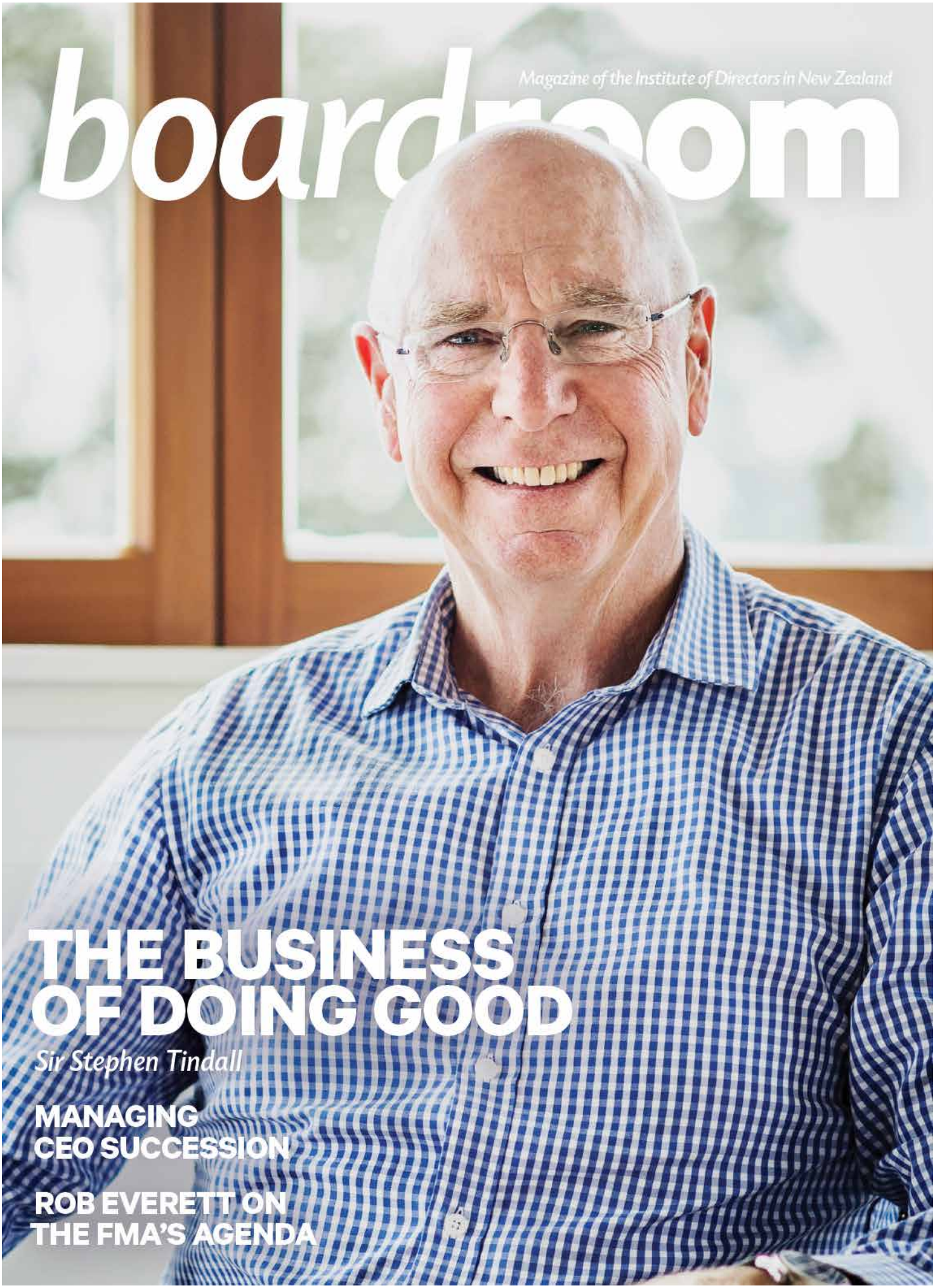
APRIL/MAY 2015

# boardroom

Magazine of the Institute of Directors in New Zealand



## THE BUSINESS OF DOING GOOD

*Sir Stephen Tindall*

## MANAGING CEO SUCCESSION

## ROB EVERETT ON THE FMA'S AGENDA

Talent strategy – now a boardroom issue

How to retain staff – it's not about the money

Major projects – how are they going?

Director Vacancies

Going Public, Staying Public

## FROM THE EDITOR

If New Zealand were a business, it would have a giant 'Now Hiring' sign at the door. New Zealand Immigration's long-term skill shortage list includes over 100 occupations ranging from chefs to environmental engineers, nurses to architects.

Hiring staff used to be a management issue, but there is now a need for boards to develop long-term strategies to ensure New Zealand businesses can grow. Within the tech industry, where there have been talent shortages for some time, you can see this already underway.

In common with other developed countries around the world, New Zealand is in the middle of a skills gap. This and the ubiquity of technology in all industries, combined with an ageing workforce, means that there is a need for creative strategies to attract, retain and train staff.

Ultimately, people are the most important asset in any business. This is something recognised by New Zealander of the Year Sir Stephen Tindall who was recently awarded the title for his support of young people and new business in the community.

**Katherine Robinson**
*Editor, board***room**

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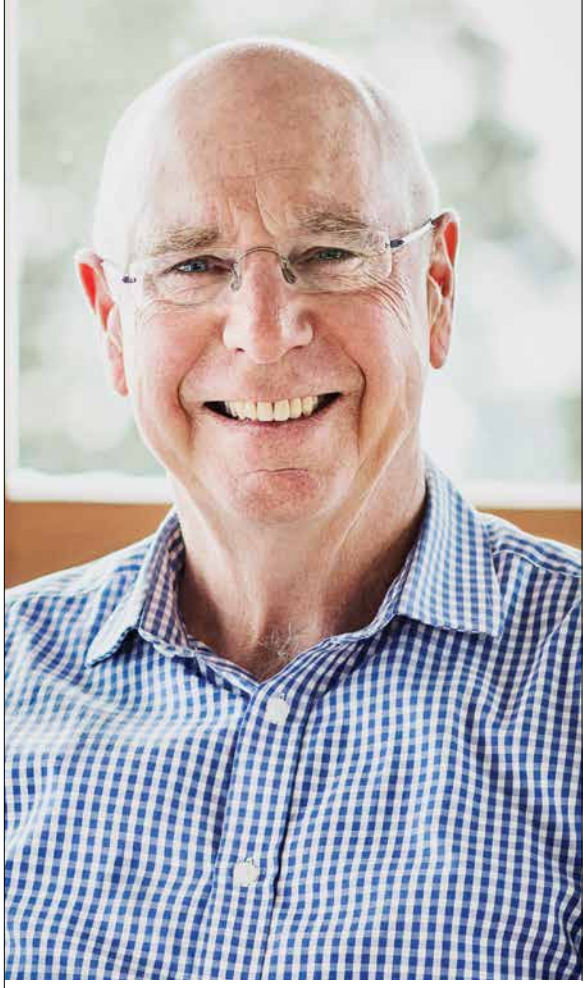



**INSIDE IoD**



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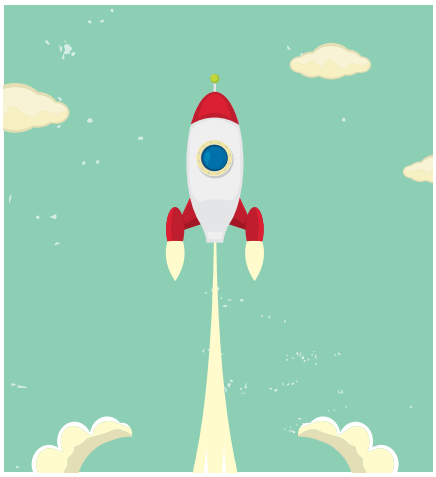

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What directors need to know about a public float, plus how to stay the distance

*Cover Tobias Kraus*

CEO REPORT

# Finding common ground

*Ideas factory and an expression of community – the IoD Leadership Conference holds its value. By Acting CEO Simon Arcus*

We are on the eve of the IoD's third national Leadership Conference. We have a record number of registrations for this Auckland event and speakers from around the globe. Registration shows a very high percentage of members among delegates and a core of those delegates who have come to the conference every year. We are looking forward to welcoming you back and making new connections as well.

At the IoD we see the Leadership Conference as one of the highlights of our year. We have recently been reflecting why a conference is still relevant in 2015 – a time when communication and access to information are at our fingertips.

For me, the conference is tangible evidence of a governance community in New Zealand. A quick look at the delegate list illustrates the diversity in sector and experience in the conference room. The value of a conference lies in its power to bring people together on common ground and with a common purpose. It establishes a time and space for people to connect with each other and with new ideas.

The IoD Leadership Conference has cemented itself on the governance landscape as a major opportunity for the New Zealand governance community to connect. Wherever they are from, all delegates are there because they believe in the value of governance to New Zealand business and society. That is what the IoD is all about.

A little magic goes into the ingredients for a great conference too. We can secure a line up of high calibre speakers, particularly the keynote speakers. Last year former Centro chair Paul Cooper and ANZ chairman David Gonski gave perspective-changing speeches that provoked both thought and conversation. Many who heard them felt that they had been part of something special. Afterwards, the auditorium hummed with the sound of delegates sharing insights. Given the line-up of speakers for the 2015 conference, including our keynote speaker, Dr Robert Kay, I am sure that something similar will happen.

True life learning can be gained from those who are generous in sharing their experience of mistakes made or from coping with adversity. It's motivating to hear how challenges can be met and turned into opportunities. This is a theme of the 2015 conference with its focus on changing the game. In this year's line up, tales from the corporate battleground come from Launa Inman, who turned the fortunes of two iconic Aussie brands, and George Jones, retired chairman of Sundance Resources, a mining company that lost its management and governance team in a tragedy.

A good conference should challenge participants. This year's conference, will present a diverse line up of speakers representing a range of viewpoints. We don't expect delegates to agree with everything everyone says but we do expect to provoke thought and to seek solutions. This year, we plan to offer a forum for this in workshops covering a spectrum of issues ranging from the challenges of rural governance to engaging with iwi to a discussion of cyber security.

My challenge to those attending is to take time to reflect on the speakers most relevant to your own governance experience.

The conference is an ideas factory. It is supported online on the IoD website and discussion points will be picked up and amplified through the IoD's LinkedIn group or Facebook. Branches may pick up themes and presentations to drive their own activity programme. We have an ongoing, ambitious programme aimed at connecting directors with new ideas.

Aside from the conference it has been a busy quarter at the IoD. Branch event programmes are well underway for 2015 with Auckland branch hosting the Prime Minister and close to 500 members recently. The Chartered Membership Assessment is now up and running and the Mentoring for Diversity programme is ready to launch. In this quarter I have visited nearly all branches and had a calendar of stakeholder visits to ensure IoD remains relevant to our business and political community.

# Update

## MOVING ON

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

Kira Schaffler has been appointed a member of the Manukau Institute of Technology Council.

Chartered Member Michael Lay joins the Canterbury Rugby Union as an independent board member.

Bruce Emson has been appointed to the newly established Corbel Construction advisory board as an independent director. He joins company founder and Associate Member Mark Wells.

Chartered Member Mark Gilbert has been appointed a director of the Lotteries Commission and Tony Mossman has been appointed Deputy Presiding Member.

As an interim appointment, Richard Tacon has been appointed Executive Director of Bathurst Resources.

Chartered Fellow Joan Withers has been appointed chair of TVNZ.

Associate Member Royal Reed has been appointed to the board of Kea.

Michael Phillips has been appointed to the board of Manline.

Riria Te Kanawa and George Reedy have been appointed trustees of the Te Huarahi Tika Trust (Maori Spectrum Trust).

## Passport to governance resources

*The Global Passport, a new programme by the Global Network of Director Institutes (GNDI), will unlock access to benefits and governance resources for IoD members and directors from around the world.*

The programme provides access to benefits from affiliated director institutes at discounted rates. These include subscriptions to member-only publications, online governance resources, local membership rates for courses and events, and director registry services, among others.

This will open up opportunities to share experiences, learn from international colleagues and to keep current on business and governance trends impacting boardrooms across the world.

Participating director institutes include the Australian Institute of Company Directors (AICD), Institute of Corporate Directors (ICD), Canada, Institute of Directors in Southern Africa (IoDSA), Institute of Directors (IoD) in the United Kingdom, and the National Association of Corporate Directors (NACD), United States.

***Visit www.gndi.org to learn more about the GNDI Global Passport benefits available by country.***

## Chartered Members

Congratulations to the IoD's first Chartered Members to attain the status through passing the Chartered Member Assessment. Craig Hattle (Taranaki), Trevor Wairepo (Auckland) and Tim Cosgrove (Wellington) successfully completed both an exam and case study assignment, which combined with the other criteria demonstrates that they have met professional standards of knowledge and skill to carry out their duties as directors.

***If you'd like to know more about Chartered Membership or the Chartered Member Assessment please see the website or contact Lisa.McRae@iod.org.nz***

**IoD BY NUMBERS***

**440**
**registered for IoD Leadership conference at 10 April 2015**

**6878**
**members at 31 March 2015**

**868**
**Chartered Members**

**25.9%**
**of IoD members are women**

* Correct at time of publication

## On the money

You will have an opportunity to take part in the IoD Directors' Fees Survey next month. Carried out annually, this provides valuable information not only on remuneration but is also an insight into directors' working lives and the environment in which directors work.

Last year's IoD Directors' Fees Survey drew a record number of participants, and this year we are hoping to surpass that. We rely on high member participation to achieve the depth and coverage that other surveys do not have. Participating IoD members can claim 2 CPD points. In addition, they receive a copy of the 2015 executive highlights, and will have the chance to purchase the report at a generous discount. The participating member price of $350 plus GST represents a further 30 per cent discount over the already reduced member rate. ***For more information, visit iod.org.nz***

## Annual General Meeting – Notice of Meeting

The Annual General Meeting of the Institute of Directors in New Zealand (Inc) will be held at 12.00pm on Monday 15 June at The Dunedin club, 33 Melville Street, Dunedin. The Hon Pete Hodgson, former MP and now CEO of Otago Innovation, will join us as guest speaker.

## Ethics online module launches

5 CPD POINTS

A sound ethical culture is an asset to a business, but how can you ensure that your business is ethically run? Earlier this month the IoD launched 'Ethics – how directors do business', an online module aimed at arming you with the tools to navigate ethical risk.

Developed in partnership with the London's Institute of Business Ethics, the hour-long module features real ethical dilemmas and allows you to participate interactively. The online format allows you to do the course at a time to suit you. ***Visit iod.org.nz to register.***

## ASB is new national partner

ASB has partnered with the IoD, representing the bank's commitment to supporting businesses achieve well-informed governance.

ASB Executive General Manager Corporate, Commercial and Rural Steve Jurkovich says, "Many business people are striving to take up governance roles, and the importance of financial knowledge is critical to the advisory role they will assume.

"We believe our capability at ASB can complement the great work being done by the IoD to support Kiwi business owners or directors to have the optimal governance and business models that will help them achieve their business ambitions," he says.

"We have chosen ASB as a partner for its strong credentials in information technology, and the SME, rural and corporate sectors," says IoD Acting CEO, Simon Arcus.

"Expertise in information technology, including developing online banking solutions, will be useful to IoD members and help with emerging issues such as cyber security and financial regulation," he says.

"ASB have shown a genuine interest in governance and believe it's essential for long-term business success. They are committed to working with the IoD to help raise the awareness of the importance of good governance among their clients and staff," says Simon.

ASB joins Marsh, Chapman Tripp and KPMG as national partners or national sponsors of the IoD.

## CALLING EMERGING DIRECTORS

*Do you aspire to follow a directorship path or are at an early stage of a governance career?*

*Can you demonstrate a commitment to career development and a high level of integrity?*

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

**Benefits of the award differ from branch to branch but may include a mix of complimentary IoD membership, free attendance at selected events plus funding towards a Director Development course. Some branches offer mentoring or a chance to observe a board.**

**Otago Southland, Waikato and Bay of Plenty branches will open applications by the dates below.**

**APPLICATION DATES**

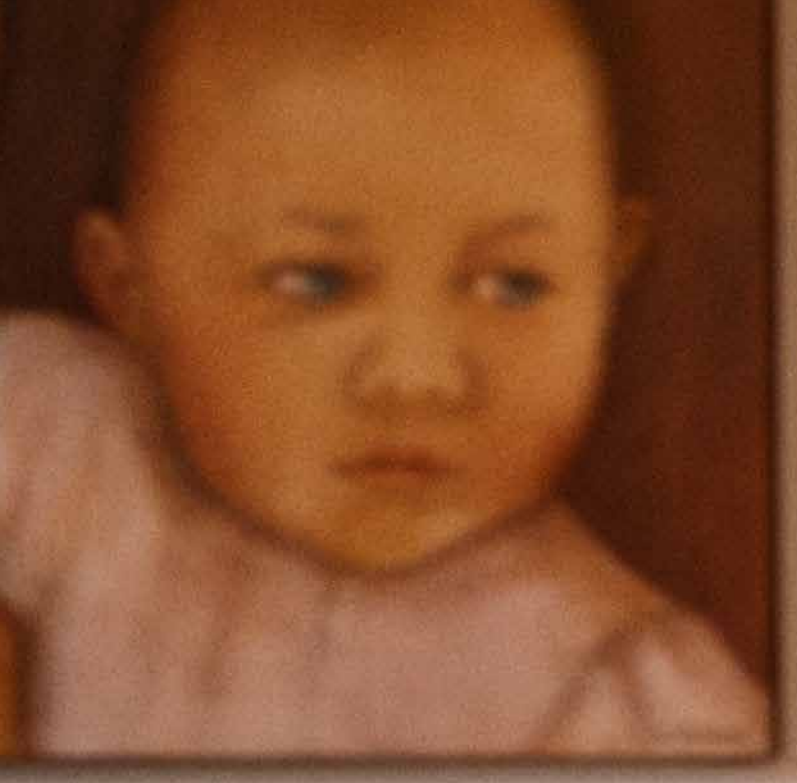
**Emerging Director Award**

**Otago Southland, apply now, applications close 29 May**

**Waikato, apply from 29 April, applications close 5 June**

**Bay of Plenty, apply from 29 May, applications close 30 June**

***For more information, please visit the branch pages of iod.org.nz or contact your branch manager.***



# Doing good business

*Sir Stephen Tindall has been named New Zealander of the Year. Amy Williams catches up with the philanthropist and businessman to talk about life after building the retail giant The Warehouse.*

Ever since Sir Stephen Tindall stepped down from the day-to-day running of The Warehouse, he has taken Mondays and Fridays off – but it's not all rest and relaxation.

Blocking out his diary from appointments those days has been a discipline, which Sir Stephen says frees up his time to focus on whatever is needed that week.

"It's really important that you have time to think and catch up. If you're just doing appointment after appointment you tend to have your head down and it's important to look up and into the future," he says.

On his appointment-free days, he likes to research, read and plan for what's ahead. It is this forward focus and determination that has helped him to achieve success in both the business world and philanthropy.

And it is fuelled by his strong personal drive to see New Zealand become a better place to live and do business.

*"Involving the community is really important and you definitely get the rub off because people like to support people who are supporting them."*

*Photography Tobias Kraus*

### IN HIS DNA

Passions run deep for Sir Stephen, and his home is one of them. Born and bred on Auckland's North Shore, he still loves living and working there, saying that the place is in his DNA.

When he finished school, Sir Stephen went to work for the business his great grandfather founded, Auckland department store George Court & Sons Ltd. The family business not only gave him a head start in retail, but also in governance. He was appointed to the board as an associate director at the age of 26.

In time, the business attracted the then investor and corporate raider Brierley.

"It was inevitable that they were going to take over, but I got out before it happened and my colleagues had lost their jobs a year later," Sir Stephen says.

In 1982, he founded The Warehouse with one store and $40,000. It was a successful venture, and the company floated on the New Zealand Stock Exchange in 1994, in part to raise capital to expand and head off Australian competitor, Kmart.

"We realised that unless we got quite a lot more capital and opened more stores before they could, it was going to affect us very badly.

"We opened 22 new stores in a year. It was a huge feat. We had a hiccup 18 months in because our new distribution centre hadn't been built and we had too much stock over the Christmas of 1996. Our share price halved at that point but we got it under control."

Sir Stephen held the position of managing director of The Warehouse until 2001 when he stepped down from the executive team to become a non-executive director (although he did return for a year at the helm in 2003).

The Warehouse now has 86 retail stores, 46 Warehouse Stationery stores, and recently bought the retailer Noel Leeming as well as a string of internet-based businesses including Torpedo 7, Red Alert and a 50/50 partnership with Shop HQ. It has a market cap of more than $1 billion.

### A HAND UP

Right from the beginning, Sir Stephen and his wife Margaret made their philosophy of putting people first part of their business.

The company's iconic jingle 'Where everyone gets a bargain' may be what every Kiwi knows, but Sir Stephen says that the mission statement 'Where people come first and quality is affordable' has been the ethos.

"It's an ethic towards hard work and doing the things one needs to do to push a business ahead. When there are a lot of employees it is important to be a role model, because when people see you doing the hard graft it rubs off on them," Sir Stephen says.

This has been tested when business got tough.

"Sometimes when the chips are down and you really have to reduce costs, you have to make decisions that you wouldn't want to, and you are forced into it. That is hard."

On a wider scale, all of Sir Stephen's business and philanthropic interests are community minded.

He believes that a successful and profitable business that is part of its community is by its nature putting back into the community.

Each individual store supports local community groups and initiatives.

"Involving the community is really important and you definitely get the rub off because people like to support people who are supporting them," Sir Stephen says.

It took 12 years of hard work for the company to get into a position where it could give away some of its profits.

*"The commodity side of the country is well taken care of by the farmers and foresters but there wasn't anywhere near as much capital going into innovation and technology."*

When The Warehouse floated in 1994, Sir Stephen said he and Margaret decided it was the perfect time to set up a non-profit philanthropic organisation, and The Tindall Foundation was born.

The foundation's offices are in the beachside suburb Takapuna, and the philosophy behind the foundation is that it provides a hand up, not a hand out.

It's the largest independent private foundation in Australasia, and last year it marked 20 years of giving. To date it has provided more than $130 million to support a variety of initiatives at grassroots.

One example is the foundation's successful project with Counties Manukau District Health Board, which starts working with children in year 11 to help them into a medical profession.

Sir Stephen also sees incredible value in providing venture capital to start-up businesses, and through his investment vehicle K1W1 has invested more than $250 million in a large number of early stage businesses.

He set up K1W1 in 1995 with a vision to help create the country's knowledge economy, when very few people were doing venture capital in New Zealand.

"Our philosophy was that the commodity side of the country is well taken care of by the farmers and foresters but there wasn't anywhere near as much

capital going into innovation and technology," Sir Stephen says.

"We've been at the forefront of funding those sorts of things, things that we hope will set New Zealand aside as a country that doesn't just do primary products but actually is seen as smart."

K1W1 has provided capital to 120 firms, and this does involve taking calculated risks.

"There are some that you lose on as well, there are a number that you have to write off but as long as you get more winners you're okay," Sir Stephen says.

Among his pick of the crop, is the New Zealand-founded biofuel company LanzaTech which counts Sir Richard Branson's airline Virgin Atlantic among its customers. The airline plans to use LanzaTech's fuel in its aircraft by the end of this year.

Sir Stephen says LanzaTech has a huge potential global market for its world-leading biotechnology, and that success will feed back through K1W1 to help other Kiwi start-ups.

## PERSONAL VISION

Of course, the irony of his career isn't lost on Sir Stephen. He likes to say he started out as an importer, and now spends his time investing in companies that export.

And it's all tied to his vision for the country's future.

"The Warehouse has been a great success from a $40,000 investment to its market cap today but I really want to see some of these venture capital companies grow to be as big as or bigger than The Warehouse so that we're contributing from an export perspective to the country."

He says developing companies in the productive sectors that have a global market is important for New Zealand's future, because this country's population is small and its primary industries are more vulnerable.

"The thing for me really is a passion for New Zealand and wanting the country to thrive. I have this feeling that our forebears did so much, we've had a fantastic life because of the people who came before us," Sir Stephen says.

"Unless we develop some of these things for New Zealand we do put the country and our grandchildren at risk. For the economy to keep thriving, we've got to be relevant."

When Sir Stephen set up K1W1 20 years ago it was a lone ranger. But it's a different story now, with other investment vehicles and angel investment (usually up to $3 million) organisations taking off.

"A lot of us who have invested into venture capital would like to see it boosted even more. Luckily we are starting to see these angel organisations really getting cranking, and there's more people investing every year," Sir Stephen says.

## NURTURING TALENT

Sir Stephen also sees great value in mentoring up and coming generations in business, particularly at boardroom level. As a father of five and grandfather of four, he is well aware of future generations being part of succession planning.

As well as being a director of The Warehouse, he chairs and has sat on a variety of boards and forums and co-founded and directs KEA (the Kiwi Expat Association). He is co-founder of the New Zealand Business Council for Sustainable Development, The New Zealand Institute and Pure Advantage.

Sir Stephen helped set up the Future Directors programme, alongside IoD Vice President Michael Stiassny and Des Hunt of the New Zealand Shareholders Association.

Launched through the IoD two years ago, the programme aims to develop the next generation of directors by giving them 12 months experience on a New Zealand company board.

The Warehouse board is hosting its second Future Directors candidate this year.

"Research shows that companies that are going places in other countries are those that have diversity – just sticking with people the same age and gender tends to cement a type of philosophy in a company that means you're not going to thrive," Sir Stephen says.

"Unless you're tapping into the knowledge of younger people then your business is going to become fuddy duddy."

He's impressed with leadership schemes, and says there is plenty happening in the area of board diversity.

It's a world away from his first experience as an associate director on the George Courts board as a 26 year old.

"George Courts was very much the old boys group and therefore had a very staid type of approach to retail, whereas when we started The Warehouse it was a very vibrant fast-growing business.

## LOOKING AHEAD

As for the future, Sir Stephen says he'd like to see more people getting involved in philanthropy, and he's certainly not initiating his exit strategy just yet.

"It's nice to be able to partake in all these things still, it's exciting and it keeps me interested and busy."

And when it comes to down time, Sir Stephen enjoys swimming, sailing, exercise and mustering cattle and sheep on horseback. He still plays a round of golf with his 87-year-old father.

"When you get to my age you can actually say to yourself 'I've earned this, I've worked my butt off for 43 years and it's time to take some time for myself as well'."

We wouldn't wish Sir Stephen anything less.

TALENT STRATEGY

# What's the board's role in talent strategy?

*As competition to acquire and retain quality staff intensifies we look at the changing role of boards in talent strategy. By Pete Hodkinson, IoD Governance Leadership Centre*

### A NEW KIND OF JOB MARKET

Our businesses are operating on the uneven terrain of demographic and social change, economic volatility, climate change, resource scarcity and digital disruption.

Businesses and economies can thrive by responding to these trends and exploiting new markets for growth. But we are dealing with a new world of work in which the shifts are more sudden and complicated, which means the responses are increasingly dependent on talent.

Newspapers, journal articles and surveys reveal areas where the New Zealand workforce faces challenges in acquiring high-quality knowledge and technical capability. The resulting skills-gap can drive unemployment up and productivity down.

New generations of skilled workers may also have different expectations of the workplace. Many will look beyond a pay-check to purpose, vision and social and environmental drivers. Millennials (who now make up more than half of the workforce) seek flexibility in how their work is done as well as accelerated responsibility and paths to leadership.

Tomorrow's workforce may actually have an entirely different makeup to that of today. We are likely to see a greater mix of full-time and part-time staff, contractors operating on a project-by-project basis, varied hours, and less of the 'traditional' concrete tie to an office. Higher flexibility has its advantages and attractions, but managing that mix also becomes more of a challenge.

In order to find, access, attract and retain highly-skilled and highly-talented staff in key positions, directors and managers need to understand a convoluted landscape of social and economic change and market disruption alongside shifting employee values and expectations. This is all compounded by a decreasing half-life of technical capabilities and knowledge.

For many organisations talent can be the factor that differentiates between competitors. Having the right people in the right positions powers the achievement of the vision outlined in the right strategy.

### THE SKILLS GAP

According to PWC's 17th Annual Global CEO Survey (2014), 80 per cent of New Zealand CEOs are concerned about the availability of key skills. In the 18th Survey (2015), they take a broader approach and use the lens of talent diversity and inclusiveness. These qualities are shown as crucial competitive capabilities. They also show related strategies as benefiting innovation, collaboration, customer satisfaction, emerging customer needs and the ability to benefit technology.

The IoD/NZIER2014 Director Sentiment Survey told us that many directors believe the single biggest risk facing business is labour quality and capability. More directors focused on capability than on reducing regulation, economic conditions, competition and acquiring capital.

When asked what they viewed as the most significant organisational risk they faced, 118 directors out of 859 directors surveyed described their concerns about human capital. The results highlighted that from the boardroom to the staffroom, people – not just the availability of capital, or the economy – are what will make the difference between bad, good and great companies. Dr Klaus Schwab, speaking at the World Economic Forum called this new dynamic the coming age of talentism:

"Capital is being superseded by creativity and the ability to innovate – and therefore by human talents – as the most important factors of production. Just as capital replaced manual trades during the process of industrialisation, capital is now giving way to human talent. Talentism is the new capitalism."

The world is changing rapidly and the way we run our companies is being forced to change alongside it. Talent strategy is an integral factor for boards when determining purpose and strategy, and includes understanding demographic shifts that affect your business, workforce and your customers.

### DEMOGRAPHIC AND SOCIAL CHANGE IN THE WORKPLACE

Changes in demographics of the workforce affecting the availability of talent include:

- a broader mix of generations, life-stages and family situations in any one organisation, which can affect how long employees stay with the organisation, how each generation wishes to leave its mark on a business, and how quickly the newer generations expect to progress into leadership positions.
- Generation Y is critical of long-held assumptions about how, where and when work gets done and technology has a hand in changing the parameters

of what flexibility means and what is possible.
- diversity continues to be a significant issue. From gender, race and religion to nationality, education and socio-economic status, businesses can access diverse talent, skills, experience and thought to help drive performance.

When formulating and analysing plans regarding an organisation's approach to talent, boards need to understand which demographic trends have a material impact on the company and what processes are in place to ensure management informs the board about responses to those trends.

### OVERALL – IT GOES BEYOND THE C-SUITE

Talent strategy is not a new concept to boards but the traditional focus for many boards has been on CEO recruitment, mentoring and performance monitoring, and on board composition, tenure and appointments. Although these aspects remain important, international research supports a need for a broader focus. How boards interact with their senior teams and maintain oversight of human capital beyond the CEO is coming under the spotlight.

Research by the Canadian Institute of Corporate Directors (ICD) found that many boards either lack the information they need and/or spend insufficient time on strategic human capital issues. They need to broaden discussions about CEO compensation to more holistic human capital discussions.

Boards need to commit time to identifying the level of human capital oversight that is appropriate for the organisation and to monitoring priority areas.

### KEY TALENT STRATEGY POINTERS FOR BOARDS

- identify the human capital challenges and risks to the successful achievement of your strategic objectives. How does management plan to respond?
- define the kind of culture the organisation needs to be successful and ensure that it is acted upon throughout the organisation.
- ensure that performance objectives and compensation plans of all staff align with company strategy and stakeholder and shareholder expectations.
- develop your talent through learning and leadership pathways to produce strong candidates for succession into both executive leadership and other critical positions across the business.

***For further discussion of the board's role in talent strategy, see the GLC's latest directorsbrief on iod.org.nz***

TALENT STRATEGY

# High Flyers

*Air New Zealand's track record in successful CEO appointments raises critical questions. What did this board do to future-proof successions? More generally, what role does board leadership play in succession planning? What are the implications for other boards? Associate Professor Liliana Erakovic and Dr Monique Cikaliuk of the University of Auckland undertook a study of Air New Zealand's approach to three CEO appointments from 2001 to 2013. Their findings are summarised here*

Like all boards, the directors for Air New Zealand know that an organisation cannot hold onto a good CEO forever. Inevitably, there comes a time for that CEO to make the next career move. But, as savvy directors, they recognise that it is board leadership exercised in a CEO succession process that makes the critical difference to gaining a competitive advantage or plunging the organisation into turmoil.

A number of boards conducting CEO succession conventionally opt between internal or external candidates. An internal or 'insider' candidate is a high potential individual developed from within the organisation. An external or 'outsider' candidate is from outside the organisation and may even be from a different industry or sector.

Yet there is another option that was represented by Air New Zealand. The board decided their competitive advantage was to selectively take the best of both traditional approaches and create an alternative: the 'outsider-inside'. That is, a high potential prospect from outside who gains a breadth and depth of experience in, and familiarity with, the organisation in a profit-and-loss role for 12 to 18 months prior to even potentially being considered as a candidate.

So what is the big payoff? This 'outsider-inside' approach allows the board, as decision makers, access to more and better appraisals of a candidate's performance than with external candidates. It exposes the prospect to the organisation (and vice-versa) so that both can gain a sense of mutual fit. Equally important, an 'outsider-inside' is not a de facto CEO-in-waiting. This is the approach adapted by the board in the appointment of three Air New Zealand CEOs: Sir Ralph Norris, Rob Fyfe, and most recently, Christopher Luxon.

It's not surprising that a board like Air New Zealand should put their own stamp on the succession process. As an entrepreneurial-oriented board, they are used to discovering and pursuing often overlooked opportunities because it helps them win in an intensely competitive global business.

The researchers believe that the board's approach to CEO succession might make sense for all kinds of boards – family-owned and State-owned enterprises, for profit and non-profit, listed and private firms. While appointing a CEO is not typically a bi-annual activity for boards, the most profound implication of getting this key decision right is the promise of the Air New Zealand approach: positioning potential CEOs to make the role their own.

Boards that benefit most from a CEO succession process adhere to a set of simple but powerful principles:

### BOARD LEADERSHIP FOR A CLIMATE OF CONTINUOUS CEO SUCCESSION PLANNING

Successful directors sometimes forget that it makes sense to set a rhythm of key succession processes. While the pace may vary between CEO appointments, there is a cycle that begins immediately with the appointment of each CEO. Consistent attention by the board is one of the crucial elements that sets successful CEO planning processes apart from more conventional ones.

Rather than an episodic fragmented approach, what placed Air New Zealand's board squarely in the path of a successful approach was a coherent and adaptive process. As the relationship between the board and incumbent CEO changed over time, so did the responsibilities. Shortly into the tenure of each CEO, they were charged with cultivating prospective candidates for the board's consideration. The board took an active role in learning about the internal candidates through their participation on committees and strategy sessions.

Adapting to the rhythms of the board-CEO relationship ensures that the board and incumbent CEO along with the recruitment firm, shareholders and various groups within the organisation– from the senior management team to HR – are on the same tempo.

**BOARD LEADERSHIP FOR STRATEGIC ENGAGEMENT AND ADAPTATION**

Successful boards view each CEO succession as a window into the future of the company. They use the appointment of the next CEO to build capability in areas most promising to poise the company to capture the best opportunities.

Air New Zealand's board crafted the airline's strategic goals and priorities. Once full board support was achieved, they created a role profile of the six to seven essential capabilities needed for each CEO to bring about their strategic priorities. Each of the three times the whole board undertook this activity, they started with a blank slate, a lot of ideas, and a clear sense that each of their distinct contributions was valued.

Rather than handing this activity to a consulting firm or even a subcommittee, the board took a hands-on approach to renewing the long-term strategic vision for airline and the engagement of all directors in identifying the requisite core capabilities for each successive CEO. They recognised that the process worked when it was freshly implemented and adapted each time with the timely involvement of external consultants.

**BOARD LEADERSHIP FOR ALIGNMENT OF DECISIONS**

Successful boards are those where individual differences in thinking are respected and used to inform better decisions. As pointed out by the directors we interviewed at Air New Zealand, directors are not dispassionate when deciding who is best positioned to bring about the future direction of the airline. As directors they were all hand-picked by the chair for their expertise and motivated to share their knowledge and skills without influence from the majority shareholder. It is the leadership exercised by the board chair and fellow directors to skilfully tap into this knowledge and learn from each director, and at the same time, bring agreement for each phase of the succession process.

**SUMMARY**

The Air New Zealand message is proceed with care, but proceed. Most directors grasp the concept of focusing on a few key succession processes that will position the company strongly for the next CEO. But because they often equate succession with a triggering event like a CEO resignation, they might miss the notion of simply getting started now and reaping the benefit of an integrated, dynamic, and planned approach.

There is no ideal time for boards to sort through succession planning. It is easy to defer decisions that appear more pressing. But turning to short-term solutions such as raiding the ranks of competitors or automatically promoting the next-in-line from within the company without exploring other options does not help the board meet both long-term and emergency needs.

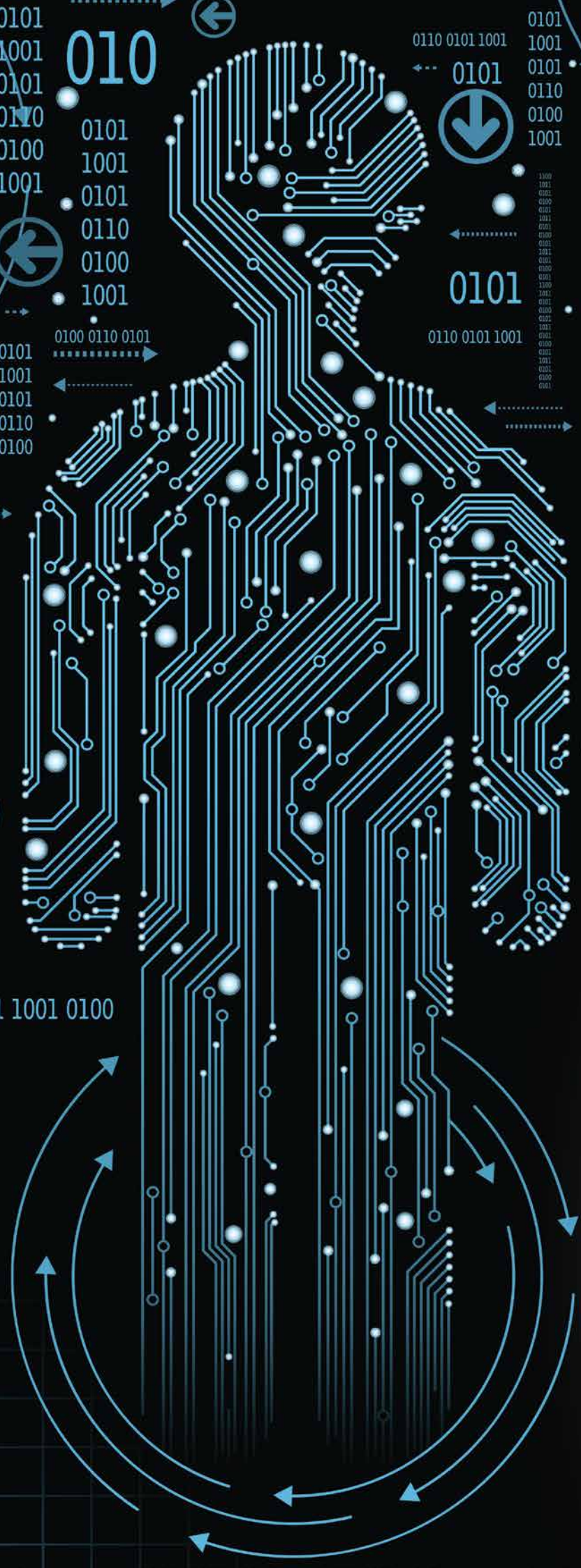
Clearly, the option of an 'outsider-inside' is another succession approach worth considering.

**ABOUT THE RESEARCH**

Studying the internal workings of the Air New Zealand board was part of a larger research project led by Associate Professor Liliana Erakovic from the University of Auckland with Dr Monique Cikaliuk, Associate Professor Chris Noonan, Professor Susan Watson, and Professor Brad Jackson from Victoria University of Wellington

The researchers met and interviewed every director appointed since 2001, including former and current board chairs, involved in selecting a CEO. They also interviewed two Air New Zealand CEOs, and reviewed business publications, Internet sources, and publicly available corporate materials to strengthen their findings.

*David-W- / photocase.com*





# Cracking the code

*Skills shortages are reported across most sectors, but in the IT industry the problem is acute, calling for a mix of quick fixes and long-term solutions. By Katherine Robinson*

"The shortage of ICT staff is at all levels and across all companies from multi-nationals to fast-growth SMEs. One thing to remember is that over half of ICT professionals work outside the tech sector. Technology is in every industry," says Graeme Muller, CEO of the technology industry association NZTech.

According to recent surveys by the Ministry of Business, Innovation and Employment demand has pushed the average pay for ICT workers to twice the national average, and salaries continue to grow at the fastest rate. The tech sector has the most companies reporting shortages of skilled staff and the most jobs advertised on Trade Me and Seek.

Recruitment overseas is the obvious quick fix for finding senior or specialist staff but, with a global shortage of IT and other tech professionals, competition is intense. Graeme Muller believes widening the pool of talent at home offers better medium and long-term prospects, and he says NZTech, the government, educational institutions and individual companies are working to increase the number of tech graduates.

Datacom and Xero, for instance, have established graduate programmes. Other companies, such as health software organisation Orion Health, have set up undergraduate scholarships in IT to raise the industry's profile. At a lower level, programming boot camps provide a crash course in basic coding skills. But our tertiary institutions still only produce information science graduates in the hundreds – nothing like the 10,000 estimated to be needed for the next ten years.

Graeme believes that we should follow the UK in teaching computer sciences as a core subject from Year 1 in primary school. Described as the new literacy, coding is writing of instructions in computer languages that drive websites, apps, computer programmes and even the workings of household appliances.

*"With the right input, technology will have a hugely positive influence on our economy. If not it could put the whole thing at risk."*

"IT literacy does not mean learning a particular type of software because any of them could be obsolete in five or ten years. It's more like learning a different way of thinking or another language – and like learning French or Japanese, it is much easier to pick up when you are a kid," says Graeme.

He praises companies such as Straker Translations, a cloud-based translation company that is actively engaged in teaching coding to primary school children at Whangaparoa Primary School. There are many other initiatives like this, he says, as tech companies are aware that an opportunity will be lost if they do not take a long-term view.

"But the tech industry is still very young and fragmented; what is needed is a co-ordinated approach from Government, business and educational institutions," he says.

Part of the problem with driving widespread change is generational – while children may be digital natives, most parents, company directors and educationalists are not.

"The average age of a teacher, for instance, is 54, and he or she may not be comfortable with teaching new technology," he says.

"With the right input, technology will have a hugely positive influence on our economy. If not, it could put the whole thing at risk. Fast-growth high-tech companies will start to base their development teams in other countries and the economic benefit will go elsewhere. And as technology is in every sector, we could fall behind the rest of the world very rapidly."

## HARNESSING TALENT

"Developing a culture that people want to join and don't want to leave is one of the most powerful things that you can do. The culture at Xero comes from the top and is in the core values of everything that we do," says Andy Burner, Xero's Head of People Experience.

These values include respecting colleagues, accepting diversity and being able to work collaboratively.

With 15 offices worldwide, communication is critical. Technology plays its part in connecting employees around the world in real time with documents available on Google Suite and online catch-up meetings for all staff scheduled every fortnight.

Training, mentoring and professional development of existing staff are a priority, and employees are encouraged to feel that they have a stake in the company through share ownership.

Xero's offices are deliberately open plan to break down a sense of hierarchy, and are famously complete with pool table and in-house barista at the Wellington HQ. Andy says that it is the little things that play their part in creating a workplace where people will not only want to stay but also recommend to others.

"Our employees are our ambassadors – one in three of Xero recruitments have been told about the vacancy first by another staff member."

## TALENT AT THE TOP

Currently, the holy grail for many boards is a director with experience in IT who also has deep knowledge of the Asian market and governance experience on a listed board, says Jo Baxter, Associate Partner of executive search firm, Hobson Leavy.

"Experience of the digital sector, particularly regarding knowledge of big data, has become one of the most sought-after director competencies, along with in-depth experience of Asia," she says.

However, within a small market such as New Zealand, it's likely that someone with such a specific set of skills will have a conflict.

Buying in offshore director talent is one solution in the short-term, "but we would recommend that the board thinks more broadly about who they need. We might ask, 'do you really need all those specific skills plus listed company experience all in one director?' On a small board, governance experience is important but on a large board, it might not be so essential, particularly if other directors or the chair were willing to act as mentors.

"Some would say that the talent shortage is a myth. It is just that things are moving so quickly that we will never have enough people trained in specific skills. You just need to hire talented people who can ride a fast learning curve. And this is equally applicable in governance and management," she says.

Along with DirectorSearch, Hobson Leavy has been one of a number of executive search firms involved in the selection of candidates for the Future Directors programme, an initiative that allows promising directors to sit on a listed board for a year. Administered by the IoD and now into its third year, Jo says that it is starting to get traction.

"There are very capable people and strategic thinkers out there. Future Directors gives them the chance to get governance experience," she says.

### KEEPING PACE

Board composition should keep pace with the changing needs of an organisation and the environment in which it operates. Regular board evaluations and reviews are recommended to identify gaps in skillsets.

***For more information, visit iod.org/services for boards***

### FUTURE DIRECTORS

Designed to help develop the next generation of directors, the Future Directors initiative allows candidates to gain valuable experience by sitting on the board of a New Zealand company for a 12-month period.

***For more information, visit futuredirectors.co.nz***

# Managing your people risks during a talent shortage

*The talent pool is shrinking with a global skills shortage, decreasing birth rates and some of our best talent heading overseas. Alison Bamford, Mercer Marsh Benefits Leader, examines how you can mitigate the risk.*

The population is aging, which is also a concern, as organisations start to lose their senior executives/staff who have accumulated an enormous wealth of specialised experience. Companies will end up with a lack of experience to drive the business forward if they do not address this risk.

The conversation applies to many professions and at the different levels of organisations – from the boardroom through to the staffroom.

A Harvard Business School report issued last year, which surveyed 1,000 board members in 59 countries and focused on New Zealand for further research, found that New Zealand boards were not managing their own talent effectively.

58 per cent said they did not have an effective board succession planning process for directors, 60 per cent said skills were missing on their boards and only 35 per cent agreed that their boards provided effective training for new directors.

No surprise then that Strategic Talent Management was highlighted in the February/March issue of *board***room** as one of the top five issues for boards in 2015. This article highlighted that organisations should "prioritise succession planning and strategies to retain (and if necessary) replace key individuals and board members. Make sure your talent pipeline is fit for purpose for today and tomorrow."

This article therefore focuses on two of the things mentioned above:

- succession planning
- helping to retain talent

## SUCCESSION PLANNING

Succession planning is a necessary part of any organisation's ability to reduce risk.

A director's interest in succession planning will vary, depending on the type of entity they are involved with and their role in that entity – be they a shareholder director, executive director or non-executive director. Whether the entity is a large public company, smaller private company, or perhaps one of a range of other entities, they all face the same consequences when management and key people relationships are disrupted.

The key reasons for the need to succession plan are -

- retirement
- resignation
- death
- serious disablement

*Alison Bamford*

Retirement is probably the event that can be planned for in the most consistent manner through a process of replacement via HR policies.

Resignation is much more of a wild card as these events can be sudden. Employees should have regular reviews with their manager to help address and anticipate any concerns they may have. Talented employees need to be reassured that their employer is prepared to invest in them. At the level of business where personnel are essential, contractual arrangements through HR may the best option to slow the process or at least provide time to manage a replacement with as little disruption as possible.

Death and disablement on the other hand can often be very sudden and may be without warning – meaning that the consequences can be disastrous for a business.

Larger entities generally cope better in the loss of a key person. Their ability to absorb a succession shock, either through their staffing structure or a larger balance sheet, may help the business to ride out any business down-turn.

Notwithstanding, this loss of highly specialised staff may cause serious financial dislocation if a replacement is not easily and quickly found. Smaller and very specialised entities can face a considerable range of problems around lack of succession planning in the event of a key staff loss.

Taking a systematic and proactive approach is the best way to help mitigate these risks.

The organisation should continually review its internal capability to meet the changing requirements of the business and ensure that the organisation has the right skills in place. It should also pre-empt what impact any organisational change could have on employees and their performance.

Through your succession planning process, you will also help retain your best employees because they appreciate the time, attention, and development that you are investing in them.

Employees become motivated and engaged when they can see a career path for their continued growth and development.

## HELPING TO RETAIN TALENT

Retaining your talent in the current environment is a critical issue.

In Hudson's recent report on "The State of Hiring in New Zealand 2015", they canvassed the views of 763 professionals and hiring managers across New Zealand to ask what job seekers actually want.

As with many surveys money did not win out as the top incentive that people look for. This was in fact a work life balance. Money came in at number two, with cultural fit and career progression / training other key factors that people look for.

48 per cent of those surveyed said that they would like better benefits. In terms of retaining your talent employee benefits (such as life and disability insurance, income protection and medical insurance) can reduce staff turnover.

Employee benefits can actually help to cement the relationship with the employee, to the extent that even if a competitor is inducing a staff member with cash they will be loath to move because of the benefits that they will be reaping.

Insurance benefits can actually involve the employee's whole family, thus reducing the likelihood of impulsive resignations. After all, a spouse with responsibilities for the children, their education, their housing, as well as themselves will take note if the family income and personal insurances are threatened.

As with any benefits programme, it is important for the organisation to understand specifically what types of benefits will most appeal to their employees – especially given the mix of the different generations and their needs. For example, young Gen Y employees without dependents may struggle to see the benefits of life insurance, however this may be higher up the list for Baby Boomers or Gen X's with dependent children.

## SUMMARY

Whether you are a director thinking about the talent shortage amongst your own board or within the wider organisation you work for, it is important that you start thinking about who may replace you should you decide to leave, retire or if you became seriously unwell.

It is also worthwhile looking at all of the different mechanisms available to you to help retain your talent. A benefits programme won't solve all of your talent retention issues but it will go a long way in helping to improve them.

***For further information please contact Alison Bamford, Mercer Marsh Benefits Leader on 09 928 3108 or alison.bamford@marsh.com.***

# STARTING THE hill climb

*One of the toughest questions that a regulator faces is: what do we think should be at the top of our agenda? Most directors will recognise that question – and the uncertainty it induces – because boards have to answer the same question about the businesses they run. By Financial Markets Authority Chief Executive, Rob Everett*

For the Financial Markets Authority (FMA), it was an especially tough question, because – when we faced it last year – we were less than three years old. A youngster by the standards of many of our peers in the Asia-Pacific region.

Further, we had a new statute – the Financial Markets Conduct Act 2013 (FMC Act) – which gave us substantial new responsibilities, and the powers to match, partway through implementation.

In the first years of the FMA – after it was established in mid-2011 - the regulatory agenda presented itself. New Zealand was in clean-up phase, post-GFC. The inaugural board and chief executive, Sean Hughes, accepted the priorities that came with the post-crisis world, focusing on enforcement and immediate remedies. That was the right decision to make at the time.

But the FMC Act – which took full effect on 1 December last year - envisages a different world.

Notably, it assumes preventative regulation, which is aimed more at ensuring good outcomes than at cleaning-up after failure. And it has big-picture objectives: easier capital-raising for businesses; better-informed investors; and high standards of conduct on the part of firms and professionals.

Plus the FMC Act is designed for the digital age, recognising the emerging fin-tech firms and the categories of products they bring to market. Peer-to-peer lending and crowd-sourced equity – where the FMA has already licensed several providers - are two such digital age categories. NZX's new growth market, NXT, is another innovative capital-raising mechanism, and which reflects the same approach that's evident in the FMC Act.

Given the shift in regulatory philosophy that's implicit in the FMC Act, and the inevitably limited resources available, we had to identify our highest priorities. With our new responsibilities and powers, where are we going to put most of our effort, for the maximum results?

*"Providing a strategy is one thing. As most directors will know, on its own, a strategy is little more than a statement of good intentions. Implementing it is the real test of a board and management team. Like the Tour de France, there's always a hill-climb to come."*

We were committed to undertaking this exercise. The 11,000 or so businesses and professionals that we regulate have to understand what we expect from them, where they can anticipate we will look the hardest.

And we owe it to ourselves to set out our priorities: so we can

organise our spending and our skills, and so the Government can hold us to account on behalf of the taxpayer.

### CAUSES OVER SYMPTOMS

The public result of our analysis is our Strategic Risk Outlook (SRO), which was published in December. In making decisions during the analysis described in the SRO, we aimed to:

- name causes or potential causes of problems, rather than symptoms. As a regulator, it's always better to anticipate the illness, rather than treat the symptoms
- allow experience in New Zealand to inform us, but avoid being captive to it. There are some enduring characteristics of risk in New Zealand (think 'highly-leveraged property'), but there are some emerging ones as well. We wanted to address both
- maximise the effectiveness of the new powers we have, and embrace the new responsibilities. The FMC Act enjoyed wide support – politically and in business – when it was enacted, indicating most people believed an overhaul of regulation was overdue.


### SIMPLER, BUT NO SIMPLER THAN IT NEEDS TO BE

The risk outlook that emerged from our analysis is simple. Simple in the sense that I think most professionals in business will agree that we have identified a handful of the critical underlying causes with the greatest potential to cause harm to investors and to fair, efficient and transparent markets.

The risks – and what we plan to do in response to them - are summarised below. These are the FMA's seven priorities over the medium-term.

### THE LOWER SLOPES – AND CLIMBING

Providing a strategy is one thing. As most directors will know, on its own, a strategy is little more than a statement of good intentions. Implementing it is the real test of a board and management team. Like the Tour de France, there's always a hill-climb to come.

Right now, we're on the lower slopes of the climb, and pedalling steadily. The next four to five years will determine whether we can maximise the potential of the new regulatory regime, and provide New Zealand with the business and economic benefits that it promises.

New law and a new public policy approach demand a new approach in executing responsibilities. And we are adopting a new approach.

Over the medium-term, as we fine-tune our execution, directors and C-suite executives should anticipate that we will:

- provide a cogent statement of what we say is important for regulated businesses and professionals, and that we will adjust that statement periodically to reflect changing conditions. Firms should always be able to understand the broad map of our regulatory territory. Hence, the SRO published in December. I anticipate we will review it annually.
- ensure a steady flow of guidance that provides detail to assist firms to meet their regulatory requirements, but without telling firms and professionals what to do. We're interested in outcomes more than we are in telling businesses or people what to do.

*"Regulation is an indirect art; it occurs only where businesses and regulators are co-operating and pointing in the same direction."*

- consultation on critical change, which allows us to tune our work to reflect the reality of business. Consultation on other subjects will be geared to priority, so we ask only for intensive efforts, in consultation, on the things that really count.
- quality public reporting on our regulatory findings that allows businesses to draw on what we are seeing and on other peoples' experience. We think sharing high-quality information improves regulatory performance for everyone.
- Fully use the powers given to us under the FMC Act, and provide clear statements as to where and how we will use them, and why. We won't retreat from taking action against misconduct when we think it is justified.

That's a full agenda for the FMA, which is the reason our seventh strategic priority is our own effectiveness. We're steadily building our capability so we can meet this agenda. In some areas, we are building systems and practices from the ground up. We're far from done in this respect, but with the energetic and committed staff we have attracted, I feel we are off to a good start.

In relation to corporate governance and the expectations we place on directors generally, we have invested significant time engaging with - and consulting with - the director community, often with the valued support of the IoD.

This work was manifested more publicly in the Corporate Governance Principles we published late last year. They were a refresh of principles first published in New Zealand, by the Securities Commission, in 2004.

We reviewed and published the principles because it was important to remind ourselves, and others, that whilst the last decade has been turbulent in business, the principles underlying directors' duties haven't changed. And those principles remain as critical to our economic well-being - and the interests of New Zealand's investors - as they ever were.

### ONE MORE PRIORITY

A final priority that reflects the corporate governance work: we're committed to bringing business and professionals with us.

Regulation is an indirect art; it occurs only where businesses and regulators are co-operating and pointing in the same direction. So firms and professionals should anticipate engaging with us - and we with them – where ever it is required or desirable, so we can get the best outcomes. Our efforts in market engagement are bearing fruit; we are determined to make that a staple of our work.

*Rob Everett*

### ROB EVERETT

***Rob Everett became Chief Executive of the FMA from 3 February 2014. Born in the United Kingdom, but married to a New Zealander, his last role was as a director in the United Kingdom with Promontory Financial Group. Before that he spent 17 years at Bank of America Merrill Lynch in roles such as Chief Operating Officer for Europe, the Middle East and Africa, General Counsel, Head of Legal and Compliance for the same region, and Head of Legal for Investments Banking. He holds a Bachelor of Arts (Hons) degree and a Master of Arts in Law from Cambridge University.***

## directorVacancies

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

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**Location:** national
Applications will remain open until the position is filled.

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**Location:** Auckland
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**Location:** Auckland
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# Trading places

*Many directors work in boards in both the private and public sectors. Do they find that there are significant differences between the two and what can each sector bring to the other? By Katherine Robinson*

"In principle, there should be little difference between boards in either sector. State-owned enterprises (SOEs) have a commercial focus, just like private or listed companies, they are registered as limited liability companies under the Companies Act, so operate with the same obligations as a private sector company," says Chris White, Director of the Treasury's Commercial Operations group.

"Many of the entities are wholly commercial in nature, but some of them will also have social objectives, such as Housing New Zealand and ACC. In putting together a board for some of these entities you will want to have some directors who can deliver commercially but also some who have a perspective on delivering the social objectives."

Treasury's Commercial Operations group monitors companies or entities owned by the Crown, providing performance and governance advice to ministers. It also assists Ministers with board recruitment, handling around 100 appointments every year. Under its mandate are the 49 SOEs that the Crown either fully owns or is a majority shareholder. These employ 40,000 people between them, and hold more than $125 billion in assets.

Public sector boards are accountable to the shareholding ministers (the Minister of Finance and a relevant minister, usually the Minister of SOEs) in much the same way as directors of listed boards are accountable to their company's shareholders. Although the principle is the same, there is a difference in stakeholder reporting and planning.

## GREATER TRANSPARENCY

Anne Urlwin has had 20 years of governance experience across both sectors. Currently deputy chair of Southern Response Earthquake Services, she is also on the board of Chorus among other private sector boards.

"What you generally see in SOEs is more formal and comprehensive stakeholder reporting. The board has to provide quarterly reports to the shareholding ministers and there is more formality around that than you might find in many private companies," she says.

In addition, the board of each SOE prepares an annual statement of corporate intent for consultation with the shareholding ministers. "It is a matter of public record available to all – including competitors. SOEs have to be far more transparent publicly about planned activity," she says.

Hon Simon Power, currently on the board of NZX and chair of the Regulatory Governance Committee, can offer insights as a past Minister of State-Owned Enterprises. He says that while listed boards are required to report to the market where analysts will search exhaustively for anything that could affect shareholder value, the highest form of accountability for an SOE could be appearing before a public select committee.

"As a director, you would have to be prepared to deal with issues that might be well outside the scope of commercial expectation. It is a complete unknown. When you are in that environment a member of the select committee can raise any issue with you about a particular constituent's concern. I'm not saying that it's not important or legitimate but it is a different form of accountability, and you will be answering those questions with the media there.

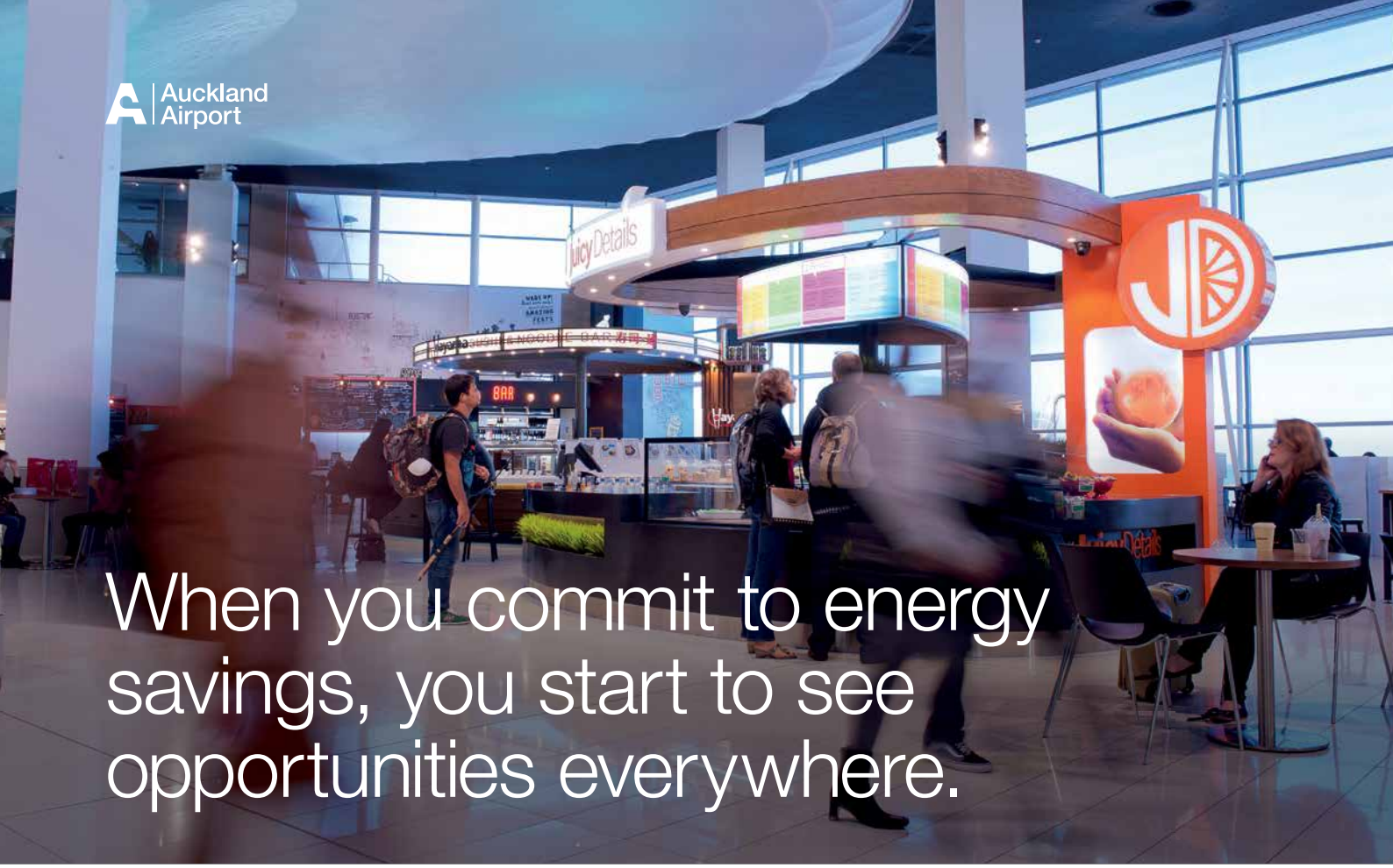
"Certainly you take on the general unwieldiness of the political environment as part of the decision-making. Not to say that highly skilled individuals can't do that with acclaim. There are many directors who have sat on SOE boards who have done it superbly," he says.

## SOCIAL FACTORS

Do social or policy concerns also have more of an impact on decision-making on public sector boards?

Anne says, "An SOE is no different from a private company, its principal objective is to deliver value to the shareholders. And of course, you think of that in terms of financial returns, but no company can do that in a way that runs counter to the shareholder's perspective and that perspective will consider reputational risks. When you have the Crown as a shareholder, the full range of shareholders' expectations won't necessarily be communicated in writing, and directors need to be aware of the broader Government environment and the challenges facing Government."

James Ogden has had a long career on both public and private sector boards, including New Zealand Post, Kiwibank and currently the board of The Warehouse. He says that he has never felt like he has to put on a different hat as a director when moving from one sector to the other.




# When you commit to energy savings, you start to see opportunities everywhere.

*Auckland International Airport is adding millions of dollars to its bottom line through an expanding programme of energy savings.*

What do you do next if you are already an energy conservation leader that over seven years has adopted industry-leading systems and technologies to reduce electricity and gas consumption and saved millions of dollars in the process?

If you are Auckland International Airport, the answer is "more".

Auckland's gateway serves around 15 million travellers a year, but there is a lot more to the company than its award-winning terminals. The airport is also a major commercial property owner and landlord, managing a large and rapidly developing campus on the shores of the Manukau Harbour.

After seven years of concerted energy-saving investment in terminals and associated buildings – including the optimisation of lighting and air conditioning systems – it became clear the broader campus was the airport's new energy-saving frontier.

Graham Matthews, Auckland International Airport's General Manager, Airport Development and Delivery, said as a landlord and electricity network owner, the airport has an opportunity to influence energy consumption among its small and medium-sized business tenant base.

Reducing consumption in these leased premises can postpone peak loading on the network and enable millions of dollars of capital investment in power transformers to be deferred.

And the first tenant is already involved. Logistics company Tri-Star asked to be a part of the programme, commissioning an audit of its lighting, air conditioning and other systems in search of energy-saving opportunities.

The programme has the added benefit of introducing tenants to EECA and all the resources it can provide to help deliver energy savings.

While it's early days for the project with its tenants, Auckland International Airport is not letting up with its own facilities.

Matthews said a $3 million, three-year rolling programme of investment will see heating, ventilation and air-conditioning (HVAC) systems across the airport upgraded, including building management software and equipment in a dozen plant rooms.

Auckland International Airport is forecasting savings of $600,000 a year in electricity. Better still, none of the projects have had a payback period of more than five years.

"I'm pleased we continue to find energy efficiency opportunities every year," Matthews said.

## BIG NUMBERS

**Energy savings over two years:**

- **4** gigawatt hours – equivalent to the annual energy use of about 380 households
- **$600,000** of electricity
- **1000+** tonnes of carbon dioxide

"A listed company will also have to think about environmental, social and governance responsibilities so there is not a huge difference between the two," he says.

He adds though, that the number of more inexperienced directors on public sector boards does create more risk. "There is too rapid a rotation of directors particularly on the larger SOEs. Even experienced directors can take two years to fully understand the sector and the company, and if you only have a six-year term, then just as you are starting to add real value you are taken off the board.

"Also, the variation in skills and experience on a public sector board means that you may not get the same level of debate as you would in a private sector board. People come to private sector boards with more even experience, and you do get a more vigorous debate," he says.

### REPUTATIONAL RISK

The board attitude to risk, particularly reputational risk, is another point of difference between the sectors says Anne.

"Inevitably, Crown companies will have more in-depth conversations around risks than the private sector. It is to be expected. If the Crown is the shareholder, then it is not really in a position to inject equity into the company. If a private company wants to go out there and make a high-risk investment or project, as a backstop it can go to shareholders for additional equity. A Crown company cannot do that so you do tend to look at risk perhaps a bit more holistically and consider how some of those stakeholders might react to risks," she says.

Simon adds, "Risk is something which is a necessary tension, subject to oversight and decision-making on a private board whereas in the public sector, I would say there is a tendency to avoid risk at all cost."

### REMUNERATION

According to the 2014 IoD Directors' Fees Report, non-executive directors on a public sector board earned a median of $36,000, with non-executive chairs earning a median of $78,000. This compares to $78,570 and $116, 749 in listed private sector firms.

There is a significant difference in pay, but James says that he sees being on public sector boards, as putting back skills and experience honed in the private sector back into the community.

"There is that element of public service. Directors are not paid as highly on public sector boards as in the private sector. In my view, directors are making a public contribution, and they definitely shouldn't tailor their time and effort to the remuneration level."

### DIVERSITY – MAKING A DIFFERENCE

The public sector has been more successful in achieving diversity in the boardroom. Currently over 40 per cent of directors are women, compared to 14 per cent on NZX-listed boards.

"The Crown has led the way in looking for that range of diversity of thought, and it also provides a step on the ladder and opportunities that will allow directors to move on to other appointments. Overall, it is good for the broader governance environment. At a personal level I don't approve of diversity quotas, I believe that any appointment must start with merit, but I do think that sometimes good candidates can be overlooked," says Anne.

She says that the board evaluations undertaken by Crown companies have provided a good starting point for establishing a diverse board with the right skills around the table.

"Diversity should be thought of in broader terms of ethnicity, culture, and thinking style rather than just gender. It's about avoiding groupthink and ensuring the best possible mix of skills and experience at the board table. Left to our own devices, we will naturally gravitate to appointing people that are like ourselves," she says.

Simon Power agrees that the emphasis on diversity in public sector boards is a huge advantage to decision-making.

*"There are things to be learned from both and those that can move between the two are extraordinarily well equipped to drive the governance road map for New Zealand."*

"It's very rare for one director to have all the skillsets – for instance, some will have deep and detailed financial knowledge, others will be experts in health and safety – you need diversity for that reason. And it makes for a really layered, textured decision-making process that you wouldn't have if you had a group of characters around the board table that came from the same background. It's a great thing to watch as someone in a boardroom says 'I get why you say that but just think of it through my eyes for a second'," says Simon.

And has this thinking translated to the private sector? "I think in the private sector, it probably wouldn't be addressed as a question of diversity, more about whether we have the right experience around the table. I think there is a greater richness to those conversations now and a willingness to think about bringing in a director who may be quite young but is very much in tune with a company's customer base or its suppliers, or even future customers," says Anne.

"There are things to be learned from both sectors, and those that can move between the two are extraordinarily well equipped to drive the governance road map for New Zealand," says Simon.

# How are we handling our major projects boom?

*You will hear the term 'Major Projects' being used more frequently in New Zealand. It is widely recognised that New Zealand's major building and construction projects are going to reach extraordinary levels in the next decade. By Harriet Dempsey*

The National Pipeline Report, October 2014 found "the value of all building and construction nationally is still forecast to reach unprecedented levels, with a sustained rate of growth that has not been seen in forty years", The surveys, the statistics and the news of New Zealand's construction boom has been ongoing for the last three years. Reports anticipate the biggest construction boom this country has seen in decades, totalling $100 billion over the next three years.

Major projects in construction are typically major scope, major cost, major complexity, and major risk. When things go wrong, major cost and schedule over-runs can occur. If we are on the edge of an unprecedented construction boom, what are we doing to help these major projects materialise? New Zealand must be prepared to deal with this bottle-neck effect or create alternative solutions. In contemporary New Zealand we see a lot of projects envisioned but limited resources to effectively deliver them successfully.

Globally the realisation and release of projects has been noticeably lower than previous years, with a large amount of infrastructure halted in the early planning stages. It featured as a key theme in KPMG global research on Infrastructure Emerging Trends in 2013 and again in 2014. With few exceptions; such as China, on a global scale nations have struggled to bring major projects to market. This is also apparent in New Zealand as many projects are still in the planning stages and will be for some time.

New Zealand is on the edge of unprecedented levels of construction, however is it more in the midst of unprecedented levels of major projects? We have great investment plans in all our major cities – Auckland, Wellington, and Christchurch – yet construction of projects remains halted and the question continually asked is, why aren't we building yet?

New Zealand project owners were included in this year's KPMG Global Construction Survey 2014 for the first time since the survey's conception ten years ago. Formally released next month, the critical issues facing clients are retention of resources, cost of projects and the planning of infrastructure. There are new dynamics of contractor and client collaboration emerging, the industry is searching and competing to attract and retain skilled workers to manage capital construction projects, and project delays are still featured in the top two reasons for project failure.

*Harriet Dempsey*

***Harriet Dempsey leads the Major Projects Advisory practice for KPMG in New Zealand and her past experience of operating client side means that she brings experience in construction delivery and what matters to clients.***

Our major project owners are very optimistic with regards to the running and delivery of capital projects but

project failures are still being reported. On the edge of an unprecedented construction boom now is the time to plan, communicate and learn the lessons to enable successful major projects and, ultimately, a successful New Zealand.

It is integral to New Zealand that these projects are managed efficiently and effectively to achieve economical, timely, and resilient infrastructure. New Zealand does not have the economic capacity to underwrite significant blowouts in costs. KPMG Major Projects Advisory focuses on three keys to effective management of major construction projects: early planning and organising, stakeholder communication and project controls integration, and continually improving the processes that aid successful project delivery.

## KEY TO MAJOR PROJECT SUCCESS

**Early Planning and Organising**

This is crucial to a successful project as during planning and organisation the course is set. Once equipment, materials, and manpower are involved much of the planning flexibility disappears. Based on the current forecasts, New Zealand's major projects will be released around the same time. This raises questions about our capability and capacity to implement these major projects in similar time frames.

There are eight elements to early planning and organising. The two imperative steps are assign the project team early and chose the right project delivery strategy.

Transmission Gully, an $850 million motorway in the Wellington region, is a major project that has addressed these two elements and has an achievable end date in sight. The catalyst was the implementation of a Public Private Partnership (PPP) delivery method. Should other project owners be adopting different methods to execute successful, timely projects?

A contemporary procurement framework was implemented by Government October 2013. This recognises that new procurement models are necessary as transparency rises up the community agenda. Particularly important aspects of the rules are the cementation of consistent and predictable processes making communication across all parties straightforward. The remaining steps in effective major project planning are to actively manage project risks; obtain Senior Management buy-in, develop project specific policies and procedures and have frequent team meetings.

**Communicate and Control**

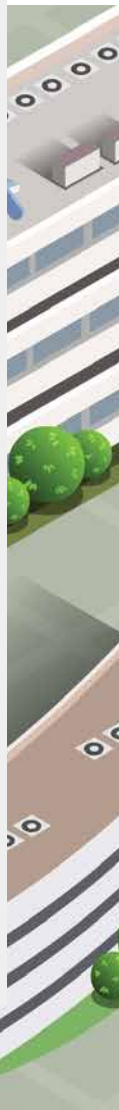
Stakeholder management and communication is critical to the successful completion of a major project. Connecting with the right people and satisfying their demands throughout the planning and execution phases can significantly affect perceptions of a project's value. This is true for the direct users and employees of the project, for the community in which the project is located, and for the project owner. Stakeholder management and communication can be complex and time-consuming as seen in the Canterbury Rebuild programme.

Project management systems and controls should be used throughout the life cycle of a major project to track progress and monitor cost, schedule, quality, risk, and other project metrics against baseline plans. The integration on these project management systems and controls are increasingly technology-based. Integrated Project Management Information Systems (PMIS) are recommended to allow for consistent and accurate information sharing.

**Learn the Lessons**

Unprecedented levels of construction create an opportunity for New Zealand to learn and implement these lessons. This will aid our capability for delivering major projects. Project management processes and practices are continuously improving as the scope and cost of major projects increases. With increase in cost and scope, we need to be agile and flexible in our process approach and assessment. Continually incorporating new technologies is vital to this learning and development. There is a changing face of project delivery mechanisms both in New Zealand and internationally that we need to continuously improve.

The industry is searching and competing to attract and retain skilled workers to manage capital construction projects. The resource constraints are real for New Zealand. There needs to be a focus on soft skills as well as projects becoming increasingly efficient at adopting, adapting and taking advantage of the changing technology to support successful major project delivery.



# Property – take it from the top

*Property decisions are strategically important with wide-reaching impacts on everything from financial performance and brand expression to enabling uptake of new technologies and scalable, sustainable growth. Dean Croucher suggests that the board has a bigger role to play in decisions regarding property investment*

The majority of New Zealand businesses delegate property decisions to management teams whose operational focus leads them to think about property in terms of location, space, and rate. Once the specs are set they'll enlist the aid of a broker – an agent who also represents landlords. The negotiating relationship is compromised from the get-go.

The outcome is that directors will be presented with a project or proposal they need to approve without having a lot of background information on the how the project fits with the strategy for the business. At this point it is often too late to challenge the fundamentals behind the proposal and there is no prospect of a best value solution. If boards truly understood this, they'd be upping their involvement.

## UPPING PROPERTY GOVERNANCE

Major property decisions involve long lead times and large financial commitments. The impact of any decision will be felt for years. That's why directors should be signaling to the chief executive their expectations for projects of this nature.

They should set the same thresholds and tests as applied to other major projects. And they should regularly ensure the business has the right systems and processes in place around its property and premises planning to ensure robust challenging is built-into any business case.

Property should be leveraged to strategic advantage, the decision-making process starting at the top by ensuring boards understand what's happening in terms of property trends and best practice, the strategic role of property in propelling the business forward and developing a focus on value above dollars and cents.

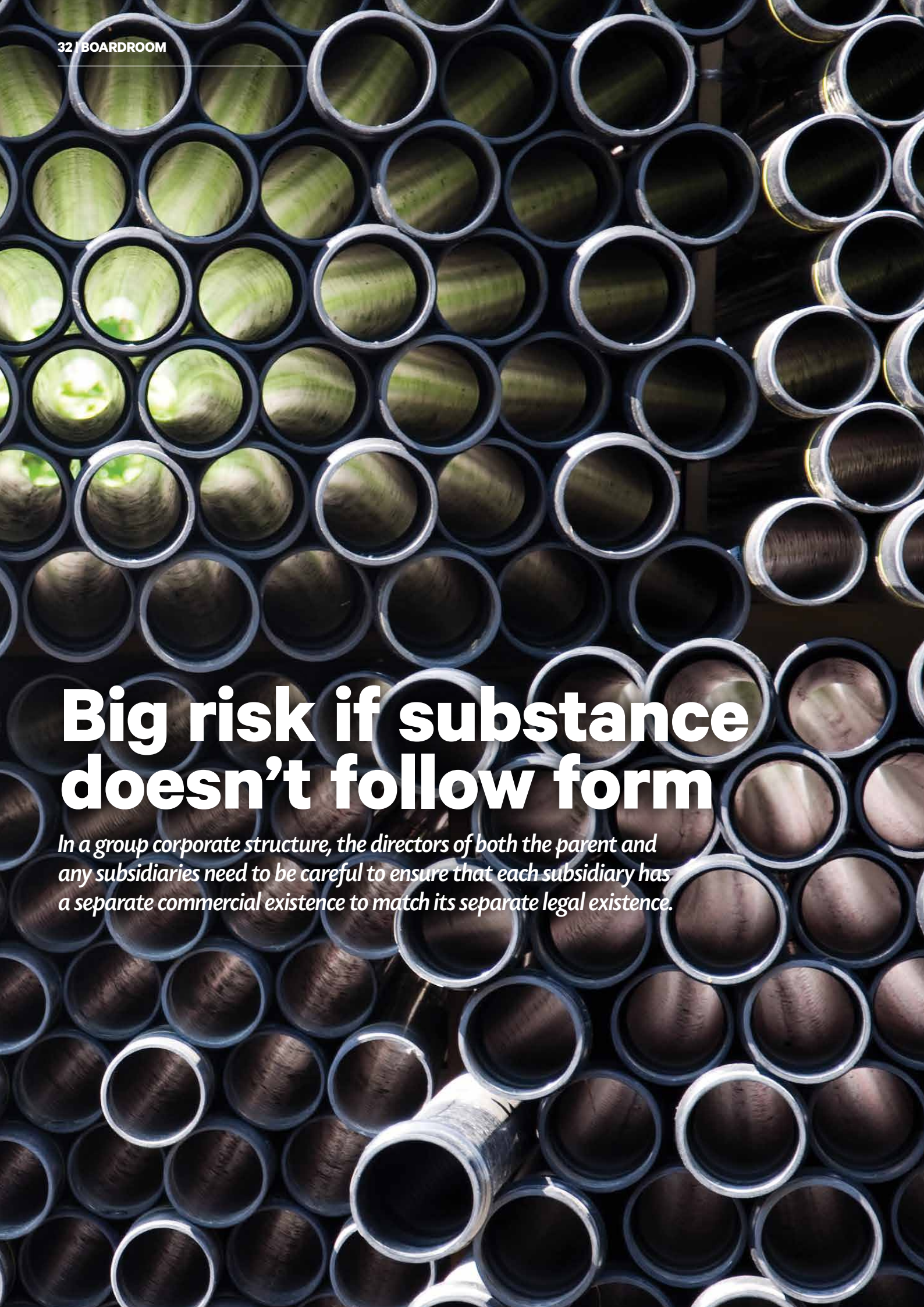
Independent advice based on robust requirements gathering and creating compelling business cases must be done long before a broker is contacted.

***Dean Croucher is Managing Partner with TwentyTwo, independent property advisers. www.twentytwo.co.nz***

## ASKING THE RIGHT QUESTIONS

When it comes to making property decisions, directors should be asking the following questions to ensure they are exercising their fiduciary duty:

- ☐ What is the nature of this proposal? How does it fit with our strategic plan for the business?
- ☐ Do we have a current property strategy? If not, why not? How does this project/proposal fit with our property strategy?
- ☐ Does this proposal/project fit with our business needs? What work has been done establishing our needs and how robust is it? What engagement have we had with staff and other key stakeholders?
- ☐ How much over-specification or contingency is built into the brief/scope? What assumptions have been made for growth? Are these valid given the other changes we are making? What opportunities have we explored to change "how we do things" and change our business processes?
- ☐ Market analysis - what other options have been considered? How did we test the market? Did we run a contestable and transparent process?
- ☐ What evaluation process did we use? Did we evaluate the options against the brief? Who was involved? What financial and non-financial criteria were applied?
- ☐ Are the commercial terms and conditions of the proposal competitive and do they provide best-value for money? Have these been actively negotiated? How were the negotiations run? What conditions are involved? What is our assessment of those conditions? What is our Plan B solution/proposal?
- ☐ Do we have an implementation plan to deliver this project/proposal? How was the capital expenditure budget developed? What are the key assumptions? Who's executing this project? Do we have a change and communications plan in place?
- ☐ Have we taken independent property advice? Have we identified and managed all the risks and which ones should we be aware of? What is our exit or risk mitigation plan if our key assumptions change?
- ☐ Are we maximising the opportunity this project/proposal provides? Who else is involved (internally and externally)? What's innovative and different? What learnings have we applied from others in New Zealand and offshore? What value will we get from the project/proposal?



# Big risk if substance doesn't follow form

*In a group corporate structure, the directors of both the parent and any subsidiaries need to be careful to ensure that each subsidiary has a separate commercial existence to match its separate legal existence.*

Unless this functional separation is maintained, the parent company may become liable for a subsidiary's debts. The High Court provided a timely reminder of this recently in a decision relating to a dispute involving Steel & Tube Holdings Ltd (STH) and Lewis Holdings Ltd.

Lewis Holdings leased a property to Stube Industries Ltd (Stube), a wholly owned subsidiary of STH. Stube had no employees. The STH CEO and CFO were directors.

The lease was renewed in 2009 for a further 21-year term, although the judgment suggests the renewal may have been due to a misunderstanding on STH's part. Certainly, the evidence before the Court was that Stube subsequently made "significant but unsuccessful efforts" to extricate itself from the arrangement.

STH had always paid the rent and continued to do so until the STH Board put Stube into liquidation in 2013, at which stage STH disclaimed the lease as onerous property. Lewis Holdings and the liquidators filed a claim against STH.

## THE LEGAL POSITION

Section 271 of the Companies Act is, other than a similar provision in Ireland, unique to New Zealand and was introduced into our law in the 1970s after two high profile cases of companies abandoning their subsidiaries.

It creates an exception to the general principle that a company is a legal entity in its own right and that its shareholders are only liable for the company's debts to the extent of their shareholding. In the familiar language of corporate law, it allows the 'piercing of the veil' of the limited liability company.

It does this by allowing the Court to make orders for the parent company of a company in liquidation to satisfy the debts of the subsidiary. A key criterion which the Court must have regard to in deciding whether to make such an order, is the extent to which the parent took part in the day to day management of the subsidiary.

To avoid mischief the golden rule of separate corporate identity must be subject to limits. There is nothing within section 271 to prevent services from being undertaken centrally, group staff from managing subsidiaries or senior officers of the parent company from acting as directors of the subsidiary.

Indeed, the Court accepted that this is "common practice" within corporate groups. The Court's role was to look beneath the formal structure and to identify some conduct or other circumstance falling within the statutory guidelines that disentitled the parent from relying on the separate legal existence of its subsidiary.

## KEY FINDINGS

A potential roadblock for Lewis Holdings was section 131(2) of the Companies Act, which allows a director of a wholly-owned subsidiary to act in the best interests of the parent company even where this may not be in the best interests of the subsidiary – provided, as was the case here, that this is "expressly permitted" in the subsidiary's constitution. This is a widely-invoked rule for wholly-owned subsidiaries.

It does not neutralise the effect of section 271. But, while it allows the directors of a subsidiary consciously to prefer the interests of the parent, it does not entitle them to conflate the affairs of the parent and subsidiary. And the Court found that the STH employees who acted as directors of Stube had not met this standard.

They had not made a distinction between the interests of Stube and the interests of STH and had not structured their decision-making to that end. Instead, they had applied themselves only to the overall interests of the group.

Other factors that influenced the Court were:

- the failure to hold formal board meetings for Stube, as this would have required the directors to sit down and discuss matters "with a conscious appreciation that they were doing so with their Stube directors' hats on"
- the failure to keep records of, or to charge for the provision of, intra-group services
- the use of STH letterhead to undertake actions in relation to Stube without the employee concerned specifying that he or she was acting for Stube rather than for STH

*Josh Blackmore*

- the fact that Stube had no separate bank account and that all receipts and payments were accounted for as STH transactions, and
- Stube's reliance on STH's in-house counsel for legal advice.

The Court concluded that STH had taken part in the management of Stube "to an extent that was, in essence, total". Accordingly, it ruled that STH should pay the whole of the claim against Stube.

## KEY POINTS

- Maintain separate books, records and bank accounts, and ensure that appropriate powers of attorney are granted for those employees of the parent that are acting on behalf of the subsidiary.
- Take time to identify where the interests of the parent and subsidiary differ (even if you then take a decision to act in the best interests of the parent).
- Differentiate the companies in external correspondence (particularly with parties to whom obligations are owed).
- Ensure that contracts entered and payments made by the subsidiary are in the subsidiary's name.
- Where practicable, document the arrangements between group companies (for example, where the parent company manages the administrative functions of the group).
- Record board resolutions for the subsidiary via separate board minutes or written resolutions.

***Josh Blackmore is a partner at Chapman Tripp, specialising in mergers and acquisitions, corporate and securities law.***

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# Recommendations for a new Incorporated Societies Act

*Our companies legislation has been totally revised six times in 150 years. In contrast, the Incorporated Societies Act 1908 (and A & P societies' and industrial and provident societies' legislation) has changed little in over a century. Overtaken by technological advances, it does not reflect current governance best practice or modern legislative drafting. A year ago, the Government accepted most of the Law Commission's recommendations to replace the Incorporated Societies Act and provide a clearer statutory framework for society governance. Mark von Dadelszen summarises these recommendations.*

The Law Commission's recommendations will provide for charitable societies under the Charitable Trusts Act 1957 to be transferred into the new statutory regime, possibly enable A & P societies to transfer to the new statutory regime, and require societies to deal with member grievances and complaints by following better processes.

### PRINCIPLES BEHIND THE REVIEW

Societies are organisations run by their members, who have the primary responsibility for holding their societies to account. They are private bodies that should be self-governing and the State should not inappropriately interfere.

The current legislative regime should basically be retained, giving societies flexibility to adapt to suit their purposes and their culture.

Incorporated societies should not distribute profits or financial benefits directly to members (a key feature setting incorporated societies apart from other corporates), but societies should be permitted to trade (run a business) and provide benefits to members and the public, to reimburse members for reasonable expenses, to pay for services on a normal arm's length basis, and to give members incidental prizes and discounts.

The minimum membership of societies at the time of, and after, incorporation should be ten (at present 15), with corporate members still being equivalent to three individuals, and if the minimum drops below ten the Registrar can require a society to increase membership to the minimum or be deregistered.

### SOCIETY CONSTITUTIONS

As a minimum, constitutions should specify:

- the society's name, purposes, and registered office
- how people become and cease to be members (members must expressly consent to becoming members)
- the composition, roles and functions of committees
- how the society enters into legal obligations; controls and manages its finances, and keeps financial records
- members' right to access financial reports and AGM minutes
- arrangements and requirements for general meetings (including intervals between general meetings, when minutes are required to be kept, manner of calling meetings, the time within which, and manner in which, notices of general meetings and notice of motion must be notified, the quorum and procedure for general meetings, and voting procedures for general meetings).

Constitutions will also need to provide for an up-to-date membership register. A society should be empowered to include rules in its constitution to make bylaws, consistent with the constitution and the statute (no longer subject to the Bylaws Act 1910), to express its tikanga or culture, and to provide for any other matter relevant to the society's affairs.

All society constitutions must comply with the statutory minimum requirements after a transitional period.

The statute should require that all constitutional alterations be notified to the registrar within 30 days, taking effect from registration or a later specified date.

Courts should have discretionary power to amend a society's constitution if a constitutional amendment is made other than in accordance with the constitution

*Mark von Dadelszen*

*Mark is a barrister and solicitor specialising in societies and charitable trusts. He has been a partner of Bannister & von Dadelszen, Hastings since 1972.*

or the Act, it is not practicable for society to amend its constitution itself as required by its constitution, if a constitution is or may be oppressive, unfairly discriminatory or unfairly prejudicial, and if otherwise just and equitable.

### MODEL CONSTITUTION

The new Act should enable a model constitution to be provided in regulations. New societies seeking registration must submit a constitution complying with the new statutory minimum requirements or adopt the whole model constitution. Adoption of the model constitution should be deemed to be sufficient compliance with the statutory requirements for the content of constitutions. Existing societies will have a transitional period to ensure that their constitutions meet the new minimum requirements.

### COMPLAINTS AND GRIEVANCES

Every society constitution must include procedures to deal with internal disputes.

Societies must maintain procedures for complaints concerning misconduct of or discipline of members, and for grievances brought by members concerning their rights or interests as members.

Each society's misconduct complaint, disciplinary or grievance procedures are for it to determine, but must satisfy relevant specified natural justice minima (for example, the right to be heard and to prepare defence). Societies should avoid bias and apparent bias affecting decision-makers in all classes of disputes.

A society may elect not to consider or continue considering complaint or grievance if the issues are trivial, do not disclose material misconduct, the complaint appears to be without foundation, the complainant has insufficient interest or lacks standing, or the issue has already been investigated and dealt with.

Societies should empowered to meet their obligations in dealing with complaints or grievance procedures by referring them to an external arbitrator or arbitral tribunal, by appointing a visitor (or referee), or through binding arbitration.

### SOCIETY COMMITTEES

Every society will be required to have a committee of at least three "natural persons" responsible for its affairs. Constitutions should contain rules setting out the composition, roles and functions of the committee, including the number of and qualifications for committee members, the election or appointment and terms of office of committee members, and grounds for their removal from office.

Every incorporated society will be required to have a statutory officer as a member of the society's committee (eligible to be a committee member and at least 18 years of age and resident in New Zealand), who may hold any other office, and that person's details must be notified to the Registrar.

The new statute should provide that a statutory officer, committee member or other officer of a society must retire on becoming disqualified, that anyone disqualified or banned who acts as an officer will be deemed to be one, and that the actions of any statutory officer, committee member or other officer are not invalid merely because the appointment was defective or the person was not qualified for appointment.

A committee member should be disqualified if an undischarged bankrupt, prohibited from being an officer of incorporated society under the new Act, prohibited from being a director or taking part in management of an incorporated or unincorporated body under the Companies Act and related legislation, is subject to a property order under the Protection of Personal and Property Rights Act 1988, or does not comply with any qualifications for election or appointment.

Statutory duties should be imposed on society officers and owed to society; including to act in good faith and in the best interests of the society, to use powers for a proper purpose, to comply with the statute and with the society's constitution, to exercise the degree of care and diligence of a reasonable person with such responsibilities, not to allow society activities to be carried on recklessly or in a way likely to create a substantial risk of serious loss to the society's creditors, and not to allow the society to incur obligations that the officer does not reasonably believe will be fulfilled.

### BUT WAIT, THERE'S MORE...

Space constraints preclude detailing other proposals such as dealing with conflicts of interest, annual reporting to the registrar, limited liability for members, the legal capacity of societies, ultra vires society actions, the enforcement of societal obligations, various proposed sanctions, the termination, restructure and rescue of societies, branches, costs in legal proceedings, and a transitional period. However, in my opinion, new and existing societies should be proactive in anticipating the proposed reforms when adopting or revising their constitutions.

***The Government proposes to consult on a draft Incorporated Societies Bill and model constitution, and this may occur later this year.***

MEMBERSHIP

# Continuing Professional Development (CPD)

*Continuing Professional Development (CPD) is an ongoing requirement to undertake education, maintain a current knowledge base and to improve skills and knowledge. CPD covers the activities, both formal and informal, which a director undertakes to improve their skills and competence.*

As a Member, Chartered Member or Chartered Fellow, you are required to maintain 60 CPD points over a rolling three-year period. You will have three years to accumulate your foundation 60 CPD points. CPD commences upon acceptance as a Member, or on your renewal after 1 October 2014 for existing members.

### WHAT ACTIVITIES COUNT TOWARDS CPD?

A wide range of activities count for CPD including:

- professional development offered by IoD
- professional development offered by other organisations, providing it relates to improving your governance performance
- other less formal activities, such as reading *board***room**, attending branch events, and making voluntary contributions to the development of the director profession such as participating in mentoring or IoD committees.

### HOW ARE POINTS ALLOCATED?

Points have been allocated to all IoD Director Development activities and branch events.

5 CPD POINTS *Look out for the CPD points icon to see how many points are allocated for an activity.*

You can allocate points to third-party activities using our simple guidelines available on the IoD website. The number of CPD points allocated is based on a measure of engagement, not just the number of hours involved.

Consideration is given to the following:

- time spent
- currency of information
- design/formality of learning objectives
- complexity/depth of learning
- engagement in learning/interactivity
- contribution to the profession.

In general, CPD activities undertaken externally must relate to the practice of directorship and governance in terms of building the core competencies contained within IoD's New Zealand Director Competency Framework. CPD activities undertaken through external providers attract similar points as comparable activities offered by the IoD.

### RECORDING OF CPD

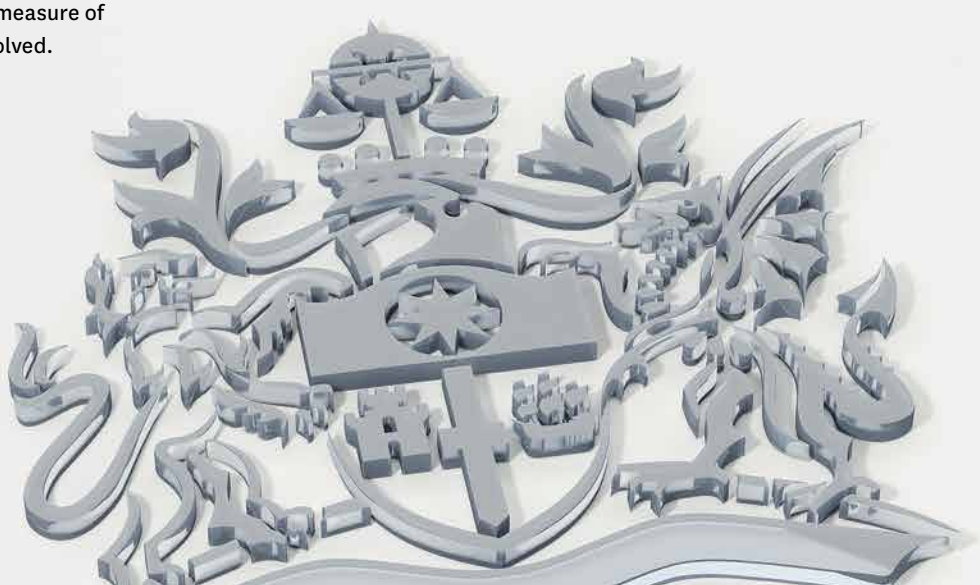
As a member, you can access your personal dashboard when you login at www.iod.org.nz

Any points obtained through IoD activities will be automatically logged on your dashboard.

You are not required to use the dashboard but will need to keep sufficient details of your CPD in an auditable format.

CPD operates on the basis that members take personal responsibility for managing their CPD requirements. It places a high level of trust and choice in the hands of members.

***For more information please go to www.iod.org.nz/cpd***



# Going Public, Staying Public – what directors should know

*Launching a public listing is a milestone event in the life of a company. Smoothly handled, it can raise a company's profile and boost funding. But the listing process is complex, and once listed a company will face ongoing regulatory requirements and other challenges. To help meet these challenges, the IoD in partnership with global law firm DLA Piper, is piloting Going Public, Staying Public, a course that provides insights into life as a public company.*

"We see this course as benefiting directors who are new to listed companies, or who are on boards considering going through the listing process for the first time or who are looking for an appointment to a listed company board. They need a solid understanding of what it takes to be on a listed board," says IoD Professional Development Manager Helena Gibson.

"As with all Director Development courses, we will be drawing on the expertise of senior directors. Participants will be able to hear an experienced director's perspective on the listing process and what's needed to stay listed," she says.

Supported by both the Financial Markets Authority (FMA) and NZX, each course is limited to 25 people and will be in the form of a webinar followed by a one-day workshop.

It follows a record year for listings on NZX's main board and this year's launch of NXT, NZX's new market. Aimed at high-growth companies and SMEs, NXT offers an easier path to public listing but calls for two independent directors on NXT-listed boards. This represents both an opportunity and a challenge for directors.

"Senior directors have told us that there is a need for a strong cohort of directors looking at working in the listed company space who are well informed about what this involves," says Helena.

Sue Brown, a corporate lawyer and partner with global law firm DLA Piper, will facilitate the course. She is delighted to see that the FMA is working to engage with directors of listed companies, and recently released the brief guide, Going Public. This course builds on that base.

Sue spent four years in senior leadership at the FMA before joining DLA Piper. "During that time, I realised that there is more to getting it right than just telling people what the rules are. I'm interested in that next stage of helping people to understand the law by drilling down into what it all means for them so they can navigate through to achieve good outcomes for themselves and their stakeholders."

She says Going Public, Staying Public aims to give directors a solid base of knowledge for going into a public listing, from which they will be able to seek advice from external advisers. The course will equip them to ask the right questions.

*"With knowledge comes confidence and power. The idea is to empower directors and encourage them to take opportunities"*

"The course explains the differences between operating as a private company and a public company, and introduces directors to the regulatory environment. It offers guidance for directors on assessing whether an organisation is ready to go public.

"Once a company is publicly listed, life will never be the same again because, on NZX's main board, it will be providing information to the market, and there will be public interest and public enquiry. I think that it is really important to address that. But this is not about scaring people. With knowledge comes confidence and power. The idea is to empower directors and encourage them to take opportunities," says Sue.

### GOING PUBLIC, STAYING PUBLIC

Key areas covered include:

- an outline of what is involved in an IPO
- the advantages and disadvantages of going public
- questions directors need to ask to ensure the company is ready for market
- choosing the right advisers and understanding their roles
- preparing and planning for listing
- living in a regulated environment.

***The first webinar will be held on 16 June, followed by a one-day workshop in Wellington on 25 June. A second webinar will be held on 3 November, followed by a one-day workshop in Auckland. Places are limited, for more information and to book, visit iod.org.nz***

## Boards in Action 2015

These popular workshops offer experienced directors the chance to explore current issues in a collegial atmosphere:

### LEADERSHIP FROM THE BOARDROOM

Back by popular demand, and facilitated by Wayne Norrie, this half-day course covers boardroom culture, establishing and maintaining a future-focus and optimal team performance.

***Wellington 18 June; Auckland 25 Nov***

### MANAGING A MEDIA CRISIS

Reputations can be made or broken in a crisis, so it's important for directors to establish effective crisis management systems and policies. Developed in conjunction with The Ideas Shop, this workshop will help directors test how existing systems and processes perform in a crisis situation.

***Wellington 19 Jun; Auckland 28 Jul, 26 Nov; Christchurch 3 Nov***

***Ten per cent discount is available when you register for more than one Boards in Action. For more information and to register, visit iod.org.nz***


## Director Development Midyear Update

For full details of all new courses, see the updated Director Development brochure. ***Visit iod.org.nz for programme details and to register.***

# Board evaluation done better

*Best practice boards commit to evaluation for continuous improvement.*

BetterBoards is an online evaluation tool that helps boards identify their strengths and weaknesses, assess their performance, and determine opportunities to become better at what they do.

It is simple to set-up, easy to use, and accessible across mobile web platforms. The evaluation reports are comprehensive, easy to follow, and accompanied by an overview to assist the chair in leading post-evaluation discussions.

Additionally, boards can choose to have an IoD facilitated discussion to explore the board's current situation and determine future direction.

BetterBoards is the only board evaluation tool that shows how your board is performing against the IoD's comprehensive reference guide for directors, the *Four Pillars of Governance Best Practice*.

***Contact us at boardservices@iod.org.nz or phone us on 04 499 0076 to talk about your board evaluation needs.***


*simple set-up • accessible • comprehensive*

Institute of Directors

For further information
www.iod.org.nz

betterBoards
Online board evaluation

# Course and workshop calendar

## MAY – DECEMBER 2015

### 8 CPD POINTS — GOVERNANCE ESSENTIALS
1 DAY

**12 May,** Hamilton
**21 May,** Auckland
**26 May,** Wellington
**16 Jun,** Christchurch
**30 Jun,** Auckland
**28 Jul,** Wellington
**4 Aug,** Auckland
**11 Aug,** Dunedin
**18 Aug,** Tauranga
**8 Sep,** Auckland
**15 Sep,** Christchurch
**29 Sep,** Wellington
**20 Oct,** Auckland
**4 Nov,** Wellington
**17 Nov,** Auckland

### 8 CPD POINTS — FINANCE ESSENTIALS
1 DAY

**13 May,** Hamilton
**17 Jun,** Christchurch
**1 Jul,** Auckland
**29 Jul,** Wellington
**5 Aug,** Auckland
**12 Aug,** Dunedin
**19 Aug,** Tauranga
**9 Sep,** Auckland
**16 Sep,** Christchurch
**30 Sep,** Wellington
**21 Oct,** Auckland
**5 Nov,** Wellington
**18 Nov,** Auckland

### 8 CPD POINTS — STRATEGY ESSENTIALS
1 DAY

**27 May,** Wellington
**9 Jun,** Auckland
**18 Jun,** Christchurch
**13 Aug,** Dunedin
**20 Aug,** Tauranga
**17 Sep,** Christchurch
**22 Oct,** Auckland

### 12 CPD POINTS — RISK ESSENTIALS
1 DAY

**Workshop:** *(with webinars prior, see below for webinar dates)*
**19 Jun,** Christchurch
**2 Jul,** Auckland
**1 Sep,** Auckland
**3 Sep,** Dunedin

### 14 CPD POINTS — GOVERNANCE DEVELOPMENT PROGRAMME
5 MONTHS

**7 May,** Christchurch
**4 Jun,** Hamilton
**29 Jun,** Tauranga
**2 Sep,** Invercargill

### 8 CPD POINTS — NOT FOR PROFIT GOVERNANCE ESSENTIALS
1 DAY

**9 Jun,** Wellington

### 5 CPD POINTS — DIGITAL LEADERSHIP COURSE

**iod.org.nz for dates and locations**

### 5 CPD POINTS — HEALTH AND SAFETY ONLINE MODULE

**Register at iod.org.nz**

### 5 CPD POINTS — ETHICS ONLINE MODULE

**Register at iod.org.nz**

### 8 CPD POINTS — AUDIT AND RISK COMMITTEES
1 DAY

**24 Jun,** Auckland
**12 Aug,** Wellington
**28 Oct,** Hamilton

### TBC CPD POINTS — GOING PUBLIC, STAYING PUBLIC
1 DAY

**Workshop:** *(with webinar prior)*

**Course 1**
**16 Jun 15,** Wellington *(Webinar)*
**25 Jun 15,** Wellington *(Workshop)*

**Course 2**
**3 Nov 15,** Auckland *(Webinar)*
**12 Nov 15,** Auckland *(Workshop)*

### 5 CPD POINTS — BOARDS IN ACTION
1 DAY

**Leadership from the Boardroom**
**18 Jun,** Wellington
**25 Nov,** Auckland

**Managing a Media Crisis**
**19 Jun,** Wellington
**28 Jul,** Auckland
**3 Nov,** Christchurch
**26 Nov,** Auckland

### 16 CPD POINTS — CHAIRING THE BOARD
2 DAYS

**19 May,** Auckland
**3 Jun,** Wellington
**21 Jul,** Christchurch
**18 Aug,** Auckland
**13 Oct,** Napier

### 40 CPD POINTS — COMPANY DIRECTORS' COURSE
5 DAYS

**10 May,** Auckland
**24 May,** Queenstown
**21 Jun,** Auckland
**23 Aug,** Auckland
**6 Sep,** Queenstown
**1 Nov,** Queenstown
**8 Nov,** Martinborough
**22 Nov,** Auckland

### 40 CPD POINTS — COMPANY DIRECTORS' COURSE – NON RESIDENTIAL
5 DAYS

**13 Jul,** Auckland
**3 Aug,** Wellington
**21 Sep,** Auckland
**12 Oct,** Christchurch
**16 Nov,** Dunedin

### 16 CPD POINTS — COMPANY DIRECTORS' COURSE REFRESHER
2 DAYS

**26 May,** Auckland
**10 Jun,** Auckland
**29 Jul,** Auckland
**13 Aug,** Wellington
**17 Sep,** Wellington
**8 Oct,** Auckland
**3 Nov,** Christchurch

**Risk Essentials Webinar Dates***

*Attendees can either participate in the live webinars or listen to the recording online before the workshop dates.*

CHRISTCHURCH – 29 Apr, 13 May, 27 May (Workshop 19 Jun)
AUCKLAND – 29 Apr, 13 May, 27 May (Workshop 2 Jul)
AUCKLAND – 20 Jul, 3 Aug, 17 Aug (Workshop 1 Sep)
DUNEDIN – 20 Jul, 3 Aug, 17 Aug (Workshop 3 Sep)

***We are continually adding new courses/workshops and dates, so please visit iod.org.nz to see the latest calendar.***

# branchevents

*IoD members are welcome to attend branch events nationwide. Check out the full list of branch events on the IoD website.*

2 CPD POINTS

*Members will be awarded 2 CPD points per event.*

## AUCKLAND

*Tony O'Brien*

**Business and politics**
Government relations expert Tony O'Brien on how to manage political relationships and increase the impact of submissions and select committee appearances.
*7:30am - 9:00am, 8 May, The Northern Club, 19 Princes Street, Auckland*

*Mai Chen*

**Lunch function with Mai Chen**
Mai Chen on managing regulatory risk and maximising the commercial benefits of Auckland's diverse customer base.
*12:00pm - 2:00pm, 19 May, The Northern Club, 19 Princes Street, Auckland*

**Next Generation Director evening workshop**
Build your governance awareness and find out what a directorship really means.
*4:30pm - 7:00pm, 9 June, BNZ Partners Business Centre, Deloitte Centre, Level 7, 80 Queen Street, Auckland*

## WAIKATO

**Reserve Bank Governor Graeme Wheeler**
Graeme Wheeler on developments in the New Zealand and global economies.
*12:00pm - 2:00pm, 23 April, Waikato Stadium, Gate 5, 128 Seddon Road, Whitiora, Hamilton*

**Public to private to governance**
Join us for a lunch function with guest speaker Simon Power of Westpac.
*12:00pm - 2:00pm, 29 April, Radio Sport Lounge, Waikato Stadium, Hamilton*

## BAY OF PLENTY

**Lunch function with MaiHealth and safety workshop**
Learn what the draft health and safety reforms mean for you and your organisation from industry leaders Shima Grice, Graham Philps and Carl McOnie.
*5.30pm - 7.30pm, 29 April, Tauranga Club, Devonport Road, Tauranga*

*Sam Knowles*

**Governance of high growth companies**
Hear guest speaker Sam Knowles on strategy, marketing, organisational capability building, and private and public sector governance.
*12:00pm - 2:00pm, 14 May, Tauranga Club, Devonport Road, Tauranga*

*Melissa Clark-Reynolds*

**The Winner's Guide to Quitting**
Serial entrepreneur Melissa Clark-Reynolds on what to do when perseverance is no longer a virtue.
*5:30pm - 7:30pm, 20 May, Rydges Hotel, 272 Fenton Street, Rotorua*

**KPMG Global Audit Committee Survey**
Hear the results of KPMG's Global Audit Committee Survey and what they mean for your business.
*5:30pm - 7:30pm, 27 May, Tauranga Club, Devonport Road, Tauranga*

**Leadership - do your board members have it?**
Sally Webb and Lesley Fraser with tips and tools for ensuring they do.
*5:30pm - 7:30pm, 17 June, Tauranga Club, Devonport Road, Tauranga*

## WELLINGTON

*Peter Miskimmin*

**Dinner with Peter Miskimmin**
Join us for a dinner with guest speaker Peter Miskimmin, former Olympian, elite hockey coach and now CEO of Sport New Zealand.
*6:15pm, 28 April, Level 5, The Wellington Club, 88 The Terrace, Wellington*

## NELSON MARLBOROUGH

**Cocktail function**
Together with Chartered Accountants Australia and New Zealand, we bring you the chance to hear from the New Zealand Super Fund's Brad Dunstan.
*5:30pm - 7:00pm, 28 April, Trailways Hotel, 66 Trafalgar Street, Nelson*

**FirstBoards function**
Hear Lesley Kennedy on how and why she established her first board.
*12:00pm - 1:30pm, 19 May, Scenic Hotel, 65 Alfred Street, Blenheim*

**Chris Kelly**
Join us for a lunch function with Massey University Pro-Chancellor Chris Kelly.
*12:00pm - 1:30pm, 20 May, Trailways Hotel, 66 Trafalgar Street, Nelson*

**NFP governance**
Join us for a panel discussion on the pitfalls, challenges and satisfaction of not-for-profits, hosted in partnership with Crowe Horwath.
*5:30pm - 7:30pm, 25 June, Trailways Hotel, 66 Trafalgar Street, Nelson*

## CANTERBURY

**Governance in family businesses**
Martin and Jann Meehan share lessons in governing a successful SME.
*5:45pm - 7:45pm, 4 May, Kidd's Cakes and Bakery, 254 Cranford Street, Christchurch*

**KPMG Global Audit Committee Survey**
Hear the results of KPMG's Global Audit Committee Survey at this lunch seminar with KPMG director David Sinkins.
*12:00pm - 2:00pm, 11 May, Commodore Airport Hotel, 449 Memorial Avenue, Christchurch*

**A new model for NFPs**
Alex Reese on the governance opportunities and challenges of a new model for not-for-profits.
*5:45pm - 7:45pm, 18 May, The George, 50 Park Terrace, Christchurch*

## OTAGO SOUTHLAND

**After-work with Greg Doone**
Director Greg Doone on the internet generation.
*5:30pm - 7:30pm, 29 April, The Dunedin Club, 33 Melville Street, Dunedin*

**KPMG Global Audit Committee Survey**
Hear the results of KPMG's Global Audit Committee Survey from KPMG director David Sinkins. Hosted in partnership with the Otago office of Chartered Accountants Australia New Zealand.
*5:30pm - 7:30pm, 12 May, Conference Room 2, The Dunedin Centre, 1 Harrop Street, Dunedin*

**Silver Fern Farms**
Join us for a cocktail function and site visit to the Silver Fern Farms corporate office, where we will hear from Chairman Rob Hewett.
*5:30pm - 7:30pm, 20 May, Silver Fern Farms, 283 Princes Street, Dunedin*

**Rob Everett**
Financial Markets Authority Chief Executive Rob Everett will present to Queenstown members.
*5:30pm - 7:30pm, 28 May, Queenstown Resort College, 7 Coronation Drive, Queenstown*


*Rob Everett*

**Institute of Directors' AGM**
Speaker: Hon Pete Hodgson, Acting Chief Executive, Otago Innovation Ltd
*12:00pm - 2:00pm, 15 June, The Dunedin Club, 33 Melville Street, Dunedin*


*Hon Pete Hodgson*

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# branchnews

## AUCKLAND

The Auckland branch was pleased to present Shane McMahon with the 2014 Emerging Director Award on 16 February.

Reserve Bank Governor Graeme Wheeler spoke to the Auckland branch on 18 February.

The Rt Hon Prime Minister John Key presented to Auckland members on 19 March, emphasising the importance of cyber security for businesses.

Dames Jenny Shipley, Alison Paterson and Rosanne Meo discussed getting their first break.

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1 | Michael Stiassny, Rt Hon Prime Minister John Key (Auckland)
2 | Rt Hon Prime Minister John Key (Auckland)
3 | Nicky Duggan (Auckland)
4 | Murray Higgs, Dr Brett Ogilvie (Auckland)
5 | Dr Ian Parton (Auckland)
6 | Anne Walsh, Kathryn Roberts (Auckland)
7 | Sam Duncan, Peter Idoine (Auckland)
8 | Warren Dalzell, Shane McMahon (Auckland)
9 | John Byers, Helen Cahill (Auckland)
10 | Tania Bassett, Paul Neshausen, Julia Hoare (Auckland)
11 | Zina Trancoso, Jeremy Bendall (Auckland)
12 | Sarah Morton-Johnson, Jagdeep Singh-Ladhar (Waikato)
13 | Terry Wilson, Gordon Lewis, Craig Hobbs (Waikato)
14 | Grant Robson, Daniel Shore (Waikato)
15 | Michael Nicholson, Michael Stiassny, Merv Gyde (Bay of Plenty)
16 | Peter Tolan, Liz Taylor (Nelson Marlborough)
17 | Kiri Dower, Lindsay Keay (Nelson Marlborough)
18 | Murray Sherwin (Nelson Marlborough)
19 | Simon Arcus (Canterbury)

## WAIKATO

Thomas Gibbons of McCaw Lewis Lawyers spoke on the new Financial Markets Conduct Act and what it means for Waikato businesses.

KiwiRail chair John Spencer and CEO Peter Reidy discussed the future of KiwiRail at a lunch function held in conjunction with the Waikato Chamber of Commerce.

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## WELLINGTON

Treasury's Fiona Chan talked Wellington members through the appointment process for Crown boards.

Former GCSB director Ian Fletcher talked cyber security at a breakfast event in Wellington, outlining what businesses need to know.

## BAY OF PLENTY

IoD vice-president Michael Stiassny presented 'The World of Governance' at the Bay of Plenty Branch AGM on 25 February. He was followed by Registrar Lisa Docherty, who spoke on the benefits of CPD.

Shima Grice, Graham Philps and Carl McOnie outlined impending changes to health and safety and the impact they will have on directors at a workshop on March 11.

15


## NELSON MARLBOROUGH

Productivity Commission chair Murray Sherwin spoke to Marlborough members on New Zealand's productivity conundrum and how productivity shapes our living standards.

Hon. Ruth Richardson spoke on the fast-changing platform for performance, urging Nelson members to challenge traditional business models and to think outside the box.

IoD Acting CEO Simon Arcus discussed governance issues on the horizon for 2015 at an event in Nelson.

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## CANTERBURY

FMA CEO Rob Everett issued a call to arms for directors at the Canterbury Branch AGM.

Experts Xavier Marguinaud, Philip Whitmore and Ian Pollard told Canterbury members that cyber criminals are alive and active, and that awareness, testing and protection were crucial for every business.

# branchnews

20 | Phil Stevenson, Greg Easton (Otago Southland)
21 | Joan Baker, Dr Anna Campbell (Otago Southland)
22 | John Gallaher, Terry Davies (Otago Southland)

20

## OTAGO SOUTHLAND

The Otago Southland branch welcomed new members at a lunch event.

Invercargill members enjoyed a panel discussion on governance in farming enterprises with Ross Cottier, Tim Black, Kevin Cooney, and Tony Cleland.

The Otago Southland Branch AGM featured guest speaker Terry Davies, CEO of Dunedin Venues Management Ltd.

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22

# Institute of Directors (IoD)

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

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***The Institute of Directors has staff based at the National Office in Wellington, an office in Auckland, and eight branch managers operating from their localities. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 43***

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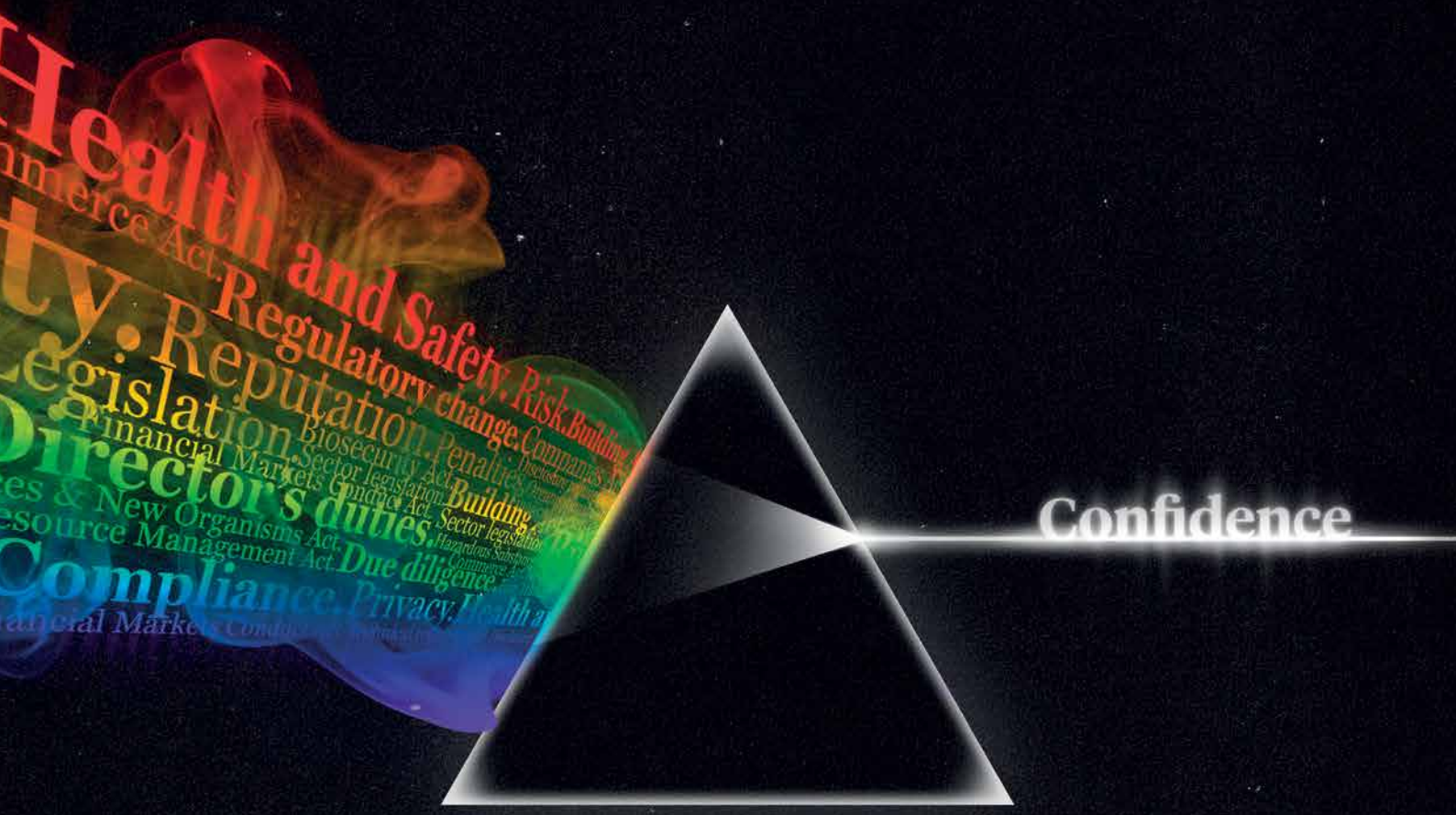

# MeetX

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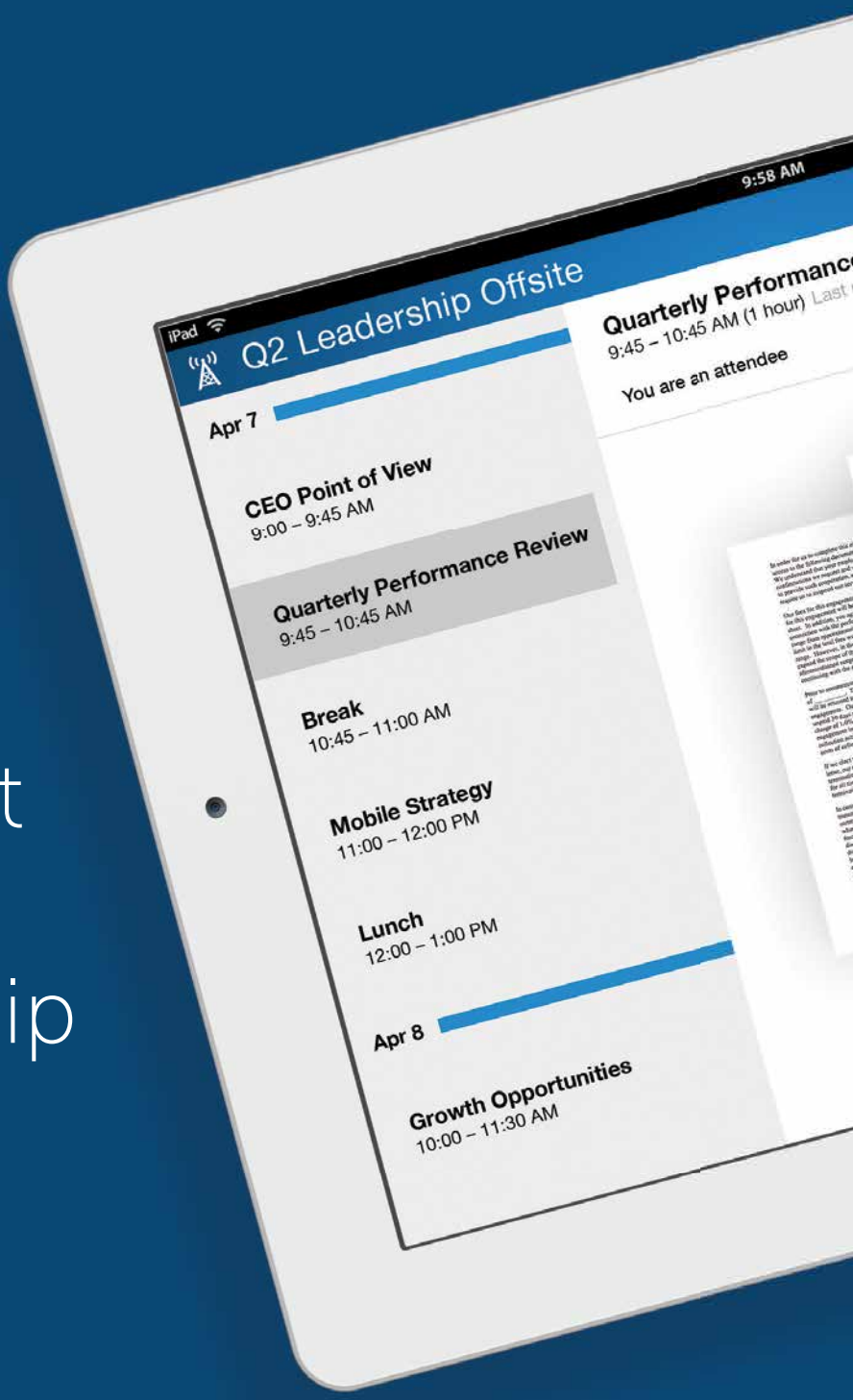


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