

# board room

FEB / MAR 2019

**Colleen Birdnow Brown's  
view from the US**

**The Perpetual four-day week**

**Governance dualities**

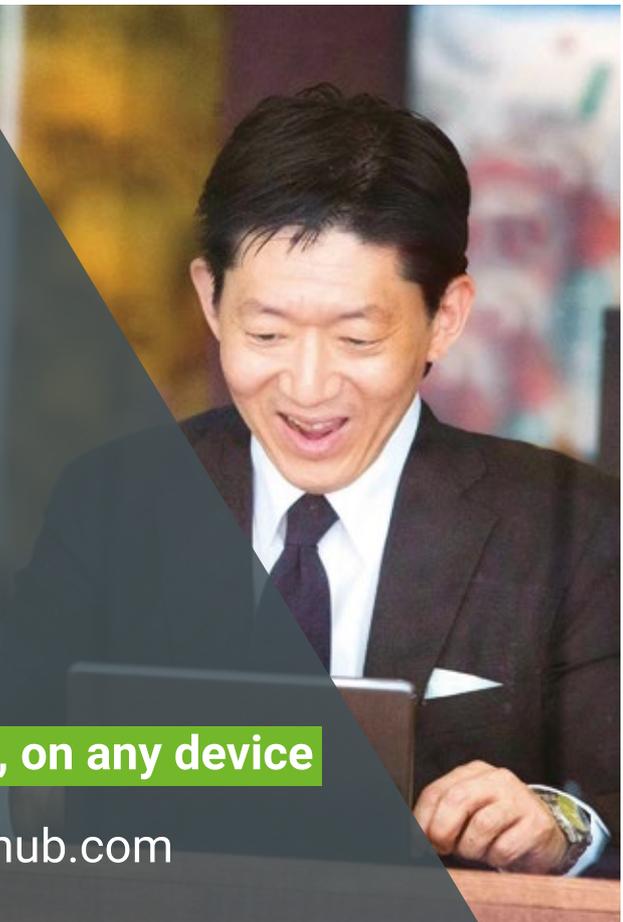
*Magazine of the Institute of Directors in New Zealand*



Make your notes  
directly on the  
board pack with  
BoardPro software

Available anywhere, anytime, on any device

Learn more at [www.boardprohub.com](http://www.boardprohub.com)



## DirectorRem

Attract, motivate and retain the best board members by ensuring the right level of director remuneration using our tailored benchmarking services.

Call 0800 846 369  
[iod.org.nz/DirectorRem](http://iod.org.nz/DirectorRem)  
[boardservices@iod.org.nz](mailto:boardservices@iod.org.nz)



Brought to you by BOARD SERVICES

## A note from the editor

Prediction is very difficult, especially if it's about the future, said Niels Bohr, a pioneer in subatomic research.

Nevertheless, it is human nature to try to anticipate what the future may bring, so as to better act now in preparation. This issue of *BoardRoom* has a focus on the future of work. What changes might technology, climate change and demographic shifts bring to the workforce and employment practices in the next few decades?

Reading the tea-leaves or divination from entrails... maybe not. But one tried and true methods of predicting the future is to extrapolate from innovations taking place today. In light of that, Andrew Barnes' experiment with a four-day week at Perpetual Guardian may show a version of the future, in which hours are shorter but productivity remains the same.

For those of us in New Zealand, the shape of the future can often be glimpsed first in practices overseas. So the reflections of leading US director Colleen Birdnow Brown on the governance culture in America could offer another window into the shape of governance work here in a few years. Brown will be a keynote speaker at the IoD's Beyond Now conference in April, along with Australian director Michael Smith, who here offers a view on how to create a company culture for the future.

While nobody can truly say what will happen next – even at subatomic particle level – I hope these article give you ideas about the workforce and workplace of tomorrow, so that any preparatory action you choose to take now may prove effective.

**Aaron Watson**  
*BoardRoom* editor



*BoardRoom* is the magazine of the Institute of Directors in New Zealand [iod.org.nz](http://iod.org.nz)

# The Agenda

FEB / MAR 2019



COLLEEN BIRDNOW  
BROWN'S VIEW FROM  
THE US

## 08



### THE PERPETUAL FOUR-DAY WEEK

A four-day week at full pay.  
No extended hours.  
No reduction in benefits.

## 09



THE TRANSITION TO A  
LOW-CARBON ECONOMY

## 23

### INSIDE IoD

- 02** CEO letter – The future of work
- 03** UpFront
- 37** GLC update
- 39** Out & about
- 42** Events

### FEATURES

- 08** Colleen Birdnow Brown's view from the US
- 09** The Perpetual four-day week
- 15** A culture tale
- 19** A demographic picture of our future workforce
- 21** Making the best of technology
- 23** Corporate governance in the transition to a low-carbon economy
- 31** Governance dualities
- 35** Diverse ideas

### FROM OUR PARTNERS

- 27** Is the world sleepwalking into a crisis? / Marsh
- 29** Working in the world of tomorrow / KPMG

# boardroom

*BoardRoom* is published six times a year by the Institute of Directors in New Zealand (IoD) and is free to all members. Subscription for non-members is \$155 per year.

*BoardRoom* is designed to inform and stimulate discussion in the director community, but opinions expressed do not reflect IoD policy unless explicitly stated.

## EDITOR

**Aaron Watson**

+64 4 470 2647

[aaron.watson@iod.org.nz](mailto:aaron.watson@iod.org.nz)

Please contact the editor for any advertising queries.

## INSTITUTE OF DIRECTORS IN NEW ZEALAND (INC)

Mezzanine Floor, 50 Customhouse Quay  
PO Box 25253, Wellington 6146  
New Zealand  
Tel: 04 499 0076  
Fax: 04 499 9488  
[mail@iod.org.nz](mailto:mail@iod.org.nz)  
**iod.org.nz**

The Institute of Directors has staff based at the National Office in Wellington, an office in Auckland and eight branches. For National Office, phone 04 499 0076.

BOARDROOM IS PROUDLY DESIGNED BY

*Eighty One*

**eightyone.co.nz**

04 894 1856



When you have finished with this magazine, please recycle.

## SENIOR LEADERSHIP TEAM

Chief Executive Officer

**Kirsten Patterson**

General Manager, Members

**Nikki Franklin**

General Manager, Governance  
Leadership Centre

**Felicity Caird**

General Manager,  
Corporate Services

**Chris Fox**

General Manager, Brand,  
Marketing and Communications

**Sophi Rose**

Delivery Manager

**Robbie McDougall**

## COUNCIL

**Liz Coutts** – President

**Alan Isaac** – Vice President

**Dr Helen Anderson** – Wellington

**Des Hammond** – Bay of Plenty

**Julia Hoare** – Auckland

**Jackie Lloyd** – Wellington

**Simon Lockwood** – Waikato

**Vincent Pooch** – Canterbury

**Trish Oakley** – Otago Southland

**Clayton Wakefield** – Auckland

**Sarah-Jane Weir** – Nelson

Marlborough

## COMMERCIAL BOARD

**Kirsten Patterson**, Chair;

**Liz Coutts**, **Dr Alison Harrison**,

**Alan Isaac**

## BRANCH MANAGERS

For a full list of branch managers, see page 42.

BOARDROOM IS PLEASED TO ACKNOWLEDGE THE SUPPORT OF

## NATIONAL PARTNERS



**asb.co.nz**

0800 803 804



**marsh.co.nz**

0800 627 744

## NATIONAL SPONSORS



**aurainfosec.com**

04 894 3755



**kpmg.co.nz**

09 367 5800

**MinterEllison  
RuddWatts**

**minterellison.co.nz**

09 353 9700

## PRODUCTION NOTES

Every effort has been made to guarantee the pages of this magazine are sustainably sourced and produced using paper that meets the environmental standards shown below.





**KIRSTEN PATTERSON**  
CEO, INSTITUTE OF DIRECTORS

# The future of work

**Tēnā koutou katoa,**

It's often casually said that a board's most important task is to appoint a CEO, and then hold them to account. While an understatement of the role and responsibilities of a board, the sentiment as to the importance of CEO selection is, at least, true.

I've long thought that organisations and CEOs have seasons. The skills needed in a season of growth are different to the skills needed in a season of retraction. The art is in matching the organisation's seasonal needs with the CEO's seasonal skills. A mismatch in seasons is perhaps why we see previously successful CEOs struggle in different organisations or industries.

Each year, Larry Fink, the Chair and CEO of global investment manager BlackRock now famously writes to the CEOs of companies in which BlackRock invests on behalf of their clients. Eagerly awaited by the market for their insights and commentary, the letters have become almost iconic and are a must-read for those in corporate governance globally.

BlackRock's Investment Stewardship engagement priorities for 2019 are:

- ..... governance, including the company's approach to board diversity
- ..... corporate strategy and capital allocation
- ..... compensation that promotes long-termism
- ..... environmental risks and opportunities
- ..... human capital management.

The 2019 letter notes that: "As we enter 2019, commitment to a long-term approach is more important than ever – the global landscape is increasingly fragile and, as a result, susceptible to short-term behaviour by corporations and governments alike." Fink goes on to comment that: "Around the world, frustration with years of stagnant wages, the effect of technology on jobs, and uncertainty about the future have fuelled popular anger, nationalism, and xenophobia."

Fink closes his 2019 letter with a call to action: "One thing, however, is certain: the world needs your leadership. As divisions continue to deepen, companies must demonstrate their commitment to the countries, regions, and communities where they operate, particularly on issues central to the world's future prosperity. Companies cannot solve every issue of public importance, but there are many – from retirement to infrastructure to preparing workers for the jobs of the future – that cannot be solved without corporate leadership."

This edition of *BoardRoom* launches our first "What Matters" theme for the year – The Future of Work.

The seasons are changing. The skills needed to lead through the future of work challenges of tomorrow are quite different to the traditionally valued skills of yesterday.



Directors have long been self-employed mobile workers, on time-based engagement contracts, serving in self-determining teams who select their own leaders. Directors are ultimately participants in the gig-economy, although thanks to section 151 of the Companies Act requiring that directors of New Zealand companies must be "natural persons" directors are more protected against robots taking over their jobs than the average kiwi worker.

Regardless of whether the robots are knocking at the door of your office or not yet, the new valuable skills for the future of work are our adaptability quotient, and our ability to be life-long learners. It was Mahatma Gandhi who reminded us to "learn as if we are going to live forever."

**Ngā mihi,  
Kirsten (KP)**

# UpFront

## Director Vacancies

Director Vacancies is a cost-effective way to reach our extensive membership pool of director talent. We will list your vacancy until the application deadline closes or until you find a suitable candidate. » Contact us on 0800 846 369.

Unless otherwise stated, the following positions will remain open until filled.

### WATERCARE SERVICES LTD

**Role:** Directors (2)

**Location:** Auckland

**Closing date:** 22 February

### INSTITUTE OF DIRECTORS

**Role:** IoD Canterbury Branch Committee Member

**Location:** Christchurch

**Closing date:** 11 March

### SOUTHERN ROWING PERFORMANCE CENTRE

**Role:** Independent chair

**Location:** National

**Closing date:** 31 March

### ENVIRONMENTAL PROTECTION AUTHORITY

**Role:** Board members (2)

**Location:** Wellington

**Closing date:** 25 February

### SPORT NORTHLAND

**Role:** Centrally-held list of directors/director pool

**Location:** Northland

**Closing date:** Until candidate pool reaches capacity

### Q: Which statement about board minutes is incorrect?

- A. Companies are required to keep minutes
- B. Minutes must be a verbatim record of the meeting
- C. Minutes should show that the directors have done what is required to discharge their duty of care, diligence and skill
- D. Minutes should generally be signed by the chair as a true and accurate record of the meeting.

### ANSWER

**B.** Minutes don't have to quote the meeting verbatim, but they need to be detailed enough to ensure an accurate reflection of the meeting and illustrate the reasons for decisions. See the IoD's Board Meetings Practice Guide available at [iod.org.nz](http://iod.org.nz)



## What **advantage** could successful franchising or licensing add to your company?

**Find out more.** Call Dr Callum Floyd 09 523 3858 or email [callum@franchise.co.nz](mailto:callum@franchise.co.nz)

Since 1989, leading local and international companies have relied upon Franchise Consultants' specialist guidance to evaluate, establish and optimise franchising and licensing networks.

Six times winner - Service provider of the year - Westpac New Zealand Franchise Awards

CELEBRATING  
**25**  
YEARS  
1989 - 2014

**FRANCHIZE**  
CONSULTANTS

[www.franchise.co.nz](http://www.franchise.co.nz)



## APPOINTMENTS

### *Christopher Boyle*

Chartered Member, has been appointed via the IoD's DirectorSearch service as the independent chair to Quasar Systems Ltd, based in Canterbury.

### *Tracey Bridges*

Member, has been named as the new chair of the Wellington Regional Economic Development Agency.

### *Jennifer Kerr*

Member, has been appointed to the board of Callaghan Innovation.

### *Jim Mather*

Member, has been appointed to the Auckland Transport board.

### *Janette Osborne*

Member, has been appointed to the board of Utilities Disputes.

### *David Skinner*

Member, has been appointed to the board of Research and Education Advanced Network New Zealand (REANNZ).

### *Fraser Whineray*

Chartered Member, has been appointed to the Prime Minister's Business Advisory Council.

### *Rachel Taulelei MNZM*

Member, has been appointed to the Prime Minister's Business Advisory Council.

### *Lorraine Witten*

Chartered Fellow, has been appointed via the IoD's DirectorSearch service as an independent director to Horizon Energy Distribution Limited.

# One in 9,000



The Institute of Directors (IoD) membership continues to grow and we recently topped 9,000. *BoardRoom* caught up with our 9,000th member, lawyer **Wendy Chen** from Auckland, who shared with us her reasons for joining the IoD, what she looks forward to as a new member, and some of the things she is passionate about outside her work.

#### **Tell us a little bit more about yourself**

I am so fortunate to have grown up as a Kiwi, having moved here from Taiwan when I was six years old. I am fluent in Mandarin and feel connected to and proud of my heritage. In terms of career, I worked for 10 years as a commercial and financial services lawyer. More recently, I worked for a couple of years with the digital team at Air New Zealand. In 2019, I will be embarking on a 'portfolio career', with the idea to build up a mix of consulting and governance roles.

#### **Why did you want to be part of the IoD?**

I think it is valuable to be part of a national institution that brings together governance professionals as a community. More than ever, we need to share our experiences and grow the profession's capability as a whole.

#### **What are you looking forward to as a member of the IoD?**

I'm looking forward to meeting more governance professionals, participating in formal and informal learning opportunities, and working out my governance path.

#### **Why do you think continuing professional development is important?**

Staying up to date on new developments, and having opportunities to reflect on your own practice, are important to developing and maintaining your skills in any profession.

Having the chance to discuss and share ideas, problems and solutions with others in a similar position can often be enlightening and inspiring!

#### **What type of organisations are you particularly interested in working in as a director?**

I am on a few boards of charitable organisations, and would like to balance out my portfolio with commercial governance roles. I am interested in social impact causes and particularly the economic sustainability of these initiatives through social enterprise models.

#### **What are you passionate about outside work?**

My passion outside of work is in music and artistic expression. I think it is a wonderful outlet for the human psyche and a way to influence and affect others in profound ways. I sing in professional choirs, including with Voices New Zealand Chamber Choir and the University of Auckland Chamber Choir. I am a passionate supporter of the arts, and I'm a trustee of the New Zealand Dance Company and of Wairua Sinfonietta. I have also been learning about education through my involvement in the board of my alma mater, Kristin School.

#### **As someone who is relatively new in your governance journey, what are your aspirations?**

I would like to develop and rotate through a diverse mix of governance roles, so I can learn from different people, contribute in a few different ways and hopefully cross-pollinate ideas.

*Want to be part of the Institute of Directors? Find out more at [iod.org.nz](http://iod.org.nz)*

# New Year Honours 2019

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

## **Knight Grand Companion of the New Zealand Order of Merit (GNZM)**

### **Sir Stephen Robert Tindall**

CFInstD, Auckland  
for services to business, the community and the environment

## **Dame Companion of the New Zealand Order of Merit (DNZM)**

### **Diana Buchanan Crossan**

CFInstD, Wellington  
for services to the state

## **Knight Companion of the New Zealand Order of Merit (KNZM)**

### **Timothy Richard Shadbolt**

MInstD, Invercargill  
for services to local government and the community

## **Companions of the New Zealand Order of Merit (CNZM)**

### **Barbara Joan Chapman,**

CMinstD, Auckland  
for services to business

### **Carmel Miringa Fisher,**

CMinstD, Auckland  
for services to business

### **Lieutenant General Timothy**

**James Keating (Rtd)**  
MInstD, Lower Hutt  
for services to the New Zealand Defence Force

### **Barbara Anne Kendall**

MInstD, Whangaparaoa  
for services to sport

### **Andrée Elizabeth Talbot**

MInstD, Auckland  
for services to the Plunket Society

## **Officers of the New Zealand Order of Merit (ONZM)**

### **Lindsay Griffiths Corban**

CFInstD, Auckland  
for services to governance

### **Kristy Pearl McDonald,**

MInstD, Wellington  
for services to the law and governance

### **Jennifer Anne McMahon**

CFInstD, Dunedin  
for services to the Red Cross

### **Thomas Dawson Thomson**

MInstD, Christchurch  
for services to the manufacturing industry, philanthropy and the community

## **Members of the New Zealand Order of Merit (MNZM)**

### **Andrew Brian Connolly**

MInstD, Auckland  
for services to health

### **Lani Beth Evans**

CMinstD, Porirua  
for services to social enterprise

### **William Hugh Moran**

MInstD, Queenstown  
for services to the state, sport and youth

### **Sharon Norma Shea,**

MInstD, Auckland  
for services to Māori health and development

### **Mele Luisa Wendt**

MInstD, Wellington  
for services to governance, the Pacific community and women

## **Companions of the Queen's Service Order (QSO)**

### **Martyn John Dunne,**

MInstD, Wellington  
for services to the state

### **Colin Archibald MacDonald,**

MInstD, Wellington  
for services to the state

## **Queen's Service Medal (QSM)**

### **Bhikhu Bhana,**

MInstD, Auckland  
for services to the Indian community and sport

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

# Drive your governance career.

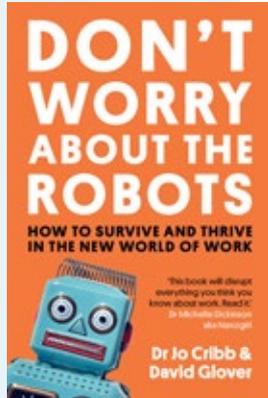
Do the **Company Directors Course**

You will be learning from the best practising directors to gain a thorough understanding of governance. Join a strong community of driven individuals, and be in a position to lead the way in New Zealand business.

**REGISTER NOW**  
**[iod.org.nz/cdc](http://iod.org.nz/cdc)**  
**0800 846 369**



## BOOK GIVEAWAY



## Don't worry about the robots

Professional roles are under threat from automation and digitisation. Are you worried about your job?

IoD members Jo Cribb and David Glover have written a guide to "disrupting" yourself in the face of high-speed change in working practices.

*Don't Worry About the Robots* draws on the experiences of self-reinventers including a poet, a scientist, futurists and entrepreneurs. It is aimed at people who want to prepare themselves for the future challenges of work, from school leavers to older workers re-evaluating their careers.

*BoardRoom* has 10 copies of the book to give away. Email: [boardroom@iod.org.nz](mailto:boardroom@iod.org.nz)

## New Chartered Fellows

Congratulations to our members who became Chartered Fellows in 2018. This is the highest award in the IoD's Chartered pathway and it is bestowed only on members whose knowledge, character and experience makes them a role model for other members, their organisations and the community.

LIZ COUTTS ONZM, CFINSTD, PRESIDENT OF THE IOD



**Matthew Boyd**, Waikato



**Des Brennan**, Auckland



**Sarah Brown**, Otago Southland



**Tony De Farias**, Bay of Plenty



**Charles Finny**, Wellington



**Jane Freeman**, Auckland



**George Green**, Auckland



**John Harvey**, Auckland



**Chris Laurie**, Canterbury



**Tim Mepham**, Otago Southland



**Graeme Milne**, Waikato



**Guy Nelson**, Canterbury



**Sue Sheldon**, Canterbury



**Justine Smyth**, Auckland



**Patrick Strange**, Auckland



**Mark Tume**, Auckland



**Graeme Wong**, Wellington



**Peter Young**, Canterbury

Also – **Gill Cox**, Canterbury (no image supplied)

# Colleen Birdnow Brown's view from the US

## 1. HOW CAN A BOARD KNOW WHEN IT IS TIME TO CHANGE STRATEGIC DIRECTION?

This is a tough question. As individuals, you can listen to your intuition, but as a board the argument to change direction must be sound in order to gain support from the board.

The environment is constantly throwing up all kinds of flags that need to be evaluated. Comprehensive, regular external and internal surveillance, real-time discussions with thought leaders and decision makers, controlled experimentation and analytic analysis will allow you to cut through the noise and, more often than not, make informed, sound decisions.

## 2. IS THE INTERNET A THREAT OR AN OPPORTUNITY?

Well it's both. The ability to reach and engage your audience is unprecedented. But the anonymous viral nature, intense volume and immediacy challenges even the best of us. The potential of AI and blockchain will add increasing complexity to this question.

## 3. HOW CAN A BOARD BUILD A STRONG RELATIONSHIP WITH A CEO?

Strong relationships are built from clear expectations and extraordinary respect for each other. My best experience was when my board committed to my success; they believed if I was successful, the company was successful, and it worked. That commitment created a healthy boardroom and kept everyone on the same page.

It's a great disappointment when a director acts as if they are the smartest person in the room, effectively shutting off productive dialogue.

One pet peeve ... when a director acts differently with a CEO than they do in the boardroom. I think the gaslighting approach is one of the most devious ways of undermining a CEO.

## 4. WHAT IS THE ROLE OF BUSINESS IN ADDRESSING SOCIAL JUSTICE ISSUES IN SOCIETY?

I believe doing good things is good for business and for society. The challenge becomes how to address social issues that are often politicised, and satisfy the vast range of values and expectations held by your stakeholders, while at the same time recruiting and retaining talent.

## 5. HAS THE #METOO MOVEMENT CHANGED AMERICAN CORPORATE CULTURE?

American corporate culture has changed due to the #metoo movement. The change is primarily driven by concern for risk exposure and, in part, as a movement to retain and attract talent to the company.

I'd like to believe there are more high-minded reasons to embrace the #metoo movement in the boardroom, but change in a boardroom is usually driven by pragmatism rather than a social movement.

As a result, we are seeing the beginnings of more accountability, fairness, transparency and tone as the top considerations for company culture.



**COLLEEN BIRDNOW BROWN**

Colleen Birdnow Brown is an award-winning American CEO and corporate board director. She is an adviser and public speaker in the areas of disruption, technology, culture and media, and founder of Marca Global – a marketing and privacy technology company. She currently serves on a number of boards, including those of True Blue, Spark Networks, privately held Port Blakely and Delta Dental of Washington, a non-profit organisation.

Brown was named Director of the Year by the Pacific Northwest Chapter of the US National Association of Corporate Directors (NACD) in 2017, and has won numerous industry awards. She is active in the NACD, Women Corporate Directors (WCD) and Committee of 200 (C200), and was president of the PNW chapter of the International Women's Forum (IWF).

Brown will be speaking at the IoD's Beyond Now Leadership conference, 2–3 April, Sky City, Auckland. For details see [iod.org.nz](http://iod.org.nz).



## FUTURE OF WORK – THE FOUR-DAY WEEK

# The Perpetual four-day week

Perpetual Guardian's shift to a four-day working week has drawn attention from all over the globe.

Estate planning services company Perpetual Guardian has moved its staff onto a four-day week at full pay. No extended hours. No reduction in benefits. Staff members are happier. Managers are happier. And the work still gets done.



Andrew Barnes CMIInstD

**F**or Founder Andrew Barnes, CMIInstD, it is proof that it is possible to improve people's working lives and corporate culture simultaneously – while maintaining or improving business productivity and profitability.

### THE TRIAL

Barnes' governance roles include chairing Perpetual Guardian, PaySauce and Regional Facilities Auckland. For him, it started with research that showed people were productive for only a portion of the working day – as little as 2.5 hours in a UK study, or even 1.5 hours in a Canadian study. This got him wondering what was going on in his workforce.

"If you think about the typical working day, people come to the office, sit down, have a chat with colleagues. They get a cup of coffee, maybe they check their emails, maybe they do a bit of surfing on the internet and eventually they get down to doing something – and somebody comes and taps them on the shoulder and interrupts them," Barnes says.

"I asked myself a question: If I gave my staff a day off, provided the productivity output was the same or better, would I get a change in how people worked?"

So in March 2018 he started a trial – monitored by Dr Helen Delaney of the University of Auckland Business

School and Professor Jarrod Haar of the Auckland University of Technology – of a four-day working week, with staff still being paid for five days.

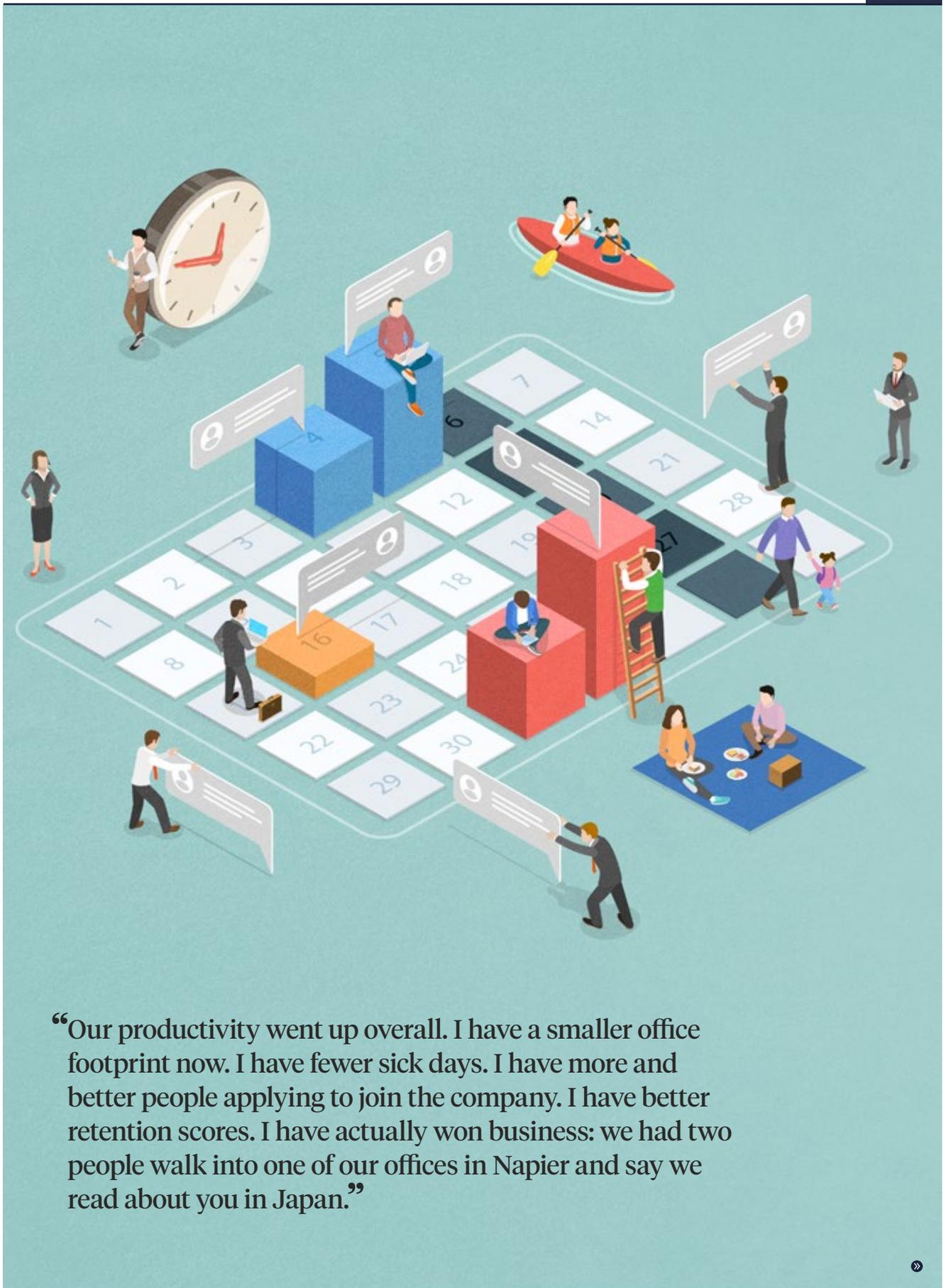
"My leadership team thought I was mad. My board, broadly, thought I was mad. The general perception was that it wouldn't work."

But it did work.

"What came out of that was that the traditional engagement scores went up between 20% and 40% to levels which Professor Haar said were the highest he had ever seen in New Zealand. Stress levels for people in the company came down about 15% and staff said that they were better able to handle their work on a four-day basis than they were on five.

"Our productivity went up overall.

I have a smaller office footprint now. I have fewer sick days. I have more and better people applying to join the company. I have better retention scores. I have actually won business: we had two people walk into one of our offices in Napier and say we read about you in Japan, we have just moved to New Zealand and want to do business with you; and I have had companies coming and saying we like what you are doing from a social perspective so we have won corporate contracts as a consequence."



“Our productivity went up overall. I have a smaller office footprint now. I have fewer sick days. I have more and better people applying to join the company. I have better retention scores. I have actually won business: we had two people walk into one of our offices in Napier and say we read about you in Japan.”



## FUNDAMENTAL CHANGE

There were other small process improvements that “bubbled to the surface” as his workforce adapted to the new four-day normal, he says.

“We found that people changed how they worked. Meetings became shorter. People put flags next to their desks if they needed to concentrate and there was a convention that you didn’t disturb them. Internet surfing dropped 35%. People were indicating that, actually, you know what, I would rather have a day off than spend time surfing the internet at work.”

The onus was on the teams themselves to make the new system work, and team cohesion increased enormously as a consequence, Barnes says.

“This is not about productivity improvements in the traditional sense. This is fundamental. It’s about changing people’s attitude to work.

“What I get is better quality work and it also means that the staff have better work-life balance. There was no statistic that dropped out of the research that suggested there was a problem with this. Every single indicator was favourable.”

Based on the results, Perpetual Guardian turned the trial into policy on 1 November 2018.

## SOCIETAL BENEFITS

What makes Perpetual Guardian’s experience exciting is that it suggests broader societal benefits can be gained by working shorter hours, without a negative impact on business productivity.

Barnes’ list of potential societal benefits is impressive – parents spend more time with their kids, fewer cars on the roads, better mental health outcomes and workers have time to retrain in the face of changing work requirements.

“If you believe that 40% of jobs are going to go to AI, and you have a day off per week, you can retrain. Should we be building short courses for people to retrain?

“One in five of the New Zealand workforce is estimated to have either a mental health issue or stress-related issue – if I could give you a day a week off to recharge, would that address those issues? Somebody who is suffering from stress or mental health issues, would I get better productivity out of them if they had better balance?



More time with her son Leo is on of the benefits of a four-day week for Perpetual Guardian’s Manager, Philanthropy Services, Kirsten Taylor.

“The answer is clearly ‘yes’. If people don’t have all those home life distractions – because they are better able to schedule dealing with tradesmen or looking after children – would I get better output from them? The answer is ‘yes’.

“Do I get better loyalty? Clearly because everybody thinks that it is Christmas to be paid for five days but only have to work for four.”

Barnes speculates that the four-day week might help address the gender pay gap by allowing women returning to work to receive full pay for fewer hours.

“Often returning mums are some of the most productive staff we have because they are good at balancing their time. But when women come back to work what do they do? And what do we do? We negotiate time off. They work four days a week and get 80% of the pay, 80% of the benefits. This four-day model says the time you spend is irrelevant.

“I want people to be fresher, to think better, to be more productive when they are in the office. And I also want them to be the best they can be outside the office. I would like to see New Zealand be the first country in the world to shift to this sort of approach. I believe you should see a significant boost to the economy.”

## GLOBAL INTEREST

Barnes has given up estimating the PR value of the story – it is thought to have been broadcast to a global audience in excess of four billion people.

“At the last estimate, we had over 3,000 print, radio and television stories worldwide, over 12,000 internet postings and a global audience approaching 4.4 billion.

This is a story that transcends cultures.

“I have done drive-time radio for Colombia, we had Japanese television in, we are going to have French television coming in, it was the second most-read story in the *New York Times* after the Trump-Putin summit.

“We just watched this thing go around the world. In a world dominated by Trump, Brexit, all those issues, this was a good news story from New Zealand.”

He takes this as a signal the world is ready to try a new way of working that is fit for the 21st century.

“We are a 240-person firm. In New Zealand terms we are probably of a reasonable size. But how did the story of a little Kiwi business go around the world? I think it is because it is a vision. It is a picture that addresses problems people are facing today.

“In a way, I feel we have lost sight of having an aspiration for the future. Everything we do is short term – short-term politics, short-term economics. Isn’t it time we had a vision for something?

“People are genuinely under pressure, whether financially or mentally or in terms of meeting the goals they have set for themselves. They are looking for something that is different, something that is better.”

The Perpetual story has also begun to influence activity outside of the news cycle. In the UK, the Trades Union Congress has made the four-day week an aspirational target.

“We are told that is a direct result of the trial and inputs to labour think tanks that we did in the UK.”

**From concept  
to completion.**



Te Rapa Gateway, Hamilton

For over 60 years we've developed smarter ways for our customers to gain build efficiencies. It comes down to our flexible ways of working, combined with our unique end to end supply chain. That delivers greater control over cost, quality and the timely delivery of the construction programme.

**Let's talk smarter construction solutions.**  
**Visit [calderstewart.co.nz](http://calderstewart.co.nz)**



## FOUR-DAY WEEK – HOW TO

At Perpetual Guardian, the four-day week model was developed in consultation with staff and reflected how staff felt they could best deliver under the new arrangement.

“We had to agree what good productivity was. And I said to them ‘you have got to take this seriously and plan how you are going to implement a four-day week on a team basis – where you don’t all take Friday off and don’t all take Monday off.’”

Secondly, senior leaders need to be seen to model a four-day week, Barnes says. He recalls an experiment with flexible time at BNZ that died in part because the senior executives didn’t take it on.

“I make my leaders take their day off. They have got no choice because I own the company.”

Over time, he muses, that might increase the number of women in the executive team.

“If it is absolutely acceptable to take a day off, does that change the dynamic of having women at senior levels? Because, suddenly, caring for family is something that can be shared by men and women – it’s not just the preserve of the women. These are unintended consequences of what was an experiment, but it does start to put some of these things into sharp focus.”

The third key element to Perpetual’s model is that the four-day week is not a right.

“The way the deal works is that I gift you a day off. Your normal working hours remain the same,” says Barnes.

“You have to, under section 65 of the Employment Relations Act, define normal hours of work, normal start time, normal finishing time. We couldn’t get a variation, the Act doesn’t let us do it. So what we do is let people opt in, we gift them a day off if they hit the productivity targets.”

An idiosyncrasy of employment law is that, under the Holidays Act, staff accrue leave on five days even if they only work four.

“How we deal with that is we say, ‘fine – you have to give one day per quarter to charity’.

**“Internet surfing dropped 35%. People were indicating that, actually, you know what, I would rather have a day off than spend time surfing the internet at work.”**

That doesn’t make it any better for me in the context of an economic disadvantage, but it does make me feel better.

“It actually cements the contract between the employees and the employer – the employees are recognising the value of the gift.”

Sick days remain the same. Staff are still expected to come in and work more during busy times. Only statutory holidays are treated differently.

“If the week has a statutory holiday you don’t take another day on that week.”

The real core of it is that it is a gift, the day off can be taken back if productivity doesn’t remain at appropriate levels. So, fourthly, productivity must be maintained or improve.

“Fundamentally – and this is important for business – this is a discussion about productivity. It is not just a discussion about work-life balance. But we are getting better productivity and better outcomes out of the team working four days per week than five.”

## BARNES’ CHALLENGE TO BOARDS

“We’ve known about this for 100 years. The more you look at the research that exists all over the globe you will find that there comes a point at which working longer doesn’t equal working smarter or working better.

“The question I would pose to boards now is: ‘Are you being responsible if you are not looking at this?’ I would maintain you are not. You are running in the face of very strong evidence. It is not just my trial. If you look you will find research all over the world. What we say to all companies is ‘try it’.

“If you instituted a trial, even in a part of your business, what does it say about you as leaders?”

“Does it say you give a damn? Does it say you are callous? Does it say you are being innovative or does it say you are being backward looking? You are having a different conversation with your team. What’s the worst that can happen? The trial fails and at the end of the day people say, ‘well at least they gave it a go’.

“If you think that what you are doing is fit for purpose in the 21st century, I think you are kidding yourselves.” 



## Principles of the Perpetual four-day week

Maintain or improve productivity

Get staff buy-in

Leaders must model behaviours

It’s a gift, not a right

# Cyber Risk. Accept it or act on it?

Talk to the experts at  
Aura Information Security

---

[aurainfosec.com](http://aurainfosec.com)  
0800 2872 12



POWERED  
BY KORDIA





## FUTURE OF WORK – CULTURE

# A culture tale

We are trying to steer culture with ineffective levers, when it is stories that really count, says leading Australian board chair Michael Smith.



AUTHOR  
**MICHAEL SMITH** CHAIR OF 7-ELEVEN  
AUSTRALIA, STARBUCKS AUSTRALIA  
AND OTHERS

Take 10 headlines about companies persistently disappointing stakeholders and you will find culture quoted in more than half.

**R**ightly, directors are held responsible when bad behaviour happens, but understanding and influencing culture across more than 50 people is very difficult, and even “best practice” approaches – like measuring engagement, publishing values and the board receiving presentations – are ineffective.

In the majority of cases, the offence was against the express wishes and published values of the company. Often executives had made presentations to the board demonstrating they understood expectations.

Conversely, while pockets, or even plagues, of bad culture corrode the scaffolds of our firms, we struggle to think of a great company that is not built on human spirit.

We know we can't command the right behaviours. The great, productive cultures are a product of inspiring leadership that is heavily weighted toward positive messages, but in which poor behaviour carries consequences. While we are trying hard, the evidence suggests we are too often ineffective.

We want to guide our cultures through communicating values, but the power comes not from what we say, but from the stories our people tell about our behaviour.

All good leaders say what they expect and don't want. While these communications are sincere, and often reflect fiercely held beliefs, they don't really work until they become stories.

### **SKILL, COURAGE AND TIME**

We can say something very quickly, but creating powerful stories that shape our cultures takes skill, courage and time. While we generally have the courage, we run short on the other two.

Saying safety is critical counts for little. I have seen a CEO stop an entire site over what most thought was a trivial matter. That got people talking about taking this seriously.



Stories are present in every culture. Without the striking and visible actions for good, negative messages can grow among staff:

“They don’t care about their people.”

“We are here just to make money.”

“This place is so political.”

“Don’t speak out, you’ll get your head chopped off.”

Scotch College, where I was a student and later chaired the council, valued the idea that each boy is unique, expressed as: “Know every boy”.

Twenty years after his retirement, people still tell the story of how the headmaster, Bill Dickinson, would greet each of the 1,000 boys by name. In the summer break, he would spend hours looking at photos and memorising names so he could keep this up.

The story endures.

The idea of your CEO spending weeks learning names seems like a misplaced priority. But the effect of this on the boys and the culture was more profound than his many accomplishments in pedagogy.

Measured by the outcome, it was an outstanding investment. Less is more.

## GAINING TRACTION WITH MORE THAN THREE VALUES IS VERY HARD

Research shows we try to communicate too many values, with the evidence suggesting that people struggle to remember three (go for a walk and ask).

The most powerful service cultures see the same very few defining values held from ownership all the way through to customers. Google’s is: “Focus on the user and all else will follow.” This belief runs from the founders, through to the call centre and it is why we use it. If we focus on the user, it is hard to do the wrong thing by them.

Building the culture we want on three or fewer defining values through our attention-getting actions, not words, is a very large, sophisticated challenge. By all means add to three, but only after success with the small list.

## BEWARE OF HOW YOU MIGHT BE STEREOTYPED

If one of your headline goals is “maximise profit,” you will need powerful balancing concepts such as “do what is right for the customer”.

Incentives that favour the organisation over the customer send dangerous signals.

In most cases, these incentives are set by leaders who would always act in the interests of the customer. The mistake is in assuming that this value would also be present in all staff, many of whom have no real evidence to move from the stereotypical view that: “They just want me to make a profit. That is how I get rewarded.”

It is no surprise that so many of our people think like this. It is a stereotype built in all forms of media that predominantly report on heartless corporates hurting people.

## FORMALITY IS OF LIMITED VALUE

To understand and shape culture we must also work in the informal spaces.

A formal presentation in a boardroom, to the highest authority in the business, is valuable, but about the last place for deep insight and unguarded exchange. The implicit incentive is to please the board.

I used to be part of board visits to company sites, thinking that this was a great way to learn more about the organisation. But there is no real chance when we make it look more like a Royal Tour of directors and C-suite members. Of course, we saw perfect sites, customer love and experienced deference.

The best insights come in a relaxed environment of trust and confidentiality, without any trappings of power. To understand the business and the culture we have to personally explore at all levels, at different times.

I began visiting stores at midnight, on my own, and helped stock shelves. That helped.

My predecessor in one company used to spend weeks in the front-line in ways that I could not manage. He had a tremendous effect on the culture.

## HEAR ALL THE NEWS

We all want to be encouraging, and most of us do not enjoy bad news and negativity.

While directors ask executives, “what is keeping you awake at night?”, we like to celebrate the success of people. When people bring good news, we are pleased. Most of our reports believe bad news is less welcome and in the minds of many, reverting to the stereotype, there is the threat of retribution.

The complexity is that a good culture must also include consequences for negligence and bad behaviour.

We want to hear what otherwise would be weak signals of problems and opportunities at all levels, and healthy relationships are the foundation of understanding others and being heard on our expectations. Once we understand others, then can we expect to be understood.

We have to be a welcome, frequent and interested visitor to all parts of the company. Then, people will want to tell you where we can improve and what is going well. Your influence comes more from familiarity and trust than power.

## MEASURE AT THE EDGES

Measurement leads to understanding and change. Taking the temperature of culture should include the boundaries between the edge of the organisation and its stakeholders. How are those relationships going?

We need to set the desired balances between the often competing needs of shareholders, staff, suppliers, customers and the community. Understanding the culture within the complexity of these trade-offs tells us a lot about what we stand for.

## WHAT IS THE ROLE OF A REGULATOR IN CULTURE?

No doubt, culture is an essential ingredient in organisational success, and generally at the root of failure and disappointment. Regulators should focus on the effect – the breaking of a law is their business.

As leaders, culture is our business. There is a considerable risk of regulatory interest if we do not take a sustained and personal interest in the culture. The requirement of leadership then is to inspire stories that bring to life our values and be close enough to see the cracks. **b**



### Michael Smith at Beyond Now

Michael Smith will be speaking at the IoD's Beyond Now Leadership Conference in April. Smith has a long history in digital, strategy and market research. His contributions at the board level are considerable. He is the current Chair of 7-Eleven Stores PL and Starbucks Australia, the Lionel Samson Sadleirs Group and Pioneer Credit.

In March 2014, Smith was awarded a Doctor of Letters from the University of Western Australia for his contribution to the business sector and the arts. In addition, he is a recipient of the Patron's Medal – His Royal Highness Prince Phillip, in recognition of his services to marketing, awarded by the Australian Marketing Institute.

Beyond Now, 2–3 April, Sky City, Auckland. For details see [iod.org.nz](http://iod.org.nz)

**BEYOND NOW 19**

IoD Leadership  
Conference 2019



2-3 April 2019 | SkyCity, Auckland

# Prepared for governance beyond now?

Join us at **Beyond Now**, the IoD leadership conference on 2-3 April 2019. Discover new perspectives, ideas and innovations which will shape the future and how we can best prepare ourselves and the organisations we represent.

 Join the conversation **#IoDNZConf**

---

**Register now at**  
**[iodnzconf.org.nz](http://iodnzconf.org.nz)**

## EARLYBIRD

(available until 28 Feb 2019)

---

\$1,445 incl GST

**FOR MEMBERS**

\$1,645 incl GST

**FOR NON-MEMBERS**

## FULL PRICE

---

\$1,545 incl GST

**FOR MEMBERS**

\$1,745 incl GST

**FOR NON-MEMBERS**

The Institute of Directors is New Zealand's leading network of directors committed to excellence in governance. To find out more: [iod.org.nz](http://iod.org.nz)





FUTURE OF WORK – DEMOGRAPHICS

# A demographic picture of our future workforce

Christine Field looks at the size and shape of our future human capital in New Zealand.

AUTHOR  
**CHRISTINE FIELD** MINSTD

Over the past 30 years New Zealand has been through massive transformational change. Looking ahead 30 years, everything will again be very different.

The composition of the workforce in terms of demographics, knowledge, skill sets, jobs, attitudes, expectations and ways of working will leap into new territory. A diverse mix of cultures, languages, faiths, age groups, connections, ideas and experience will introduce new paradigms into the workplace. The workforce will be larger, generally older, super-diverse and have a range of new talents and skill sets not yet evident.

## DEMOGRAPHICS

Predicting future population demographic trends is an inexact science subject to a range of variables, including migration, fertility and mortality. What we can say is that the population will grow, there will be more people working, more working people will be 65+ and there will be greater ethnic diversity in the workforce.

In 2038, Statistics New Zealand projections suggest:

there could be another **one million** more people in work

**20%** of our people will identify as **Māori** (15% today)

**22%** will be **Asian New Zealanders** (12% today)

**Pacific New Zealanders** will make up **18%** of our population (7% today)

up to **379,000** people in the **65+** category will be working (171,000 today).

The significance of our human capital was highlighted by Secretary to the Treasury Gabriel Makhoulouf in a speech on economic growth last year to accountants.

“When we compare New Zealand to other OECD countries we get some good insights into just how significant our own human capital is. New Zealand is slightly above average in its ratio of human capital



to GDP but is significantly above average in the ratio of human capital to physical capital. This suggests that our economy has a greater dependence on human capital for its economic output, and may also suggest that having high levels of human capital is especially important for New Zealand’s economic growth,” Makhoulouf said.

“The health and skills of New Zealand’s workforce is the most important component of our human capital and the foundation of our productivity. It’s vital that we invest into the ongoing development and sustainability of our skills base as the nature of work changes and as the age and shape of the workforce changes.”

## THE WORKERS OF TOMORROW

The oldest of today’s burgeoning talent that is Gen Alpha will by 2038 be 29 years old. These children of the millennials don’t yet have a credit card, but they’re shaping up to be a huge market force.

2019	Characteristics	By 2038
<p><b>GENERATION ALPHA</b> Children of millennials make for a growing lucrative consumer market Born from 2010 to 2025 Now aged 9 years and under Will grow up with AI and robots</p>	<p>Wealthiest, most highly-educated, technologically connected group to date, huge spending power Has a digital footprint from birth Problem-solving skills, peer-to-peer learning in connected classrooms, uses iPads for sharing work with teachers and classmates Demands environmental, social and governance responsibility (ESG)</p>	<p>Living with climate change and low carbon emissions economy The nine year old from 2019 turns 29 years this year Has lived through many current proposed education system changes Now in work, in tertiary study, at school, high employee expectations</p>
<p><b>GENERATION Z</b> Internet and social media generation, also called the iGen, or Deltas, or Neo-Digital Natives Born 1995 to 2009 Now aged 10 years to 24 years, at school, in tertiary education or work, ethnically diverse People born in 2000 (Y2K) will be eligible to vote at the next election</p>	<p>Shaped by change, raised with smartphones, moved from PC to mobile, from text to video, three hours daily online, social media integrated into life Independent, hardworking, loyal, open-minded, responsible, somewhat anxious, determined, compassionate, thoughtful, risk averse, accepting of new ideas, want more than just a job, purpose-led</p>	<p>Aged 30 to 44 years Millennials on steroids, weight of saving the world on their shoulders, financially flailing, personal brand and privacy concerns, use phones more than TV for entertainment Focus on sensible careers, eager to sharpen skills, for learning and development</p>
<p><b>MILLENNIALS, OR GEN Y</b> The echo boomers (children of the baby boomers) Born 1980 to 1994 Now aged 24 to 38 years</p>	<p>Special, sheltered, confident, team-oriented, conventional, pressured, achieving, entitled, pragmatic, idealists Favour flat corporate structure, work-life balance, social consciousness, dynamic career paths, collaborative way of working</p>	<p>Aged 44 to 58 years, leading business, commerce, running the country, parents with teenage and adult children</p>
<p><b>GENERATION X</b> Independently minded – from slackers to start-up founders Born 1965 to 1979 Now aged 40 to 54 years</p>	<p>Entrepreneurial, founded technology start-ups and small businesses, self-confident, optimistic, independent, resourceful, self-managing, adaptable, work-life balance, sceptical, pragmatic, happy, quiet</p>	<p>Aged 60 to 74 years, lived through the 1987 stockmarket crash and the 2007–08 Global Financial Crisis, several career changes, beginning to anticipate stopping work</p>



Concerns about workforce quality and capability featured strongly in the 2018 Director Sentiment Survey with 28% of directors identifying it as the biggest risk facing their organisation.

## LABOUR QUALITY AND CAPABILITY CONCERNS

New Zealand’s labour quality and capability has for the past five years running been identified by directors as their organisation’s biggest risk. Workforce quality and capability was also rated one of the biggest impediments to national economic performance.

Most recently, the 2018 and 2017 Director Sentiment surveys by the IoD and ASB highlighted workforce capability, quality and availability as the biggest issues for directors. These workforce constraints were reckoned to be key factors impeding New Zealand’s business capacity and growth.

ASB chief economist Nicky Tuffley suggested that the unemployment rate at 3.9% was “incredibly low”, and that finding the right staff was a business challenge. To overcome that, businesses needed to think long term, and be innovative about sourcing, nurturing and retaining talent, and using technology. As management guru Peter Drucker famously said: “The best way to predict the future is to create it.” We’re shaping our future workforce now. **b**

# Making the best of technology

Workers of the future will expect organisational culture to maximise the benefits of the “always on” internet world for both productivity and work/life balance, says Ben Kepes, director and tech industry analyst.



AUTHOR  
**BEN KEPES** MINSTD



As a professional director who has another role as a global technology industry analyst and consultant, I am in a somewhat unique position to work both at the coalface with a number of early-stage start-ups and with more mature organisations, both here and across the globe. I am constantly intrigued by the differences between these two types of organisation and, specifically, the way the people within these organisations approach work.

## OLD AND NEW APPROACHES TO WORK

While it is a generalisation, many traditional businesses look and feel like workplaces of a generation ago, with employees adopting a traditional nine-to-five workday. Alongside this “leave my job when I go home” mentality goes a corresponding attitude that home time is distinct from work and responding to emails and the like outside of the usual nine-to-five is a step too far.

By comparison, start-ups are a bastion of the “always connected” life, with employees and management alike being prepared to respond to emails (and, given that this is the tech world, all manner of other mediums) as and when they come in.

Traditionally, this expectation that people will be “always on” has been seen in a negative light, with much attention given to the very real impacts a 24/7 approach has on employees’ lives. But, while this work/life aspect is an important one to consider, for anyone in a governance role, there is a deeper conversation to be had here, one which revolves around what “work” really means in the modern world.

In the old world (the way business was done before the internet, mobile devices and the multitude of notifications they generate), innovations happened slowly and boards, management and workers alike had the ability to stick to a pedestrian rate of change. The net result of this was that businesses could work to a standard nine-to-five tempo, and boards could enjoy the measured pace of meetings, safe in the knowledge that not much changed from meeting to meeting.

Today, however, we live in an incredibly dynamic world where the rules of engagement for a business, on strategic, tactical and operational levels, change constantly.

This introduces a very real need for all levels of the operation to work to a far higher tempo.

But while we often worry about the impacts of this “always on” world, there are, I believe, some very real benefits that we, as directors, should consider when it comes to designing the way our organisations work.

## DESIGNING FOR BALANCE, TOOLING FOR PERFORMANCE

Focusing on the deleterious impacts of connectivity misses much of the value that this same connectivity brings. In a marketplace where good talent is scarce and our people are the biggest driver of success we, as directors, should consider re-engineering our workplaces to take advantage of this value.

Connectivity, and the various communication tools it enables – from voice to SMS, from email to instant message – means that our people can be effective anywhere in the world. There is no impediment to a manager joining a team meeting “virtually” while on a beach in Bali. Similarly, a massive potential source of talent, that of parents looking to balance childcare with work, is able to adopt a more flexible workday and location mix.

An observation that I have made of our traditional director pool is that, despite these individuals themselves enjoying the flexibility that comes from a portfolio approach to their vocations, their expectations of the organisations they work with is very traditional. It is, perhaps, a reflection that the majority of our director ranks (albeit, thankfully, shrinking) had its start in typical corporate environments with the attendant approaches to work structures that creates.

I would challenge all directors to consider whether the tools and attendant employment policies they apply to their organisations truly reflect the needs of those staff, or leverage the benefits those tools can bring.

## PHYSICIAN, BE THY HEALER

There is, of course, another side to this debate. That is the need for directors to themselves demonstrate best practice when it comes to this area.

It would be wrong for directors to suggest that, because their role focuses on strategy, there is no requirement for them to adopt a more dynamic and responsive approach.

I disagree with this viewpoint and would suggest that, in this highly dynamic world, the ability to respond quickly to strategic as well as tactical and operational threats and opportunities is a core requirement for all levels of the organisation.

My challenge, therefore, to us all is to, on the one hand, offer our employees the same sort of flexibility that we enjoy in our role and, on the other hand, to adopt the more responsive and dynamic approach to business that we expect from our workers.

It is through leveraging the opportunity to collaborate quickly and efficiently, and moulding that with a genuine focus on balance, that we can all deliver organisational success, now and into the future. 

**“I would challenge all directors to consider whether the tools and attendant employment policies they apply to their organisations truly reflect the needs of those staff, or leverage the benefits those tools can bring.”**



# Corporate governance in the transition to a low-carbon economy

Boards need to start thinking now about what the Government's moves to create a net zero carbon economy might mean for their organisations.

AUTHOR  
**TOBY STEVENSON** *CMINSTD,*  
CONSULTING DIRECTOR WITH SAPERE

The transition to a low-carbon economy will change the workplace as a result of firms being forced to adapt their competitive position. Business leaders must approach this issue as any other strategic threat and opportunity, or suffer the consequences.

**F**rom time to time, major new forces dramatically reshape the business world. Two examples from recent decades include globalisation and the IT revolution. The impact of climate change on businesses may rival both of these.

## THE TRANSITION TO A LOW-CARBON FUTURE IN NEW ZEALAND

In the specific case of New Zealand, legislating for net zero emissions will introduce the impacts of a low-emission future forcibly into the economy.

The Emissions Trading Scheme (ETS), which is currently being reformed, may be complemented by other policies, such as those needed to achieve 100% renewable electricity by 2030. The Interim Climate Change Committee is already looking at options and the practicality of achieving this target.

The Productivity Commission says it clearly: "During the transition, action to mitigate emissions will require real and significant changes impacting on households, businesses, industries, cities and regions. A shift from the old economy to a new low-emission economy will be profound and widespread, transforming land use, the energy system, production methods and technology, regulatory frameworks and institutions, and businesses and political culture."

## IMPLICATIONS OF THE TRANSITION ON FIRM COMPETITIVENESS

For each industry, the competitive landscape will be affected by the transition's four outcomes, described below.

### 1. Emissions reductions

New entrants that have lower regulatory costs to comply with emissions reduction requirements will be at a competitive advantage over incumbents.

Mechanisms used by governments to obligate industries to lower their emissions create a compliance cost. Emissions may have to be purchased for surrender under emissions trading schemes such as we have in New Zealand, but other mechanisms may also be introduced. This is especially likely in New Zealand, as the net zero emission legislation will set targets that are more ambitious than our obligations under the Paris Agreement.

Everyone will be faced with the reality of having to lower emissions somehow or pay the price.

## 2. Disruption to supply chains

There will be an increasing risk of disruption to supply chains as a result of climate change. This will affect firms' ability to substitute input materials.

There will be direct impacts, such as lower crop yields, damage to assets from more turbulent weather, or increasing restrictions on water use. There will also be indirect impacts resulting from companies' exposure to the emissions integrity of suppliers.

Businesses will have to be more vigilant – value chains can disrupt existing industries. But they can also create new industries, as the example of second-generation biofuels shows.

## 3. Changing consumer preferences

The nature of competitive rivalry in an industry will be determined by how well incumbents or new entrants manage to attract and sustain customer loyalty. In turn, customer loyalty will be driven by the way in which firms manage to adapt to changing consumer preferences. As society becomes more conscious of the effects of climate change, consumers will increasingly favour organisations that are responding to the low-emissions imperative.

## 4. Changing human capital requirements

During the transition, a firm's competitiveness will also be determined by its ability to attract specialist knowledge, either as a way to enter existing markets or to retain current market share.

The way we do jobs now will change and some roles being done today will be replaced by other roles. Obviously some of this change will be due to technology improving job productivity overall. However, the drive to reduce our environmental footprint will also create demand for skills that would not have occurred in the absence of the low-emissions imperative.

These skills could range from agricultural research into methane-reduction solutions to measuring the carbon impact of investment portfolios. Companies will need to be flexible to shift resources from less productive to more productive activities as employment and business opportunities change.



## IMPLICATIONS FOR CORPORATE BOARDS

There are generally two ways in which a firm can respond to the transition: improve its operational effectiveness or change its business strategy (or both).

**Ensuring operational effectiveness:** Operational effectiveness refers to performing similar activities better than the industry rivals. Companies that produce more emissions than their rivals are operationally ineffective. As the world moves to lower emissions, every company will have to mitigate climate-related costs and risks in the value chain, in addition to those relating to their own operations. Getting the basics right for this will be a matter of operational effectiveness.

**Changing business strategy:** During the transition, some firms will find opportunities to improve their competitive positioning by creating new products or services, or by innovating in a way that creates a competitive advantage. This is a business strategy response that is different from simply improving operational effectiveness. For example, whereas an operational response to climate change for a logistics company would be using more efficient engines, a change in business strategy would involve delivering fewer distribution miles by bringing distribution centres closer to customers.

Approaches to dealing with climate change will differ across firms, depending on the particular business. However, all businesses will have to take some steps to manage their exposure to climate change in order to stay competitive.



## CURRENT POSITION WITH REGARDS TO CLIMATE CHANGE

We know now that climate change effects on business models get little airtime around the board table. Based on the IoD Director Sentiment Survey 2018, 72% of directors either don't think it matters, or are blissfully unaware that they should be thinking about it.

A recent analysis of Deloitte Top 200 companies shows that only 31.2% include any climate change-related issues in their annual reports. That work also indicates that less than 5% of 365 public and private sector organisations reported they have established emission reductions targets.

Things are changing, however. Nearly 80 private sector CEOs in New Zealand have already taken a lead to measure emissions via the Climate Leaders Coalition. That is great leadership and a great start, but it is only a start.

**“Nearly 80 private sector CEOs in New Zealand have already taken a lead to measure emissions via the Climate Leaders Coalition.”**

## INTERNAL EMISSIONS REDUCTION TARGETS CAN SUPPORT TRANSFORMATION

If organisations are to factor climate change into their modus operandi, the critical thing they will have to do is measure their environmental footprint, set targets and monitor progress. It is often said that you can't manage what you don't measure.

Science-based emissions reduction targets allow companies to align their emissions profile with a trajectory compatible with the Paris Agreement. These targets can help companies become leaner and more efficient. In a world in which the price of raw materials is rising, this can increase the competitive advantage of firms. In New Zealand, nine companies have adopted such targets, but this may only be the start.

## CONCLUSION

Directors will have to factor the regulatory cost of emissions reductions into decisions and strategy. Directors will have to face up to the implications of climate change to their supply chains. And there will be no escaping the impact on financial bottom lines if consumers vote with their feet when they see an organisation ignoring the issue. In the context of the future of work in a changing climate, businesses face two choices: step up or face the consequences – sooner or later. 🗣️



# NZI Fleet Fit.

Free risk management for fleets.

Fleet Fit is a comprehensive programme designed to manage fleet risk.

Through Fleet Fit we offer our customers a range of business culture programmes, data management tools, cutting-edge safety technologies, as well as our Crash Scene Assistance service.

We offer many of these programmes to eligible customers at no additional cost.

Find out more about NZI Fleet Fit by visiting [nzi.co.nz](https://nzi.co.nz)

Available for eligible NZI and Lumley customers with commercial motor insurance.



# Is the world sleepwalking into a crisis?

An overview of The Global Risks Report 2019 provided by Marsh.

Global risks are intensifying but the collective will to tackle them appears to be lacking. The planet faces increasing interconnected risks and environmental vulnerability yet geopolitical tensions are pushing us into a disconnected world.

“We will struggle if we do not work together”, warns Børge Brende, President of the World Economic Forum in the fourteenth edition of the Global Risks Report published in January.

The report, which incorporates the results of the annual Global Risks Perception Survey of approximately 1,000 experts and decision-makers, found that the top five global risks in terms of likelihood were:

extreme weather events

failure of climate-change mitigation and adaptation

major natural disasters

massive incidence of data fraud or theft

large-scale cyber-attacks.

The Global Risks Report 2019 analyses major causes of concern globally; in this article we highlight three key issues.

## 1. A fractious world

Geopolitical and geo-economic tensions are rising among the world's major powers; mounting difficulties affect global risks in significant ways from security alliances to undermining efforts to protect the global commons. Collectively, these trends risk undoing the progress that globalisation has brought. Trade disputes worsened rapidly in 2018 and the report warns that growth in 2019 will be held back by continuing geo-economic tensions, with 88% of respondents expecting further erosion of multilateral trading rules and agreements.

“With global trade and economic growth at risk in 2019, there is a more urgent need than ever to renew the architecture of international cooperation. We simply do not have

the gunpowder to deal with the kind of slowdown that current dynamics might lead us towards. What we need now is coordinated, concerted action to sustain growth and to tackle the grave threats facing our world today,” says Brende.

## 2. A changing climate

Environmental risk dominates the report for the third year running. Failure to act on climate change exposes vulnerabilities. Rising sea levels force entire cities underwater, destroying infrastructure, destabilising economy and posing sanitation risks.

Alison Martin, group chief risk officer, Zurich Insurance Group, said: “2018 was sadly a year of historic wildfires, continued heavy flooding and increasing greenhouse gas emissions. It is no surprise that in 2019, environmental risks once again dominate the list of major concerns. So, too, does the growing likelihood of environmental policy failure or a lack of timely policy implementation.”

## 3. Technological vulnerabilities

Rapidly evolving cyber and technological threats are the most significant potential blind spots; we still do not fully appreciate the vulnerability of networked societies. We are increasingly dependent on online systems, making us more susceptible to attacks.

John Drzik, president of global risk and digital, Marsh, said: “Persistent underfunding of critical infrastructure worldwide is hampering economic progress, leaving businesses and communities more vulnerable both to cyber-attacks and natural catastrophes, and failing to make the most of technological innovation. Allocating resources to infrastructure investment, in part through new incentives for public-private partnerships, is vital for building and strengthening the physical foundations and digital networks that will enable societies to grow and thrive.”



In the chapter “Heads and Hearts” the report reminds us to consider how the challenges facing the world impact people. The issues covered in Global Risks 2019 signify widespread human costs in terms of psychological and emotional strain. Worldwide it is estimated that 700 million people have a mental disorder. Research by the World Economic Forum and the Harvard School of Public Health suggests that the global economic impact of mental disorders in 2010 was US\$2.5 trillion, with indirect costs (lost productivity, early retirement and so on) outstripping direct costs (diagnosis and treatment) by a ratio of around 2:1.

The report encourages workplaces to consider how global disruption is affecting their employees. If empathy were to continue to decline the risks might be even starker.

In the chapter “Hindsight” the report takes a retrospective look at some of the issues identified in previous years, tracking progress and providing further insight into how some of these risks have developed. The topics covered in this edition are security of the food system, civil societies and investment in infrastructure.

The report also explores potential risks that could disrupt or destabilise our world and what can be done to prevent them.

Each of the 10 shocks presented is a “what-if” scenario, and a reminder of the need to think creatively about risk. These include contested space, digital panopticon and open secrets.

The Global Risks Report 2019 has been developed with the support of the World Economic Forum’s Global Risks Advisory Board. It also benefits from ongoing collaboration with its Strategic Partners Marsh & McLennan Companies and Zurich Insurance Group, and its academic advisers at the Oxford Martin School (University of Oxford), the National University of Singapore and the Wharton Risk Management and Decision Processes Center (University of Pennsylvania).

The Global Risk Report provides private and public sector leadership with an independent platform to better map, monitor, manage and mitigate global risks.

A full copy of the Global Risks report can be downloaded at [www.marsh.com/nz](http://www.marsh.com/nz)



FUTURE OF WORK – TECHNOLOGY

# Working in the world of tomorrow

How disruptive technologies will change the way we work and what directors should do about it.

AUTHORS:

**ANDREW TUBB** [ATUBB@KPMG.CO.NZ](mailto:ATUBB@KPMG.CO.NZ)

**ANTON SAMOILENKO** [ASAMOILENKO@KPMG.CO.NZ](mailto:ASAMOILENKO@KPMG.CO.NZ) **KARL ARNDT** [KARNDT@KPMG.CO.NZ](mailto:KARNDT@KPMG.CO.NZ)

*For more information, please contact the authors.*

Imagine you can access any information you could ever want about your business, from what customers are saying about your products on Reddit, to the impact the latest trade war between US and China is having on the efficiency of your supply chain. A veritable sea of information; all you have to do is ask.

But that's not all. Better data and increasingly sophisticated technologies will allow your organisation to become considerably more efficient and nimble through automation of existing processes and improved delivery of customer services through cognitive technologies (eg digital assistants).

In the context of these sweeping changes, what would 'work' look like in the organisations of tomorrow? And what does it mean for directors today?

### WHAT DOES IT MEAN FOR PEOPLE WHO ARE CURRENTLY WORKING?

Fundamentally, the nature of work will remain the same – people helping people. However, the way we do it will change dramatically. Here is a flavour of what it will mean for different parts of the organisation.

#### For the leaders

To paraphrase Henry Ford: "If I listened to my customers, I would have invented a faster horse". 'Robots' will provide knowledge through real-time data and insights, but future leaders will need to blend these data and insights with creativity to develop new products and services that customers don't even know they need yet, deliver existing products and services in innovative new ways (eg Uber), or move into adjacent markets to maximise the value of their organisation's competitive edge.

#### For the managers

Increasingly, managers will be required to focus on making new ideas work. This will include figuring out what it takes for a new idea to succeed, how to deliver a top-quality experience to customers who have never experienced the service before, and empowering and developing team members who are seeking ever more agile career paths. Service design, adaptable project delivery (not just Agile ...), empathy and a customer-experience focus will be the core tools of future managers. Greater pace of change will also require managers to become better at managing disruption, particularly in helping employees navigate the changing job environment.

#### For employees

Long gone are the days of a job for life. But the arrival of data and automation does not mean we should all become PhDs in Engineering. Yes, some new services will be launched directly on digital platforms, but, in a lot of cases, organisations will still need skilled workers to develop and deliver new products and services. Workers will need to be prepared to move to a job in a different field, but with a similar skill profile. We can already see this trend playing out in some areas, through the rise of the 'gig economy'. There is good reason to believe that new technologies, like cognitive automation, will make it easier for employees to transition to new jobs by better matching employees' skills with potential jobs. It may also help them learn things faster on the job by providing timely, practical information about the tasks at hand.

### WHAT DOES IT MEAN FOR DIRECTORS?

The good news is that these technologies should lead to faster growth, better outcomes and improved customer experience. The bad news is that New Zealand is already behind the leading countries in terms of adoption of new technologies; an unsustainable position, given their potential to rapidly disrupt existing business models.

To catch up to the pack, we recommend directors concentrate on these actions:

#### GETTING STARTED

These technologies are here now, and will only become increasingly pervasive. It takes time to understand and become proficient in using disruptive new technologies, so we suggest starting small – but get going now, and challenge your organisations to plan to adopt these technologies in a way that is ambitious but not reckless.

#### BUILDING TRUST

Highly publicised data leaks and rumours of systemic bias in predictive models create an instant distrust in new technology among customers and employees. Directors need to ensure their organisation has the right internal processes and policies in place to protect data, and to ensure that automation performs as envisaged.

#### PREPARING FOR CHANGE

Cognitive technologies and automation will greatly increase the pace of change in most industries. Make sure your organisation is ready for the increased pace by adopting best practice change management.

#### GETTING CLOSER TO YOUR CUSTOMER

Twitter, Reddit, Facebook, or bespoke apps – organisations now have a plethora of channels to contact their customers and to understand their sentiments. Use this information to improve and stay relevant... your future depends on it.

# Governance dualities

Good governance decisions can be found in the space between competing ideas and extremes, says INSEAD Chaired Professor of Corporate Governance, Ludo Van der Heyden.

AUTHOR  
AARON WATSON

**Dualities – profit vs growth, short term vs long term, headquarters vs subsidiaries – are the fundamentals of board work, says INSEAD Chaired Professor of Corporate Governance Ludo Van der Heyden.**



“If things are clear – you have to choose black or white – then it’s typically not governance,” he says.

“Most governance issues are in the middle. They are grey, and you have to choose your shade of grey.”

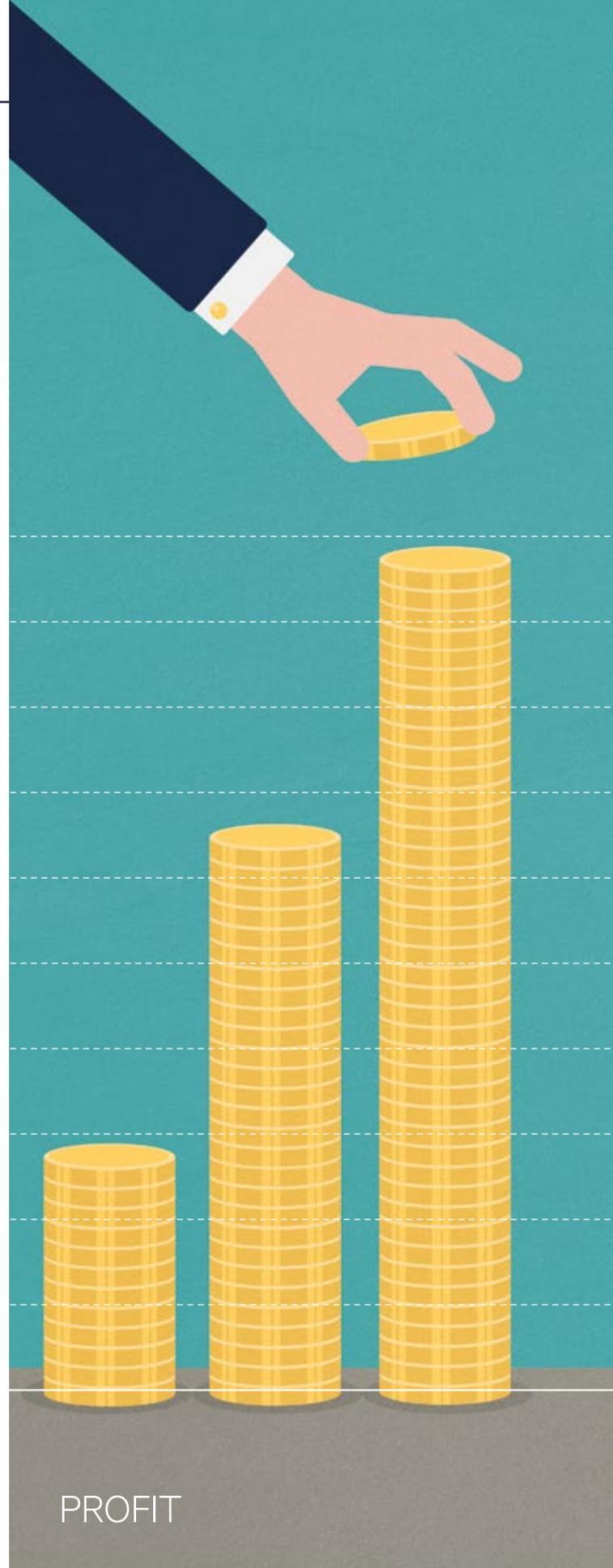
Making good decisions requires a board to reconcile conflicting opinions and find the grey area in which a board can come together.

“Good board work is about finding a middle solution where several people around the boardroom make comments and in the end it is OUR solution,” he says.

## THE MIDDLE IS NOT 50/50

When managing dualities, it can be tempting to settle at a spot half-way between. But this is usually a mistake, Van der Heyden says.

He offers the male vs female duality and gender equality in the boardroom as an example of a situation in which the middle ground is not necessarily in the middle.





“Most people these days agree gender diversity is a good thing, so wrong is either all male or all female. You want to be some distance from the extreme.”

Similarly the balance between profit and growth is seldom going to be found by giving equal weight to both.

“The middle is not 50/50. KPIs establish where the goal lies between these dualities.”

### **BOARD WORK IS NOT NATURAL**

The strategy vs operations duality is an area that exposes the fundamentally artificial nature of good governance, he says.

“Board work is not necessarily natural. This is why training programmes are important. Governance education is about keeping the conversation on the key topics and not going into operational detail. Programmes allow you to understand that your role as a director is different [to that of an executive], to help you reflect on the transition. Partly because so many board members are former executives, there is a tendency to drift into operational concerns.

“There is a story about the board of a retailer that goes into a shop and immediately starts making comments on the shelf space – what’s on the shelf and how the shelf should be managed. That is purely an operational issue.”

In a sense, good governance is against human nature, he admits. So it is perhaps no surprise that many people struggle to transition into governance roles.

“I know of students who come to our programmes and say, ‘I really like the action, I like the CEO role, I don’t really like board work’.

“The first question to ask yourself is ‘do you really want to be a board member? Are you happy doing it?’”

Even those who are suited to it may still have to upskill in order to be effective.

“We don’t teach talent. Talent is innate. You need governance competence, which you can learn, because you need to conquer your natural tendencies and insight, which come from talent.”

### **BOARDS, OWNERS AND SHAREHOLDERS**

There’s another duality, Van der Heyden says, between the board and shareholders. While the board has a fiduciary duty to the company, shareholders may simply be looking for returns – which can mean some shareholders are not right for a particular firm.

“People no longer speak about the [investment] market. They talk about the type of shareholders they want and that is very much related to the risk appetite of the shareholders.”



For boards, navigating this duality means understanding what type of shareholders are appropriate to the organisational strategy, he says.

“Shareholder segmentation is very much part of modern governance. The first question is ‘what do the shareholders want?’ Boards need to frame the strategy that is good for the organisation and then find the segment of shareholders who understand. This duality of fiduciary duty that is held by the directors versus shareholder supremacy ... in my programmes when you explain this in simple terms, many people say, ‘I have never thought of that!’”

“If you have new owners you may need to have a different board. But the board is there for the organisation – it is very important to have sufficient independence of the board – so you may have the wrong owners. Many owner-led firms do not want to have the independent power of the board.

“The world is changing very fast. Ownership is changing. Chinese ownership is very present in Europe and also in New Zealand. When you change owners you typically have pressures on governance.”

## GLOBAL OUTLOOK

The US–China trade war is the sign of a truly global world, Van der Heyden says.

“The global world has arrived and China has emerged. There is no longer one player who dominates with relative benevolence, which used to be the US. But one of the problems is that China has become too big and they are very self-centred – so there is a ‘China first’ vs ‘America first’ dynamic.

“China has attracted the world’s investment for a long time and it is the West that has created China. The Trump statement that China is having its cake and eating it too is false. Most of the exports out of China are by subsidiaries, Chinese subsidiaries, of Western companies, many of whom are from America.

“China matters now for the world. Will they take responsibility for the world? That I think is an open question.”

**“The global world has arrived and China has emerged.”**

## BREXIT – A FAILURE OF GOVERNANCE

In the UK, Brexit is unfolding as a textbook failure of governance, says Van der Heyden.

From a corporate governance perspective, the UK government has abrogated its responsibilities, he says. He describes the approach of the Conservative government as “unbelievable” and the opposite of how a board of directors should act.

“I always thought of Britain as being a unique democratic parliamentary system – so you bring issues before Parliament,” Van der Heyden says. “You would expect a Prime Minister to say, ‘look, this was a consultative vote, we are obviously very divided. We [Parliament] need to discuss this and present a clear picture to the people’.

“Instead, she says, ‘the people have voted’.”

That’s analogous to a board of directors handing its duties over to the shareholders, he says.

“If you are a student of governance the whole thing is just unbelievable.”

On the other side of the English Channel, the EU’s failure to deliver a clear value proposition is analogous to a head office losing touch with its branches, he says.

“It’s a little bit like the corporate headquarters not paying attention to the subsidiary countries. Countries don’t see enough value in the EU and that is not the fault of the countries alone, it is the fault of the corporate headquarters.

“The EU was hopeless. They also made a big governance failure – they basically said, ‘let the shareholders decide, or let the stakeholders decide’.

“The guilt is shared.” **🗣️**

**REPORTING TO THE BOARD**  
HALF DAY COURSE

**“It’s a balancing act to know what to tell my board. How much info is too much?”**

### **Communicating the right way**

Discover what makes you effective in working with your board and how it is essential for your career progression.

Register for ‘Reporting to the Board’ now at [iod.org.nz/reporting](http://iod.org.nz/reporting) or 0800 846 369.

  
**Institute of  
Directors**

# Mentoring for Diversity Programme

2018 Impact Survey results from mentees who completed the programme 2012–2017



## 110 mentees participated

in the Institute of Directors' Mentoring for Diversity programme in five cohorts between 2012 and June 2017.

We wanted to know the impact of the programme on their governance journeys, so we asked them.

"The Mentoring for Diversity programme sharpened up my governance offering"

Mentee, 2012 cohort

1

## Success of Mentoring for Diversity mentees in gaining board positions



74%

have gained new board positions since completing the programme\*



15%

have applied for but not been successful in gaining new board positions



11%

have not applied for any board positions

\*Results based on 64% response rate from 5 cohorts of mentees (2012–2017)

2

## Participating in the Mentoring for Diversity programme has:

Strengthened mentees' desire to become a director

69%

Strengthened mentees' desire to further their executive career

10%

Helped mentees realise they are not yet ready for a governance career but will work towards one

6%

Helped mentees decide that governance is not the career for them

1%

# Diverse ideas

A year on the Mentoring for Diversity programme gave Janice Fredric CMIInstD ideas.



Janice Fredric is chair of Credit Union South and the Hurunui Tourism Board, a director of Mainpower New Zealand, Maritime New Zealand and LUAGRJF GP (Lincoln University and AgResearch Joint Facility General Partnership, established to oversee construction and management of a Joint Facility on Lincoln University Campus), and a Council Member of Lincoln University.

She was a Mentoring for Diversity mentee in 2014 (after receiving a Canterbury Aspiring Director award a year earlier). Fredric says the perspectives and ideas of her mentor and fellow directors she heard that year have stayed with her.

"Those little snippets of advice are what, on reflection, have been invaluable," Fredric says.

"I still hear snippets of advice not just from my mentor but from others in my cohort and the various directors we met during the year."

Another ongoing benefit was the relationships she built while on the programme.

"We had a cohort in Canterbury that got together on a pretty regular basis. I still maintain contact with many in that cohort. That has been really useful, to get to know those people in a closer way than you would by running into them at a function."

She only met with her mentor a half a dozen times that year, but describes the interaction as practical and very valuable.

"Just having someone to talk to who would say, 'no, you need to do this with your CV, that's really not good enough' or suggesting ways to behave in a boardroom. I didn't always necessarily agree, but it was always helpful to hear his perspective.

"I was interviewed for a very large state sector board. I didn't have much experience and I thought 'how am I going to manage this?'. I rang him up and he just calmed me down and said, 'You are at the interview stage. They are looking for reasons not to appoint you. Have a very clear understanding of what value you would add'."

While the Mentoring for Diversity programme was focused on increasing the number of women in governance when Fredric was on it in 2014, it has since expanded its definition of diversity to encompass aspects including ethnicity, experience, age and skills.

“The greatest thing is diversity of thought. Sometimes people surprise you. It may be the oldest person in the room who has the coolest ideas,” Fredric says.

“It really is about diversity of thought and coming at something from a lot of different angles, so you can come up with a better solution than you would have on your own.”

Since 2014 she has continued to be involved in governance, saying she is having an “absolute ball”.

“I love the breadth and diversity that my working life brings. I can be switching from a maritime regulatory issue to an in-depth financial markets issue to what’s happening in a power company to what’s happening in the tourism market. All within an hour, in as many conversations. I love the stimulation of that, and the feeling that you add value to sectors and organisations that are important, that are doing good things.”

She advises people considering the mentoring programme course to be prepared to work hard to get the most out of their mentor’s experience and perspectives.

“Every time I attend an interview I reflect on my mentor’s advice. And I reflect on the advice we all received from our mentors about being prepared and understanding the value you add.

“Most meetings, I sit afterwards and reflect on what went well and didn’t go well. It sets a really good foundation for the way I think about the various boards I am on.”

### IS IT RIGHT FOR YOU?

It is interesting that there are a large number of people wanting a career in governance. For some, I think there is a bit of romanticism about what being a director is. Some are leaving their executive careers at a peak time in their earning, Fredric says.

It depends what reasons you have for going into governance and what expertise you bring. What role would you play on a board? You have to have a clear understanding of what you bring.

### MENTORING FOR DIVERSITY

Applications open 11 March 2019

Now in its eighth year, the IoD’s Mentoring for Diversity programme promotes diversity in its widest sense, including ethnicity, age, skills and experience, in addition to gender. It provides mentees with the opportunity to further their professional governance career and enhance their ability to achieve board appointments to NZX or large company boards through the advice, guidance and support provided by their mentor. More details can be found at [iod.org.nz](http://iod.org.nz)

## 3

### Mentees who have completed the Mentoring for Diversity programme believe it:



Respondents could select more than one answer to this question

## 4

### New directorships obtained by Mentoring for Diversity mentees\*



\*Total directorships obtained by mentees who answered this survey question

“The Mentoring for Diversity programme made me appreciate the benefits of a diverse board in terms of robust decision making”

Mentee, 2015–2016 cohort

# GLC Update



**FELICITY CAIRD**  
GENERAL MANAGER,  
GOVERNANCE LEADERSHIP  
CENTRE (GLC)

## » What do boards need to know about the future of work?

The impact of technology on organisations, labour shortages and changing ways of working are just some of the issues that boards are having to consider in relation to the future of work. Over the next 10 years, the board's role in governing this complex area is likely to become even more important. Look out for our first Directors Brief of 2019 on what the future of work means for boards, and what New Zealand directors should be doing to prepare for the changes to come.

## » Quick guide to the Takeovers Code for directors

The IoD and the Takeovers Panel have updated the quick guide for directors on the Takeovers Code. This two-page guide provides a brief overview of the Code and outlines directors' key obligations, including setting up an independent committee, appointing an independent adviser, communicating with shareholders and preparing a target company statement.

### » BIGGEST GLOBAL RISKS

The World Economic Forum's Global Risks Report 2019 predicts these five risks will have the biggest impact in the next 10 years:

1. Extreme weather events
2. Failure of climate change mitigation and adaptation
3. Natural disasters
4. Data fraud or theft
5. Cyber-attacks

## » Larry Fink's 2019 Letter to CEOs – purpose and profit

Every year Larry Fink, chair and CEO of the world's largest investment company, BlackRock, writes to CEOs all around the world. Fink candidly shares BlackRock's views on corporate governance matters and highlights issues that are a focus for the firm from an investment perspective. The letter is relevant to New Zealand organisations and also to boards and directors.

This year, Fink's letter focuses on the link between purpose and profit.

“Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being – what it does every day to create value for its stakeholders. **Purpose is not the sole pursuit of profits but the animating force for achieving them.**”

**Profits are in no way inconsistent with purpose – in fact, profits and purpose are inextricably linked.**

Profits are essential if a company is to effectively serve all of its stakeholders over time – not only shareholders, but also employees, customers, and communities. Similarly, when a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability. Purpose unifies management, employees, and communities. It drives ethical behaviour and creates an essential check on actions that go against the best interests of stakeholders. Purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of your company.”

The letter is available at [blackrock.com](https://www.blackrock.com)

## Policy and advocacy

The IoD advocates on behalf of members in shaping and influencing government policies that impact on the director profession and on governance in New Zealand.

### Balance needed in whistleblowing review

The IoD has welcomed the review of the Protected Disclosures Act 2000, but has expressed concern that small- and medium-sized enterprises will be disproportionately burdened by some of the proposed reforms. In particular, we opposed in our submission the proposals that would require all organisations to:

have internal whistleblowing procedures and

collect information on protected disclosures and report this to an oversight body.

The IoD issued a media statement in December and CE Kirsten Patterson was interviewed on NewstalkZB about why a balanced approach is needed.

The State Services Commission is currently reviewing stakeholder feedback with a view to providing advice to the Minister of State Services on final options for change.

### How should the Reserve Bank be governed?

The role of the Reserve Bank in safeguarding New Zealand's financial system and how it should be governed is under review. In the first of three rounds on consultation expected to take place this year, the following issues relating to the Reserve Bank's financial policy framework are being considered:

What high-level financial policy objectives should it have?

How should its regulatory perimeter be set?

Should there be depositor protection?

Should prudential regulation and supervision be separated from the Reserve Bank?

The IoD's submission on the review focuses on the Reserve Bank's governance and supports a shift away from the Reserve Bank single decision maker model to a governing board highlights the need for a balanced board (and balanced financial policy committee if it is established) of highly capable and professional directors with the right mix of knowledge, skills and experience (including considerable banking and insurance industry experience and skills demanded by a regulator) highlights the need for a transparent and robust appointment (and reappointment) process based on high quality analysis of the knowledge, skills and experience the board requires now and for the future.

### Far-reaching reforms for school boards

The Tomorrow's Schools Independent Taskforce has made significant recommendations to Government for change to the governance, management and administration of New Zealand's school system. Governance-related recommendations include:

re-orienting the role of boards so that their core responsibilities are the School Strategic and Annual Plan, student success and well-being, localised curriculum and assessment establishing Education Hubs to assume all the legal responsibilities and liabilities currently held by school boards with automatic 'delegation back' to principals regarding control of operational grants and staffing entitlements and recruitment

boards being involved in the appointment of principals (with a final right of veto on their appointment), but not being the employer of principals.

A large percentage of IoD members are (or have been) trustees of school boards. The IoD will submit on the recommendations and we welcome feedback to the [glc@iod.org.nz](mailto:glc@iod.org.nz). Consultation concludes in early April.

### Watch out for in 2019

The Trusts Bill, the Privacy Bill and a bill criminalising cartels, all of which are currently making their way through Parliament.

The introduction into Parliament of a Zero Carbon Bill, and bills reforming the Incorporated Societies Act and the public service.

A review of the Charities Act, and further Reserve Bank reforms.



## Davos explores globalisation 4.0

The 49th World Economic Forum Annual Meeting held in Davos in January focused on the strategic ramifications of Globalisation 4.0 and its future impact on global cooperation and the Fourth Industrial Revolution. Over 3,000 business and world leaders from more than 100 countries came together to debate global issues of a political, economic, environmental and social nature and to encourage international co-operation.

Highlights from the meeting include the launch of numerous thought leadership reports (including on how to set up effective climate governance on boards) and initiatives such as a project on preparing civil society for the Fourth Industrial Revolution.

Recordings of sessions are available at [weforum.org](http://weforum.org)

# Out & about

*Auckland*  
 The annual Future Directors networking function that was held on 28 November at KPMG Auckland.



- Auckland**
- 01 Sheridan Broadbent, John Journee
  - 02 Founders of the Future Directors programme Des Hunt, Sir Stephen Tindall and Michael Stiassny
- Waitangi**
- 03 Mike Simm, Leah Peacock, Karleen Everitt, Craig Wells, Jo Brosnahan, Nicole Anderson, Paul White, Darren Mason
  - 04 Jane Hindle, Steve James
  - 05 Chris Ellis, Fiona Morgan



*Waitangi*  
 The treaty grounds at Waitangi hosted the successful Governance of Māori entities event, which explored what good governance looks like in the context of the Māori economy.

*Waikato*

The Not-For-Profit Summit, on 14 November at FMG Stadium Waikato, drew attendees from across the NFP sector.



**Waikato**

06 Bruce Sheridan, Sharyn Cawood

07 John Sharpe, Simon Lockwood,  
Natasha Harvey

08 Gemma Major, Natasha Harvey,  
Chelsea Connell

09 Lynette Pearks, Vicky McLennan

**Otago Southland**

10 Sally McMillan and Susie Johnstone

11 Karen Billingham and Tony Miller

12 Kate Hesson and Graham Crombie



*Otago Southland*

There were smiles all around at the Otago Southland Christmas event.





# Board**Services**

Practical, professional services and advice to help your board.

Call 0800 846 369  
[iod.org.nz/BoardServices](http://iod.org.nz/BoardServices)  
[boardservices@iod.org.nz](mailto:boardservices@iod.org.nz)



# Eventsdiary

For more information visit [iod.org.nz](http://iod.org.nz), contact the director development team or contact your local branch manager.

## February

- 25** Wellington  
The year ahead – how the global economy will treat New Zealand
- 26** New Plymouth  
AGM and after-work speaker Ralph Stewart
- 27** Tauranga  
A World of Data panel discussion

## March

- 6** Dunedin  
Site visit to Natural History New Zealand
- 13** New Plymouth  
After-work speaker Adnan Belushi
- 18** Christchurch  
Annual General Meeting
- 27** Christchurch  
Directors Deep Dive
- 28** Wellington  
New members after-five welcome event

## Branch manager contact details

Auckland  
**Jill Steffert**  
P: 027 403 0148  
[auckland.branch@iod.org.nz](mailto:auckland.branch@iod.org.nz)

Bay of Plenty  
**Laura Gaveika**  
P: 027 588 8118  
[bop.branch@iod.org.nz](mailto:bop.branch@iod.org.nz)

Canterbury  
**Sharynn Johnson**  
P: 03 355 6650  
F: 03 355 6850  
[canterbury.branch@iod.org.nz](mailto:canterbury.branch@iod.org.nz)

Nelson Marlborough  
**Karen Goodger**  
P: 027 525 7400  
[nelson.branch@iod.org.nz](mailto:nelson.branch@iod.org.nz)

Otago Southland  
**Vivienne Seaton**  
P: 021 152 2809  
F: 04 499 9488  
[otago.branch@iod.org.nz](mailto:otago.branch@iod.org.nz)

Taranaki  
**Theresa Cayley**  
P: 027 559 5951  
[taranaki.branch@iod.org.nz](mailto:taranaki.branch@iod.org.nz)

Waikato  
**Megan Beveridge**  
P: 021 358 772  
[waikato.branch@iod.org.nz](mailto:waikato.branch@iod.org.nz)

Wellington  
**Pauline Prince**  
P: 021 577 031  
[wellington.branch@iod.org.nz](mailto:wellington.branch@iod.org.nz)

### BRANCH EVENTS

- » For information on member events in your area, see [iod.org.nz](http://iod.org.nz)



### The future of work

Technological disruption, climate change and changing demographics are just some of the forces likely to impact on how we work in 30 years. We are focusing on the future of work, and what changes directors need to think about now, through February and March – find details of events in your area at [iod.org.nz](http://iod.org.nz)



## Online Learning

Any time, anywhere. Offering convenience and flexibility, our self-paced courses provide focused online learning. Progress through the course slides, interactive diagrams, videos and reflective exercises at your own pace.

### Health and safety governance

3 CPD points

### Ethics – how directors do business

3 CPD points

### Directors' and Officers' insurance

2 CPD points

### Not-for-profit fundamentals

3 CPD points

### Cybersecurity

3 CPD points

# "PROGRESS IS MAKING DIVERSITY THE NORM, NOT THE EXCEPTION AT THE BOARD TABLE."

Kirsten Patterson, Chief Executive of  
Institute of Directors.

At ASB we're proud to work with Kirsten  
and the Institute of Directors, helping  
businesses progress through strong  
governance and diverse leadership.

However you choose to measure progress,  
talk to us and find out how we can help  
your business get one step ahead.

Visit [asb.co.nz/business-banking](https://asb.co.nz/business-banking)

