from cyber-crime is wide ranging and can affect businesses directly through the disruption to operations and loss of intellectual property, and indirectly by undermining the confidence of businesses and consumers in our digital systems,” says Paul.

“To enjoy the trade opportunities offered by connectivity, it’s essential we maintain this confidence in the online environment. Consumers and trading partners also need to be confident that their information is secure when dealing with New Zealand businesses.”

Experts say this is particularly important in the case of the growing number of New Zealand exporters of online services, but in the digital age every business should concern itself with cyber-security.

#### CYBER-CRIME ON THE INTERNATIONAL STAGE

With the total cost to the global economy of cyber-crime reported as \$445B by internet security company McAfee in 2014, many countries have ramped up their efforts to protect vulnerable national assets.

The Australian CERT responded to 11,073 cyber-security incidents affecting Australian businesses in 2014. This number is expected to grow with the Australian Cyber Security Centre, saying the incidents in the public eye are just “the tip of the iceberg”.

In the United States a number of high profile cyber-security incidents have

occurred, such as the recent attack on Sony Pictures Entertainment. Concern is rising among US executives, with 76% saying they were more concerned about cyber-threats this year according to PWC’s US State of Cybercrime Survey.

This concern is shared by the US government, with President Obama issuing an executive order to foster cyber-security threat information sharing within the private sector and between the private sector and the government in February of last year.

US-CERT is a branch of Homeland Security, and worldwide there are now more than 250 organisations that use the name CERT, with each of New Zealand’s major trading partners having a CERT of some kind.

#### THE CASE FOR A CERT

**“As much of New Zealand’s critical infrastructure makes heavy use of ICS [information and computer science] technologies, and the infrastructure of New Zealand is highly interconnected and interdependent, cyber-threats could have major economic ramifications or result in environmental damage or loss of life.” – National Cyber Security Centre, Voluntary Cyber Security Standards for Industrial Control Systems v.1.0**

“It is old fashioned to think that geographical distance equates to protection from threat for our islands. Cyber hackers respect no national boundaries,” says Simon.

“We need to take the steps any country with a modern developed cyber-infrastructure might do.”

The New Zealand CERT will provide help and advice to businesses, including small

to medium enterprises, government and individuals so they can protect themselves from cyber-threats.

It will be built around the four principals of the refreshed New Zealand Cyber Security Strategy, with the aim to increase New Zealand’s cyber resilience, cyber capability, ability to address cyber-crime, and international cooperation.

#### WORKING TOGETHER

The IoD believes cyber-security threats must be shared within the private sector and between the private sector and government.

“Rapid information sharing is an essential element of cyber-security. Pace is everything, we have an evolving cyber-threat to tackle. It is adaptable. Our cyber adversaries move with speed and stealth. We need to keep pace,” says Simon.

“The very confidentiality that a business relies on to operate is working against it when facing a sophisticated and relentless enemy. It is a huge advantage to hackers that businesses are unwilling or unable to share data. Hubs make collaboration safer, faster, and easier to respond.”

Through initiatives like Connect Smart and CERT, Mr Ash says the government was putting in the right structures to make sharing information on cyber-security simple and safe for businesses, and there was solid legislative protection in place for customers.

#### PRINCIPALS UNDERPINNING THE CYBER-SECURITY STRATEGY

- Partnerships are essential
- National Security is upheld
- Economic growth is enabled
- Human Rights are protected online



## CYBERSECURITY ON YOUR AGENDA FOR 2016?



Kaon Consultants assist Business Owners, Directors and Management make informed strategic decisions about information governance and cybersecurity risks.

For a confidential introductory chat contact – Andrew Corbett

E:andrew.corbett@kaonsecurity.co.nz M: 027 585 8003

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## You know where your organisation is heading, but is it going in the right direction?

The Governance Leadership programme provides the knowledge and skills for good governance of SMEs, not-for-profits, private and public sector organisations, and is aimed at company directors, board members, trustees and councilors. The programme starts April 2016.

You will learn that issues of governance are not necessarily issues of skill – they are issues of integrating tools and skills into a format to lead.

The University of Waikato has developed the course content and will deliver the courses. The IoD's involvement is related to the capstone project component for which they have provided the Four Pillars of Governance Best Practice and will be involved in the assessment of participants' projects.

"This programme is rigorous and robust but absolutely worthwhile. You will learn from and work with academics who really understand the commercial environment."

– Penelope Peebles

Visit [management.ac.nz/leadershipseries](http://management.ac.nz/leadershipseries) to find out more about this exciting programme.



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TE RAUPAPA

WHERE THE WORLD IS GOING



# Governance Leadership Centre update

*Felicity Caird discusses trends and developments in corporate reporting and why this should be top of mind for boards in 2016.*



Felicity Caird, Manager  
Governance Leadership Centre

## **FUTURE CORPORATE REPORTING**

Demand from consumers, stakeholders and investors for greater transparency about corporate activities and for more holistic reporting is gaining global traction. The Global Financial Crisis (GFC) highlighted the need for more comprehensive information in corporate reporting so that investors and other stakeholders have a clear sense of the risks and opportunities companies face.

Financial information alone doesn't tell the whole story, with scrutiny extending beyond the bottom-line to examine what businesses are doing, how they're doing it, and what impact they have on the environment and society.

Consumers want to know about the origins and composition (including supply chain) of products, and about employee conditions and treatment, and corporate practices. They want to know that they are not buying products of child labour or environmental damage. They want to know that their choices may contribute to social good.

These are not just ethical drivers but commercial drivers. It's about understanding how businesses create value and the sustainability of business models, particularly in our world of major environmental, social and technological change.

Businesses and organisations are expanding their thinking, and reporting more on corporate activities and

performance, including on sustainability, environmental, social and governance (ESG) matters, corporate social responsibility (CSR). The GLC looked at the top 20 NZX companies and found that 65% were reporting in some form on environmental, social and corporate responsibility matters.

## **A GLOBAL FREIGHT TRAIN**

Internationally we are seeing an increase in requirements for sustainability or ESG reporting, such as Financial Reporting Council (FRC) requirements for strategic reports by UK listed companies and Securities Exchange Commission (SEC) requirements for USA-listed companies to report on material environmental risks. The Singapore exchange is mandating sustainability reporting in 2016/2017, and the Hong Kong exchange is reviewing ESG reporting as it updates its Corporate Governance Code.

Integrated Reporting is also exploding on the global scene. Integrated Reporting aims to align thinking and information about an organisation's strategy, governance systems, performance and future prospects. It does this in a way that reflects the economic, environmental and social impacts the business has on its operating environment. It has been adopted by more than 1,000 major businesses worldwide and is mandated for listed companies in South Africa and Brazil, and endorsed in many other jurisdictions in Europe, the UK, Japan, India and Malaysia.

Here in New Zealand, the NZX is reviewing corporate governance reporting requirements for main board listed companies, and has asked for comments on whether additional disclosure and reporting on ESG risks should be introduced. Submissions are due by 26 February 2016.

Focusing on key strategic, social, governance and environmental risks, and long-term business sustainability, is fundamental to good governance. So too is understanding and responding to the evolving expectations of investors, consumers and other stakeholders. Transparency of corporate activities and intentions helps build trust, aid business resilience and long-term sustainability.

With the start of a new year it's a good time for boards to ask if more holistic corporate reporting will provide greater transparency and insight on organisational performance, value creation, culture, strategy, risks and long-term business sustainability.

***For more information on the future of corporate reporting, and an overview of Integrated Reporting, see the GLC's November 2015 directorsbrief, available at [www.iod.org.nz](http://www.iod.org.nz).***

SEEKING

RETAINING

EVALUATING

STAYING  
RELEVANT

PART 1 OF 4

# It makes sense

*A board has an important role in ensuring the longevity and future success of a company, so when looking to recruit or appoint a new director it is important to cast the net widely. It's more than just about finding the best person, it's about ensuring they add an optimal skill balance for the board as a whole.*



Kelly McGregor,  
Board Services Advisor

“The past is irrelevant, it is all about the future,” experienced director and chairman George Green says.

“It’s all about direction. It’s strategic.

“You’ve got to have in mind how you are going to evolve your board. Thinking at least three or six years ahead, you need to have a good idea of how your company is going to evolve over time, and the important issues you’re likely to face. When you appoint, it is to build the capability to be able to deal with those issues, not just to perpetuate what you already have.”

The Institute of Directors (IoD) maintains New Zealand’s largest database of independent directors, and helps companies match individuals’ skills and experience with their specific business needs.

Approached by a broad range of organisations looking to appoint one or

more independent directors to their board, the IoD offers solutions specific to a business’ needs.

“We work with clients to determine their criteria and use this to provide a long list of suitable candidates for consideration,” says IoD Board Services Advisor Kelly McGregor.

“In our experience many boards already know what they need at the table, so we work with each one individually to understand skills, competencies and experience required, and what is expected of a new director to ensure the best match.”

BRANZ Chairman Dr Helen Anderson has used the IoD’s **DirectorSearch** service twice.

“It’s all about the success of the organisation. The IoD has a dedicated service with DirectorSearch, and the IoD are the governance experts – it’s a no brainer.”

Green agrees the process was not only a time saver for a business’ board, but it has also been a success for the two different companies he has used IoD’s DirectorSearch for.

“Kelly and I had a robust conversation, to get a deep understanding of what a prospective director should be able to contribute,” Green says.

“The whole process appeals; it is efficient, quick and we found our candidate. The fact of the matter is on both occasions I used DirectorSearch, it was outstanding. We got a very good match. I’m still in touch with the director who we appointed 18 months ago. So I know it works.”

The IoD’s *Four Pillars of Governance Best Practice* states board composition is a major contributor to board performance. Achieving a balance of skills and experience is a key goal and highlights the importance of succession planning.

**BOARD COMPOSITION**

Green says at Babich Wines a lot of time was spent looking at how the board would contribute to the family business and what the skills and experience gaps were.

“We are a very successful wine maker; skilled at growing grapes, building wineries and making wine, but our future is dependent on our ability to compete in international markets and sales and distribution,” Green says.

“We talked this through with Kelly, looking at candidates and prioritising in order of what we didn’t have but needed. The diverse calibre of directors the IoD database offered was impressive. Kelly was really good throughout the process. Her experience and ability to find candidates in the database to meet the refinements in our specification resulted in a final short-list of four or five who were all exceptional.”

McGregor says a balanced board needs a mix of skills and experience.

“The board’s perspective and effectiveness will be limited by drawing members

from similar backgrounds or grouping together a number of narrowly focused specialists who are unable to think or question outside their own area of expertise,” McGregor says.

“Diversity on a board is vital but should always be through the lens of demonstrated competence. Diversity includes and goes beyond gender. A board with a variety of perspectives is likely to ask a wider range of questions when presented with options. The board should consider diversity in terms of the skills and capabilities it wishes to best advantage the organisation with.”

**SELECTION**

*DirectorSearch* also offers organisations the opportunity of additional recruitment support. For Anderson, McGregor provided guidance and sat on the BRANZ interview panel.

“Using IoD services not only to screen applicants, but to help us establish criteria to assess and elect was really helpful,” Anderson says.

“Having an independent expert in governance guide us, especially for those on the panel who hadn’t appointed at this level before saved us a lot of time. Kelly was a wonderful mentor and guide for them.

“It is more successful because it’s running through the IoD. It’s all about the success of the organisation.

Green agrees.

“On two occasions we got an outstanding result,” Green says. “It just makes sense.”

*Increasing demands are being placed on directors to perform, often in complex and challenging environments. In the next boardroom, the second article in this series will focus on director remuneration, what is fair in order to attract and retain the best people to drive growth and performance for your organisation.*

**directorSearch****Searching for a new board member?**

*When looking for a new director, you should cast the net wide enough to ensure you find the best person for the job while achieving the optimal skills balance for the board as a whole.*

We can help you find the right person for your board.

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# First Steps

*The journey for aspiring directors to join their first board isn't always clear, but with the right experience, dedication and frame of mind, you can go from good to great.*

*In part one of a three part series which explores the pathway from new, to mid-level, to senior director, Liam Macandrew talks to Hannah Buchanan about her first foray into directorship.*

One of the biggest questions aspiring directors say is how to prepare for, and find, their first board position.

The Institute of Directors says there is no one blueprint to ensure success - but there are a number of things that can be done to increase the opportunity of attaining a board position.

The first is to let people know you're looking, and use your own networks.

Despite a successful career in the public sector and four years running her own consultancy firm, Hannah Buchanan says it took a bit of adjustment to being the 'new kid on the block' in governance.

"It's really hard starting out in governance and working out where the best place to start is - where your skills are most transferrable," she says. "The entry level governance positions don't pay as well as my consulting, and I know it will take some patience to build my career."

Hannah says each step has provided a unique challenge with a variation in age, objectives, strengths and weaknesses of each company. The responsibilities of directorships differ wildly. But the challenge is exactly what she wanted. Directorship seemed a natural fit for her skill set, and something Hannah had long held an interest in.

Her first opportunity came from the Department of Internal Affairs, after concluding some consulting work the manager wanted her back - but instead of accepting more work she expressed an interest in governance.

"It was a bit scary turning down work as I'm self-employed, but I had made the decision that this is what I wanted to pursue," says Hannah. "You have to be prepared to take a risk and create space for governance opportunities to eventuate. I have now reduced my consulting availability to pursue governance opportunities.

From there it really took on a life of its own says Hannah, as a second opportunity came at the Wellington Tenth Trust.

"I had initially thought I would become involved in something at a lower level, but after talking to some friends and colleagues I started to see that I had skills which I could offer the board. The more I looked at it the more I thought yeah, I could do that."

As an elected member she had to pitch herself to the shareholders, which required careful research and thought into how she could add value says Hannah.

"Telling my contacts I was interested in governance isn't something that initially occurred to me, or I think for a lot of other people just getting into it, but how else will they know?"

"Everyone you know is a good contact, as they all have skills and know people you don't. Reaching out was one of the most important steps I took as a new director."

Hannah says she didn't just let her networks do all the work, and focused on expanding her professional skillset for governance, a pleasant surprise, she says, when she found herself really enjoying the financial side of directorship in the IoD's *Finance Essentials*, and the "story that money tells about organisations."

Recently she also joined her third board, CORE Education Limited, a Christchurch based not-for-profit she found through the IoD's *directorvacancies*.

"Getting to see the organisation and feel the dynamic of the board, to meet my colleagues, know the processes, the people and the chair is really important as a director. I spent some time in the staff kitchen area just to experience more of the company atmosphere."

## LESSONS LEARNT

"One of the great discoveries for me in governance is just how diverse it can be. I've often had to step back and ask myself, where do I sit in this context? And how best can I add value? While I worked alone as a consultant, in a board the interplay between directors is really important, and that has been a really interesting challenge for me."

Between her three directorships, Hannah is sitting on the boards of an ahu whenua trust, a ministry's policy board, and a non-profit organisation - three very different boards, each requiring a different approach.

The Wellington Tenth Trust dates back to 1839, controls about \$60 million in assets, has 6000 beneficiaries and their whanau, and a focus on low risk decision making and long term sustainability - it's an organisation so old she can trace it all the way back through her whakapapa to her great great grandfather.

“When your outlook is that long-term and the organisation so old, you have to approach the role from a different angle. Change doesn’t come quickly. Being a part of the trust has forced me to think about how I can best contribute in the context of systems and norms which are already well established.”

One of the good lessons she learnt from the trust is “your ideal won’t always match up to the reality... it’s up to you to find out where you can most contribute value.”

This contrasts to the Department of Internal Affairs.

“While the department was under no obligation to create the board, it was an innovation of the General Manager Policy and there was a clear value with approximately 90 FTE’s in the Policy Group and six ministerial portfolios to service.

“It’s required a much more hands on approach as the systems for management to communicate with the board are still developing, and I’m actively helping to decide what information is important to us and creating processes for management to deliver.”

### STEPPING STONES

The question now forming is how far she would like to go into governance, as making the shift hasn’t been an easy path, says Hannah.

“You really can’t come into it as just a bit of play or a hobby – it requires a lot of dedication, and I’ve spent many hours developing my skills and considering how best to approach each of my directorships.

“I’m still in the early days, but I will see what opportunities develop and decide how far I want to go with it.”

As she gains more experience in governance and with directorships Hannah says she’s keen to break the paradigm of male dominated boards, as “part of the reason I got into directorship is so not all important decisions are made by just a thin slice of the world.”

“My personal and professional history is unique to me, and this is a very valuable asset. It’s what gives me a different perspective and a unique voice in the boardroom,” and Hannah’s advice to new directors follows from this – “don’t doubt yourself. If you’ve got something to contribute, speak up. Your voice has power. Use it.”

***In the next issue of boardroom we will be talking to a director who has been on a number of boards and is looking to develop their career further.***





Kept members up-to-date with information they needed to know

**96%**

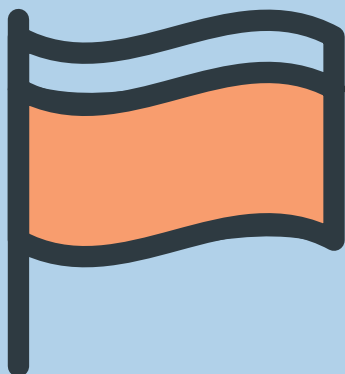


Increased the professionalism of directors

**94%**

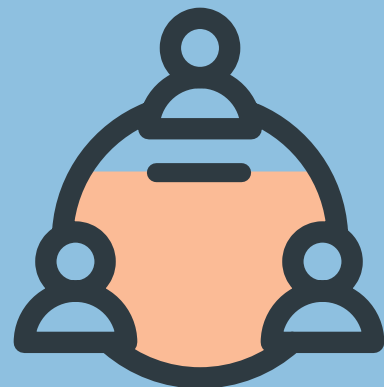
# What matters to members

POSITIVE IMPRESSIONS OF THE IoD



A thought leader on governance

**84%**



Facilitated effective networking and relationship building among members

**83%**

Listening to members and understanding what adds value to them in their roles as directors has formed part of the ethos of the Institute of Directors since we began researching members in 2006. Using a mix of qualitative and quantitative techniques, the IoD conducts research on a two-yearly basis to understand members' expectations of the IoD, its performance in those areas and the things the IoD can do to deliver better value to members.

Interestingly over the past ten years the main reasons that members choose to join and remain a member have remained constant. Access to a range of information on corporate governance, including access to the *Four Pillars of Governance Best Practice* and the *Code of Practice*; being kept up to date on issues affecting directors; and being part of the professional organisation that represents directors continue to be the top three reasons why directors choose to be members of the IoD.

Recognition of the importance of these aspects of membership has driven IoD's strategy and led to such major initiatives as the introduction of the Chartered Membership pathway, the Governance Leadership Centre and continued investment in the IoD's flagship publication, the *Four Pillars of Governance Best Practice*.

The IoD launched the Governance Leadership Centre (GLC) in 2014 to connect members to research, policy and thought leadership from across the globe. Over the last two years the GLC has made a number of submissions to national and international agencies on governance and regulatory proposals, including last year to XRB, Reserve Bank of New Zealand, Inland Revenue and NZX.

IoD's mission and commitment to members is to keep them critically and purposefully informed on governance thinking, relevant both today and tomorrow.

The IoD has also developed a number of publications to support members continued professional development.

directors briefs and Governance Updates inform members about current and emerging governance issues, while Practice Guides cover specific topics such as Cyber-Security and Conflicts of Interest.

*“The liabilities that lie with directors is increasing, there is greater need for education. This needs to be done through evolution, not revolution. The IoD is providing opportunities for directors to learn their trade. It is enabling directors to consider ‘what do I need to do to up-skill?’ The IoD is well-positioned as a source of best practice.”*

Leading governance and thought leadership discussions in the media, at national and international conferences, and lobbying government, on behalf of directors, was a key focus of 2015 and will continue to be. Media coverage of the IoD and its members has increased significantly in the last six months with reporters now seeking the IoD to comment on key issues. The IoD was also recently invited to be part of the government task-force at New Zealand's first cyber-security summit.

*“The IoD has transformed its image and objectives from being an old boys club to a professional organisation representing a wide range of members with a continued focus of increasing awareness amongst directors of the ‘big issues’ confronting boards and the advocacy for strong governance practices.”*

In 2016 The Four Pillars, the IoD's comprehensive reference guide for directors in New Zealand, will be updated and revised for a 2017 re-release.

The introduction of the Chartered Membership pathway and the Continuing



Nikki Franklin, Manager Membership Marketing and Communications

Professional Development (CPD) requirement to core membership began a new era of professionalism for IoD members.

CPD is an ongoing requirement to undertake education, maintain a current knowledge base and to improve skills and knowledge. CPD covers the activities, both formal and informal, which a director undertakes to improve their skills and competence within the IoD's New Zealand Director Competency Framework.

*“Chartered Membership pathway and the requirement of professional development is a good thing. The IoD has made progress in that sense.”*

*“The Chartered Director pathway is a great step forward. It has been a good journey.”*

For more information visit [www.iod.org.nz/Chartered-Membership-pathway](http://www.iod.org.nz/Chartered-Membership-pathway)

#### DIRECTOR DEVELOPMENT

Knowing what members think and want, allows the IoD to prioritise course development that will add the most value to members.

In July the inaugural Rural Governance Essentials course ran in Invercargill. Designed specifically for rural business, the course gives insight into the benefits a board can bring, and the fundamental responsibilities of a board and its

directors. Demand saw further courses held across the country, and it now is a permanent fixture in the calendar.

With Ideas Shop, the IoD developed a one-of-a-kind masterclass for highly experienced directors simulating a real-life crisis. *Leading Through a Media Crisis* focuses on the leadership role directors must play during a crisis, and the disruptive role and impact of social media.

Two other new courses, *Te Pae Hihiri: Māori governance* – navigating the future and the successful *Hot Topics for SME Directors* webinar will also continue this year.

For *Te Pae Hihiri* while the IoD's best practice principles of good governance are applied throughout the course, it has Māori governance case studies and examples woven throughout.

Similarly, *Hot topics for SME directors* required some out of the box thinking. The course needed to be flexible to account for the wide range of issues that directors of SMEs face.

*“The IoD’s focus on training and best practice has noticeably contributed to an improving professionalism among directors.”*

This year the IoD is planning to develop seven new courses, one will be in the Fundamentals suite and six in the Focused suite. Of the seven courses, one will be in the Fundamentals category and six in the Focussed suite.

#### DIVERSITY

Diversity was an important issue raised in focus groups and covered in the survey. Diversity was seen by members as more than just having women around the board table, but ensuring diversity of thought and boards reflected the diversity of their community.

*“There is a need to clearly identify what diversity means, why it is an important concept and how it can contribute to better boardroom decisions.”*

After three successful years, IoD's Mentoring for Diversity programme expanded in 2015 to promote board diversity in its wider sense. It now has a much broader focus, offering companies a better perspective on a range of issues, and mentees are considered in terms of ethnicity, age, skillset and background, in addition to gender.

Founded in 2013 by The Warehouse founder Sir Stephen Tindall, Des Hunt from the New Zealand Shareholders Association and IoD president, Michael Stiassny, the IoD has continued to build the Future Directors programme and so far 15 Future Directors have been placed and five appointments are currently underway. The programme contributes an exciting part of the diversity equation by offering young talented individuals the chance to participate at the board table of a large New Zealand organisation for a year. It has an important part to play in bringing new talent into the boardroom earlier in their careers while also exposing these boards to the benefits a young mind can bring.

While these two programmes are a start in terms of delivering improved diversity, there is still much to be done and the IoD is committed to accelerating this change. To this end the IoD already has some further research underway on Women in Governance and will use the findings of this research to determine initiatives that will increase the number of women on boards.

#### OVERALL IMPRESSION

Members said their overall impression of the IoD, what they believed it was good at, had improved over the last two years. The top five included:

1. Keeping members up-to-date with information they need to know (legislation, matters of compliance)
2. Increasing the professionalism of directors
3. Raising the standard of governance in New Zealand
4. Being the thought leader on governance
5. Encouraging diversity on boards.

Members continue to perceive the IoD's performance and changes positively.

The latest results show that the majority of members (87%) continue to rate the IoD's performance as positive.

*“There seems to be a lot more members these days. Collectively the organisation can be stronger with a good solid membership base. It allows the organisation to be stronger and improve its services to members.”*

The IoD would like to thank all members that participated in the 2015 survey. Your feedback will ensure the IoD continues to remain relevant and add value to your membership.

*“The IoD is like a Kinder Surprise. You have one idea about what you might experience and it's not that great. However, it is filled with anticipation and when you get there you find it is really quite nice and filled with all sorts of surprises.”*

**From mid-2015 until August a number of focus group discussions and an online survey was conducted to formally evaluate changes in members' attitudes, needs and behaviour since its last study in 2013.**

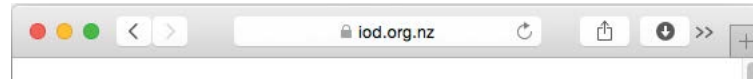


# Membership

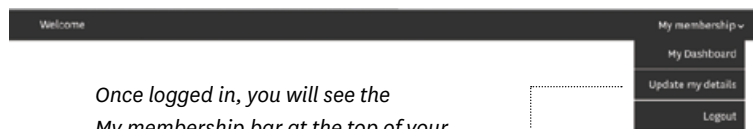
*The start of a new year is a good time to check and update your membership profile. We want to be able to keep you informed, be relevant and ensure you are receiving key membership information. Please take the time to check your details and update if necessary.*

1

Login to the IoD website [www.iod.org.nz](http://www.iod.org.nz), and visit **My membership**.



2



Once logged in, you will see the My membership bar at the top of your screen. Select update my details.

3



Below is a list of the details currently held for you in the Institute of Directors' membership database. Please click on the arrows to expand and view the information. Edit or update any of the information we hold for you by clicking on the menu items on the right hand side of the page.

Update or add any of your governance and management roles.

If you are looking for board appointments this year, make sure you register for directorSearch if you haven't already.

<b>Governance Roles</b>	▼
<b>Management Roles</b>	▼
<b>Director Search</b>	▼
<b>Skills</b>	▼
<b>Sectors</b>	▼
<b>Curriculum Vitae</b>	▼

## Update my details

Edit or update any of the information we hold for you by clicking on the menu items below.

- > Personal details
- > Contact details
- > Governance roles
- > Management roles
- > DirectorSearch
- > Skills
- > Sectors
- > Curriculum Vitae
- > Change my password

## Update my details:

So we can keep you informed, be relevant and ensure you are receiving key membership information please take the time to check your details.

**If you require assistance updating your details please contact the membership team on 499 00076.**

# & Aspiring Emerging Director winners



**Paul Adams**  
AUCKLAND

Paul Adams is the CEO of EverEdge IP, a global intangible asset advisory and transaction specialist. He wants to bring his awareness of the drivers of company growth and performance in the 21st century, such as innovation, responsiveness and the impact of technology to the board table.



**James Yearsley**  
WAIKATO

James Yearsley is the owner and director of independent risk and security consultancy ICARAS, as well as founder of volunteer organisation Tamahere Dad's Army. He comes to boards as a champion of local business and the community.



**Bryan Graham**  
BAY OF PLENTY

Bryan Graham leads teams specialising in computer science, geomatics and complex systems at Scion. He seeks to bring his extensive technological expertise to the boardroom.



**Sunil Suruipal**  
WELLINGTON

Sunil Suruipal is a senior manager in Accenture and chair of the Junior Rugby Board for the Wellington Rugby Football Union. He is looking to give back to the community and help organisations embrace disruption.



**Chris Bailey**  
CANTERBURY

Chris Bailey is the business manager for Rangiora Vet Centre, Chris is focused on creating a brighter future for New Zealand through its economic performance on the world stage.



**Tim Trewinnard**  
CANTERBURY

Tim Trewinnard is a technology manager at Dynamic Controls, a world leader in the design and manufacturing of electronic controls for wheelchairs, Tim seeks to aid companies respond to a changing world through technology and innovation.



**Richard Thomas**  
OTAGO SOUTHLAND

Richard Thomas is the founder of business consultancy Redwulff Ltd, a director of Skyline Enterprises Ltd and deputy chair of Queenstown Chamber of Commerce. He brings a focus on strategy and strong knowledge of the region to the boardroom.

# directorVacancies

directorVacancies 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.

## NZCU BAYWIDE

**Role:** Associate Director  
Development Programme  
**Location:** Hastings  
**Closing Date:** 29 February

## TURK'S POULTRY FARM LTD

**Role:** Independent Director  
**Location:** Levin  
**Closing date:** 31 March

## NZ HAIR AND BEAUTY INDUSTRY TRAINING ORGANISATION

**Role:** Appointed Board Member and Elected Board Member  
**Location:** National  
**Closes:** 17 February

## ORGANISATION: ENRICH+

**Role:** Board member  
**Location:** Waipa/Waikato  
**Closes:** 3 March

## THE FOLLOWING POSITIONS ARE OPEN UNTIL FILLED:

### AOTEAROA NEW ZEALAND ASSOCIATION OF SOCIAL WORKERS (ANZASW)

**Role:** Board Member (Director) financial skills  
**Location:** National

### AUCKLAND DIVING COMMUNITY TRUST

**Role:** Trustees - 2 Roles  
**Location:** Henderson, Auckland

### PARS INCORPORATED

**Role:** Board Member/Treasurer  
**Location:** Auckland

### MASONIC CARE LTD AND MASONIC VILLAGES LTD

**Role:** Independent Director/s  
**Location:** Lower Hutt

### NORTH HARBOUR LIVING WITHOUT VIOLENCE

**Role:** Board Member/Trustee  
**Location:** Takapuna, Auckland

### STOP PROGRAMMES

**Role:** Directorships (2)  
**Location:** Christchurch  
**Artemis Limited**  
**Role:** Directors  
**Location:** Dunedin

*You'll find more directorVacancies advertised on the IoD website, in the monthly directorVacancies email distributed to IoD members and on the IoD Twitter feed, @IoDNZ.*

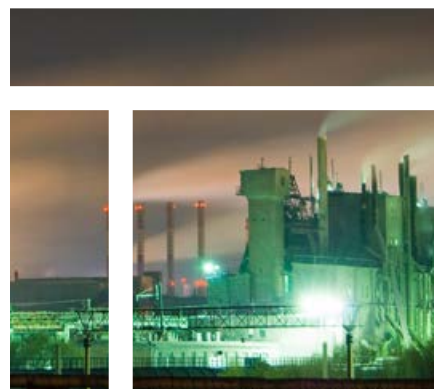
## Process safety governance

The Institution of Chemical Engineers (IChemE) Safety Centre is delivering its one day, pre-eminent Process Safety and the Board programme in Auckland, for the first time on 16 March 2016.

Do not miss your opportunity to connect with your peers and learn how your leadership contributes to your organisation's process safety success.

For more information and to register: [www.icheme.org/psbnz](http://www.icheme.org/psbnz)  
tel: +61 (0)3 9642 4494 email: [austcourses@icheme.org](mailto:austcourses@icheme.org)

**IChemE** ADVANCING  
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WORLDWIDE



# Networking: the ins & outs

*Directors consider networking to be significantly important according to the Institute of Directors' latest membership survey. But how to maximise this and for some, how to do it and when, is a burning issue.*

***“A successful networker builds trust and develops relationships. This takes time and effort.”***

Networking by directors is not simply considered as a means of socialising and establishing business contacts but as an effective way of gaining knowledge, sharing ideas and gaining practical support in the business community.

In a fast-changing, technologically advanced world, mixed with the growing pressure of compliance, directors say it is easy to feel somewhat ‘isolated’ and ‘exposed’.

*“Governance is important, yet difficult to do and lonely at times. It is important to keep up to speed with what is happening and what is going to happen tomorrow. I need that focus. It helps to network with other directors; it is an effective way to learn and we need more opportunities to do this.”*

Several research participants from the IoD’s membership survey the view that the IoD needed to create more opportunities for directors at all levels to network, share experiences and learn from each other.

*“Networking is important. Value is when you can go along and share experiences with a range of directors, including senior and Chartered directors.”*

*“Governance can be a lonely business and it is important to exchange ideas, learn through each others’ experiences and keep up-to-date with emerging issues.”*

*“We need to create more opportunities to share experiences and learn from each other.”*

52% of directors said the IoD was excellent or very good at networking and relationship building among members, this is up 13% from the 2013 survey.

The IoD says building and maintaining an effective network is paramount. It does not matter what career stage, astute directors take every opportunity to enhance their skills and board competencies. Here are some steps to help build your network:

- Consider existing contacts. Make it known that you are seeking board appointments.
- Actively participate in IoD branch events and

other networking opportunities. Consider offering to speak at a branch event on your area of expertise.

- Join and attend functions of other respected business organisations such as the chambers of commerce and professional institutes or professional services firms.
- If you are under 45 years or involved with an SME, there are a number of emerging director groups that offer networking options for younger directors. Check the web to see what is available in your region.
- Get involved in the organising of any of these events.
- Seek out experienced directors within your contact base for advice on how they became established as a director.
- There are a number of social media groups related to governance worth joining. The IoD has its own group on LinkedIn, Institute of Directors in New Zealand.

- 1 **KNOW THYSELF, UNDERSTAND YOUR STYLE**
- 2 **SET YOUR GOALS**
- 3 **SHARE INFORMATION AND BECOME A VALUE-ADD TO OTHERS**
- 4 **IT’S ALL ABOUT PEOPLE**
- 5 **FRONT UP**
- 6 **OPEN-ENDED QUESTIONS**
- 7 **FIRST IMPRESSIONS AND ALL THAT...**
- 8 **FOLLOW UP**
- 9 **KEEP IN TOUCH**
- 10 **PRACTICE, PRACTICE, PRACTICE (BUT TAKE BREAKS TOO)**

***For more information and the IoD’s top ten tips on networking visit our members’ only section at [www.iod.org.nz/networking](http://www.iod.org.nz/networking)***



Anna Campbell

# Company Directors' Course: Giving the confidence to compete

*Over 18 courses a year between Auckland, Christchurch, Queenstown and Wellington, more than 350 accomplished directors, chief executives, small business owners and experienced business people attend the IoD's Company Directors' Course (CDC).*

The five day course runs through best practice corporate governance, boardroom strategy, finance, law, board dynamics, culture, and risk governance, providing a comprehensive guide to governance with in-depth discussion with experienced directors and peers.

For director Mere Kingi, it was a chance to immerse herself into the world of governance – recently she had joined Watercare Services Limited through Auckland Council's Board Intern programme, an experience she found invaluable, and the CDC came as part of the package.

"I was a bit nervous coming in on day one as I thought I didn't have the range of experience some of the others in the group had, so I was a bit quiet," says Mere. "On day two after I began to hear my own thoughts echoed by others I realised I could contribute and that my background and corporate experience held me in good stead."

"Over the course of the week the simulations and group discussions made it easy to speak up. It really helped me grow confidence."

And to Mere, a former New Zealand women's rugby player and now a

***"Having diversity of opinion allows for robust debate, which is how good decisions are reached"***

senior manager in enterprise risk at BNZ, "self-belief is everything".

"Coming from small town Bay of Plenty there were a lot of barriers for me. I had to be really driven to succeed," she says, "Doing the course helped me realise ways I could use my corporate and sporting experience to add value to boards."

**BOARD INTERACTION**

As chief people officer of the Warehouse Group, Anna Campbell leads more than 60 human resource and communication specialists to support over 12,000 staff, a role with regular board interaction.

She says she had both personal and intellectual reasons for attending the course, as it helped feed her own interest in directorship and taught her more about board process and governance. It also gave her a better idea of what drives the board of Warehouse Group in making decisions.

“As an executive reporting to a board it allowed me to consider how I could provide more value. Now I have a much stronger idea of the function of a board, what their outlook is, and how they’re thinking, as well as the skills I can contribute to any board I join.”

Anna says she appreciated being able to draw on the experience of the course facilitators, as the course was “practical and pragmatic, it wasn’t just theory.”

“These very experienced directors would come in with differing views to each other. I could ask them the same question and

get very different answers. Having diversity of opinion allows for robust debate, which is how good decisions are reached.”

She found discussion especially stimulating, “I would normally struggle with a week long course, but the CDC kept my attention.”

“It made me consider the importance of being able to phrase questions which got to the brunt of the matter, your job as a director, while maintaining trust between the board and the executive team. It’s a real skill.”

**BREAKING BARRIERS**

For Mere, the CDC emphasised “the importance of taking a helicopter view and maintaining separation between board and management.”

“It gave me a good idea of both what I know and what I don’t. Governance shouldn’t be done in a silo, you need to be able to bring it together.”

“The course made me think about directorship and if this was what I wanted. One of the takeaways for me is the importance of whether what a board was doing resonates with my beliefs

and values. It can’t be just about kudos, but something I’m passionate about.”

By the end of the five days Mere says she left with a firm idea of the role of directors and boards, a powerful group of contacts, and a strengthened resolve to make a difference to Māori and Pacific health and wellbeing through governance.

Her aim she says is to break some of the barriers they face entering sport and “support more young Māori and Pacific into high performance elite sports arena, affecting change at a governance level.”

Anna, says she attended the course both to “elevate my capability and prepare for future opportunities”, something which she says it delivered on.

“It’s always up to you to create your own chances, but being in the course has given me the confidence to step into them.”

Last year the course had a 100% recommendation rate.



# Rise to your potential. Company Directors’ Course.

Step up  
with the IoD

Call us to discuss on 04 499 0076  
or email [directordevelopment@iod.org.nz](mailto:directordevelopment@iod.org.nz)  
[iod.org.nz](http://iod.org.nz)

Institute of  
**Directors**



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For advertising details contact Justine Turner  
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A magazine of the Institute of Directors in New Zealand

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IoD-NZIER Director Sentiment Survey Results

TRIBUTE TO DR WILLIAM WHITTAKER

LAUNA INMAN RIGHT ON THE MONEY

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Kathryn the build  
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**REWARD**

**BALANCING ACT**  
Does risk ever outweigh reward for directors?

SMEs - HOW TO PICK UP THE PACE

CRACKING THE BUILDING CODE

US Grants - The ODS first release  
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15 Key governance issues for local government

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16 Robert Kay on driving innovation  
17 Water Feature

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**ANGELS AT THE TABLE**  
Search for and for special opportunities for directors

IoD DIRECTORS' FEES SURVEY RESULTS - HOW MUCH DO YOU PAY A DIRECTOR?

NEW LEADERSHIP AT THE IoD

The perfect media space for your organisation  
The perfect media space for your organisation  
Directors' network for local government

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Special feature on SALES  
A QUESTION OF HEALTH AND SAFETY  
CHARTERED DIRECTOR APPROVED

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15 Governance document  
16 Trusts under fire  
17 A national guide for the insurance sector  
18 United fund renews commitment to what's on the COO

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**VIEW FROM THE TOP**  
The optimism can offer a commanding vision

WHY MAKES A GREAT DIRECTOR? SHOULD WHISTLEBLOWERS BE REWARDED?

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21 IoD's 100th Anniversary  
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**CHARTERED DIRECTOR**  
Taking it to your feedback  
BUILDING A BETTER HEALTH AND SAFETY CULTURE  
25 YEARS - THE IoD CELEBRATES

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13 IoD's 100th Anniversary

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**ESS GOOD**

14 IoD's 100th Anniversary  
15 IoD's 100th Anniversary  
16 IoD's 100th Anniversary  
17 IoD's 100th Anniversary





# Angel Investing

*When should early stage investors start planning for an IPO? And if an IPO is the exit target what should they be considering when? boardroom sat in on the recent Angel Summit talk on the “Relevance of Listing” to discover more. By Lesley Springall.*

## WHAT DOES SUCCESS LOOK LIKE?

That’s a question all early stage (angel) investors should ask themselves when they invest in a young company, says Marcel van den Assum, chair of the New Zealand Angel Association, board (and former board) member of numerous growth companies and serial angel investor.

“You should always start with the end in mind. But that could include a number of different scenarios with respect to where the business is; what the aspirational outcome for the business is; what investors expect; and what ‘success’ looks like from an investment perspective. But it all should be considered up front.”

Of the 200 or so companies the government’s early stage investment fund, the NZ Venture Investment Fund, has invested in only about 5% have gone on to list, whether in New Zealand, the UK, the US or Australia. This mirrors the similarly low proportion of angel-backed companies seeking IPOs in the US, says Ron Weissman, chair of the Software Special Interest Group for the Band of Angels, Silicon Valley’s oldest angel organisation, and a keynote speaker at the combined 2015 Angel Summit and Asian Business Angels Forum in Queenstown last month.

“It’s a rare event. Yes, we want our investment companies to think about exits - angels do want to know how they might get their money back at the point they invest - but that’s a seven to eight year journey. The proper time to think about IPOs is two to three years before you are ready to go because if you decide to go that way you’re going to need to radically change how your company operates.”

Before then no CEO should spend more than a minute thinking about an IPO except, perhaps, as a long-term motivational goal, says Weissman. “I do what them to think about who they are going to date though, in terms of a likely M&A (merger and acquisition) partner.” And if they do that, a little further down the track, an IPO might well be part of the planning as a potential ruse to encourage buyers to start a bidding war to thwart any listing plans as that could take the investee company out of their price range. “In the US you often use an IPO listing to solidify the interest of a couple of buyers,” says Weissman.

“Angel investors can’t specifically target IPOs,” says David Chen, co-founder of AngelVest, an investment interest group designed to help angels identify early stage investment targets in China. “Angels need to consider all viable exit opportunities, whether IPO, trade sale or selling shares to a private equity firm...whatever makes sense.”

Garth Sutherland, chief executive of recently ASX-listed medical device company Adherium, says listing didn’t cross his mind as an option for many years while he was raising angel capital in New Zealand. “But, looking back, that was a great rehearsal for going down the IPO process.”

Adherium’s board considered the ASX, the NZX and AIM (London’s smaller company exchange) and chose ASX because of the interest of investors, analysts and the wider market in medical device companies.

A decision to list shouldn’t be taken lightly as it is a gruelling process for the board and the senior management team, says Bromwyn LeGrice, Adherium’s head of

commercial development and corporate affairs. “It’s an expensive process and not one you want to do unless you have a high chance of success.” Adherium did. It raised A\$35 million to fund research, product development and international expansion in an offer that was twice oversubscribed.

The gruelling nature of a listing and the excessive external scrutiny - a lot of time by people who don’t understand your company - can put angel investor-directors off considering it as an option, admits van den Assum. “It’s a little bit like crowd-funding on steroids. Your company has to have the right story; a story that resonates with the broader market, if you’re going to even consider an IPO.” Once an IPO is considered to be the preferred outcome, and an achievable outcome, you need to work backwards to work towards it, he says. “What sort of performance do you need to consistently achieve to be credible; are you going to go for a secondary board like the NXT, which is a shorter term option, but a potential stepping stone to a more mature market like the NZX or the ASX or are you going to aim directly for a more mature market, in which case you will need more funding privately.”

Everything changes once you embark on the IPO route, agrees Weissman, from your board composition to your accountants and your lawyers. “Virtually everything about governance will gradually change in that two to three years as you prepare for an IPO.”

But an IPO is not an end, it’s a beginning, he stresses, and any CEO who comes hunting for capital and simply puts up an IPO as their end goal should be given a wide berth, “because they profoundly don’t get it.”

# Out&about

## AUCKLAND

Ngairé Best, Team Leader of Appointments and Governance at The Treasury, shared her top tips on how to get noticed as a candidate and what to expect if you secure a Crown governance role.



## BAY OF PLENTY

Stephan van Lieshout talked about what security, cloud and cyber risk are, why these matter to directors, and discussed some of the ways to deal with them at various levels in your organisation.



## NELSON MARLBOROUGH

AGM and annual dinner with Sir Peter Talley on 3 December. Peter spoke about 'The Changing World of Business', and explained how sections of economic life were now moving at an entirely different rhythm and an entirely different pace.



- 1 | Alistair Lane (Auckland)
- 2 | Mark Sigglekow (Auckland)
- 3 | Nick Jones, Ash Dixon, Stephen Whiteside (Auckland)
- 4 | Ngaire Best Lunch (Auckland)
- 5 | Ann Snowden, John Sandeman, Kim Lorigan and Stephan van Lieshout (Bay of Plenty)
- 6 | AGM and annual dinner (Nelson Marlborough)
- 7 | Sir Peter Talley (Nelson Marlborough)
- 8 | Tracy Penrose, Phillip Smith (Nelson Marlborough)
- 9 | Gabrielle Wall, Murray Lapworth, Tim Bergin, Craig Price, Leanne Newsome (Canterbury)
- 10 | Steve Walsh, Arlee Folkers (Canterbury)
- 11 | Jennifer Barr, Joanne Thomson, Mary Matheson, David Viles, Bruce Matheson, John Barr (Canterbury)
- 12 | National Association of Corporate Directors (NACD)
- 13 | Stuart McLauchlan, Mark Verbiest, Geoff Thomas (Otago Southland)
- 14 | Jane Mitchell and Alexa Forbes (Otago Southland)
- 15 | Nigel Pollock and Scott Hawkins (Otago Southland)

**CANTERBURY**

Finishing the year with Christmas cocktails at the Hagley Oval Pavilion



**SUMMIT IN WASHINGTON DC**

- Alexandra Lajoux**, Chief Knowledge Officer, National Association of Corporate Directors
- Stan Magidson**, President and CEO, Institute of Corporate Directors, Canada
- Michael Stiassny**, IoD NZ President
- Simon Arcus**, IoD Chief Executive
- Ken Daly**, CEO, National Association of Corporate Directors

**OTAGO SOUTHLAND**

Otago Southland Branch members met for a Christmas cocktail function on 2 December. The speaker was Mark Verbiest, Chair of Spark, who spoke on ‘the board’s role in talent strategy’. Mark was presented with a Chartered Fellowship at the event.



**Company Directors’ Course  
QUEENSTOWN, DECEMBER 2016.**

*Back Row:*

Fergus Lee, Nick Jackson, Mere Kingi, Geoff Lawrie, Steve Jones, Luke Facer, Richard Thomas, Michelle King, Grant O’Neill, Terri-Ann Scorer, Alison O’Connell, Warwick Murray.

*Front Row:*

Tony Brazier, Mike Schmidt, Ainsley McLaren, Andrew Smith, Brett Rogers, Michelle Teirney, Lindsay Faithfull, Allan Campbell, Mike Willetts



# IoD Events Diary

For more information visit [www.iod.org.nz](http://www.iod.org.nz) or contact your local branch office

## Self-paced learning

Online modules can be completed anytime, anywhere and at your own pace.

**Directors' and Officers' Insurance**

**Ethics – How directors do business**

**Health and Safety Governance**

## Auckland

### 16 FEBRUARY

*Welcome cocktail evening and presentation of branch 2015 Emerging Director Award*

### 17 FEBRUARY

Chairing the Board

### 17 FEBRUARY

Finance Essentials

### 18 FEBRUARY

Whangarei evening meeting with Brent Impey

### 2 MARCH

Leading in a Digital Era

### 8 MARCH

Governance Essentials

### 8 MARCH

Not-for-profit Governance Essentials

### 9 MARCH

Strategy Essentials

### 9 MARCH

Health and Safety Reform

### 10 MARCH

Finance Essentials

### 10 MARCH

Leading Through a Media Crisis

### 13 MARCH

Company Directors' Course

### 15 MARCH

*The NZ economy.*

Breakfast function with Graeme Wheeler.

### 5 APRIL

Governance Essentials

### 6 APRIL

Finance Essentials

### 12 – 13 APRIL

Direct 2016 Leadership Conference

### 18 APRIL

Company Directors' Course  
– Non-Residential

### 19 APRIL

*The future of the NZ economy and how to restore the Kiwi dream.*

Breakfast with Andrew Little.

### 19 APRIL

Audit and Risk Committees

## Waikato

### 18 FEBRUARY

*Waikato Branch AGM – Where sports and business collide.*

Lunch function with Dame Therese Walsh, Hamilton

### 7 APRIL

Governance Development Programme, Hamilton

### 7 JUNE

National AGM, Hamilton

## Bay of Plenty

### 2 MARCH

*The Big issues facing NZ in 2016.*

Bay of Plenty branch AGM with guest speaker Don Brash.

### 10 MARCH

*Collaborative fitness and leadership*

2 day workshop, Tauranga

### 17 MARCH

Modern Business Women evening event, Tauranga

**7 APRIL**

*The basics of governance workshop  
with Zoe Attwood*

Whakatane

**20 APRIL**

*Cyber-security in the boardroom*

Cocktail function with Stephan  
Van Lieshout, Rotorua.

## Taranaki

**7 APRIL**

Rural Governance Essentials,  
New Plymouth

## Wellington

**17 FEBRUARY**

*Wellington Branch AGM*

Guest speaker Michael Stiassny

**1 MARCH**

Governance Essentials

**2 MARCH**

Finance Essentials

**5 APRIL**

Leading in a Digital Era

**19 APRIL**

Governance Essentials

## Nelson Marlborough

**16 FEBRUARY**

*Governance and succession  
planning for family businesses*

Lunch function with Darren Mark  
and Andrew Smith, Blenheim.

**25 FEBRUARY**

*Key issues for directors in 2016*

Lunch function with Liz Coutts  
and Simon Arcus, Nelson.

## Canterbury

**15 FEBRUARY**

*The Metroglass story*

Cocktail function with Nigel  
Rigby, Christchurch

**26 FEBRUARY**

New members lunch function,  
Christchurch

**1 MARCH**

Breakfast function with Kevin  
McDonald, Christchurch

**16 MARCH**

Finance Essentials

**17 MARCH**

Strategy Essentials

**18 MARCH**

Audit and Risk Committees

**21 MARCH**

*Canterbury Branch AGM*

Guest speaker Raf Maji

## Otago Southland

**15 FEBRUARY**

*On the radar: governance issues for 2016*

Cocktail function with Simon Arcus  
and Stuart McLauchlan, Dunedin.

**21 FEBRUARY**

Company Directors' Course, Queenstown

**3 APRIL**

Company Directors' Course, Queenstown

**7 MARCH**

Governance Development  
Programme, Dunedin

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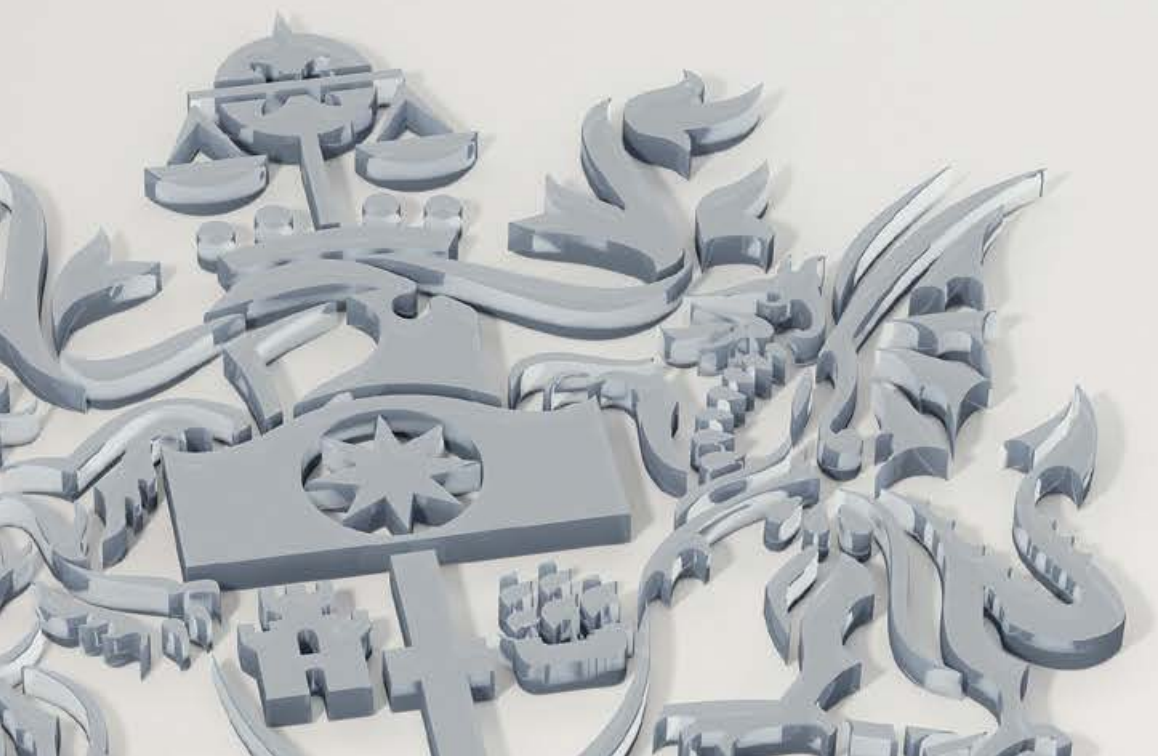
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