OCTOBER/NOVEMBER 2014

boardroom

Magazine of the Institute of Directors in New Zealand

SOLE SURVIVOR

Kathryn Wilson and the building of a brand

DIVERSITY: NEW ZEALAND FALLS BEHIND

ON THE CHARTERED MEMBERSHIP PATHWAY

SHARE AN IDEA

OFFICE OF THE OMBUDSMAN

MY FOOD BAG

BOOSTED

FROM THE EDITOR

There's good news and bad news in this issue. The good being that energetic entrepreneurs like Kathryn Wilson seem to flourish here – even against tough odds. The not-so-good news is that when it comes to embracing board diversity, New Zealand is well behind.

This matters – not because diversity is important for its own sake – but for fundamental economic reasons. Research has found that organisations led by boards where there is diversity of thought, background, gender and age are more capable. Diverse boards are more open to ideas, more aware of the international and domestic market's demands, shareholders' expectations and staff's concerns. They are more likely to come up with original and effective solutions. Homogeneity masquerades as efficiency and cohesion but ultimately it is less effective.

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

Institute of Directors in New Zealand (Inc)
Mezzanine Floor,
50 Customhouse Quay
PO Box 25253, Wellington 6146
New Zealand
tel: 04 499 0076
fax: 04 499 9488
email: mail@iod.org.nz
www.iod.org.nz

12 Heart and sole

Seeing opportunity where others saw difficulty allowed Kathryn Wilson to spot a gap in the market and fill it with a fast-growing brand of fashion footwear

INSIDE IoD

15 Diversity: missing the beat

We were the first country to give women the vote, yet in board appointments for women, it's been slow progress

30 Playing the long game

Should business be worried about a National-led government in its third term?

Institute of Directors (IoD)

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

*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.

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

For all advertising enquiries: Fran Page: 04 801 0450

*board***room** is designed by Strategy Design & Advertising, www.strategy.co.nz

Institute of Directors in New Zealand (Inc)
Mezzanine Floor, 50 Customhouse Quay,
PO Box 25253, Wellington 6146,
New Zealand
Tel: 04 499 0076, Fax: 04 499 9488
Email: mail@iod.org.nz

www.iod.org.nz

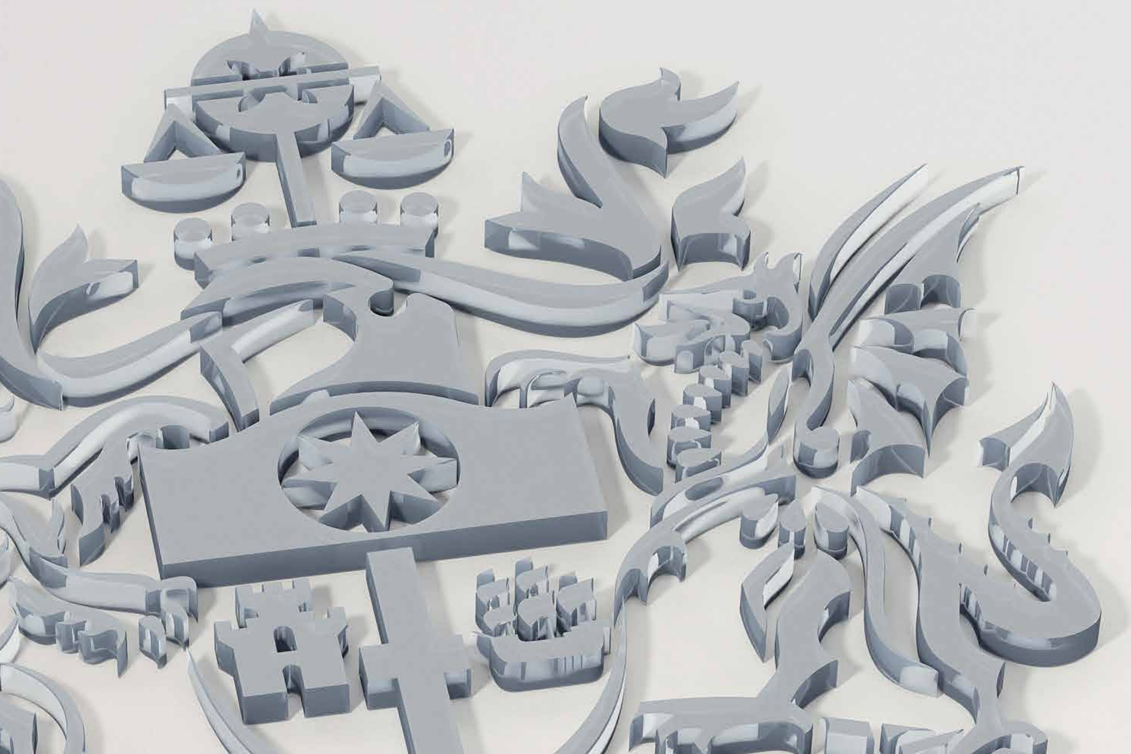
The Institute of Directors has staff based at the National Office in Wellington, and eight branch managers operating from their localities. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 49

*board***room** is pleased to acknowledge the support of sponsors Marsh, Chapman Tripp and KPMG.

CHAPMAN TRIPP
chapmantripp.com, 04 499 5999

MARSH
marsh.co.nz, 0800 627 744

KPMG
kpmg.co.nz, 09 367 5800



CEO REPORT

Why we really are better together

Writing from Canada after attending the latest meeting of the Global Network of Director Institutes (GNDI), IoD CEO Dr William Whittaker examines the power of diversity in harmony

I write this before election day in New Zealand. While New Zealanders' focus has naturally been on the election, the western world's attention has been caught by the Scottish referendum on independence with the pre-referendum debate and post-referendum tasks all focusing on the applied principles of collaboration, partnership and cooperation.

Collaboration is the ability to work with others and turn ideas into reality. This quality is especially important when obstacles emerge. These difficulties are hard to overcome in a team setting without a collaborative spirit. That translates into shared vision and values.

In any secession, the following questions should be asked: can people not speak their language or practise their religious faiths? Are they discriminated against? Are their human rights abused? Is the economic deck stacked against them, such that their standard of living has declined or not kept pace with progress elsewhere? Is there such disrespect directed toward them by people elsewhere that collective relations are uncomfortable, even intolerable?

The answer to these fundamental questions – the ones on which a breakup should be focused – were all resolutely 'no' in Scotland's case. My Canadian host and colleague Stan Magidson who heads up our sister organisation, said that the Scottish question was reminiscent of the Quebec-Canada separation issue with the same power plays and levers. The referendum prompted fears of breakup, extravagant promises (or bribes) and then the need to deliver on them. Canada remained united but Quebec came out of it stronger.

It helps small nations in a globalised world to be formally part of a wider political or economic entity, although Switzerland and Norway with their populations of around 5 million (about the same as Scotland) would suggest there are exceptions.

Scotland voted against independence on Thursday, but it was not a vote for the status quo. The debate over regional and national autonomy has just begun, and it promises a constitutional shake-up in the United Kingdom. David Cameron now faces a broader debate over the centralisation of power in London, Britain's place in Europe, intense budget pressures, and dissent within his own party as he heads toward a general election campaign next year. Commonsense prevailed but victory will be at a price.

I attended a concert by the Orchestre Symphonique de Montreal. A Russian artist of prodigious skill and size – one reviewer described him as "a large pianist" performed Profoviev's 2nd Concerto, one of the most technically formidable piano concertos in the standard repertoire. Those of you who have read Richard leBlanc's *Inside the Boardroom* will be familiar with his analogy of the orchestra. A group of talented musicians could play a passable version of any scored piece of music. But a conductor would extract the best from them. Prokoviev's concerto is a solo supported by a minimalist or spare backing. The same reviewer wrote "the colossal first cadenza is so long that musicians can leave for a smoke". But a strong performance should result from each player making a contribution. The orchestra is harmonious diversity in action. The board should be similar.

The purpose of GNDI, of which New Zealand is a founder and an Executive Committee member, is collaboration and mutual enhancement. It is in its infancy but the potential is huge, with the group developing the concept of a global passport, entitling members of one nationally pre-eminent director association to access benefits from others within the group, a sort of frequent flyer programme for directors' institutes.

In a globalised world companies need to be sharper. The director's skillset in international companies is broader. There are therefore learnings to be gained from our colleagues' experience, be it 'say on pay" in Australia, hostile takeovers in Canada or creating equality through diversity in South Africa and Sweden. IoD New Zealand, with one of the highest member to total national population ratios in the world, is considered a lead violin in the ensemble with our best practice materials, commitment to diversity through Future Directors, Mentoring for Diversity and upcoming but yet to be announced diversity initiatives and professionalisation programme.

What we are collaboratively working for is a strong currency, encapsulated in the concept of the truly professional director, a tradable and transferable commodity. Just as there is nothing cowardly in not seizing an opportunity you don't want, as suggested by the majority of the Scottish people in the referendum, it is poor risk assessment, judgement and execution if you fail to seize one that promises a good return. That is the domain of directors who, when playing, need to interpret the score and also be in tune.

Update

RECENT APPOINTMENTS

We would like to congratulate the following members on their new board positions.

Paddy Boyle has been appointed an independent director of Jade Software Corporation.

Jeremy Smith, already an Orion director, has been appointed chair of Orion.

Andre Lovatt has been appointed a director of Christchurch International Airport.

Chartered Fellow Gary Leech will become a director of CityCare after its AGM in October.

Mary-Jane Daly has been appointed to the board of Kiwi Income Property Trust.

Chartered Fellow Nikki Davies-Colley replaces Warren Moyes as chair of Northpower.

Janice Fredric has been appointed director of NZCU South.

John Harvey replaces Sir David Gascoigne as chair of New Zealand Opera.

Jane Freeman has been appointed independent director of Kiwi Income Property Trust.

Doug McKay has been appointed an independent director of Ryman Healthcare.

Sir Ralph Norris is to replace Ralph Waters as chair of Fletcher Building.

Josette Prince will replace Pumpkin Patch founder Sally Synnott on the organisation's board.

Chartered Fellow Bruce Richards succeeds Elaine Gill as TSB chair

Chartered Fellow Whaimutu Dewes was reappointed to the board of Housing New Zealand

IOD BY NUMBERS*

6723 members as at 30 September 2014

25% women members

12.1% of IoD members are Chartered Members

3532 in the IoD's LinkedIn group

* Correct at time of publication

Changes on board of IoD Ltd

After successfully overseeing the launch of IoD Ltd as an operating subsidiary company in 2013, directors Jim Donovan, Margaret Devlin and Brian Steele have stepped down from the board.

"The IoD would like to offer its thanks to these directors who wholeheartedly committed to establishing IoD Ltd and making it the success that it is," says IoD President Stuart McLauchlan.

Ray Polson will remain as chair, but the board is looking for an independent director to join Stuart McLauchlan, Dr Alison Harrison and Rangimarie Hunia.

Candidates should have a strong commercial background, robust knowledge of professional development and/or professional advisory services, and the ability to operate effectively in a complex environment. To apply, visit Director Vacancies at iod.org.nz

IoD joins forces with NZIER for survey

We thank those who have taken part in a survey conducted by the IoD's Governance Leadership Centre (GLC) and the New Zealand Institute of Economic Research (NZIER) earlier this month. The survey aims to take the temperature of the boardroom on high-level business and economic issues. Results will be reported in November.

IoD welcomes new partners

The IoD recently signed two separate MoUs – one with Cooperative Business of New Zealand (CBNZ) and another with the Human Resources Institute of New Zealand (HRINZ) – signalling new working relationships with both organisations.

"CBNZ is the peak body representing cooperatives and the cooperative business model in New Zealand and HRINZ is the leading member organisation for HR professionals. We're pleased to be partnering with each of them to raise awareness of the importance of good governance," says IoD CEO Dr William Whittaker.

Discussions are underway between CBNZ and the IoD as to how both organisations can work together, particularly regarding the provision of improved governance development specifically designed to meet the unique needs of the cooperative sector.

New Health and Safety Association

A new umbrella association for workplace health and safety professions in New Zealand has been established. The Health and Safety Association of New Zealand (HASANZ) was launched on 10 September 2014. HASANZ aims to raise professional standards across the occupational health and safety sector to provide healthier and safer workplaces for New Zealanders.

Recently appointed establishment chair, business consultant and IoD Member Shenagh Gleisner says that she is acutely aware of the need for healthier and safer workplaces in New Zealand.

Shenagh Gleisner's experience includes Deputy Chief Executive of the Department of Labour, Director of the Earthquake Recovery Programme at the Department of Building and Housing, and many senior positions in the health sector. She currently chairs the Risk and Assurance Committee for the Department of Prime Minister and Cabinet.

Future Directors Appointed

Bindi Norwell will be The Warehouse Group board's Future Director appointment for 2015.

Bindi has over 15 years experience in strategic management, working both here and in Australia and the UK.

Also recently announced – NZ Venture Investment Fund CEO Franceska Banga will be on the board of Fisher & Paykel Healthcare as a Future Director.

The year-long programme gives aspiring directors boardroom experience in a publicly listed company. Future Directors can participate in discussions but are not allowed to cast a vote.

The Future Directors programme was launched through the IoD in April 2013 by Sir Stephen Tindall, IoD Vice President Michael Stiassny (Vector/Korda Mentha/IoD) and Des Hunt (NZ Shareholders Association).

Paul Hargreaves

IoD farewells a past president

The IoD would like to offer its sympathy to family and friends of Paul Hargreaves, who died on 14 August, aged 75.

Paul was President of the IoD from 2007 to 2009, and was made a Distinguished Fellow in 2009.

His wide-ranging career included the co-founding of Datacom, then known as Computer Bureau Ltd, in 1965 as a young chartered accountant in Christchurch.

Datacom is now one of New Zealand's largest and most successful private IT businesses, with employees and offices spread over Asia Pacific.

Paul left Datacom in 1989 but remained on the company's board until 2006, when he was honoured as an Officer of the New Zealand Order of Merit.

He served on many boards including those of Radio New Zealand, Antarctica New Zealand and NIWA, of which he was also chief executive between 1994 and 2002.

His community work included the Laura Ferguson Trust in Christchurch, Domestic Violence Centre, Shine, HiGrowth Project Trust and the National Council of the New Zealand Automobile Association and the Antarctic Heritage Trust.

He was well-liked and well-respected in all areas of his wide-ranging career. In his eulogy, close friend Michael Horton said, "He was a very well-educated person with an enormous ability to engage with people… he was an elegant fellow who could talk to anyone. Athough he was 75 when he died, he had never really retired."

First steps on the Chartered Membership pathway

The Chartered Membership pathway is now in place, establishing a new membership structure against which directors and the wider community can benchmark experience and expertise

"The introduction of the Chartered Membership pathway represents an historic change, moving us from member organisation to professional body," says IoD President Stuart McLauchlan.

"This crucial change re-energises the organisation, distinguishing IoD members as directors dedicated to continual upskilling, currency of knowledge, and boardroom best practice."

Formed with strong support from IoD members and stakeholders, the Chartered Membership pathway allows members to move from Associate to Member, Chartered Member and Chartered Fellow.

The majority of IoD members – Members, Chartered Members and Chartered Fellows – will be required to undertake continuing professional development (CPD). We run a re-cap of some of your most frequently asked questions below:

WHEN DO I START?

Members will begin their CPD foundation period on the date of their first renewal or after 1 October. Your renewal date will depend on when you joined the IoD, and is one month after your billing date. You can find it on your member dashboard when you log in at www.iod.org.nz

WHAT IS THE FOUNDATION PERIOD?

You will have three years from your first renewal after 1 October 2014 to accumulate the required 60 points. There is no annual requirement for accumulating points. During the foundation period the IoD will not be auditing members.

HOW WILL THE ROLLING THREE-YEAR POINTS CYCLE WORK?

Following the foundation you will be required to maintain 60 points over a rolling three-year period. The three years cover points accumulated the year you are in, plus the points accumulated in the two years' prior.

WHAT COUNTS AS CPD?

CPD covers the activities, both formal and informal, which a director undertakes to improve their skills and competence within the IoD's New Zealand Director Competency Framework.

A wide range of activities counts for CPD including:

- professional development offered by IoD
- professional development 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.

WHAT ABOUT PROFESSIONAL DEVELOPMENT WITH OTHER PROVIDERS?

CPD activity undertaken with other providers attracts the same number of points as similar activities offered by the IoD, provided you can establish that the activity relates to your practice of governance as identified in the IoD New Zealand Director Competency Framework. We've provided a guide to allocating third-party points on our website.

HOW MUCH WILL IT COST TO DO CPD?

The cost is dependent on the activities you choose to undertake. It is possible to meet the requirement at no cost.

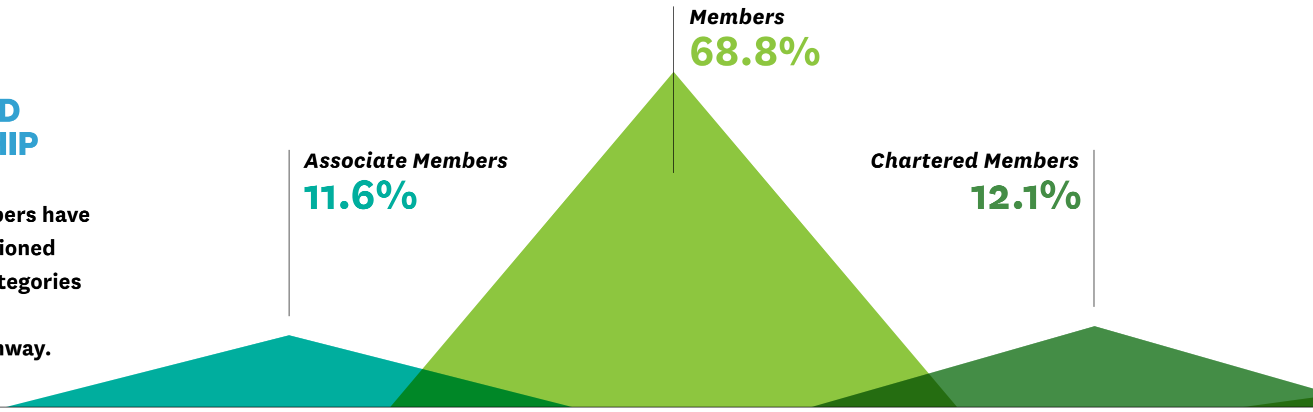
HOW WERE CPD POINT ALLOCATIONS DETERMINED?

The following elements are taken into consideration for each activity:

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

CHARTERED MEMBERSHIP PATHWAY

All current members have now been transitioned into their new categories on the Chartered Membership pathway.



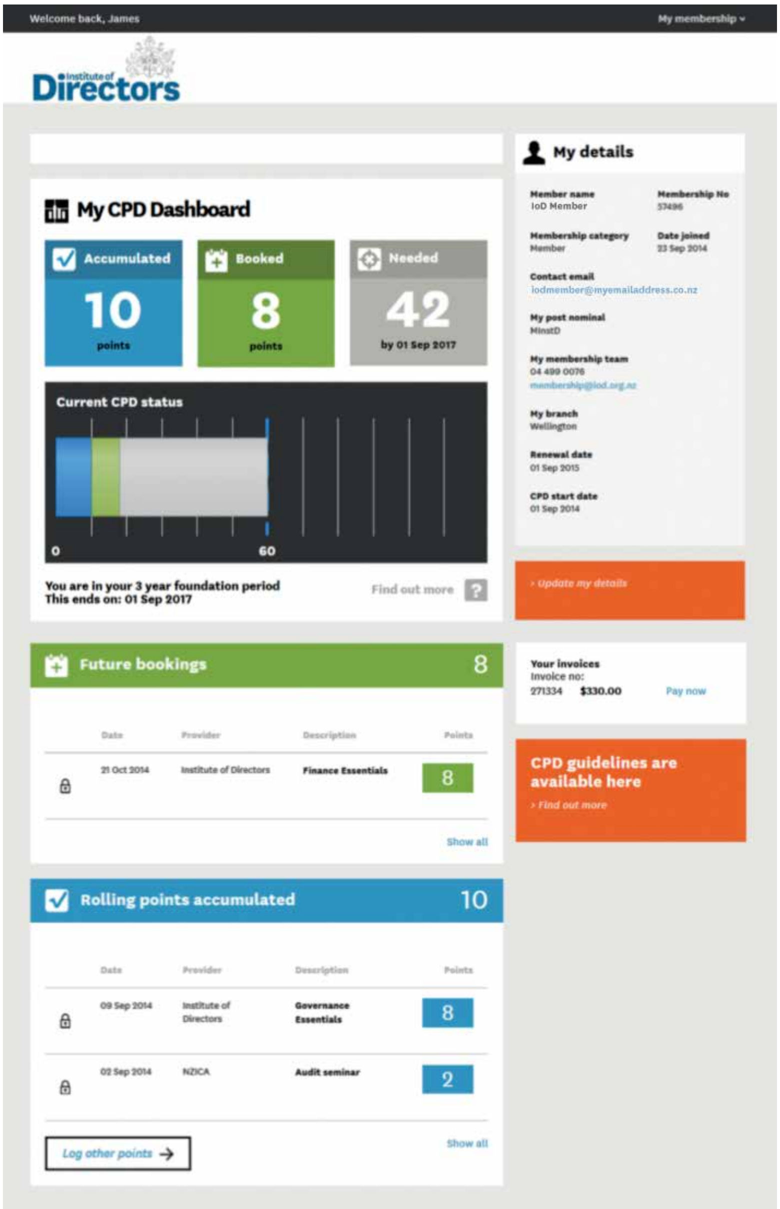
40 points is the maximum number that may be awarded to any single activity. This ensures that members undertake a variety of CPD activities over their rolling three-year cycle.

WHICH POINTS CAN BE BACKDATED?

Points gained by attendance at IoD Director Development courses from 1 January 2014 will be automatically added to your dashboard in the first week of your foundation period.

This applies only to IoD Director Development courses, and does not include branch events or third-party activities.

If you have any queries about your membership contact Lisa McRae at membership@iod.org.nz. For full FAQs please go to our website www.iod.org.nz/cpd



Recording your CPD activity

The dashboard shows your total accumulated points, future bookings and points required to meet the CPD requirement by the end of your foundation period.

Any activity that you have completed through the IoD will be automatically logged with CPD points allocated, but you will need to add courses from external providers as well as informal CPD. When you login, you will see the heading 'My Dashboard' under your name in the top right-hand corner

Chartered Fellows
4.3%

Distinguished Fellows
0.9%

Retired Fellows
0.8%

Retired
1.4%

Heart and sole

Kathryn Wilson may describe herself as "the girl who loves shoes but who accidentally became a business" but that's only part of the picture. Design talent and commercial savvy have made her brand one of the fastest-growing in New Zealand fashion. By Katherine Robinson

As an 18-year-old design student, Kathryn Wilson asked shoe industry experts for advice on how she could start her own shoe manufacturing business. She was told that the local market was awash with imports and that all footwear manufacturing was moving offshore. "Find another career" was their best advice.

"I think being told that I couldn't do it and that it was such a hard industry to get into just made me want to do it all the more," says Kathryn. "I could see there was a gap in the market and I wanted to fill it before anybody else."

Sixteen years later and a winner of the Sir Peter Blake Leadership Award, she produces two collections a year under two labels – a limited edition Kathryn Wilson line and the more commercial Miss Wilson. Her shoes are handmade in seven countries, and she sells around 12,000 pairs of shoes every year online and through retail outlets in New Zealand, Australia and Hong Kong. Over the last three years, she has opened two stores in Auckland and launched a mobile pop-up store.

Building the brand and the business has been a long campaign rather than an overnight success.

A Bachelor of Design at Massey University followed a year-long Certificate in Fashion Design at AUT. In her second year at Massey, she won a scholarship to study footwear at Nottingham Trent University in the UK.

"That was a real eye-opener in terms of the scale of the industry over there," she says.

She returned home to win an AMP scholarship that funded making her first sample shoes. However, her first foray into fashion was not in footwear. On graduating, she was offered a role with knitwear designer Caroline Sills.

"Knowing that I was passionate about footwear, Caroline and Lloyd Sills suggested that I stay and design knitwear for them, and they would also back me to produce a line of shoes that would test the market," she says.

It was a clever move. Kathryn had the chance to develop her footwear range and learn the business while in fulltime employment. This arrangement lasted until 2010 when, with her shoes stocked by over 50 stores nationwide, Kathryn wanted go out on her own. The Sills then became her business partners.

"I was able to do a Fashion Week show for the first time and we made the front page of *The New Zealand Herald* the next day. I realised how far things could go in terms of making the brand a household name," she says.

More milestones followed in her head-spinningly hectic schedule – a Kathryn Wilson store opened in Britomart, followed by another in Herne Bay. There is another timed to open in Auckland later this year.

Photography Tobias Kraus

"The Britomart store is a shop-sized shoebox, and it was gift-wrapped for the opening. I'm still not sure why I timed it to open the day after our Fashion Week show, but I was at Fashion Week till 4am in the morning, and then at the store at dawn, mopping floors for the opening," she says.

In a world of online sales, Kathryn believes that there is still an important place for stores.

"A shop is a billboard for the brand in terms of customer service, the full range of colourways, even the kind of music we have playing. We can present the collection as we see it – rather than as other retailers see it,' she says.

It also means that she has a good grasp of who her customers are and what they want.

"When I started, I was really designing for myself and thought my customers had grown up with me, but the reality is quite different."

Customers range from 18 to 65 years old, with most of the demand coming from the middle to upper end of that demographic.

"In Britomart, our customer is likely to be a corporate working woman in her early 40s who needs to look smart but still feel individual. In Herne Bay, our customers will be in gym gear or walking the dog. We think about real people when we design shoes. We'll say, 'Would my Mum wear this? Would a schoolteacher wear this?"

This approach has clearly worked, as her shoes are distinctive but not alienating. What does she think is more important – a creative design or a product that sells?

"Both. You have to have the ideas and the talent to start with, but at the end of the day the biggest part of the package is being commercial and turning your product into something your customer wants. It's all very well to have a good style but it means nothing if you don't understand the commercial realities of what people want to buy. After 11 years in the business, we are trying to provide for a customer that we have made a promise to. It's all about the loyalty that you get from the repeat customer."

MANUFACTURING LONG DISTANCE

Kathryn Wilson shoes are currently made in Spain, Italy, Portugal, China, Romania, Brazil and Indonesia.

"All the shoes are handmade, wherever they are. Manufacturing offshore is nothing to do with the price; it is to do with the quality of finishing that we can obtain for the customer. Also it spreads the risk as we have different delivery dates from each country."

Having only ever known shoe manufacture as an offshore process, she takes long-distance management in her stride. "There's always Skype, emails and phone calls."

Which is not to say that things always go smoothly. When asked if there are ever any speed bumps, she laughs and says, "Daily".

One of the rockiest involved a shipment of 3000 shoes that was blocked by New Zealand Customs, who suspected contamination.

"I was upset but you can't get too wound up about things. It helps to have calm, experienced people around who say, 'everything will work out, there is always a solution'.

"We had to remake the order in about ten days and air freight everything into the country to get it to retailers on time. Insurance covered the $30,000 loss but there was a delay and a shortfall."

TAKING ON ADVICE

Kathryn is quick to acknowledge that she cannot do everything in the business. She is fearless about asking questions and open to enlisting expert help when it's needed. Establishing an advisory board was part of this strategy.

"My wake-up call was last year. I had so many ideas but not enough strategy to work out which were the right ones to pick up. I realised that I was making decisions based on gut instinct," she says.

An Icehouse course and advice from fashion guru Karen Walker led to the establishment of an advisory board.

"I'm definitely the eternal optimist and very enthusiastic, so the board's job is to bring me back down to reality,' she says. "Though I do sometimes joke 'don't take all the fun out of it!'"

The board is made up of four directors who bring a mix of complementary skills.

"They are very different people and we meet four times a year in a casual forum.

"Having the board means that you go into big decisions knowing that they have done a lot of research on your behalf. And if I can prove to them that it is a good idea, then it probably is a good idea"

One of them is the CFO of Briscoes and is obviously very financially-minded. He wants to know not only the annual budget but also the forecast ahead for five to ten years."

Also on the board are an IP trademark lawyer and an e-commerce strategist. "He looks at things from a big picture point of view, identifying who we are talking to and whether we are addressing them appropriately.

"We have another financial mind on the board who looks at the brand very strategically and considers where to take the brand and how to get there.

"Having the board means that you go into big decisions knowing that they have done a lot of research on your behalf. And if I can prove to them that it is a good idea, then it probably is a good idea – one that has been well thought out and planned."

At the moment future plans for the business are pending, with the arrival of her first baby later this year.

"In that context, I have been thinking what I want out of the business and what my goals are about being involved long-term. As long as I am creatively involved somehow, I will continue to drive the business. I think there are very exciting opportunities offshore and there may be opportunities for diversification – just as long as we still make it fun."

TAKING GOOD ADVICE

Support and guidance from an advisory board can accelerate growth, improve financial performance, manage risk or enhance operational performance.

For more details on how an advisory board can enhance your business, see the Advisory Board Toolkit on www.iod.org.nz

Diversity: missing the beat

As the global demand for talent intensifies and technology reshapes the business landscape, it is critical that we attract, retain and develop both the best and the most diverse talent in senior management and on our boards. But what progress have we made towards achieving this goal? Governance Leadership Centre Executive Felicity Caird finds that New Zealand is lagging behind

Diversity of thought and experience helps ensure a broader range of perspectives, opens us to greater possibilities, and increases the potential for greater success. Board diversity is not an end in itself but a means to improve board effectiveness and company performance.

While diversity encompasses a wide range of dimensions including ethnicity, age, nationality, disability and culture, the focus of board diversity has so far mainly been on gender.

A large body[1] of evidence-based international research and financial analysis backs the case for better company performance through diversity. Many researchers have found that companies with women on their boards substantially outperform those that do not.

In the 2009 report, *Women on Boards: why women on company boards are good for business,* Prime Minister John Key asked whether New Zealand companies were making the best use of the talent on offer given the small number of women in the boardrooms of our top businesses.

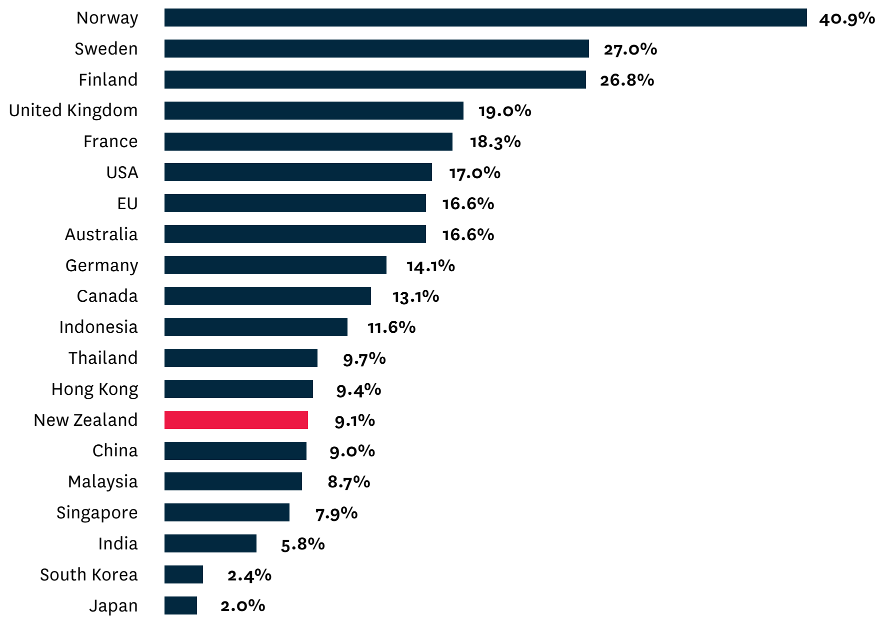
That was five years ago. What has happened since then?

Judywie | photocase.com

TIPS TO ADDRESS UNCONSCIOUS BIAS

- First, acknowledge that unconscious bias exists
- Create an inclusive board culture that values diversity of thought and facilitates full participation of all members
- Develop and implement board diversity polices, which include measurable diversity objectives focused on the appointment process
- Consider the value of diversity and how it is reflected in the composition of your board. Diversity should be seen as a question about the whole-of-board make up
- Look broadly at the whole board and its needs rather than individual appointments
- Develop succession plans that identify the balance of experience and skills you will need over the next two to three years that strengthens board diversity and maximises board effectiveness
- Ensure there is an objective competency and merit-based appointment process
- Give appropriate weight to intrinsic competencies and capabilities, rather than over-valuing certain kinds of experience. Be aware that not all candidates are 'confidence equals' and look for the hidden value.

FIGURES[5] REPORTED IN GENDER DIVERSITY ON BOARDS



MAKING SLOW PROGRESS

Although we know that there are women on the boards of private companies and not-for-profits in New Zealand, research on board appointments in these sectors has been limited. We do know about the public sector, where women make up 41 per cent of board members. The government set a target of 45 per cent women on state sector boards by 2014, and the percentage has drifted around 40 to 42 per cent for the past ten years.

On the boards of our NZX-listed companies, figures for the 39 companies that reported in the second quarter of 2014 show that 11 per cent of directors are women. However, the NZX has said that new listings will boost representation, as 20 of the 113 directors of 19 newly listed companies are women.[2] Interestingly, there are nine women directors on the government's three mixed-ownership companies – Mighty River Power, Genesis Energy and Meridian Energy.[3] This would seem to indicate that a lift in overall figures could be due to Crown appointments.

Latest figures for 2014 show that in Australia 18.3 per cent of ASX 200 company directors are women (reported by the AICD) and in the UK 20.7 per cent of FTSE 100 directors are women (reported in the annual Lord Davies Women on Boards reports).

There is plenty of research on board composition and gender diversity but I want to stress that figures do vary depending on the metrics and samples used. Reports published in 2014 range from the Credit Suisse figure for New Zealand of 19.6 per cent of women directors (from its sample size of 27,000 directors and 3,000 companies from more than 40 countries) to 9.1 per cent reported by Korn Ferry.[4] The latter figure (which is closest to our NZX reporting) is also used in the Singaporean report illustrated above. This compares the number of women on listed companies across 20 countries from a range of sources. New Zealand trails the UK, US and Australia.

Irrespective of the different sample groups and the variations in reported levels of women on boards, it is clear that progress in increasing the number of women participating on company boards has been very slow and internationally we are lagging rather than leading.

In 2012, the Human Rights Commission predicted New Zealand would not achieve balanced boards until 2046. A number of recent initiatives, such as mentoring programmes, targets championed by business leaders and politicians, and NZX disclosure and reporting have seen some success, but it is a slow pace of change.

Some might argue that we need more rules or quotas. The IoD takes the view that quotas are not the answer, not least because of the potential for undermining merit-based appointments, resulting in less effective boards.

Rather than quotas, the IoD supports existing initiatives such as mentoring and talent development. We also need to keep measuring and reporting. But if we want more than continued incremental progress, then we need to think more holistically.

INCLUSION AND DIVERSITY

There is a growing school of thought and research, including by Tomorrow's Company, McKinsey & Co. and Deloitte, that the lack of diversity is due to an inherent dominant culture of many organisations. That to achieve greater diversity and its benefits, we need to focus on creating a merit-based culture that supports inclusion and diversity. Think of it as diversity being the mix (the combination of people, skills and experience) and inclusion as being a way to make the mix work.

It's not about fixing women, men or organisations but rather, fundamentally changing the way things are done to truly recognise merit and achieve diversity. This includes recognising and addressing biases, assumptions and language that feed the existing culture.

The Korn Ferry Institute recently wrote, "Mono-dimensional boards, ill-equipped to respond to the complex issues shaped by a fast and ever-changing market, might increase risk, not value, for shareholders."[6]

One of the ways to create an inclusive and diverse culture is to address unconscious bias.

UNCONSCIOUS BIAS

Unconscious bias can contribute to poor decision-making in the workplace, particularly regarding recruitment and performance management.

To give an example of how to fix this phenomenon: in the late 1970s the top five orchestras in the USA had fewer than 5 per cent women players. Blind auditions were introduced – with the players behind screens in the early rounds – now women make up over 30 per cent of players. Our own New Zealand Symphony Orchestra follows this practice.

Unconscious bias is the product of unconscious knowledge (what we know) and unconscious thinking processes (how we think), and can happen automatically or quickly (fast thinking). This may seem more efficient, but if relevant information isn't considered, then decision-making — for example, on appointments — may not be optimal.

Bias can come in different forms, such as stereotypes, or the tendency to gravitate towards those who are similar to us and to favour those who we like.

We use biases every day to make decisions and survive, for example, what bread to buy or how to travel to work. It is our awareness of biases that is important.

A lack of board diversity can indicate unconscious bias influencing decision-making about board appointments. This could mean the composition of the board may not actually be based on what the company needs and therefore not as effective as it could be.

The challenge is to overcome our biases, both conscious and unconscious. If we harness all our talent through inclusion and diversity then our competitive edge will follow.

GOVERNANCE LEADERSHIP CENTRE

The newly launched GLC aims to foster discussion through articles such as this one. For more articles, resources, *directors***briefs** on topical issues and IoD submissions on current legislation, visit Governance resources on www.iod.org.nz

1 For more information see the resources at www.iod.org.nz
2 National Business Review, Director gender balance 'disappoints' but recent IPOs to boost figures, 22 August 2014.
3 Sourced from board members listed on Treasury website on 26/8/14. http://www.treasury.govt.nz/commercial/portfolio-entities/a-z/
4 Korn Ferry Institute, The Diversity Scorecard 2013: Measuring Board Composition in Asia Pacific, page 14.
5 Gender diversity on boards: a business imperative, April 2014, Report of the Diversity Task Force regarding Women on Boards (DTF) Singapore, page 14.
6 Korn Ferry Institute, Beyond 'if not, why not', the pathway to directorship for women in leadership, (2014) page 3.

Inside Mentoring for Diversity

Since its launch in 2011, the IoD's Mentoring for Diversity programme has been a conduit for board-ready women directors to be mentored by chairs and senior directors of NZX-listed and large company boards. Just under 80 women have been mentees on the programme, achieving many board appointments. But according to the mentees and mentors, the programme has wider benefits. By Katherine Robinson

"Confidence is certainly the number one thing I have gained," says 2014 mentee Clare Morgan, New Zealand Country Manager, Wrigley. She already has a couple of independent director roles under her belt but says that it has been reassuring to know that her sales and marketing skills would be valued within a larger board setting.

The IoD offered guidelines as to how the mentoring sessions could run but determining the content and structure could be tailored to suit each mentor and mentee.

Clare and her mentor catch up every two months at a café for over an hour's discussion. It is deliberately informal but at the end of each session, Clare has specific things to work on over the next two months.

"Having to get things done by each meeting has been a good motivator," she says. "Initially, it was more around developing a good governance CV, but at the latest meeting the focus shifted to how to develop networks and contacts."

2014 mentee Jackie Lloyd has a solid grounding in public and private sector governance.

"I know many experienced directors, but I have found it useful to have someone outside my usual network as a mentor. They have helped me to see myself and what I can offer a board from a totally different perspective."

Dianne McAteer also has governance experience, including chairing the board of Netball Northern Zone. She says that she has gained "wisdom from a very experienced chair and director, and introductions to his networks. It has been very helpful to have his support working through some challenging situations."

They planned their first session so they could get to know each other's background and their respective journeys into governance.

"We discussed different board types, and the importance of a balanced portfolio of governance roles," says Dianne. "My mentor has been very supportive and encouraging, very approachable, and I have really enjoyed my time working with him."

Fiona Oliver, who has governance experience in the public sector, felt that she gained in "knowledge, personal awareness and a strong governance community network."

"Each session had a subject matter and a desired objective. This encouraged both of us to think about the session before it was held. For me, it also ensured that I knew which questions I wanted to ask and I left the session with clarity on the next steps I needed to take " says Fiona.

She felt that only those who are already committed to becoming a director should undertake the programme. "I personally think that time in sessions should be spent building on that desire rather than using the sessions to make a decision," she says.

THE MENTORS' PERSPECTIVE

Mentors such as 25 Percent Group founder and Mighty River Power chair, Joan Withers, gave their time freely. Joan says that she decided to become a mentor because she saw it as a practical way to share her experiences with someone who had high potential in governance.

"Also from time to time I have been critical of some IoD initiatives so it was a chance to do something constructive, rather than just throwing rocks.

GETTING THE MOST OUT OF MENTORING

Mentees had these pointers for future mentees:

- be open to looking at yourself differently
- be clear on why you are doing it and share this with your mentor
- do your own thinking about what you need to cover and what questions you need answering
- to get the most out of the sessions – prepare in advance
- widen your network by asking for a mentor outside your usual network
- be prepared to attend all the functions during the year, and push yourself out of your comfort zone to meet new people and build a new network, including other mentees.

Mentors' tips for future mentors:

- how you structure the programme will depend on your mentee – some prefer a very structured programme while others do not
- allow for feedback so ideas and suggestions can be revisited
- keep an open mind
- it is the mentor's role to constructively challenge the mentee but tailor your challenges to the individual
- enjoy the experience – if you do, your mentee will get more benefit

"For me it has been great having a relationship with someone who makes me feel that I am providing value. The whole point is to provide assistance and value to the mentee so the acid test is how they feel about the initiative.

"I was also fortunate in that I like my mentee. I would imagine that if there were incompatibility issues that could dilute or erode the value of the exercise. Matching mentors to mentees is important."

Air New Zealand chair Tony Carter sees it as a way to give something back. "A lot of people were helpful to me when I commenced my governance career so I felt it appropriate to give back some of my learnings. Also I genuinely believe diversity is important in improving governance, and this was an opportunity to contribute in a positive way."

He felt that he has learned as much from his mentee as she has from him. In his role as a mentor he felt that the most important thing was "to give someone a sounding board to develop ideas in a very supportive and confidential environment."

Giving back also motivated BNZ chair, John Waller to volunteer but he adds, "It also keeps me aware of who is out there with an aspiration to be a director."

He finds the mentor role rewarding and has made it clear to his mentees that for him this is not just a one-year commitment.

John sees part of his role as questioning the mentees on why they want to become directors. "Most governance roles are poorly paid, in some cases it would be better to stay in a fulltime executive role and build towards a board appointment over a five-year period.

"The thing we have to watch is that people don't expect to immediately get an appointment," he says.

Joan Withers makes the point that improving the gender balance on boards requires focus on both supply and demand.

"There are now a number of schemes designed to increase the pipeline of board-ready women. We need to make sure that boards are aware of the compelling case for diversity and are actively reviewing their composition to make sure they have the skills, experience and diversity of thought required to thrive in today's environment."

CHANGES FOR 2015

Next year, the programme will be redesigned to promote board diversity in a wider sense. As well as gender, the next intake will be considered in terms of ethnicity, age, skillset and background.

"We are proud of what has already been achieved through the programme by both mentors and mentees, but feel that it is time to build on the programme's success," says IoD Membership, Marketing and Communications Manager Nikki Franklin.

Nikki has been Mentoring for Diversity project director since its launch in 2011.

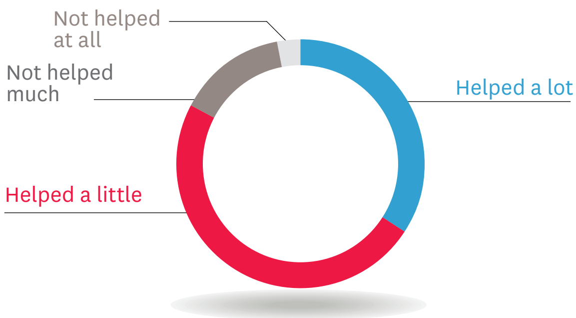
"The programme will continue to target top performers but from a broader cross-section of governance career levels. We will still be looking for applicants who have the potential to be appointed to the board of a large commercial company," she says.

Applications will open in March, with mentoring beginning in June.

MENTORING FOR DIVERSITY SURVEY

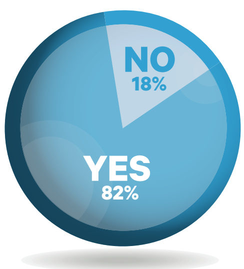
The IoD took stock of progress in the Mentoring for Diversity programme with a survey of mentors and mentees. These represent a sample of some of the results. Findings shown here are based on responses from half of the 2012 mentees and 78 per cent of 2013 mentees

TO WHAT EXTENT HAS THE MENTORING PROGRAMME HELPED YOU DEVELOP YOUR GOVERNANCE CAREER?



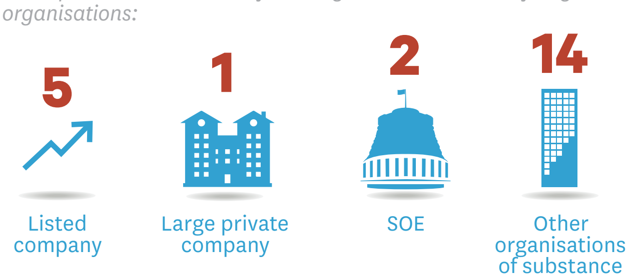
HAVE YOU GAINED ANY BOARD POSITIONS SINCE YOU STARTED ON THE MENTORING PROGRAMME?

HAVE YOU BEEN ACTIVELY SEEKING BOARD POSITIONS?



43 POSITIONS GAINED

These figures are from the 34 mentees who completed the survey. These positions include the following 22 on the boards of large organisations:



Ethnic diversity – business needs to catch up

As the New Zealand population becomes more multi-cultural, the question has to be asked: is ethnic diversity reaching the upper echelons of business leadership? Amy Williams reports

In Auckland, Wang topped the 2013 Census list of the city's most common surnames, followed by Li, Chen and Liu. Smith, still the country's number one surname, came in fifth in our largest commercial centre. The census also revealed that almost one out of eight New Zealand residents are Asian. New Zealand is rapidly becoming more multicultural, but is business keeping up with the pace of change?

Not according to Director of Ethnic Affairs, Berlinda Chin, who says business is not as ethnically diverse as the population, and needs to catch up in order to enter new markets and meet the needs of local customers.

Figures for multiculturalism in the boardroom are hard to come by, but the few available show a lag in ethnic diversity at top management and boardroom levels. The Office of Ethnic Affairs, for instance, can identify a slight decline in estimates of ministerial appointees of ethnically diverse backgrounds from 1.4 per cent in 2010 to 1.3 per cent in 2012.

Berlinda says New Zealand workplaces have been slow to ride the wave of ethnic diversity, but that people are more open to having a conversation on this subject now than they were five or ten years ago.

In the private sector, an EY survey of the country's major firms found that 13 per cent have Asian managers in their executive teams and five per cent have Asian directors on their boards.

Some New Zealand companies do make appointments to represent their markets. Both Haier and Synlait have Asian directors on their boards, and SKYCITY Entertainment Group is waiting for regulatory approval to appoint Melbourne and Hong Kong-based consultant Richard Tsiang as a director. When the company announced his appointment, SKYCITY acknowledged that given his ethnicity, he would bring valuable insights into its prime client base to the boardroom.

Generally though, ethnically diverse appointments are not happening at the same pace as our changing population.

LOOKING EAST FOR EXPORTS

As the chair in Business in Asia at Victoria University, Professor Siah Hwee Ang has a particular interest in ethnic diversity in business. He says New Zealand boardrooms still trail behind in ethnic diversity yet paradoxically, businesses are looking east to grow.

The magnitude of China and India makes them very attractive markets, and Professor Ang says companies without local knowledge of the business culture and experience in those markets are at a clear disadvantage.

The common export model of hiring a salesman on the ground rather than incorporating the knowledge in the company is outdated, he says.

"If your product is good, normally that's the icebreaker — it's going to fly. But the bargaining power of Asian business is going to increase" Professor Ang says.

"It becomes more important to align within a board rather than say 'I don't care what you think, we have got quality products'. We have to be more sensitive to the way they go about doing business."

> *"An organisation that wants to improve itself should learn something, but when you outsource the problem all the time, you're learning nothing"*

Patrick English, the director of the New Zealand China Council, agrees. He spent more than a decade living and working in China, including time as a trade commissioner and diplomat, before joining the council.

Patrick says that when he first started in the role, raising the issue of diversity was met with blank looks, but it's now beginning to be part of the business conversation.

He says there is a Chinese saying that refers to one bed and two dreams, and that can apply to a board that is not representative of the markets it's operating in.

"Having people visit three times a year is not going to wash. Just having locals is also not going to wash. You need representation. It's marrying up not just the culture of two companies but also two legal systems and two sets of expectations," he says.

Professor Ang says companies entering new markets should appoint the right business partners, and make sure they have people in management and around the board table who understand the new

Shamubeel Eaqub

Berlinda Chin

Professor Siah Hwee Ang

Patrick English

Sean Kam

territory. He says that if a company has this level of expertise in people at its core, it will learn rather than just solve a problem.

"An organisation that wants to improve itself should learn something, but when you outsource the problem all the time, you're learning nothing."

CLOSER TO HOME

Given New Zealand's changing demographic, it's not just international markets that companies should be considering. Sean Kam is the only Asian New Zealander to be on the executive team of an NZX50 company in recent times. He was the chief financial officer for NZX-listed company Heartland Bank, and is now chief financial officer for the life insurance company Partners Life.

> ***"If your product is good, normally that's the icebreaker – it's going to fly. But the bargaining power of Asian business is going to increase"***

People often ask him where he comes from, and Sean is quick to say that as a second generation Chinese New Zealander, he hails from Takapuna. Even then, some people tell him his English is very good. Sean is part of the New Zealand Asian Leaders group, a network set up by prominent lawyer Mai Chen to encourage up-and-coming Asian leaders.

His success story is one of maximising opportunities and he admits that being a sociable, open person helps to break down the stereotype of a shy academic Asian.

Being part of a growing business operating here, he is particularly interested in the domestic market and how it is diversifying.

"The population mix is changing and organisations need to address that in terms of their mix so they are well-positioned to take advantage of the changing customer demographic within New Zealand," he says.

This means recognising customers' cultures and learning what may encourage them to use your business' services – or put them off. He gives an example of giving a gift wrapped in black paper – inoffensive to a Kiwi, but denoting death to someone from China.

Even the way a Kiwi would approach a business deal is likely to be different; Sean says the Chinese place more importance on building a relationship before cutting to a deal.

Sean says there are many skilled people of Asian ethnicity who could add diversity to New Zealand boards, but he says it really is up to each individual to forge their own path.

Berlinda says that it is important for businesses to have an ethnically diverse leadership team, but that skills should always come first. She is not a fan of quota systems, which she believes create a superficial focus on gaining diversity.

RESILIENCE AND THE BOARD

Shamubeel Eaqub, principal economist at New Zealand Institute of Economic Research, says it's important that businesses don't lose sight of what they're trying to achieve, which should be a group of directors who are capable of doing the job well.

That said, he says diversity strengthens a company's resilience and it's about bringing people in rather than forcing others out.

"It gives you much better governance because you've got lots of different points of view and are better at identifying opportunities and risks."

Eaqub completed his schooling in New Zealand and attended university here, and he identifies as both Kiwi and Bengali. He says he'd like to see more ethnic diversity in business but change takes time and shouldn't be rushed – plus it's about training the next crop of leaders.

"I do get the sense that people get it, especially when talking to big business, they understand New Zealand works in a global economy that's changing rapidly."

After all, it is a conversation that's started and will continue as companies realise they need to bridge a cultural gap.

Room to move

Change is one of life's inevitabilities. It affects us all at some stage, and almost every organisation at some level. We know the theory: if we don't change, we stand still. That makes change a strategic imperative that most directors will readily acknowledge. But that doesn't make it easy. By Angela Scaffidi

Change is most often driven at two levels: from the board, who are looking for transformation, whether it's exploring a new market, adapting to new technology or responding to economic pressures; or by management, who are seeking to improve productivity, refine customer service or change team dynamics.

Regardless of the size or scale of change – or whether its genesis is strategic or tactical – the reality and challenges of change are the same. It is people who have to change, to adopt new business processes and objectives, to create new relationships within and outside the organisation, and, in many cases, to make themselves anew.

It is the experience of people, who respond with both reason and emotion that will dictate the success of the programme. Organisations that put in the effort to plan change rationally (and most do) must also put in the effort to understand and respond to its non-rational elements. While one can't pretend to do it perfectly, people in any situation will respect a sincere effort to appreciate and connect with how they are feeling and responding.

Of the many possible approaches to connect with people as they go through change, there are three to highlight.

Keep things real: avoid the language of the MBA and keep honesty and respect as non-negotiable values.

Engage people: use a narrative that is worthy of people's efforts to change and tell a clear, compelling story which connects both logically and emotionally.

Create a dialogue: give people the chance to express what they're going through, and for the organisation to respond accordingly.

For change to be successful, we need a decent working understanding of the people who are being asked to change. How are they feeling about what's happening? What do they think of the future and where they're being asked to fit in? What are their hopes and fears?

One way we've started to get a better picture of these emotions is with a tool called the Four Rooms of Change®.

The Four Rooms was developed by Swedish organisational psychologist Claes Janssen in the early 1970s to help people reflect on their responses to change. Organisational development expert Marvin Weisbord describes it as "an enormously effective way of freeing people to experience whatever is going on".

The four rooms – or psychological states of mind – are Contentment; Self-Censorship and Denial; Confusion and Conflict; and Inspiration and Renewal. What people feel and how they speak differ in each room.

In the Room of Contentment we feel relaxed and in control. If we've been challenged by some inconvenient truth, we might move to the Room of Denial, in which we talk about change behind a mask of outward calm.

Self-censorship won't last through real change. Soon we might find ourselves in the Room of Confusion and Conflict, grappling emotional demons such as sadness, anger, fear, self-doubt and illusive hope. Only by harnessing these emotions can we move to the Room of Renewal, in which our energy returns with enthusiasm and learning for the future.

Through the Four Rooms, people learn how they can influence change by taking responsibility for their feelings and actions. Those leading the change also get a much clearer picture of how people are responding.

How these conversations take place has to suit the changes we're seeking. Photographs might be used to start the conversation or draw out feelings, perceptions and desires for the change process. Avoid the temptation to over-facilitate; it's all about what the people, not the facilitator, are saying. Other means – including informal conversations and pulse checks – may be used as well to find out what people are going through.

To reach the people caught up in change, you need to think beyond the rational.

Angela Scaffidi is a partner at trans-Tasman communications consultancy SenateSHJ and leads their change practice. She is Australasia's only accredited user of the Four Rooms of Change®.

In distinguished company

In conferring Distinguished Fellowships this year, the IoD honours three directors who have not only had long careers in governance but have also been generous in giving back to the business community. By Breanna Cullen

DENHAM SHALE

A lawyer, director, and past president of the IoD, Denham Shale says he has always sought to be more than just the solicitor on the board. And according to those who have worked under his leadership, he is.

"His style of direction and chairmanship is consistently 'Denham'– wise, kindly, astute, calm, collegial, courteous," says Warren Dalzell, who served on the IoD National Council under Denham's leadership. "His ability to find consensus, to sum up, and to achieve pragmatic resolution typify his debate management. He projects a relaxed 'silver fox' demeanour, but things get accomplished on his watch."

Denham joined the IoD in 1989 after securing his first major board position. Having served as a legal adviser to Les Mills Corporation for 20 years, he was asked to join the board when it listed in 1985.

Back then, he says, regulations were not as stringent and directors' duties not as well understood.

"Now, directors need a much deeper understanding of how the business operates, the intricacies of the industry it operates in, and its financial position."

He says that the crucial ingredients for developing that understanding are an ability to determine the most important issues affecting the company's success, and an in-depth orientation.

"The sooner you can get that industry knowledge, the better. But it's not an essential ingredient to be able to accept an appointment, because the red flags that you see in the boardroom come up the same way no matter what the business is."

"I can think of three companies where I had magnificent orientations. ZESPRI was one, where I had a week in the Bay of Plenty visiting orchards, pack houses, and the port to learn how the organisation operated and what was important."

Denham advocates an orientation that also covers the company's culture and the standards of governance expected.

He has been involved in sectors from retail to rescue helicopters, and enjoys the variety that comes with life as a professional director. He says serving as the sole Kiwi on two international boards—Munich Reinsurance of Australasia and OceanaGold—has been the highlight of his governance career.

"Both had wonderful executive teams and very intricate financial structures where derivatives prevailed, making an understanding of IFRS essential. It was tremendous to be involved in the international culture of boards with members from different backgrounds."

Having served as President of the IoD between 2011 and 2013, Denham oversaw the introduction of the IoD's Mentoring for Diversity programme, and says he's pleased to see more women in New Zealand boardrooms. He also welcomes the broadening of the programme to embrace diversity in its widest sense.

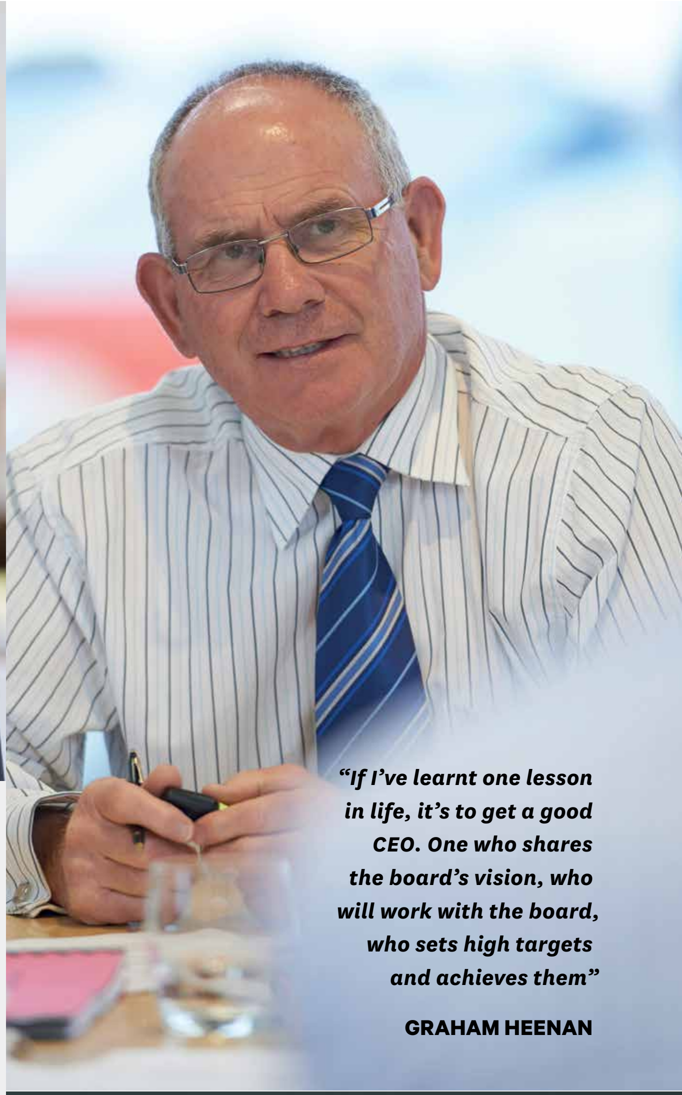
During his tenure, the IoD also took its initial steps toward the Chartered Membership pathway. He says, "I think it's first class. The Chartered Membership pathway will give the role of directors in New Zealand a more professional identity and assist members in advancing in their profession. To see this coming into being is very satisfying for me as a past president."

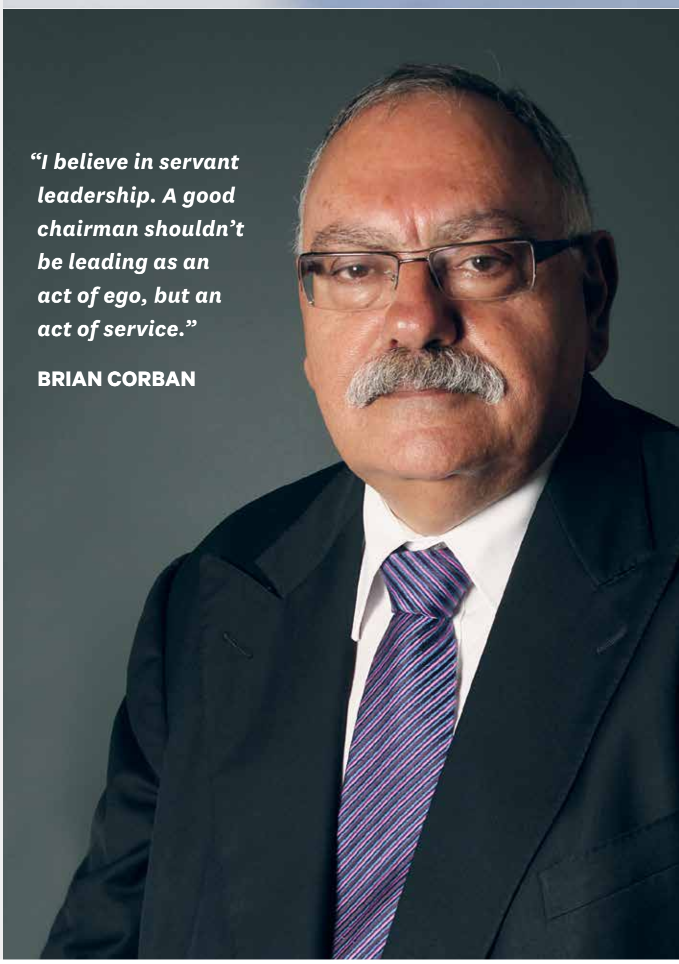
Denham says he feels privileged to have been made a Distinguished Fellow of the IoD. "For your peers to determine to do that—I feel very honoured and humble."

BRIAN CORBAN

Brian Corban's career has spanned the spectrum of business and is one characterised by family values, good stewardship, and a belief in giving back to the community.

"Brian is first and foremost a man of integrity," says IoD vice-president Michael Stiassny. "It is this attribute that he brings to every decision he makes. While you may not agree with every view he takes, you can be reassured that you will be able to debate and discuss every issue. Brian's ethical compass is unerring and makes his Distinguished Fellowship well-deserved."





Denham Shale has extensive experience across a range of industries. He is currently chair of The Farmers' Trading Company and sits on the boards of Carlaw Heritage Trust, Consortium Ltd, OceanaGold Corporation (Canada), Turners Group NZ and Whitcoulls 2011 Ltd.

He got his start in governance at Les Mills Corporation, and was soon appointed to chair Kensington Swan. He has been a director at Wrightson Ltd, ZESPRI, Power New Zealand, Owens Group and South Canterbury Finance, and chair of Otter Gold, Dunedin City Holdings Ltd and the Japan New Zealand Business Council. He has also chaired the Mercy Hospice Auckland Foundation and served on the Piha Surf Life Saving Club board.

Brian Corban is a former chair of Television New Zealand, Radio New Zealand, WEL Energy Group and Genesis Energy. He is a former deputy chair of the Broadcasting Corporation of New Zealand and KiwiRail. He is a former director of Ports of Auckland, SKY Network Television, Power New Zealand, Clear Communications, South Pacific Production Company, and many private companies. Today, Brian is chair of Ngatarawa Wines, West Auckland Trust Services, the Melanesian Mission Trust Board, the Royal New Zealand Navy Museum, a director of Auckland Council Investments Ltd and a member of the Auckland Museum Council (amongst others). He remains a consultant at Corban Revell Lawyers and and was made a Companion of the New Zealand Order of Merit in April 2009 for services to the community.

Graham Heenan serves as chairman of Abbott Insurance Brokers Ltd, Bellmor Engineering Ltd, and InterCity Holdings Ltd, as well as consulting and being on the board of South Port New Zealand Ltd. He has a long association with DB South Island Brewery Ltd, having managed the firm's South Island operations from 1986-1992 and now serving as its chairman.

His governance career has included directorships at Selwyn Plantation Board, Dairyworks Ltd, Canterbury Linen Services, and Canterbury Health Ltd. He served on the Canterbury District Health Board between 2001 and 2004, and chaired Liquorland NZ Ltd's franchise advisory board for seven years.

He is a Fellow of the New Zealand Institute of Management and holds a Bachelor of Commerce in marketing and accounting.

The Corban name is synonymous with the New Zealand wine industry. Growing up in the family business, Brian was exposed to governance from an early age. While still at school, he read company board papers, agendas and minutes to his father, who was partially blind. At 26, he was appointed company secretary of the Corbans holding company, which controlled the family's shareholding in Corbans Wines.

After establishing Corban Revell Lawyers in 1977, Brian juggled legal work with his involvement in the family company. In 1985, he was offered the deputy chairmanship of the Broadcasting Corporation of New Zealand. With the restructure of broadcasting in 1988, TVNZ became a state-owned enterprise and Brian was appointed its foundation chairman.

"I used to work in my legal practice, Corban Revell, in the mornings, and every afternoon I worked in my chairman's office at TVNZ because the then-CEO Julian Mounter wanted me close at hand – we were doing so much so quickly."

His career includes the chairmanship of Genesis Energy, Radio New Zealand and WEL Networks, but one experience stands out. In 1993, he was at his desk at Corban Revell when then-Minister of Maori Affairs Doug Kidd called and asked him to serve as a member of the Waitangi Tribunal.

"It just about bowled me over. A number of my business colleagues were mystified as to why I'd want to get involved in such a thing, because it was in the days when the assertion of Maori rights was not very popular, but I can tell you it was one of the greatest experiences of my life."

Serving the community remains a cornerstone of Brian's practice as a director. He has chaired the Corban Estate Arts Centre and West Auckland Trust Services. He is also a trustee for the West Auckland Hospice Trust and a patron of the Henderson Heritage Trust, the Falls Hotel Preservation Trust, and the Waitakere Auckland Brass Band.

"I believe in servant leadership. A good chairman shouldn't be leading as an act of ego, but an act of service. And that means sometimes leading strongly, but sometimes leading gently and encouraging people to go in the right directions and ask the right questions, rather than turning on an individualistic star performance," says Brian.

Since joining the IoD in 1989, Brian has served on the Auckland branch committee, the IoD National Council, and as a mentor in the IoD's Mentoring for Diversity programme.

"I was brought up in a generation where we received free education… so I've always felt that we owe the community that paid for our education," he says.

He credits his late grandfather Assid Abraham Corban, founder of Corbans Wines, with the values that have shaped his career as a director.

"My grandfather was a great man and he brought up the family according to very strict principles. In 1922 he wrote a letter to his son, Corban Assid Corban, who was studying medicine at Otago University, and he said, 'I sincerely trust and pray that our heavenly Father will bless you with health, strength and wisdom that you may be a credit to yourself and your people and by the help of God be useful and of some benefit to the human race. Wear the cloak of humility and fear not to always do right in the sight of God and man.'"

"This has always stuck with me and in everything I do, I've tried to be guided by what my grandfather said."

GRAHAM HEENAN

Despite 21 years' experience as a director and appointments ranging from the liquor to laundry industries, Graham Heenan says he was surprised to be made a Distinguished Fellow.

"It's stunned me, really – I look at others who are Distinguished Fellows, many of whom I really look up to, and I'm humbled and honoured to be part of it. I'm chuffed."

Graham got his start in governance with a place on the TAB board in 1993, an opportunity that arose from his interest in harness racing. His employers at DB Breweries gave their blessing, and he soon joined their board too. In 1994, he says, he took a year off from his executive role to help get a family business off the ground. However, over the course of that year, he was offered – and accepted – four directorships.

"There was really no turning back, and I've been a full-time director ever since. I never did get back to executive life.

He's been a member of the IoD since 1994, and heavily involved in accreditation—a framework from which Chartered Director was born. He is one of two support people for the Canterbury branch's Peer Support Programme and has presented at his local Governance Development Programme for the past three years.

"He's generous with his time and gives back to experienced and aspiring directors alike," says Ray Polson, who served alongside Graham on the IoD's Canterbury Branch committee. "Graham has a strong moral compass and his common sense approach to complex business and political issues make him effective on any board."

To date, his career has spanned almost every sector imaginable – from forestry to tourism, manufacturing to health – and Graham says this variety is one of the most enjoyable aspects of his role. Over 20 years in governance, he has seen a change in mindsets around the board table.

"In the late 80s and 90s, boards had no fear of failure and were aggressive about growth. Now, directors are now more concerned about defensive strategies and risk management."

"We've come a long way in health and safety, technology, and data analysis. In the 90s, decisions were often made on gut instinct rather than on research and analysis."

He says that to be effective in governance today, directors must be able to set clear goals, formulate a long-term strategy, and focus on their vision.

"If I've learnt one lesson in life, it's to get a good CEO. One who shares the board's vision, who will work with the board, who sets high targets and achieves them, who reports honestly and transparently – in other words, is straight-up – who understands the company and the industry, and who has good people skills."

He says that in future, boards will need directors with an understanding of modern marketing, social media and digital technology.

"The next wave of directors, as I see it, will be women – which thankfully is starting to happen now – young marketers, and IT experts."

His advice for new directors?

"Go to IoD courses and understand what good governance is and what you're in for. Cut your teeth on an NFP or something small, but make sure the board has experienced directors you can learn from."

He recommends aspiring directors look within their own industry, tap all the contacts they can, and be able to articulate their unique selling point.

Asked about his career highlights, Graham lists growing Hellers from a small family venture to a successful player in the FMCG market and his 20-year chairmanship of a joint venture between DB Breweries and the Licensing Trust.

"There's not been one time in that whole 20 years that there's been a debate we haven't been able to easily resolve, because the relationship between the parties has been so good. And it comes down to the people, really – both sides are determined to make it work."

But first and foremost, he says, it's the people he's worked with. "I've met some fantastic people – capable and inspiring people."

*director*Vacancies

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.

CASPEX CORPORATION
Role: director
Location: Auckland
Applications close: 24 October

EDUCATION BENEVOLENT SOCIETY INC (EBS)
Role: two independent directors
Location: Wellington
Applications close: 24 October

QUEENSTOWN AIRPORT CORPORATION LTD
Role: director
Location: Queenstown
Applications close: 25 October

PARENT HELP
Role: Board member, Treasurer
Location: Wellington
Applications will remain open until positions are filled.

SAVE THE CHILDREN NEW ZEALAND
Role: board member
Location: National
Applications will remain open until position is filled.

SUPA-NZ
Role: two directors
Location: Tauranga
Applications will remain open until positions are filled.

HUMAN RESOURCES INSTITUTE OF NEW ZEALAND
Role: two directors
Location: Wellington
Applications will remain open until positions are filled.

INSTITUTE OF DIRECTORS IN NEW ZEALAND LTD
Role: director
Location: Wellington
Applications will remain open until position is filled.

LANTERN HOUSE TRUST
Role: independent trustee
Location: Taranaki
Applications will remain open until position is filled.

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

Baking and the Corporate Food Chain

Does demonstrating a caring, compassionate side at work limit your chances of promotion – particularly if you are a woman? Sharon Stephenson examines the politics of power in the workplace

There's a scene in the American TV comedy *Modern Family* where one of the characters is starting work at her father's company after being out of the workforce for 20 years.

On her first day, keen to make a good impression, she brings in a plate of home-baked biscuits for her colleagues.

"Wrong move," admonishes her father.

"You don't want the staff to like you, you want them to respect you," he says, removing the plate of biscuits from his daughter's hand.

It's a move that American author Dr Lois Frankel would no doubt applaud. The former psychologist and author of *Nice Girls Don't Get the Corner Office* (2004) believes women need to stop behaving like 'nice girls' if they want to be paid as much, promoted as frequently and given the same power as men.

Her list of 'mistakes' that she feels may hinder women from getting ahead generally fall into the category of showing a softer, more nurturing side at work. These include waiting to be given what they want, over-apologising, sharing too much personal information, and yes, baking for their colleagues.

It is a controversial position and, you might think, based on an outmoded stereotype of leadership for both men and women. But like any stereotype, it has quite a bit of support. A recent reprint of this self-help book saw it almost instantly re-enter *The New York Times* bestseller list.

Auckland director Norah Barlow laughs when I ask if she's ever baked for her staff.

"No, but mainly because I'm a hopeless baker and honestly can't see how anyone could have the time to do that!"

However, the director (and former CEO) of Summerset, Cigna Life Insurance, Ingenia, Cooks Food Groups and Virgil Monitoring, believes Dr Frankel is correct when it comes to women's 'soft' skills.

"Soft can look weak and if someone is looking to promote, then weakness in decision-making is a negative," says Norah.

On a practical level, Norah believes it's "simply too hard to be friendly with people you may have to fire!"

"And it might sound terrible to say it but baking is what you do for friends, not those reporting to you!"

Interestingly, the higher up the corporate food chain Barlow moved, the less pressure there was to conform to stereotypes.

"For me, it was easier the more senior I became, because there's simply more respect for what you can do. And at higher levels, I think people understand that the softer side doesn't necessarily equal weakness."

Former Auckland City Councillor and current director of Turners Auctions, NZ Thoroughbred Racing and Tax Management NZ, Victoria Carter, bemoans the lack of role models of women (and men) who have "appeared to retain their softness and been effective".

"Partly this is because society still has that view that particularly if you're a woman and you've made it to the top, you must have trampled on people along the way," she says.

"You only have to look at some of the language and words that society uses, which aren't always flattering, to describe women at the top – for example, fragrant bulldozers! We need to get better at recognising and valuing women's softer sides."

When she was younger, Victoria says she often covered up her softer side so it didn't look as though she couldn't do the work or cope with stress.

"But over the years I've felt a lot more comfortable being empathetic and asking questions of colleagues or people in the businesses where I am a director. I don't feel it makes me weaker but actually shows that I have a compassionate and caring side. These are important qualities for both men probably aren't given enough credence."

There are signs of change. Over the last decade there has been growing recognition of the importance of soft skills for both men and women business leaders. The thought-leading *Harvard Business Review* (HBR), for instance, has published articles and research stressing the need for business leaders to focus on soft skills as well as technical competence. Leaders are encouraged to show a more authentic, human side, be better communicators and more collaborative and communal in their approach.

In an HBR article *Connect, then lead*[1], the authors quote a study of over 50,000 leaders which found that only one in 2,000 was considered a good leader by employees if they were also considered unlikeable. The maxim of it being better to be feared and respected than liked does not necessarily ring true. Demonstrating competence and strength may be a route to leadership but they suggested warmth and likeability was far more potent.

To quote from the article:
"Warmth is the conduit of influence: It facilitates trust and the communication and absorption of ideas. Even a few small non-verbal signals – a nod, a smile, an open gesture – can show people that you're pleased to be in their company and attentive to their concerns. Prioritizing warmth helps you connect immediately with those around you, demonstrating that you hear them, understand them, and can be trusted by them."

CEO and Director of Redvespa Consultants, Sarah Gibson, definitely comes down on that side of the debate.

"Being authentic and genuine is part of who I am and, I believe, one of the reasons that we've built a successful business," says Sarah.

"It's not always easy and I still have to make the tough calls, as anyone leading a business does, but I can do that in a caring way because I think I'm making the right call. In board meetings I'm frequently the one asking 'how will our people feel about this decision?' It makes us all consciously stop, be mindful of what we're doing and consider feelings among our insight of the business."

Sarah is proud of the fact she has baked for staff. "I also bake for morning tea shouts we take to our customers! I love it and so do the recipients. It's one way of demonstrating I really care for everyone. I've also made meals for the families of our staff when circumstances have meant it's hard for them to focus on cooking for their family. Sadly, I can't do that as much as I used to because I'm travelling more but I operate on the belief that I'm not working business to business, but rather human to human. My focus is on doing good business as a vehicle to deliver value for all stakeholders and care is an important part of that."

"You only have to look at some of the language and words that society uses, which isn't always flattering, to describe women at the top – for example, fragrant bulldozers! We need to get better at recognising and valuing women's softer sides."

1 Connect, Then Lead, Amy JC Cuddy, Matthew Kohut, John Neffinger, Harvard Business Review, July-August 2013

Playing the long game

A third-term government usually scrabbles round for ideas. But not the third-term National-led government. It will continue with a business-friendly line but it has new things to do and political commentator Colin James predicts that it has a fourth term in its sights

John Key presents the government as hugging the centre. That is to reassure middling voters. Actually, this government has deregulated more and been more business-friendly than any since Ruth Richardson departed Jim Bolger's cabinet in 1993.

Richardson's radical style cost the National government votes through the following six years. So before they won in 2008, Key and Bill English vowed to adopt 1996-2007 Australian Prime Minister John Howard's model: do some reform each term but not so much as to lose middling voters.

There will be two hangover bits of deregulation this term, now that Key has (with ACT) a majority for two measures that stalled last term when the Maori Party and Peter Dunne opposed them.

One is the Resource Management Act. It proposed many process improvements, which Labour backed, but also changes to objectives, which a majority blocked (but which nevertheless may be toned down). The other is labour market deregulation, making tea and meal break rules more flexible and further limiting collective agreements.

But no other big deregulations are planned.

The government will continue the first two terms' fiscal consolidation plus development of a full state balance sheet, infrastructure investment, principally in roads, broadband and irrigation, petroleum and minerals exploration and exploitation, trade deals and public service reform to do more with less and to get agencies to cooperate on 'outcomes' or 'results'.

BRUSHFIRE ALERT

Another continuity will be the usual ad hoc fire-fighting when issues emerge that cause public outcry or political embarrassment.

Some will likely result in more regulation – as in the first two terms' tougher accountability for directors and financial advisers in the wake of the finance companies' debacles, more stringent building codes in the wake of the Christchurch earthquakes and leaky homes, and tighter workplace safety laws and administration after the Pike River mine disaster.

Another second-term brushfire was house affordability, on which ministers scrambled to be seen to be doing something. Concern that regions were being left out prompted Key to announce a swag of roads and bridges at National's conference in July. In the election campaign there were many announcements on conservation issues. Rising criticism of foreign purchases of land and some companies put ministers on the defensive.

There will be brushfires this term. Not least, Tony Ryall's squeeze on hospitals has left them short of money or staff or both, a legacy that bothers Bill English.

But English has strategic aims.

CHILD POVERTY – AN INVESTMENT

One is to deal with child poverty which Key stated as the government's top early priority for this term. This sounds like fire-fighting but there is more to it.

Middling New Zealand does not vote on poverty, which it thinks is someone else's business. But there is discomfort, including among moderate conservatives – English is one of those – because they value stability and social cohesion and fear too much persistent wealth and income inequality may destabilise society and the economy.

Addressing child poverty is an opportunity to extend the 'investment' approach, adapted from ACC practice for aspects of benefit reform. The idea is that an 'investment' in preventing someone going on a benefit and staying there yields a dividend equal to the money saved by not paying that benefit and associated costs such as health care and crime.

A child growing up without good nutrition and without some necessities – and especially a child who is given no or poor cognitive and emotional development in the very early years – is less likely to get schooled, join the workforce, pay taxes and bring up the next generation of citizens well. The 2014 Budget took a small step along this track.

English wants to extend this thinking to other social policy. That is a far cry from the palliative spending which much of welfare has become. It is very challenging to devise and put into effect but promises real benefits if done well. Taxpayers are more likely to back it.

RAISING THE BAR

Related to this is a major shift in education from the factory system of the twentieth century to one centred on lifting the quality of teachers' interaction with children. That requires a much higher entry bar to teacher training and constant professional refreshment – similar to lawyers' and accountants' regimes. The 2014 Budget made a small start with a scheme to pay more to top principals and teachers to share their knowledge and skills.

Down the track, this also requires radical changes in the shape and form of classrooms and schools.

Another strategic focus is natural resources, starting with water but also reframing environmental policy, where the government has fallen behind public opinion. To be business-friendly, as ministers want, policy changes will need to focus on opportunities, not costs. Ministers will also need to neutralise a

"These strategic aims are business-friendly – but much less easily recognisably business-friendly than specific policy changes that make doing business easier in some direct manner."

2017 re-election risk that falling investment slows economic growth if investors worry about a possible change of government to a Labour-Green one pushing much stronger environmental regulation.

A fourth strategic aim, potentially a big gain for business but very hard to do, is to implement the Productivity Commission's July report on legislation and regulation: getting law fit for purpose and keeping it that way. A small start was made in 2009 but didn't go far. Don't expect much in the next three years but a well-founded and durable programme established this term could bring gains over the long-term.

These strategic aims are business-friendly – but much less easily recognisably business-friendly than specific policy changes that make doing business easier in some direct manner. The benefits are indirect and take many years to feed through.

So the strategic agenda cannot be counted on to hold and win votes in 2017. But, done well, the changes might be adopted by an alternative government then – or in 2020. That is playing the long game, which is where English likes to play.

ColinJames@synapsis.co.nz

The Ranfurly Settee by Kovacs
Photographed at Gustavs; model dressed by Encompass; The Tannery, 3 Garlands Road, Woolston

Good style can go the distance.
Which is why buying our motion furniture is seen as an investment. And why you'll be able to appreciate it with the same delight in the years ahead.
Think comfort. Think Kovacs.

MADE IN NEW ZEALAND


RANFURLY


PUREMOTION AMY


PUREMOTION NICOLE


MADISON


PUREMOTION THOR


SAVOY


MURRAY


KENSINGTON


PUREMOTION KIRI


BARON

Is mass media marketing really on the way out?

*In the last issue of board***room***, the impact of digital media on the advertising landscape was outlined in the article,* New dawn in Adland. *Long-time marketer and CEO of TVNZ, Kevin Kenrick, puts the case for mass media marketing*

When an obituary was mistakenly published for the American writer Mark Twain his response, famously, was to remark that "the report of my death was an exaggeration". I feel much the same way about claims that mass media marketing is dying or on the downhill slide.

We hear that the age of exposure is gone and the new dawn of engagement is here. But sitting at the head of a video content business and counting many of New Zealand's smartest marketers as clients, what I see is that the new dawn is all about effectiveness.

The distinction between successful and struggling brands is not how many people engage with them, but how many people buy them. In fact, all the old precepts about exposure remain the same. No one ever bought something they didn't know about. Depth has not all of a sudden become more important than breadth. Brands still depend on big broad populations – especially when your total market is less than five million people.

When it comes to exposure, the reach of TV is unequalled by any other media – in fact it exceeds all other media combined. It might surprise you to learn that Kiwis watch an average of 2 hours 18 minutes of TV content per day. TVNZ channels reach 2.5 million people each day and 90 per cent of New Zealanders each week. Not only is TV's reach vast, but critically for retail advertisers, it's also fast.

Engagement is not a new concept either. What's changed is the opportunity to leverage mass media exposure to directly and immediately engage with individual consumers. The growth in penetration of smart phones, tablets, and smart TVs combined with advances in mobile and wifi network connectivity has irreversibly changed the media environment. Always on is the new normal.

The winners are those who embrace this opportunity to generate more relevant and rewarding connections with current and potential customers.

If exposure is the ticket to the game, and engagement is determined by how well you play the game, then the results are measured by the critical third 'E' – effectiveness. There's no shortage of scoreboards that track performance. The risk is that increased governance oversight can lead marketers to focus on what can be measured ahead of what actually matters.

Take social media. Word of mouth endorsement from a trusted friend has

always been one of the most powerful forms of promotion and social media has turbo-charged those conversations. The fact is most of that chat is with other people – not with brands. The challenge for businesses is distinguishing between the players on the field and the spectators in the stand.

Ultimately businesses bank dollars and we need to be wary of unduly focusing on publicity metrics versus drivers of revenue. Don't get me wrong, social media has a key role to play as part of the marketing mix, but mass reaction matters more than mass participation.

Great marketing has always been a blend of the art (emotional) and the science (rational). While the rational is often easier to measure, the most powerful brands are the ones with the strongest emotional connection with consumers.

Quantitative research provides effective measurement of what has already happened. Extrapolating historic trends to predict the future is useful in a stable unchanging market. But in a dynamically changing environment, understanding consumers' needs, wants, hopes and aspirations are stronger indicators of future behaviour.

I'm getting deep and meaningful – and that's entirely the point. Compelling storytelling is at the heart of effective marketing and there is no more emotively powerful storytelling medium than video.

Moving pictures have always captured our attention and that's why television was so successful when it first arrived on the scene. It wasn't down to the TV set itself but because the video format of TV blended sight, sound and motion together and engaged emotionally with viewers.

The global growth in video consumption over the last few years has been phenomenal. Never before has so much television been watched – it's just that now it's on screens of all sorts and sizes.

You can see it in the rush by traditional print and radio media to incorporate video content for their online sites. You can also see it in the way people follow great content from device to device. The America's Cup coverage was a prime example of this. People watched the first race at home on a big screen. During the day they switched to smart phones, tablets and desktops – then at the weekend it was back to the big screen.

Increasingly marketers are sharing their brands' stories in video format. And here's the rub: there is such an enormous volume of content now available to consumers that the vast bulk of it is overlooked. The average Facebook user is reported to receive nearly 5,000 pieces of content per day. The odds of someone viewing your content on YouTube are less than one in 1,000,000 and the average click-through rate is less than 1 per cent.

Consumers cope with this avalanche of content by being ruthlessly efficient at filtering out any and all content that is irrelevant to their needs at the time. The primary challenge for marketers is more fundamental than choosing between exposure or engagement – it's about overcoming consumer indifference. Many businesses are looking for a simple answer and sadly it's not as simple as replacing one thing for another, rather it's about optimising both to maximise effectiveness.

Change creates opportunities and today's smartest marketers are learning by doing. We're working with increasing numbers of forward-thinking advertisers to create branded video content that leverages the reach of mass media TV advertising to direct viewer engagement.

Most viewers now watch TV with a laptop, tablet, or smartphone within arm's reach. Recent Colmar Brunton research describes the growing trend towards people using other devices to find out more about what they're watching on TV as 'meshing'. I think of it as using TV to extend a party

The primary challenge for marketers is more fundamental than choosing between exposure or engagement – it's about overcoming consumer indifference.

invitation to consumers, where the party is hosted on an advertiser's website. Great examples of this include Mitre 10's 'Easy As' DIY guides and Spark's 'Tech in a Sec' tips.

We use the same approach to market TVNZ content. In the lead up to this year's general election we hosted an online political survey tool on onenews.co.nz to inform and guide our coverage. Through TV promotion we achieved more than 200,000 survey completions within three days of launch. We are using the broad reach of on-air advertising to grow TVNZ Ondemand's online streams by 78 per cent year on year.

While there are many aspects of the *'New dawn in Adland'* column I disagree with, I do agree that the communications landscape has irreversibly changed. My sense is the basic tenets of marketing remain unchanged. What we're seeing is that the progression from awareness, to interest, to desire, then to action happens in the time it takes to press a couple of buttons – technology has shrunk the time lag between exposure and engagement.

TVNZ is excited about the new opportunities created by today's always-on world. Control is firmly in the hands of the viewer and it's the advertisers who integrate on-air exposure with online engagement who are most likely to deliver marketing effectiveness.

Why corporate bonds are more popular here than in Australia

The work of the Australian Financial System Inquiry is yielding some interesting insights into the similarities – and differences – in the New Zealand and Australian capital markets. Most intriguing is the relative strength of our respective corporate bond markets.

New Zealand has a long history of direct fixed income investment, something that has just never fired in Australia. This is beginning to present a problem for Australia as the first superannuation cohort moves from the capital growth (equities) phase to the capital protection (bond) phase, especially since much of the current bond supply is of quasi-equity hybrids.

Of course the New Zealand road has not been without its bumps – particularly the multi-billion dollar failure of numerous debenture-issuing finance companies. This produced a licensing regime for financial advisers and a prudential supervision regime for non-bank deposit takers. So far, so understandable.

The more refreshing regulatory response developed out of the recognition that if you make the retail bond format unappealing for investment grade companies, which have literally a world of funding choices, then the retail investor will be stuck with whatever is left.

Under the old Securities Act with its extensive disclosure requirements, regardless of whether it was your first or your twenty-first issue, its strict criminal liability on directors for misstatements by the issuer, and its layers of needless bureaucracy and restrictions, retail bond formats looked deeply unattractive – expensive, risky and slow.

The Financial Markets Conduct Act 2013 (FMCA) has fixed most of these problems. Criminal liability is now preserved for deliberate breaches, the disclosure requirements in the proposed product disclosure statement make a lot more sense, advertising has been liberalised, and the red tape is largely gone.

More significant than that, however, are the radical changes to the exclusions regime, which have effectively deregulated ongoing offers by high quality issuers who are prepared to list their debt.

Since 1 April 2014, issuers have been able to offer to retail investors quoted financial products of the same class as existing quoted securities on the back of a brief cleansing notice, confirming that the issuer is current with its periodic financial reporting and continuing disclosure obligations.

- there is no mandatory disclosure document at all. Any terms sheets, investor updates or other material the issuer chooses to employ will be driven by investor relations considerations as opposed to the dictates of securities law.
- the offer is not a regulated offer, minimising the already reduced red tape and liabilities.
- directors have no deemed liability for misstatements or other defects. As a result, depending on the issuer's own governance processes, the offer and due diligence process could be performed primarily by treasury and investor relations personnel.

Overall, this will result in a package that is more appealing both to the issuer and its directors. It can be expected to dramatically reduce the time to market and to mitigate at least some of the costs of issuance. It will also tend to encourage disclosures that are 'issuer led' and made against the backdrop of the issuer's ongoing disclosure programme.

The same class requirement won't normally pose a problem for equity. For debt, the meaning is expanded to include securities having a different redemption date or interest rate, or both. This can include moving from a fixed to a floating basis, or vice versa.

The regulations governing the first phase of FMCA implementation had initially placed an unexpected restriction on using the same class exclusion for offers involving a different tenor than an existing tranche. The government has since announced that different tenors will be permissible so long as some risk/return guidance is provided, most likely to be in the form of a comparable pricing graph that will show how the yields on both the offered debt and the issuer's existing debt securities compare to benchmark yields.

And so to Australia, which for some time prior to the Financial System Inquiry (FSI) has been tussling with the problem of how to spur development of its retail bond market. In December 2010, measures were announced to give effect to a simplified regime for retail corporate bond offers. These have now landed, in the form of the Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2014, which has passed both Houses and received Royal assent on 11 September.

Ross Pennington

In brief, the new regime will allow listed companies to issue simple corporate bonds to retail investors without the full rigours of a prospectus under Part 6D of the Corporations Act 2001. As in New Zealand, the deemed liability of directors will be dis-applied.

But there are a number of differences to the same class proposals:

- simple corporate bonds are defined as A$-denominated, unsubordinated, listed bonds with a set term of not more than 15 years, which may have fixed or floating interest that cannot be deferred or capitalised. The bonds cannot be convertible and are subject to call restrictions. While it is probable that in New Zealand same class bonds will mostly also be 'vanilla' in this respect, there is no explicit attempt to define their characteristics in this way.
- Australian offers still require prescribed offer documents, in the form of a base prospectus with a three-year life (akin to a U.S. shelf prospectus) and an offer-specific prospectus containing the commercial terms of the bonds. This represents a continuation of elevated requirements by comparison to the wholesale format, in spite of the rigorous periodic and continuous disclosure regime.

For the moment, the balance between reform and control has been struck more cautiously in Australia. Submissions to the FSI have also questioned how much of an impact regulatory settings have in holding back the direct retail market, compared with market forces and tax barriers.

So, while the simpler corporate bond regime has been welcomed by commentators, it is not expected to change things overnight.

Ross Pennington is a partner at Chapman Tripp specialising in corporate law, structured finance and derivatives

A golden age?

The age demographic in New Zealand is getting older, and it is little wonder that retirement village (RV) and aged care operators have become the darlings of the share market in recent years. The key questions for governments, health planners, and investors is what can we do to meet the needs of this burgeoning demographic and ensure the economic impact on our healthcare system is sustainable. By Richard Catto

All western nations are facing this dilemma and New Zealand is no exception. At KPMG we set out to debate and assess these critical social issues, identify what lessons we can learn from studying approaches overseas, and make strong recommendations to government, providers, and investors in the healthcare markets on how we can meet the growing burden of disease in an economically sustainable manner.

BURDEN OF ILL HEALTH

If the doubling of over-65s by 2036 is not enough the problem is compounded by the fact that healthcare costs for the individual grow exponentially from age 60 so a doubling in this population roughly equates to a quadrupling of cost. This is primarily due to the burden of non-communicable diseases such as heart disease, respiratory illness and cancer. While we are living longer we are living a large proportion of our life in relatively poor health. The Ministry of Health's Statement of Intent for 2014 highlighted that the average life expectancy in New Zealand is now at 79.7 years for males and 83.2 for females, but that New Zealanders can only expect to live in full health until age 67 for males and 69 for females.[1]

Demographic forecasts show that the proportion of working age tax payers will diminish, so without significant economic growth the burden on the fiscal purse will be unsustainable. The government already funds 80 per cent of all healthcare in New Zealand including ACC, with the remainder made up from private health insurance, dental, and out of pocket expenditure for GPs, pharmacy and diagnostics.

Treasury summed this up when it forecast that, "Our long-term fiscal projections show publicly financed health spending continuing to increase as a proportion of national income from 6.9 per cent in 2011 to 11.1 per cent of GDP by 2060."

The combined effect of aging on healthcare and superannuation expenditure would absorb all the incremental tax take for the next 35 years, leaving nothing for other social programmes such as education, police, and environment.

STRATEGIES FOR SUCCESS

The do-nothing strategy is no longer a viable option. We believe a more proactive approach is required focusing primarily on two areas. These are:

- the management of long-term chronic diseases such as diabetes and cardiovascular disease
- the management of the elderly who often have a range of health conditions (co-morbidities) including cognitive impairment.

The good news is that there are a range of strategies being explored by both governments and private enterprise around the world that New Zealand can adopt to improve the value we get from our healthcare dollar, and make the system more sustainable.

AREAS OF FOCUS

Integrated Care Traditionally, primary care (GPs) and secondary care (specialists and hospitals) have been separated organisationally, professionally, and by funding and ownership. There is a strong argument to fund and organise a large part of our healthcare system abound chronic disease lines.

For example, a recent study at Christchurch Hospital found that 62 per cent of all medical admissions were for people over 65 years. This study found that often the underlying condition was complicated by cognitive issues. How to effectively manage this is not easy. However, there is a greater need to move towards integrated care organisations who would manage the full range of care and support services required. The key advantage is that it enables earlier intervention and avoids acute hospitalisation particularly for older people.

Value-based Contracting Historically, health services have been contracted on the basis of doing things for people not on the results achieved. Many treatments do not significantly change the outcome for the individual. Health services and funds around the world such as the NHS in the UK or Kaiser Permanente in the USA are

Demographic forecasts show that the proportion of working age tax payers will diminish, so without significant economic growth the burden on the fiscal purse will be unsustainable.

moving many of their funding arrangements to pay for performance. These funders of healthcare are increasingly contracting with providers paying a base fee for access and a top-up fee for successful outcomes.

Partnerships With Communities Good health is not just about healthcare and medicine. Factors such as housing and education are important determinants of health particularly for groups high on the deprivation index. However, this is not just a better public service initiative, it is about bringing communities together to support and guide their own people and ensure that the basics of housing, education, nutrition, family and community support are integrated with individual responsibility.

Asset Light Services. Hospitals are expensive things to build and equip. Approximately 20 per cent of our health dollar goes on capital expenditure and the maintenance of that infrastructure. We can learn from emerging economies particularly in Asia who are investing heavily in publicly funded healthcare, but are adopting asset light strategies. This pushes all but high-tech services out to satellite facilities, utilising multipurpose facilities, for example, medical centre, age care, public services, and retail all co-located, and using private capital.[2]

Productivity through Technology
Technology is a two-edged sword. In healthcare, technology has created a net increase in cost as we diagnose more and treat more. Western nations, particularly countries such as the Netherlands, have recognised that we often over-diagnose and over-treat. Future technology assessment is now about better outcomes at a lower cost.

Individualised Care Funders around the world are only just starting to realise the opportunities of harnessing patient power to put pressure on cost and to improve lifestyles and drive quality. People with chronic disease are able to self-manage their own condition for approximately 5,800 hours per annum and need only visit a healthcare professional for approximately 10 hours in that year.[3]

CONCLUSION

By adopting these strategies the healthcare sector can change the value proposition for healthcare and health outcomes for New Zealanders. Delaying the onset of long-term conditions into later old age will need very different interventions from traditional healthcare and will improve the population health considerably. However, this will only occur when the industry recognises the need to move from providing healthcare to supporting health and wellbeing; this way we can ensure that good healthcare is good economics.

POPULATION FORECAST

Statistics New Zealand recently released its population forecast, which indicated that:

- New Zealand's population will grow from 4.4 million in 2012 to 5.4 million in 2036 and 6.0 million in 2061.
- the population aged 65+ (600,000 in 2012) will increase to 1.2 million in 2036 and 1.5 million in 2061.
- the proportion of the population aged 65+ (14 per cent in 2012) will increase to 23 percent in 2036 and 26 per cent in 2061

Richard Catto, KPMG Advisory Director
Richard has worked in a variety of operational, planning and advisory roles in the health sector for most of the last 25 years. He was instrumental in establishing the Regional Health Authorities and developing many of the funding mechanisms for public healthcare. He has had strong operational experience as a clinical services manager in District Health Boards. Richard is currently a lead in KPMG's New Zealand health practice, and is the deputy chair of the international organisation Commonwealth Association for Aging (CommonAged)

1 (MOH, 2014)
2 NZMJ, Volume 123 Number 1317)
3 KPMG, Necessity: the Mother of Innovation, Low-cost, high-quality healthcare, 2013)

Raising capital – just another day at the office?

From a risk perspective – no. And not even for those who do it on a regular basis, says Heidi Axtell, Managing Principal and Xavier Marguinaud, Senior Risk Adviser, Marsh. For those who rarely raise capital or who are doing so for the first time, such activities are an important and exciting step in a company's evolution. They also give rise to increased or new liability risks that both the company and its directors should be aware of in order to consider risk mitigation or risk transfer mechanisms

Directors in particular should pay attention as a significant number of the most high profile cases brought against directors in New Zealand over recent years have involved alleged misrepresentation in the course of public offerings of securities.

New Zealand's securities law is in a period of transition which is altering the landscape of risk. Accordingly, particular caution is recommended and although New Zealand is still one step removed from the highly litigious environment prevalent in countries such as the USA and Australia (where regulatory action and security class action claims are commonplace) the overhaul of our securities law signals a significant shift; one that any company and its directors considering a capital raising should take specific legal advice on to ensure changes are accounted for.

DO ALL TYPES OF CAPITAL RAISINGS GIVE RISE TO THE SAME LEVEL OF EXPOSURE?

No. The highest level of capital-raising risk is traditionally associated with an initial public offering on a US stock exchange by a US domiciled company; while a debt offering or a private placement in a more benign environment has been considered at the other end of the risk spectrum. Various other kinds of offerings fall somewhere in between. Your professional advisers should be able to tell you where your proposed offering sits in this spectrum.

WHAT CAN TRIGGER LEGAL CLAIMS FOLLOWING A CAPITAL RAISING?

- earnings failing to meet projections contained in the formal offer documents or roadshow materials prepared for potential shareholders.
- accounting restatements closely following the capital raising.
- inadequate disclosure of merger and acquisition activity before the offer.

WHO ARE SOME OF THE POTENTIAL CLAIMANTS?

- regulators, e.g. the FMA, NZX & overseas regulators where business might be operating outside New Zealand.
- shareholders counterparties, for example, underwriters, lead managers

WHAT ARE THE INSURANCE SOLUTIONS FOR THE LEGAL LIABILITY RISKS ARISING FROM OFFERS TO THE PUBLIC?

1. Extending an existing Directors and Officers Liability (D&O) insurance programme; or
2. Purchasing stand alone, multi-year cover

Cover of the type referred to above in (2) is often referred to as Public Offering of Securities Insurance (POSI Insurance) and sometimes more colloquially as "IPO Insurance" despite having application to various forms of capital raisings.

POSI does not make cover provided by an existing D&O policy in the lead up to a capital raising redundant; nor does it provide cover for the day-to-day management liability exposures of a company's board and/or the company itself following the capital raising[1]. This is important to note as a capital raising (particularly an IPO) can have both immediate and far-reaching implications for an annual D&O programme on which reliance is being placed. Such a conversation should form an integral part of your discussion with your brokers regarding what insurance arrangements are appropriate in the circumstances.

Timing is crucial. Considering insurance for the capital raising is best early in the planning process so that potential costs can be accounted for and time allowed to price/effect the necessary adjustments. Insurers take a lot into account when pricing cover for capital raisings so sufficient time to gather this information is essential.

Failing to take into account the effect of a capital raising on the ongoing D&O insurance programme can have unfortunate consequences. For example, changes to the company's capital structure in the lead up to or as a result of the capital raising transaction can trigger a common condition that removes cover for conduct after the change in capital structure.

WHAT ARE THE PROS AND CONS OF D&O VERSUS POSI INSURANCE?

- D&O policies cover claims arising out of the day-to-day activities of a company while a POSI policy is specific to a particular capital raising. Given that D&O and POSI policy limits do not generally reinstate once the selected Limit of Liability has been exhausted this is particularly important. Legal liability claims associated with capital raisings are often complex, time consuming and expensive to defend; even where that defence is successful.
- it is not generally practicable (or advisable) to extend a D&O policy to provide cover for underwriters, managers, or selling shareholders given that its primary purpose is to provide cover for day-to-day activities.
- relying solely on cover provided by an annual D&O policy is inherently uncertain as cover is normally arranged on a year-by-year basis with terms and conditions

1 POSI policies are distinct from Warranty and Indemnity Insurance ("W&I) policies, which focus on financial loss arising from inaccuracies in warranties and representations made by the seller in a sale and purchase agreement (most commonly for a company or business).

Heidi Axtell

Xavier Marguinaud

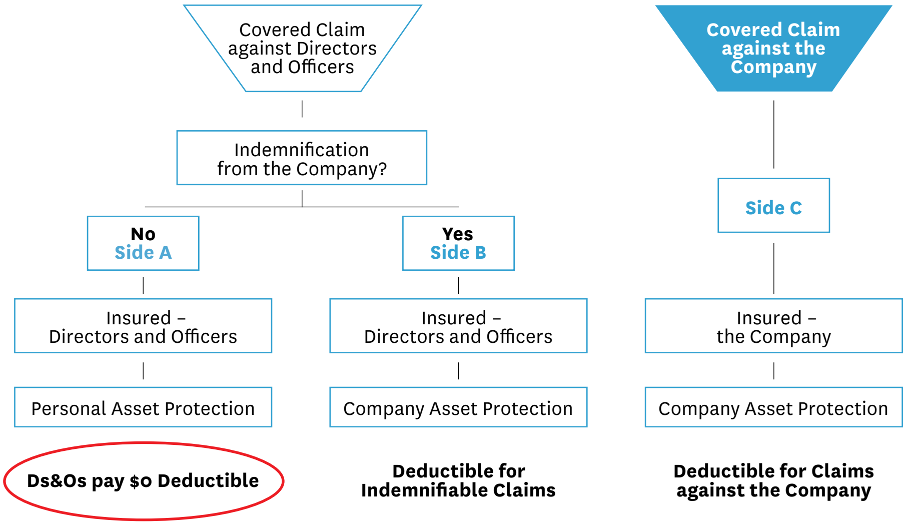
open to fluctuations in the risk. An experienced insurance broker will provide you with a structured framework to help you decide your policy strategy.

HOW MUCH DOES INSURANCE FOR CAPITAL RAISING COST?

There is no standard "market rate" to gauge premiums. An experienced insurance broker should provide benchmarking information based on previous covers they have arranged but expect them to respect previous client's confidentiality. A capital raising can result in one-off insurance costs as well as increases in the pricing of the annual D & O insurance programme due to longer term changes in the risk.

THINGS TO CONSIDER REGARDING INSURANCE FOR CAPITAL RAISING

- Get good advice and do it early. For best results insurance for capital raising exposures should never be arranged as an afterthought.
- Your existing management liability insurance can be affected in ways that aren't immediately obvious so get written clarification on the implications of what you are proposing.
- Establishing market appetite is very important but requesting too many options from insurers can be counter-productive: focus and prioritise for best results.
- Ask your broker about their particular experience. Very few insurance brokers (even within individual firms) are highly experienced with this kind of cover.
- You should expect to have involvement in the decisions regarding the structure, scope and priorities for coverage beyond the limit and excess required. There are various other important aspects to consider when putting together appropriate arrangements and if you're not being asked for input you should seek it.



The diagram above shows the most common POSI policy structure. There are other variations your broker should be able to advise you on.

In our experience, implementing a POSI policy is now a common option in New Zealand for many capital raisings. Where the capital raising reflects a particularly significant transaction in the life of a company such as an initial public offering ("IPO"), POSI is always selected.

- Be very wary of making decisions based on price alone. Policy wordings vary significantly from insurer to insurer. Insurers do not write risk associated with capital raisings lightly and a price that is wildly out of step with other quotations may mask coverage inadequacies. Insurers commonly only price what they are asked for and this makes the expertise of your insurance broker critical.
- Be aware that insurance brokers employ different remuneration methods for the work involved in capital raising activities. Marsh is an advocate of pre-agreed fees in most cases in the interests of transparency; some other brokers choose to be remunerated via brokerage paid by the insurer as a pre-agreed percentage of the premiums.

SUMMARY

- raising capital, particularly public offerings of securities, increases the risk to directors and companies.
- existing liability insurance arrangements are unlikely to assist
- care and planning are critical so that any insurance coverage is maximised, costs are contained and the insurance is in place in a timely fashion.

For more information on capital raising risks and insurance please contact Heidi Axtell (heidi.axtell@marsh.com) or Xavier Marguinaud (xavier.marguinaud@marsh.com).

Continuing Professional Development – plan your 2015 training

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

The IoD offers a portfolio of courses designed to suit directors at all stages of their careers. For more details and to register, visit www.iod.org.nz

New year, new programme

*This issue of board**room** comes with an inspiring new 2015 Director Development programme developed with your needs and your feedback in mind. You will notice that we have kept our well-established courses, updating content and course formats, as well as adding new courses, a wider range of online modules, and new venues.*

"Our aim is to stay current and offer directors as wide as possible a choice in content, course delivery and choice of venues," says IoD Professional Development Manager Helena Gibson.

Among the changes and improvements to the programme are:

- **New venues:** as well as being held in the main centres, the Company Directors' Courses (CDC) will be held in Martinborough, Hanmer Springs and Nelson, and there will also be additional CDCs in Queenstown.
- **More online modules:** alongside our popular Health and Safety Module there will be online modules on digital leadership and ethics.
- **New content:** the CDC and the Audit and Risk and Strategy Essentials have been refreshed to include updated content, and our very popular Chairmen's Workshop returns in an updated format.
- **New courses:** a two-day CDC refresher workshop will be available for those who have completed the CDC and are either preparing for the Chartered Member Assessment as part of the Chartered Membership pathway or would like a refresher on key governance topics.

For more information or to register, visit the Director Development pages of www.iod.org.nz

IoD partners Otago University in Executive MBA

In partnership with the IoD, the University of Otago Business School will launch an Executive MBA in 2015, tailored to include a focus on governance.

The part-time course will run over two and a half years and comprise 12 four-day modules (Thursday evening to Monday) plus a capstone in-company project.

Otago University Director of Executive Programmes, Ian Lafferty says that the part-time programme is ideal for senior managers and aspiring directors. "This MBA will offer people the opportunity to study on a programme which is highly focused on networking, management and governance. The weekend structure allows participants to continue to work full-time while studying and building relationships with like-minded business people," says Lafferty, "And it is an honour for us to work with the IoD on this."

IoD input includes the use of *The Four Pillars of Governance Best Practice* as a core resource plus IoD review of all governance-related materials. The IoD will also be sourcing guest speakers for the Thursday evening dinner sessions.

"We welcome the launch of the MBA and its emphasis on raising standards of governance. Like the University of Waikato's G3 Governance Programme that launched last year, it is complementary to the practitioner-based courses run by the IoD," says IoD Professional Development Manager Helena Gibson.

For more information, visit www.otago.ac.nz

Health and Safety Online Module attracts praise

"An affordable, useful and attractive option" that is "delivered in a format that members can easily follow and ensure this important issue is regularly addressed" are just samples of the positive feedback we have received on our recently launched Health and Safety Online Module.

About 275 people have registered so far for the module since it launched earlier this year. Designed to familiarise directors and senior executives with health and safety best practice, the hour-long module covers the importance of health and safety governance, changing legislation, duties and due diligence, liabilities and penalties.

Get in quick – limited places on 2014 courses

CPD is like going to the gym – always easy to put it off just another month or two. But if focus on professional development was your goal this year, there is still time to meet your target. We have limited places available in the Company Directors' Courses in Auckland and Queenstown, and in our portfolio of Essentials courses.

All 2014 Director Development courses will earn you continuing professional development points for the Chartered Membership pathway.

Company Directors' Course

The Company Directors' Course is a week-long residential course that has been the bedrock of governance training for New Zealand directors for some years.

It covers governance best practice, strategy, understanding finance, risk, a director's legal obligations and board dynamics. One of the hallmarks of the course is its relevance to governance today as it draws on the talent and experience of facilitators who are currently practising directors.

We proudly show graduates of recent courses.

Wellington, August 2014

FRONT ROW: (Left to right) Sandie Shivas, Bryan Styles, Thecla Johnstone, Mark Adie, Maree Roberts, Elaine Reilly, Darryn Pegram, Duncan Scott, Sheryl Carruthers, Christine Kalin
SECOND ROW: Kyran Newell, Carl McOnie, Prue Younger, Kirsten Bryant, Francene Wineti
THIRD ROW: Bruce Mazengarb, Joe Edwards, Blair Gerritsen, Karen Rolleston
BACK ROW: John Hayes, Grant McKenna, Colin King, Nicolas Williams

Auckland, September 2014

FRONT ROW: (Left to right) Clare Bradley, Michael Allan, Andrew Buchanan-Smart, Cathy Magiannis, Brent Thomas, Grant Abbott, Tracey Richardson
MIDDLE ROW: John Milner, Blair Waipara, Raymond Hall, Alistair Lane, Corina Bruce, Owen Gill, Tau Henare
BACK ROW: Christine Spring, Hugh Morrison, Natasha Matias, Brian Morris, Graeme Solloway, Jon Broadley, Hayley Buckley, Aaron Rice-Edwards

Board Services

Spreading the net

A push into offshore consumer markets led the board of Dunedin-based BLIS Technologies to widen their search when it came to making board appointments this year.

An award-winning producer of probiotic health products designed to combat harmful bacteria, BLIS Technologies was looking for two directors with specific skill sets and experience.

"As an early stage growth company we were looking for the best mix possible on the board to grow the company and focus on developing the business offshore. We are shifting from being a branded ingredient business into a consumer product business," says BLIS Deputy Chair Tony Offen.

BLIS probiotics promote general oral health with lozenges, powders, and additives to numerous dairy products. Recently, the company consolidated its Dunedin manufacturing base and has been working in partnership with Chinese pharmaceutical giant, Sinopharm, to develop a foothold in the Chinese market.

"Sinopharm, the largest pharmaceutical company in China with an annual turnover of $NZ21 billion, has nationwide distribution and is currently carrying out product trials across 600 pharmacies within three major cities as well a number of clinical studies for BLS products."

In light of the company's ambitions, directors held a review to evaluate the company's changing needs and how they would impact upon the make up of the board.

"We agreed that although the board was very strong on science, governance, accounting and strategy, we really didn't have the depth when it came to sales and marketing. We thought about the sort of directors that we might need. Everyone had suggestions of possible candidates, but we agreed that we needed to look beyond our own networks in order to get a wider reach."

At the time, NZX-listed BLIS had only male directors on board. Tony says that they hoped that it would be possible to address diversity in their appointment.

"Primarily, we were looking for skill and experience but if diversity was also part of that equation then that would be a positive," he says.

He says that enlisting DirectorSearch to find two new directors was a logical step.

"All of our directors are members of the IoD and we knew that DirectorSearch would have a much wider catchment than any of our own networks."

As a first step, the DirectorSearch team discussed the board's particular requirements with Tony and the board. From this the team was able to draw up a of potential candidates based on specific skills, sector experience, current and past board appointments and executive roles.

The board was then able to select a shortlist of candidates that they wanted to meet and interview. Preferred candidates were identified, and the two positions were offered to senior director Graeme Boyd and marketing expert Veronica Aris.

While Graeme brought years of governance experience and a deep knowledge of both manufacturing and exporting to the board, Veronica added international marketing expertise. With over 17 years of sales and marketing experience within the healthcare industry, she had overseen pharma product launches, brand management, marketing, sales and regulatory affairs as well as social media sales strategies.

"I think the board was very impressed with the IoD process," says Tony. "It's fair, open and transparent, and everyone can see that you have appointed the best candidates. DirectorSearch came up with more

"Primarily, we were looking for skill and experience but if diversity was also part of that equation then that would be a positive"

candidates than we had positions for and timings worked well within our timetable.

A few months on, and BLIS have already carried out a detailed induction process, including a site visit for both new directors.

"This gave them a lot of opportunity to gauge the company and its strengths. We have also had one board meeting with them and are looking forward to working with both of them. We hold quite high hopes actually."

For more information on DirectorSearch, visit Services for boards on www.iod.org.nz

FINDING A DIRECTOR

The IoD maintains New Zealand's largest database of independent directors. We can help you recruit the best people by searching this database and matching individuals' skills and experience with just what you're looking for. DirectorSearch is prompt, professional and impartial. And because you receive a list of names that match your requirements, it's an efficient way to get the best results.

DIRECTORSEARCH PROCESS

Your requirements

We'll work with you to understand the skills, competencies and experience that your organisation requires and what you expect of the new director. This information defines your search criteria.

Database search and candidate long-listing

We apply your search criteria to identify potential candidates within our database of directors' specific skills, sector experience, current and past board appointments and executive roles. We will then distil this into a long list of candidates (usually 8-12).

Review and short-listing

After enough time for you to consider the long list, you'll select a number of candidates (most likely 2-4) that you would like to explore in more detail.

Selection

Interviews are carried out by a selection committee with the option of including a DirectorSearch representative.

branchnews

AUCKLAND

New directors attended a Next Generation Directors evening workshop on 16 September.

In the lead-up to the election, our Auckland members heard analysis from political journalist Colin James.

FMA CEO Rob Everett issued a call to arms in Auckland, outlining how directors can lift confidence in financial markets.

Auckland Council CEO Stephen Town spoke on how to become a CCO director, focusing on the characteristics of local government governance and how directors can upskill to add value.

1

2

3

4

5

6

7

8

BAY OF PLENTY

Members and non-members enjoyed cocktails and insightful presentations from Angela Beatson and Dr Anna Rolleston on 27 August. On 9 September, Bay of Plenty members attended a workshop with Paul Adams and Richard Cashmere on NFPs. Auckland Chamber of Commerce CEO Michael Barnett spoke on the growth of China, with David Meys of Marsh offering an overview on the protection companies need when trading overseas.

WAIKATO

Waikato Chiefs board member Dallas Fisher told local members how the board built a high-performance culture.

1 | Auckland Branch member, Kane Wang, Stephen Reed (Auckland)
2 | Auckland Branch member, Colin James, Warren Dalzel (Auckland)
3 | Donna Cooper, Margaret Moore, Johanna Boerema-Barr (Auckland)
4 | Will Johnson, Gina Baker and Joelle Stassens (Bay of Plenty)
5 | Gretchen Kebbell, Angela Beatson and Virgina Wigley (Bay of Plenty)
6 | Brian Scantlebury, Paul Adams (Bay of Plenty)
7 | Jen Scoular, Jo Tisch, Ruth Lee (Bay of Plenty)
8 | Mary Jensen, Grant Robson (Waikato)
9 | John Whitehead, Karen Coutts, Carol Stigley, Robin Armstrong (Wellington)
10 | Breccan Mcleod-Lundy, John Mendzela (Wellington)
11 | Ang Wilson, Peter Tolan, Sarah Wheldale (Nelson Marlborough)
12 | Paul Bell, Melissa Clark-Reynolds, Julie Baxendine (Nelson Marlborough)
13 | Fiona McKissock, Rebecca Redmond, Helen Shorthouse, Liz Hirst (Canterbury)
14 | Janice Fredric, Tim Andrews (Canterbury)
15 | Bevin Watt, Errol Millar (Canterbury)

WELLINGTON

John Whitehead, former executive director at the World Bank, discussed the bank's complex governance arrangements.

The Aspiring Director Dinner Series wrapped up. Guest speakers addressed the basics of governance, individual pathways to governance, networking and effective CVs.

Financial Markets Authority CEO Rob Everett spoke on new growth initiatives and opportunities presented by the new Financial Markets Conduct Act.

Rob Cameron discussed the governance demands and the role of independent directors in high growth companies.

9


10


11


12


CANTERBURY

Expat mid-Cantabrian Grant Murdoch gave members an insight into the Australian federal system, leaving the audience with a sense of guarded optimism about doing business in Australia.

The IoD congratulates Tim Andrews, who was made a Fellow on 11 August.

Executive director Andy Borland shared his experiences taking Scales Corporation Ltd to a public listing on the NZX.

Timaru members heard from Sara Lunam, Corporate Services Manager at the Port of Tauranga, on how good boards add value for management.

We congratulate the Canterbury graduates of the Governance Development Programme, which wrapped up on 18 September.

13


14


NELSON MARLBOROUGH

Members heard from Business Leaders' Health and Safety Forum head Julian Hughes, IoD Governance Leadership Centre executive Felicity Caird, and Kelvin Deaker of Marlborough Lines at the Contractor Initiative in Blenheim. Julian spoke on the changes to health and safety legislation and how business leaders have a vital role to play.

Entrepreneur Melissa Clark-Reynolds presented 'The Winners' Guide to Quitting – When Perseverance is Not a Virtue' on 3 September, sharing lessons learnt from the closure of MiniMonos.

Productivity Commission chair Murray Sherwin discussed why NZ has most of the ingredients essential for a high productivity society and yet still lags behind other OECD nations.

NZIER principal economist Shamubeel Eaqub spoke on leading business in a changing world.

15


OTAGO SOUTHLAND

New and aspiring directors took the opportunity to hear from experienced IoD members at Dunedin's Governance Wisdom Breakfast, The Governance Leadership Centre's Simon Arcus facilitated discussion.

Members enjoyed a site visit to AbascusBio, where Dr Anna Campbell and Dr Tim Byrne spoke on making science practical.

We congratulate Errol Millar, who has been made a Fellow of the Institute of Directors.

Tina Symmans spoke about the board's role in communications management, presenting a five-step guide for boards on communications management.

Branch chairman Geoff Thomas presented Clare Kearney with the Otago Southland Aspiring Director Award.

branchevents

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

AUCKLAND

Next Generation Directors
An evening workshop focused on building your governance capability.
4:30pm – 7:00pm, 11 November, BNZ Partners Business Centre, Deloitte Centre, Level 7, 80 Queen Street, Auckland

Distinguished Fellow Award luncheon
Join guest speakers Anne and David Norman, owners of James Pascoe Ltd, for the Pascoes story and the presentation of Denham Shale's Distinguished Fellow award.
12:00pm – 2:00pm, 20 November, Wave Room, Mezzanine Floor, Sir Paul Reeves Building, AUT Business School, 55 Wellesley Street East, Auckland

Denham Shale

WAIKATO

Melissa Vining

Janet Copeland

Health and safety in agribusiness
Guest speakers Melissa Vining and Janet Copeland talk health and safety for farming businesses.
12:00pm – 2:15pm, 22 October, Waipa Workingmen's Club, 139 Albert Park Drive, Te Awamutu

The business of media
Popular broadcaster Peter Williams on the future of the media.
12:00pm – 2:15pm, 30 October, Bronze Lounge, Waikato Stadium, 128 Seddon Road, Whitiora, Hamilton

Lunch function with Andrew Ferrier
12:00pm – 2:00pm, 12 November, Radio Sport Lounge, Waikato Stadium, 128 Seddon Road, Whitiora, Hamilton

Advisory board workshops
Helen Down of Advisory Boards New Zealand Ltd helps you to determine whether an advisory board is right for your business.
10:00am – 1:30pm and 2:30pm – 4:30pm, 19 November, Gallagher Lounge, Waikato Stadium, 128 Seddon Road, Whitiora, Hamilton

Christmas drinks
5:00pm – 7:00pm, 3 December, Verandah Café and Function Centre, Hamilton Lake Domain, Hamilton

BAY OF PLENTY

David Irving

Passion and productivity
David Irving of The Icehouse on the growth of SMEs in New Zealand.
5:15pm – 7:15pm, 26 November, Tauranga Club, Level 5, Devonport Towers, Tauranga

Christmas party
Entertainment and refreshments to celebrate the 2014 year.
5.30pm – 7.00pm, 3 December, Mt Maunganui Life Guard Services Club Rooms, Base of the Mount, Mount Maunganui Main Beach

NELSON MARLBOROUGH

Growing your SME: from theory to practice
Lunch function with Dr Deb Shepherd of the University of Auckland.
12:00pm – 1:30pm, 30 October, Quench Restaurant, Chateau Marlborough, corner High and Henry Streets, Blenheim

Lunch function with Sue Sheldon
Sue Sheldon presents to the branch at this lunch function.
12:00pm – 1.30pm, November 5, Trailways Hotel, 66 Trafalgar Street, Nelson

TARANAKI

Christmas function
Join us for Christmas drinks and hear from Rob Jager of Shell Todd Oil Services.
6.30pm – 9.30pm, 13 November, Quality Hotel, corner Courtenay and Leach Streets, New Plymouth

WELLINGTON

Lessons from Novopay
Featuring Sir Maarten Wevers and Murray Jack.
7:15am – 9:00am, 22 October, Level 5, 88 The Terrace, Wellington

Annual Dinner and Emerging Director Award
Clemenger BBDO CEO Peter Biggs presents on trans-Tasman trends in philanthropy, plus the presentation of the Wellington Emerging Director Award.
6.15pm – 9.00pm, 6 November, Level 6, The Wellington Club, 88 The Terrace, Wellington

Napier Port results
Join chair Jim Scotland and CEO Garth Cowie for Napier Port's annual results, growth prospects and issues facing the ports sector.
6:00pm – 8:00pm, 17 November, MTG Hawke's Bay, corner Marine Parade and Tennyson Street, Napier

Governance in the land-based sector
Members are invited to hear from Massey University chancellor Chris Kelly at an event in Palmerston North.
5.30pm – 7.30pm, 25 November BNZ Partners Centre, 203 Broadway Avenue, Palmerston North


Sir Maarten Wevers


Murray Jack

Christmas function
After-work function, with BNZ chief economist Tony Alexander as guest speaker.
5:30pm – 7:00pm, 3 December, BNZ Hastings Partner Centre, First Floor, 205 Hastings Street South, Hastings

KiwiRail: Where to from here?
Find out with KiwiRail chairman John Spencer.
7.15am – 9.00am, 4 December, Level 5, The Wellington Club, 88 The Terrace, Wellington

Christmas function
Christmas drinks and a presentation from entrepreneur Melissa Clark-Reynolds.
5.30pm – 7.30pm, 9 December, IoD offices, Mezzanine Floor, 50 Customhouse Quay, Wellington

CANTERBURY

Investing with careful hands
Adrian Orr, CEO of the Guardians of New Zealand Superannuation, on the role of the New Zealand Superannuation Fund.
5:45pm – 7:45pm, 20 October, The George, 50 Park Terrace, Christchurch

Annual Fellows and Distinguished Fellows dinner
We welcome Canterbury's newest Distinguished Fellow, Graham Heenan.
7:30pm – 9:30pm, 20 October, The George, 50 Park Terrace, Christchurch

New Members Lunch
Meet the Canterbury Branch committee and other new members.
12:00pm – 2.00pm, 28 November, The George, 50 Park Terrace, Christchurch

Christmas cocktails
6.00pm – 8.00pm, 4 December, ilex Botanic Gardens, Christchurch

OTAGO SOUTHLAND

Corporate, not-for-profit and trust governance
Stuart Walker on changing legal risks
5.30pm – 7:30pm, 22 October, at The Dunedin Club, 33 Melville Street, Dunedin

Cocktail event with Wayne Evans
5.30pm – 7:30pm, 13 November, Ascot Park Hotel, corner Tay Street and Racecourse Road, Invercargill

Financial Markets Authority
Guest speakers Rob Everett and Simone Robbers of the FMA.
5.30pm – 7:30pm, 19 November, The Dunedin Club, 33 Melville Street, Dunedin

Cocktail event with Vicky Robertson
Vicky Robertson, Treasury's deputy chief executive, presents at this cocktail event.
5.30pm – 7:30pm, 4 December, The Dunedin Club, 33 Melville Street, Dunedin

AUCKLAND
Shirley Hastings
ph: 021 324 340
fax: 04 499 9488
email: auckland.branch@iod.org.nz

BAY OF PLENTY
Jo Perry
ph: 021 557 116
email: bop.branch@iod.org.nz

CANTERBURY
Sharynn Johnson
ph: 03 355 6650
fax: 03 355 6850
email: canterbury.branch@iod.org.nz

NELSON MARLBOROUGH
Jane Peterson
ph: 021 270 2200
email: nelson.branch@iod.org.nz

OTAGO SOUTHLAND
Vivienne Seaton
ph: 03 481 1308
fax: 04 499 9488
email: otago.branch@iod.org.nz

TARANAKI
Julie Beck
ph: 021 632 709
email: taranaki.branch@iod.org.nz

WAIKATO
Megan Beveridge
ph: 021 358 772
fax: 07 854 7429
email: waikato.branch@iod.org.nz

WELLINGTON
Jeanette Wogan
ph: 021 545 013
fax: 04 499 9488
email: wellington.branch@iod.org.nz

OPINION

Myths of corporate governance

Corporate governance is about opinions, and that makes for endless debate. This month I'm going to introduce what I consider to be five myths of corporate governance. I'm sure you will take exception to at least one or two of them and I'm sure you will have good reasons for doing so. The more debate we have, the better our understanding. So brace yourself, here we go. By David Ware

The first of my myths: the role of the board is clearly defined. Well actually it isn't. Let me give you a taste of some of the definitions currently in use. "Strategy, leadership, control of management and reporting" that's from Cadbury.[1] "To ensure that management keeps it promises to shareholders"[2] is one, "Monitoring, strategy and service provision"[3] is another. And finally Morton Huse, who says that the board should adopt a contingency approach to governance.[4] Why does any of this matter? Well, if we can't agree on what it is we should be doing it makes it pretty hard for us to agree on anything else.

On to my next myth: boards develop strategy. I'm sure that most directors fancy themselves as some modern-day Eisenhower, or Montgomery (or in my case Napoleon) but directors aren't generals managing the battle from the boardroom, governance is more mundane. Boards for the most part don't, and indeed shouldn't, develop strategy. Review strategy – yes, critique strategy – yes, monitor strategy – absolutely. Boards are better at taking that dispassionate helicopter view and asking the difficult questions. That said there are occasions when boards out of frustration or desperation or ego do write strategy themselves but I would argue that this is very much the exception and not the rule.

Another myth: independent directors improve performance. We all like independent directors, indeed the NZX's main board has five companies which only have independent directors on their boards. Independent directors do a great job in keeping an eye on compliance and reporting and supporting management in the scary bits. But if there is one thing that the academic literature is unequivocal on, it is that there is no link between company performance and independent directors. Maybe it's because independent directors have no skin in the game, maybe it's because the thing they have at risk is something more important than cash – their reputation. Maybe that encourages them to take a conservative approach.

And myth number four: boards put shareholders first. Companies exist to make money for their shareholders and the board are their appointed representatives. If only it were that simple. Legally, boards are obliged to put the interests of the company first and on occasion they can put employees first – or so says our Companies Act. A company's interests aren't always the same as shareholder's interests – think about a company sitting on a pile of cash that shareholders would like back. When we go into the boardroom we need to juggle the interests of lots of different groups and sometimes these objectives are contradictory.

And my final myth: academics can help. As a closet academic myself, I've read literally hundreds of academic papers on governance over the last few years. What I can promise you is that you can find a paper that supports your view on practically anything. I'll also promise that you can find a paper that contradicts it. So how do you make sense of all of this? Well, start by looking for the meta-studies, the studies of studies. Think very carefully about context – what works in the US won't necessarily work in New Zealand.

So that's my five myths of corporate governance. I do hope you disagreed with a couple of them. If you're interested in this sort of thing I'd recommend you take a look at the IoD's Linkedin group where you'll find some really useful constructive debate.

David Ware is the founder and Managing Director of NZX-listed company TeamTalk.

1 Cadbury. (1992). The report of the committee. The financial aspects of corporate governance. ISBN 0 85258 915 8.
2 Huse, M. (2005). Accountability and Creating Accountability: A Framework for Exploring Behavioural Perspectives of Corporate Governance. British Journal of Management, 16(s1), S65–S79. doi:10.1111/j.1467-8551.2005.00448.x.
3 Macey, J. R. (2008). Corporate Governance: Promises Kept, Promises Broken. Princeton University Press, ISBN 978-0-691-14802-1.
4 Brickley, J. A., & Zimmerman, J. L. (2010). Corporate governance myths: Comments on Armstrong, Guay, and Weber. Journal of Accounting and Economics, 50(2-3), 235–245. doi:10.1016/j.jacceco.2010.10.002 [Startegy Article]

rnzb
ROYAL NEW ZEALAND BALLET

Wellington | 30 Oct - 8 Nov
Dunedin | 15 - 16 Nov
Christchurch | 20 - 22 Nov
Palmerston North | 26 Nov
Napier | 29 - 30 Nov
Auckland City | 3 - 7 Dec
Takapuna | 13 - 14 Dec

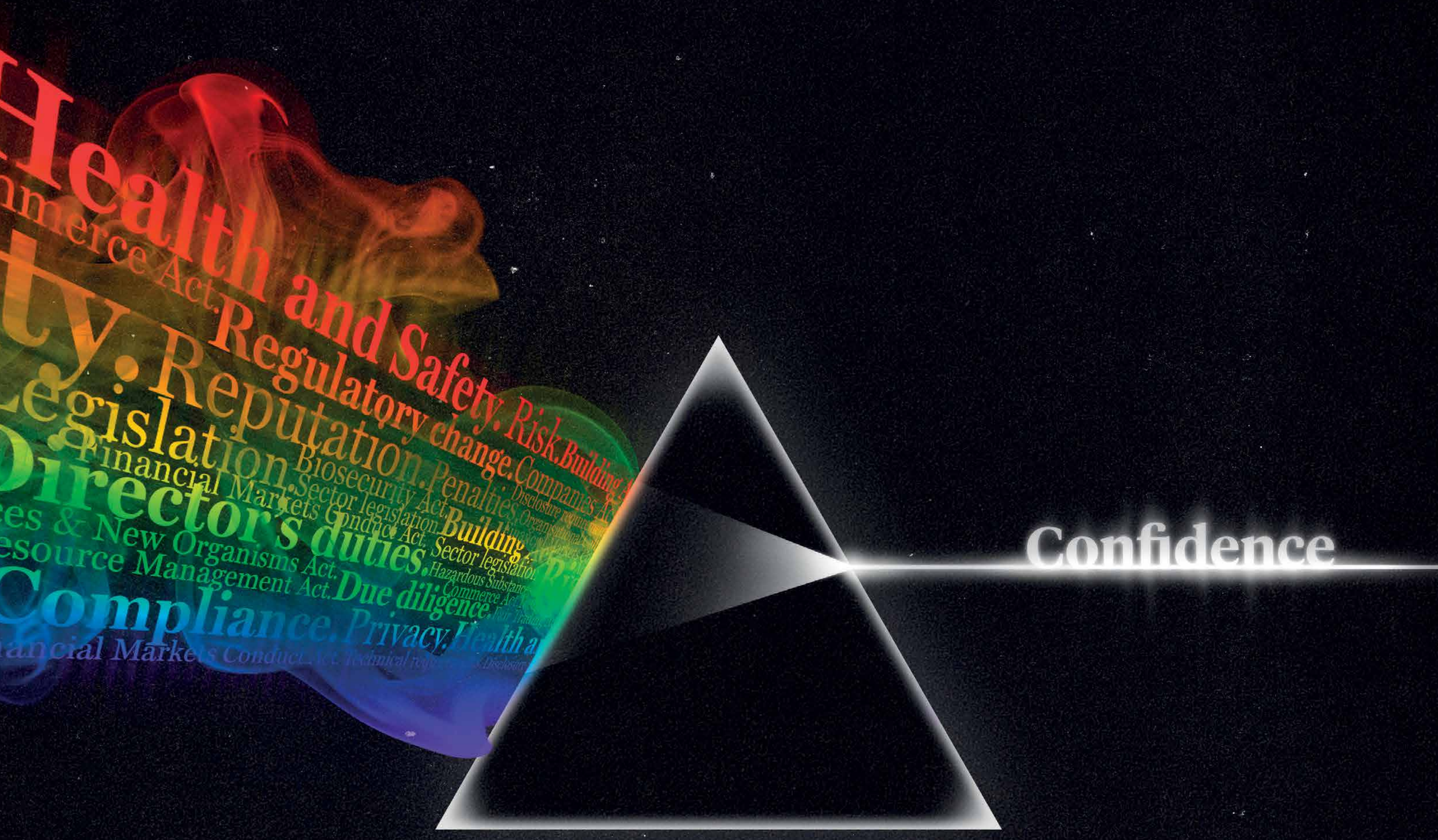
rnzb.org.nz

A Northern Ballet (UK) production
based on the novel by Charles Dickens

vodafone
NATIONAL SPONSOR

Manatū Taonga
Ministry for Culture & Heritage
SUPPORTED BY

Pub Charity
MAJOR SUPPORTER


Health and Safety. Risk.
Regulatory change.
Director's duties.
Due diligence.
Compliance. Privacy.
Confidence