

# boardroom



## BALANCING ACT

*Does risk now outweigh  
reward for directors?*

**SMEs – HOW TO  
PICK UP THE PACE**

**CRACKING THE  
BUILDING CODE**

Liz Coutts – the IoD's first  
woman Vice President

Introducing IoD  
Member 7000

Corporate business  
practices go rural

Opportunities for directors

Ten points to ensure  
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## CEO REPORT



# Changing gears

Volkswagen is the talk of the international governance community at present with good reason. “The governance of Volkswagen was a breeding ground for scandal,” said Professor Charles M Elson, of the Center for Corporate Governance at the University of Delaware, while the *New York Times* quotes a VW executive who cited the company’s “... isolation, its clannish board and a deep-rooted hostility to environmental regulations among its engineers.”

There are other signals things were amiss at Volkswagen. Board composition was questioned when the former chair’s wife, Ursula Piech, was appointed to the supervisory board. As with many other corporate crises, the roots of the problem may beat a well-trodden path back to the role of governance.

#### THINKING DIFFERENTLY

High volumes of insect protein could well feature in your diet very soon. Insects are a key source of nutrition, delivering more high-quality protein, vitamins and amino acids than beef or lamb. Crickets need six times less feed than cattle and emit fewer greenhouse gases. Insect protein can be reconstituted to look like energy bars to overcome market prejudices. According to KPMG’s Head of Agribusiness Ian Proudfoot, the answer to the problem of feeding the planet sustainably could lie in farming ‘mini livestock’.

Ian was one of a line-up of presenters offering bold and innovative solutions to topical issues at the IoD’s inaugural

Leading Directors’ Forum last month. Other speakers included Derek Handley, Dr Robert Kay, Nestlé Australia Chairman Elizabeth Proust and ex-US Rear Admiral Jan Hamby. Held in Auckland, the forum drew senior and distinguished IoD directors to a two-day event aimed at stimulating fresh thinking on issues in governance.

Entrepreneur Derek Handley discussed socially conscious business and generational differences in the way consumers think and purchase. The millennial generation seek a connection to corporate values and authenticity, and are likely to quickly dump corporates that do not live up to marketing promises.

Change is the only constant as we live in a world where information is generated, stored, shared, protected and turned into products and services. Individuals have unprecedented power to challenge governments and corporations. The internet puts strangers into each other’s homes and cars, and the 24-hour news cycle rolls on. More people can see you and critique you or your business more publicly than at any other time.

We risk developing a reactive culture where the urgent overwhelms the important. But there’s a nascent sense that people may seek their own equilibrium in response to this. I notice it as some of my contemporaries shape their working hours to work for them or consciously and deliberately limit their availability at certain times.

Jan Hamby’s role for most of her 32-year military career was protecting the US Navy cyber networks. Her advice for organisations looking to defend themselves from cyber attack is simple but incisive. She says that you need to understand what your digital assets are first because if you don’t understand that then you have no foundation to protect your cyber infrastructure.

However her message for the forum was timeless. She said that the foundation for leadership lay in conducting oneself with integrity and with a strong ethic. In a fast-paced world, the essence of leadership in governance is unchanged.

#### MILESTONES

Since the last issue of *boardroom*, the IoD has passed two major milestones. The first being that we are now into our second year of the Chartered Membership pathway. This transformed the IoD from membership entity to professional body. Much has already been achieved in establishing Chartered Membership and we expect great things to grow out of its foundations.

The second milestone is that IoD membership now numbers over 7000. We are pleased that so many members have committed to being a part of the organisation and clearly value the services, resources and sense of being part of the governance community that we provide. We value our membership and take pride in your continued support.

# Upfront

## MOVING ON

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

Anita Killeen has been appointed Deputy Chair of the Auckland Regional Amenities Funding Board.

Chartered Fellow Richard Janes has been appointed as a director of Ngai Tahu Seafood.

Chartered Member Graham Shaw has been named a director of RightWay.

Chartered Fellow Sarah Smith has been appointed chair of Ngai Tahu Tourism.

Chartered Fellow Sir John Anderson has been appointed chair of New Zealand Asset Management (NZAM).

Associate Member Kereyn Smith has been elected Vice-President of the Commonwealth Games Federation board.

Chartered Member Sir Ralph Norris is the new chair of Contact Energy.

Member Dr Alan Jackson was appointed to the board of New Zealand Thoroughbred Racing.

Chartered Member Alison Gerry has been appointed a director of Vero Insurance New Zealand Ltd, Vero Liability Insurance Ltd and Asteron Life Ltd.

The board of HoneyLab has appointed Member Dr Ian Boddy.

Member Geoff Annals has been elected chair of the Health Funds Association.

Spotlight Reporting has appointed Chartered Member Graham Shaw.

Member Mark Rushworth has been appointed a director of Freightways.

Chartered Member Helen Cull QC has been reappointed Chief Commissioner and Chartered Member Stephen Davies Howard has been appointed Commissioner of the Transport Accident Investigation Commission

Chartered Member Emma Hill has been appointed chair of Michael Hill Jewellers.

Chartered Fellow Adrienne Young-Cooper has been appointed chair of Housing New Zealand Corporation.

Chartered Fellow Susan Paterson has been appointed to the board of SKY.

## The IoD – now over 7000!

Those of you who follow the IoD by Numbers section (below) will have spotted that the IoD has passed a milestone, surpassing 7000 members. We thank you for your continued support and commitment to sound governance, and promise to continue to deliver value to our membership through events, services and resources.

To read about member 7000, Michelle Teirney, turn to page 20.

## Get Chartered – your goal for 2016

Chartered Membership demonstrates skill, knowledge and commitment to your role as a director. If you have been thinking about taking this important step up, now's the time to plan ahead. For inspiration and information from three recently Chartered Members, see p33.

## In Sympathy

The IoD offers its sympathy to the family and friends of Distinguished Fellow Rex Loach, who died on 24 August. A strong supporter of the IoD, he was well-respected, particularly by those who knew him through the Nelson Marlborough branch. Rex had a long governance career, including chairmanship of the Airways Corporation of New Zealand, New Zealand Motor Bodies/Coachwork Limited, and Trans West Freighters Limited. He was also a director on the boards of Newmans Ltd, Milburn and the Cawthron Institute.

## Auckland Airport proud to support Future Directors

The Chair of Auckland International Airport, Sir Henry van der Heyden, said that the airport was proud to appoint Nicola Greer, a director of Heartland Bank, as their latest Future Director.

The airport has a history of supporting the programme, appointing New Zealand's first Future Director, Sheridan Broadbent, to the board in 2013. "Auckland Airport's ongoing participation in the programme helps to promote diversity of leadership and the development of governance talent. The board looks forward to Nicola joining our discussions over the next 12 months," says Sir Henry.

Now into its third year, the Future Directors programme seeks to identify talented young New Zealanders with the potential to become directors, providing them with opportunities to observe and participate in boardroom discussions.

**For more details and to register your application, visit [futuresdirectors.co.nz](http://futuresdirectors.co.nz)**

### IoD BY NUMBERS\*

# 7159

members at 28 September

# 806

members under 40

# 1017

Canterbury Branch members

# 26.3%

women members

# 100%

of participants would recommend Leading Through a Media Crisis

### TERTIARY EDUCATION APPOINTMENTS

Chartered Fellow Ian Fitzgerald, Chartered Member Mike Pohio and Member Simon Graafhuis have been reappointed to the University of Waikato Council.

Chartered Member Sir Ralph Norris, and Members Michael Daniell and Peter Kiely have been reappointed to the University of Auckland Council.

Member Sarah Brown has been reappointed chair of the Southern Institute of Technology.

Chartered Fellow Helen Anderson, Chartered Member Michael Ahie and Member Ben Vanderkolk have been reappointed to the Massey University Council.

Chartered Member Dianne Kidd has been reappointed deputy chair of Unitec.

## Professional development – now's the time

There are places available on some 2015 Director Development courses. You'll need to be quick, but check out availability on the Director Development section of [iod.org.nz](http://iod.org.nz)

*directorRem*

## Found the right director? Make sure you keep them.

*Are your fees right for attracting, motivating, and retaining top directors?*

Do you have the best people who can drive growth and performance for your organisation? With increasing demands being placed on directors to perform, it is important that the reward is appropriate for the risks and requirements of the role.

We can help you set the right fees for your directors with our DirectorRem tailored benchmarking services.

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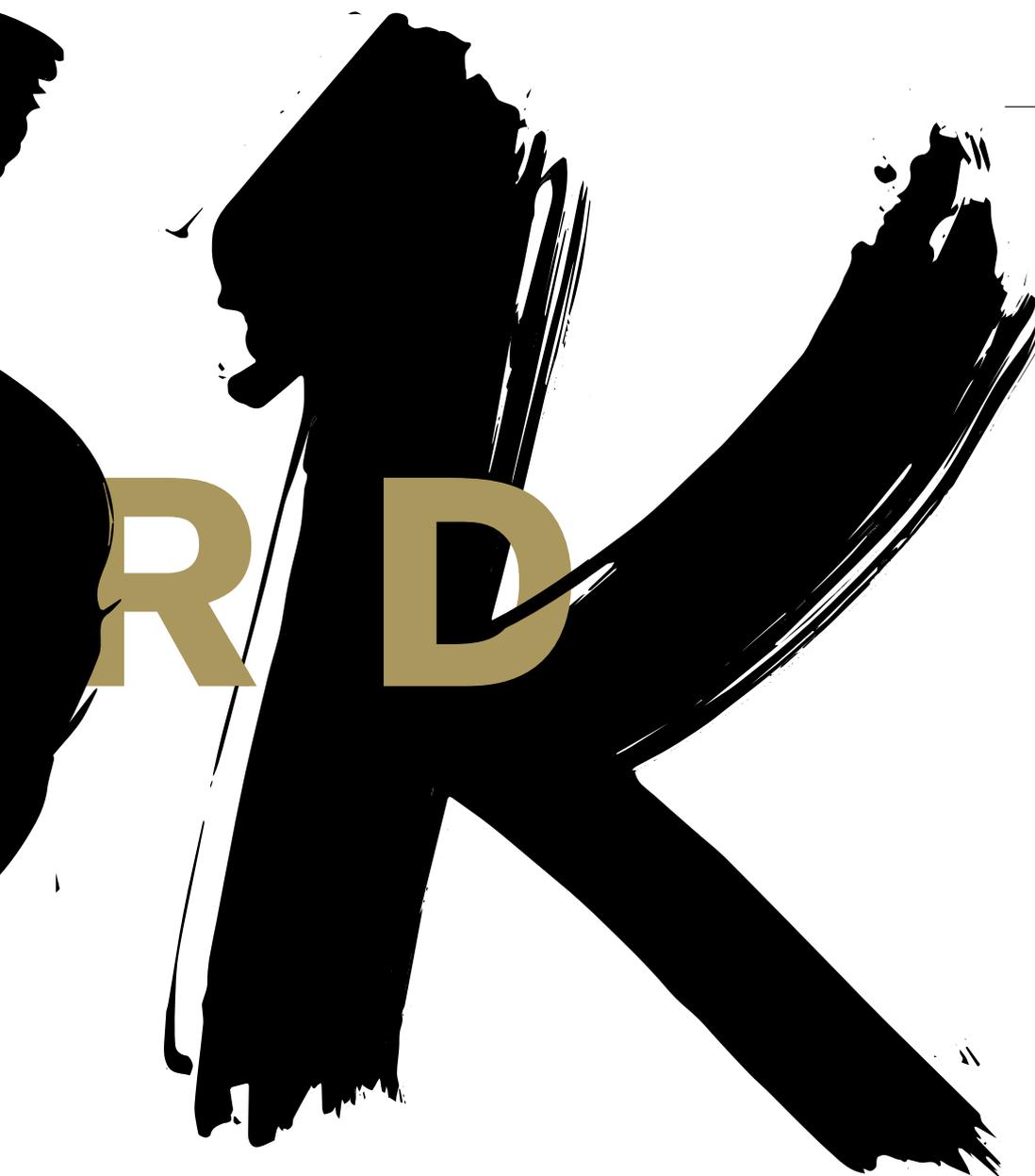




# REWARD

## Does risk now outweigh reward for directors?

*The 2015 IoD Directors' Fees Report recently showed that while median workloads had spiralled upwards, median directors' fees had remained relatively flat. Is there now too much risk and too little reward for directors of New Zealand companies? By Katherine Robinson.*



*“If you are running a company that handles dangerous chemicals, you have a different risk profile to one that has 100 people using computers.”*

“I was recently talking to a partner in a firm who was looking to retire soon, and I asked if he would be interested in a governance role. His response was that there was no money in it and there was huge risk, particularly with the new health and safety legislation,” says Jo Baxter, Associate Partner at executive search firm Hobson Leavy.

Jo says that while current directors are still seeking governance roles, directorships are not as attractive to some candidates who might have once put themselves forward for a seat on the board.

“We find good people to fill the positions, but we do challenge ourselves to find people that our clients haven’t heard of before. We find that we are not touching those people who have not already committed to a career path in governance because the risk has increased but not the fees,” say Jo.

She agrees that money is not always the main attraction for entering a governance career – but it does play a part. Fees are also a factor when experienced directors weigh up whether or not to take on a new directorship.

“People will often say, ‘I have a full portfolio at the moment but could drop a role, what is the fee?’ It’s unlikely that they will drop a well-paid directorship for one that pays considerably less,” she says.

However, IoD Board Services Advisor Kelly McGregor says that how a role will fit a director’s portfolio is also important.

“As an example, I approached a director about a public sector role, but she already had public sector experience and wanted to expand into the private sector. Although tempted, she was thinking long-term and knew that at this stage of her career, she needed to focus on finding a commercial role to balance her experience.

Kelly says that in her experience, most directors have clear expectations about the risks, responsibilities and the workload involved in a board position.

However, the sense that the risk/reward equation might be out of kilter is borne out by the recent *IoD Directors’ Fees Report*. Only half of those surveyed said they were satisfied with their level of remuneration. According to the report, the median fee for a director is \$37,000, an increase of 4 per cent from 2014. Whereas 88 per cent of those surveyed said they had noticed a median increase of 41 per cent in their workload.

To give a global context, New Zealand-owned companies pay directors on average 63 per cent less than overseas-owned companies operating in New Zealand.

“Many variables need to be considered when determining a fair and reasonable fee. Directors play a central role in the economic

health of our country. Businesses and the economy are founded on confidence, and directors give investors that confidence. My concern is that if the gap grows, there is a risk that quality directors won't be interested in serving on New Zealand boards. That's not about being greedy, it's about a fair reward," says IoD CEO Simon Arcus.

#### SUBTLE INCREASES

As a senior director with many years of governance experience, Warren Larsen agrees that the demands on directors have grown significantly since he first took on a governance role.

"I'd say that the workload has progressively increased, and it is made even more significant by the Health and Safety at Work Act. Directors can see more potential liabilities as a consequence of that and boardrooms have already been working hard to ensure that they meet potential requirements. I can understand that people are reluctant to take on governance roles when they weigh up the liabilities against payment."

He believes that the workload has also subtly increased in other areas, particularly in relation to financial matters.

Warren chairs CentrePort and is a past director of Landcorp and Air New Zealand, where he chaired the board's safety committee.

He says that risk, in terms of health and safety, will always be a factor in any business or organisation no matter how stringently health and safety practices are followed.

"People do things in organisations that you just can't explain or legislate against. Accidents occur despite the best documentation and the best effort to implement good health and safety practices," he says.

He predicts that the increasing liabilities and growing workload will make directors more careful about taking on too many directorships, and they will limit themselves to only undertaking a few select roles.

"This will be reflected in the market for highly competent, experienced directors

*"I don't think the director's job description has changed. If you talk to directors, some say that it's a question of reading the job description and following it."*

who make a real difference on the team. It will become increasingly difficult to get some of those people on your board unless shareholders are prepared to pay more in relation to the tasks undertaken. Ultimately, the market will be the key factor in determining fees," he says.

Currently, directors' fees are approved by the company's shareholders as a total pool that is split between the board. Usually, the chair receives twice the directors' fee and a larger share is also allocated to the chair of the audit and risk committee.

#### REVIEW THE FEES POOL

When it comes to calculating the pool of fees, Warren is a strong advocate of regular board reviews and adjustments to the fees to keep pace with the market.

"Every three to five years there should be a very thorough review of the whole range of activities undertaken by the board in relation to remuneration. Once you have done that, it's worth carrying out annual reviews, such as that provided by IoD's DirectorRem service – which is excellent – to tell you what has happened in the last year.

"It's far better to have small adjustments with remuneration than to have a wide gulf as shareholders will start to ask why there is a jump upwards, and it can get rather emotional," says Warren.

John Hawkins, Chair of the New Zealand Shareholders' Association, agrees.

"Generally, the only time you get a demand for a large hike in fees will be from companies that have let themselves slide too far behind in review. If boards seek a large increase, shareholders will

want to see an alignment between this and some kind of step-change, such as the Health and Safety at Work Act. But we would expect a rise in fees in recognition of this to be a one-off with modest yearly increases thereafter.

"Shareholders are reasonably realistic. There is an acceptance among them now that in some areas boards have to deal with increasing complexity. The level of active oversight required of directors is perhaps more intense than it was in the past. But there are varying levels of complexity, particularly regarding health and safety. If you are running a company that handles dangerous chemicals, you have a different risk profile to one that has 100 people using computers," he says.

"The size of a company also has a bearing on fees because they have the most amount of money at risk, therefore they will be seeking the most experienced directors, and will be prepared to pay the highest price."

He adds that there are some instances where having the right faces on the board has made such a vast difference to the company that the directors could have named their price for their input from the investors' point of view.

But what happens when the picture is not so rosy? There is a school of thought that directors work their hardest and earn every dollar of their fees when a company is either in a high-growth phase or experiencing a downturn. John says the Shareholders' Association recommends directors taking some shares in the company as part payment.

"We would say that there needs to be an adequate base fee, but it's good to have an extra bit of skin in the game – if there is profit or a downturn then everyone will share in it," he says.

#### WHAT'S IN THE JOB DESCRIPTION?

IoD Director Development facilitator and Chair of Careerforce Richard Westlake takes a different tack on how increasing risk and compliance is affecting a director's role.

Richard, who is also a director of the Dairy Goat Co-operative, and RCBC Bank in the Philippines, says, "If you

were doing your job properly ten years ago then you probably don't need to lose sleep about doing your job now. If you weren't doing your job properly ten years ago, then there probably wasn't a lot of downside to it. But now you are far more likely to be found out as there is greater scrutiny and transparency."

Having said that, Richard acknowledges that directors have had to put in more hours in recent years, and there is more of an expectation that they should have operational knowledge, particularly around health and safety. It's no longer adequate for directors to accept the word of management – they have to dig deeper.

"But the principles don't change – directors still identify, assess and oversee management of risk. It's been a long-term principle that directors must maintain an active interest. I don't think the director's job description has changed significantly. If you talk to directors, some say it's a question of reading the job description and following it.

"In terms of health and safety, this means that they should get out of the boardroom and walk around the site and take the pulse of the culture. They should ask themselves what are the practices and the attitudes, what are the procedures and the processes. You need to be able to demonstrate that the board's taking an active interest."

He sees the greater danger lying in boards becoming so focused on compliance that they become fearful of taking the risks with the company which will allow it to grow and thrive. "We don't want to forget why we are there," he says.

"We provide staff with a healthy and safe workplace and then we should say 'go for it'. We don't stop playing rugby because it is a dangerous sport. We make sure people have done the coaching courses or are scrummaging properly, and that there is padding around the base of the goal posts – but we still play."

### PAY THE RIGHT FEES

The director's role has become increasingly challenging. Remuneration needs to be set at the right level to attract and retain talented directors who will be able to drive growth and performance for your organisation.

DirectorRem services can provide tailored benchmarking analysis of fees or you can consult DirectorRem SnapShot for an current picture of fees in the market in which you operate.

For a current overview of directors' fees, you can order your copy of the 2015 *IoD Directors' Fees Report*.

The IoD maintains New Zealand's largest database of independent directors. DirectorSearch can help you recruit the best people by searching this database and matching individuals' skills and experience with just what you're looking for.

**For IoD's Board Services, visit [iod.org.nz](http://iod.org.nz)**



CPD POINTS

## Directors' and officers' insurance course to launch

As a director of a New Zealand company, you are personally liable for potential compensation, fines and legal costs. It is vital that you have a thorough understanding of your liabilities and of directors' and officers' insurance (D&O insurance).

Designed for directors at all levels of experience, this online module will assist you in understanding your liabilities, giving an outline of D&O insurance, the typical components of a policy and how to evaluate your own cover needs. It also clarifies the board's liability cover and the claims processes.

Launching on 26 October, the online module should take 30-60 minutes to complete and can be done at any time.

To register visit [iod.org.nz](http://iod.org.nz)



## New programme for the new year

*We are pleased to present your copy of the 2016 Director Development brochure with this issue of boardroom.*

Continuing professional development is vital for staying current, improving skills and building your knowledge base. We invite you to look through the courses available – all have been classified clearly so you will be able to find a course to suit your needs. Fundamentals are designed to support you at each stage of your development as a director – from new or aspiring through to a role as chair. Focused courses fulfil your topical learning needs. Experienced directors should check out the Experienced MasterClass Series – created so you can connect and engage with your peers as well as build your skill-set.

*In 2016, selected learning options will be offered at special earlybird rates. To register, visit [iod.org.nz](http://iod.org.nz)*



**IN BRIEF**

Liz Coutts is currently Chairman of Oceania Healthcare Limited, Urwin & Co Limited, a director of EBOS Group Limited, Ports of Auckland Limited, Skellerup Holdings Limited, Yellow Pages Group, Sanford Limited and Tennis Auckland Region Inc. She is also chair of the Inland Revenue Risk and Assurance Committee and a member of the Marsh Advisory Board.

Liz has previously chaired Meritec Group Limited, Industrial Research Limited and Life Pharmacy. She was Deputy Chairman of the Public Trust and a commissioner of both the Commerce Commission and the Earthquake Commission. She has also been a director of the Health Funding Authority, PHARMAC, Air New Zealand, Sport and Recreation New Zealand, Trust Bank New Zealand; and a member of both the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and the Monetary Policy Committee of the Reserve Bank of New Zealand.

She has a Bachelor of Management Studies from Waikato University.

# Reading the future

*The IoD's first woman vice president and one of New Zealand's most respected directors, Liz Coutts brings years of governance experience to the role. When asked what she thinks is the greatest challenge for directors, she has a ready answer.*

*By Katherine Robinson*

"I always think the greatest challenge is predicting the future. It's always on our minds as directors," says Liz.

Most directors would agree that being able to take the long view is the most demanding part of their job description. Liz says she tries to bring the future into focus by reading widely and networking to get as broad a range of perspectives as possible.

"I find it also helps having a variety of governance roles, as it gives insights into what is happening in different sectors. Although people talk about the rapid pace of change now, this has always been with us."

A Chartered Fellow of the IoD and an IoD councillor for the last two years, Liz currently chairs the boards of Oceania Healthcare Ltd, Urwin & Co Ltd and Inland Revenue's Risk and Assurance Committee. Current directorships include EBOS Group Ltd, Ports of Auckland, Skellerup Holdings Ltd, Yellow Pages Group, Sanford Ltd and Tennis Auckland Region Inc.

"Managing the diary can sometimes be challenging but I have been doing this for a long time. You become able to prioritise and work out what's urgent and non-urgent. Some directors are very good at reading a page quickly and picking up the key issues. It is something that comes with practice," she says.

Liz's first directorship was in 1993 when she was just 33 and appointed to the board of Trust Bank. She was already young in a leadership role, having been appointed chief executive of the Caxton

Group, which had been one of NZ's largest private companies two years earlier. She has thrived on the variety and complexity offered by governance; subsequent directorships included boards as diverse as Air New Zealand, PHARMAC, Ravensdown Fertiliser Cooperative, the Health Funding Authority and the Earthquake Commission.

In 2002, an article in *Management* magazine called Liz "one of New Zealand's least exposed but most successful business women." Ten years later, an independent study named her as one of the country's 17 most influential directors.

A quiet achiever, but one senses, someone who can be very persuasive, she puts her success down to hard work and being well-prepared. "I am also reasonably calm and very respectful of others' opinions," she says.

Liz also makes a point of acknowledging how much she has been able to learn from other directors, including Sir Selwyn Cushing and the late Sir Richard Carter, who were chairmen of Carter Holt Harvey when she was Chief Executive of Caxton. Other distinguished directors she has worked with – and learned from – include Jeff Todd and Sir John Wells.

"I think that I have been absolutely privileged to work with some of New Zealand's most skilled and inspirational directors. They all gave me support just at the right time," says Liz.

Judgement and wisdom are the qualities that she values most in a director. "These qualities come with being able to learn

***"The more you do,  
the more you learn,  
and the better  
you get at it."***

from a number of experiences. Age isn't necessarily a measure of wisdom and judgement as some people have already had a lot of experience at a very young age. The more you do, the more you learn, and the better you get at it."

She supports greater diversity on boards in the sense of including different views and a variety of perspectives around the board table rather than focusing on gender. "You look at the skills and experiences you want on a particular board – that's the main criteria. It's the same for women and men."

Delighted to be elected IoD Vice President, Liz has a clear vision of how the IoD should develop and sees the Chartered Membership pathway as a vital step in its growth.

"I see the IoD as a professional organisation that will offer the right training and guidance for directors, and is well-respected by stakeholders and members. It will be an organisation that directors will want to be associated with. If you create a learning environment where the membership is engaged, they will want to ensure that Chartered Membership succeeds. It's a journey – we are heading in the right direction but we can go further."

The background of the entire page is a photograph of a wall with peeling blue and white paint. Two blue flowers with black stems are positioned on the left side of the page. One flower is taller and has a white spot on its petal, while the other is shorter and also has a white spot. The text is overlaid on the right side of the image.

# A spur for growth

*The difference between a lifestyle company and one that invests for future growth has plenty to do with its governance. Amy Williams talks to three founding chief executives.*

In the business world, there are two types of small business owners: those who are in it for the lifestyle and those who want to build a global company out of New Zealand.

Governance expert Hamish Stevens says it is often the latter who see the benefit in having a board of directors.

“The reason people become small business owners isn’t always to become a big company owner. They do it because it’s a way of life and living. That doesn’t mean they want to take on a huge amount of risk and become a multi-million dollar company,” says Hamish.

As a director on several company boards across New Zealand and Australia, Hamish understands the link between shareholder and management ambition and firm profitability.

“There are some owners who have real ambition and they want to grow globally, they have a strong vision. Those are the people who can see value in a board,” he says.

Hamish helps to create as well as facilitate training programmes for the IoD, including a just-launched webinar on how a board can assist change and growth for small and medium enterprises (SMEs).

He says it is common for SMEs to have one director, adding on family members or advisers such as an accountant and lawyer before transitioning to a full governing board with independent directors.

The key benefits of having independent directors on a board are to provide resources such as networks and general business know-how, and to monitor performance.

Hamish recently completed a research project with the University of Auckland around factors that encourage and discourage the appointment of outside directors in private companies in New Zealand.

“One thing that I’ve found really important about my role is the ability to find skills at the time that we need them, bringing in the knowledge when it’s required.”

One of his main findings was that the size of a firm was not the primary reason for a business to seek independent directors, rather the attitude of the business owners was a key determinate. This included their strategic goals, acceptance of outside control and knowledge of corporate governance.

But it’s rarely quite that simple, and Hamish says a founder can find encouragement and vision for growth through having an independent voice on their board.

“One of the benefits of a board is that it can bring a company to that vision. Some companies need a board to start the planning, to get off first base,” says Hamish.

He says one of the biggest benefits a founding chief executive experiences from a board of directors is that they are held to account, and directors help with the three greatest challenges of SMEs – planning, funding and managing for growth.

## Making it official

*PledgeMe’s Chief Bubble Blower (aka chief executive) Anna Guenther is an entrepreneur with ambition.*

She founded the online crowdfunding company three years ago, before most people knew what crowdfunding was.

Through PledgeMe, people can ask their friends, family, customers and fans to pledge funds toward their campaign.

Since it began, PledgeMe has raised \$7.8 million and had 877 successful projects, not to mention 11 successful equity programmes.

Anna says the company aims to reach \$100 million pledged by 2020 – an ambitious goal, but one she believes is achievable.

“It’s still very early stage, but we have a product people are using and loving,” she says.

PledgeMe has had three rounds of funding to raise money for its expansion, and aims to fund its own growth from now on. Any profit has been reinvested back into the business.

When Anna started the business she set up an advisory board, with skills she needed on the team to be able to grow the business.

Last year PledgeMe moved to a formal board of directors, welcoming investors on as directors.

There are four people on the board, including Anna; chairman Nick Lewis, who has a background in investment banking; Aneke Goodall, who also sits on Meridian’s board; and executive director Breccan McLeod-Lundy.

Anna says the business needed to establish a formal board of directors in order to apply for a crowdfunding license, and

**“With an advisory board you get a lot of different perspectives, but you don’t have people who have a sense of ownership...”**

**Anna Guenther, PledgeMe**

she says it has stepped up the governance to a new level of accountability.

“With an advisory board you get a lot of different perspectives, but you don’t have people who have a sense of ownership and responsibility, whereas with a formal board of directors they are responsible for the governance so there’s a different level of buy in,” she says.

In the early stages of the business, a founder tends to make all the decisions and having a board helps to lessen the load.

“It does change how you make decisions. It’s not just you making decisions within the team anymore, there’s an outside perspective, which is scary but it’s also a little bit freeing because there are other people worrying about it and caring about it,” says Anna.

As for the future, she says the board of directors recently completed a skills assessment and is keen to add product development and legal skills in the future.

## Pitch perfect

*Former cricket star Dion Nash had everything hanging on his idea to create an edgy men's skincare company.*

He had given up a corporate career in marketing, downsized the family home, and invested seed funding into research and development to set up Triumph & Disaster.

"I never wanted a lifestyle business, I wanted to build a global brand from New Zealand," says Dion.

That was 2012 and now the premium brand employs five people here and two in Australia. Profits are invested back into the company's growth.

"We feel like we are alive, we've launched the brand and people are becoming aware of it. We have a core philosophy that we're building our products from and we're trying to communicate that, that takes time," says Dion.

He was keen from the start to have people whom he could use as sounding boards as he developed the business.

He had three mentors, Bruce Plested, Don Braid and Hamish McCourtie, whom he met with separately and informally for the first two years of business.

"I just felt I needed a formal group to report to and have that discipline of having to explain decisions and the

numbers a couple of time a year," says Nash.

"I felt these guys were great advisers, and people I could trust, so I just sort of invited everyone to the first board meeting, sent them notes and a spreadsheet, and hoped they would all turn up."

After that inaugural board meeting on Waiheke Island a few years ago, he hasn't looked back.

"The board from day one has been very focused on getting the business model working, asking is there a consumer for the products and are they selling?"

They definitely challenge me and ask the hard questions. But they are wonderful support and provide amazing guidance," says Dion.

It's still an advisory board, as Nash is the sole director of the company, with he and three others holding shares. He'd like to formalise the board at some point in the future.

"We all have a similar attitude towards business and what we are trying to create. Over time we'd like to add one more person with a marketing focus but we don't need to leap into it."

## Funding for growth

*The online translations company Straker Translations recently raised \$6 million to help fund its international expansion.*

The company generates \$8 million in revenue using a cloud-based platform that allows translations to be delivered around the clock in more than 80 languages.

It has no debt and has been profitable this financial year.

Straker's chief executive and co-founder, Grant Straker, says having people with financial experience and expertise on the board has been crucial to the firm's success.

"One of the biggest challenges is getting capital at the right time and negotiating the right deal. It's important to have people who have been there who can advise you," he says.

The 16-year-old company's board was established nearly three years ago, at the behest of Milford Asset Management, which came on as an investor.

There are now five directors on the board, including Grant (his wife Merryn recently stepped down from the board, but remains the company's Chief Operations Officer), and it is chaired by Phil Norman, who was the founding chairman of online accounting software firm Xero.

Straker says having a board has helped to focus him on the business strategy.

"I think a board instantly adds pressure. It makes you far more accountable, you've got to deliver. It takes some pressure off in some other areas, in that you can leverage the board in discussions."

He and Merryn started the company as a platform that allowed customers to have websites in multiple languages. As a business model, it had a limited scalability, and when they were asked to plug translation into the platform they realised they could tap into a \$40 billion industry.

"It was a binary choice to go from a lifestyle company to a high growth model. It was a tough couple of years but we built up the translation business from there," he says.

Straker says he and Merryn had a young family and a mortgage, and it was hard work.

But they believed in growing a significant tech company out of New Zealand. Straker Translations now has 55 staff globally and production centres in Auckland, Barcelona and Denver.

Their aim is for Straker Translations to be a high value tech company in five years, turning over \$50 million in revenue and Straker says they are on track to achieve that.

## Hot topics for SME directors

As the director of a small to medium enterprise, what keeps you awake at night? What challenges are other directors facing? Join this interactive webinar focused on small business governance. Facilitated by Hamish Stevens, chair of East Health Services Ltd, and a director of Restaurant Brands Ltd, AsureQuality Ltd, Counties Power, and Smart Environmental Ltd, the course will discuss how you can add value and help grow the business through better governance.

Send us the topics you would like explored before the webinar and discussions will be tailored based on the key themes that arise.

**Content includes:**

- adding value
- questions you should be asking as a small business director
- examples of effective and ineffective boards
- your hot topic questions answered

*For more details and to register, visit [iod.org.nz](http://iod.org.nz)*



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# Conflict and the boardroom

*Disagreement can enliven a discussion and add to the decision-making process but it can also overwhelm and paralyse a board. Sharon Stephenson talks to experienced chairs about how to find the right balance.*

In the blue corner, *Australian Post* deputy chair Brendan Fleiter. Coming out from the red corner was Richard Green, the 70-year-old chairman of Australian satellite company NewSat.

The 'ring' was a NewSat board meeting last year when a heated discussion over the company's governance and payments to the chairman's son-in-law threatened to boil over into what Australian rugby league commentators like to call 'biffo'.

Green was eventually persuaded to stop his behaviour and sit down. Shortly after the stoush, which followed months of tensions and tumultuous board meetings, the listed company imploded, leaving lenders and shareholders hundreds of millions of dollars out of pocket.

While this might be an extreme example, the fact remains that the governance space can be an ideal breeding ground for conflict.

"Put together a collection of people with diverse perspectives, strong opinions, passion and a history of getting what they want, and that can be a perfect storm for conflict," noted an article in the *Harvard Business Review* (July, 2012).

"Of course, a degree of conflict within a board can be valuable and often aids in growth and change within an organisation, but that's only if the conflict can be recognised, managed and turned into a positive force in advancing the goals of the organisation," the article continued.

"Unchecked, conflict can be a corrosive force, not only for the functioning of the board itself but also for the strategic direction and bottom line of the company."

While all the chairs interviewed for this article admitted they'd never been in a board situation that escalated into violence, all agreed they had been party to "some robust debates".

Tony Carter, Chair of Air New Zealand and Fisher & Paykel Healthcare Limited, says dysfunctional boards are not that uncommon.

"I once had to close a meeting where things were getting out of hand," says Tony, who is also a director of Fletcher Building, ANZ and BNZ.

"It wasn't at the stage where blows were about to be traded but discussion was getting pretty heated. The best solution was to admit that we weren't going to reach a resolution on the issue and to close the meeting."

Tony says he then called in external help to work with the warring board members to reach a solution.

"A certain amount of conflict is healthy in a board setting," believes Tony. "What you don't want is a board who all think the same way. You need diversity of opinion on a board, people who aren't

scared to take a different point of view. I once worked with a director who used to talk about what he called constructive cynics, people who put forward an alternative or controversial opinion to stimulate debate. I have been on a few boards where you need people like that.”

But Tony admits boards walk a tightrope between getting a diverse range of people and not having their differences of opinion spiral out of control.

“It’s all about the board composition, about recruiting the right people for the board who bring a range of opinions but who are also united by a collective good.”

That means being prepared to listen, compromise and accept the point of view of the majority.

“If, however, you find yourself in a situation where it’s impossible to support the board, for example, where doing so goes against your values, then there’s only one option and that’s to resign.”

In his eight years of helming boards, Tony says most conflict has derived from directors wearing the ‘wrong’ hat to board meetings.

“When directors represent the views of shareholders, this can clash with the views of the entity that appointed them. Directors in this situation need to be reminded that they owe their loyalty to the organisation not to individual shareholders.”

Tony says the buck ultimately stops with the chair.

“There are generally two ends to the spectrum – chairs that want to get the decision made as quickly as possible with limited discussion and chairs who let the debate go round and round in circles. A good chair will ensure that everyone has their say, without any one person dominating, and then ensure that a conclusion is reached.”

It’s something Sue Sheldon knows quite a bit about.

The Christchurch-based chair of Freightways, Paymark and Global Women has been sitting at the top table for 18 years. She recently stepped down as Chair of Chorus, a role she held for three years.

In her experience, conflict usually arises when the wrong people are sitting around the table.

“When you hit difficult issues, you need people with scars on their backs, seasoned directors who have the experience and knowledge to help the board reach a satisfactory conclusion,” says Sue.

She believes it’s essential to review the composition of boards at least once a year to ensure that a diverse range of opinions and skills are represented.

Conflict can also arise when directors don’t bring all the issues to the table.

“If you have offline conversations going on, that’s not helpful to the openness and transparency of the board. In New Zealand, we tend towards collaborative boards and if directors are having separate conversations outside of the boardroom, this can lead to adverse relationships around the table.”

While a range of opinions is essential for healthy debate, the opposite – where only a few are willing to be heard – can be almost as damaging.

“I was a member of a board where only three of the seven directors were fully skilled for the role,” says Sue. “These three directors were doing all the work. There was no diversity of thought and we eventually had to question why these other directors were there if they weren’t sufficiently skilled. There are no free rides on boards – you either contribute or you get out.”

Kerry Prendergast is another chair who knows her way around a board table. The former Mayor of Wellington’s governance career started in 1978 when she was elected to the local Plunket committee. She is currently Chair of the EPA, Tourism New Zealand, the New Zealand International Festival, the Wellington Jazz Music Festival Trust and the Endangered Species Foundation, as well as holding numerous board positions.

But it was Kerry’s years in local government where she experienced the most personality clashes.

“You’re working with elected councillors whose ability to get re-elected is pretty

***“In New Zealand, we tend towards collaborative boards and if directors are having separate conversations outside of the boardroom, this can lead to adverse relationships around the table.”***

much based on the noise they make, especially in the media. So you tend to get people making outlandish statements to increase their chance of re-election and as chair, you need to manage these different drivers and behaviours which can result in not just verbal conflict.”

Kerry believes the key to resolving such situations lies in working with individual directors to find out where they’re coming from.

“You need to find out what their issues are and offer support, perhaps by mentoring or buddying with them. Certain directors might also need to upskill in certain areas and this could involve steering them towards the IoD or getting them in front of management.”

Annual board reviews are also critical in ensuring the right people with the right skills are working towards a common cause, adds Kerry.

“Getting away once a year is really helpful because in my experience you learn as much about a director over dinner and a glass of wine as you do during the day. As a chair, it’s about knowing the whole person, what their values are, what their home situation is like and how they operate. That’s important to ensure that every single person on a board is doing what they’re supposed to, which is to add value and drive shareholder value.”

Having a robust code of conduct and conflict register are also essential to keeping boards in check, as is a clear strategic direction.

“It’s up to the chair to ensure that the board is making a real difference. After all, isn’t that why we’re there?”

## MEMBERSHIP PROFILE

# Mover and shaker

*It's fitting that Michelle Teirney created a new milestone to become the IoD's 7000th member last month. She tells Breanna Cullen that her career has been characterised by making changes*

"I'm the person who comes in and changes processes, turns things on their head and gets them back on a path when they're broken."

Michelle joins the IoD on the cusp of her governance career, having landed her first directorship earlier this year. Passionate about the role of women in leadership, she aims to add diversity at the board table and within the C-suite.

"There needs to be more female directors to improve business success. With my combination of finance skills and experience across multiple industries, I think I can add value to organisations."

A Chartered Accountant, Michelle is CFO and Director of Corporate Services at Manukau Institute of Technology (MIT). She took up the reins in January 2013 after being approached "out of the blue".

"I really connected with their values and where they were wanting to go. Our mantra here is to get people into great jobs, and what better purpose, really, can you have?"

After a "fairly typical" start to her career as an accounting graduate at Staples Rodway, a move to the manufacturing sector provided her first taste of a high-change environment. Amidst the turbulence, she worked her way up from corporate accountant to Group Commercial Manager before itchy feet set in.

"I'm a person who is not that motivated by dollars. I really wanted to start working where I could add value and where there was some social agenda. It was a very tough operating environment, the manufacturing sector, and I wanted something that wasn't just about improving shareholder value."

A move to Auckland District Health Board (ADHB) was "quite hard, going from a hard-paced, decisive environment to one

that was quite consultative." Charged with modernising the DHB's finance systems and centralising shared services, she says she was fortunate to have some great mentors who pushed her to new heights.

"I've never experienced any challenges in a male environment with moving forward – in fact, they've been my biggest advocates."

She was leading a team of 30 when twin boys arrived – an experience she describes as "like having your world thrown on its head."

"I'd had no roadblocks, I'd never experienced the glass ceiling. But then I had my boys, and suddenly the world got a little bit tough."

With both twins having health issues, Michelle found it increasingly difficult to balance work with family life and hospital visits.

"Like a lot of women, you make some choices at that time, and think 'What's right for me and my children?' I resigned, and ADHB threw out my resignation and said, 'Tell us what you can do, because we don't want to lose you.' They were fantastic and I will forever thank them for that."

For someone who admits to having been tough on her staff at times, the experience was a wake-up call.

"It does make you a lot more human and you come to appreciate that people do have broader issues and challenges. I've become quite resilient from managing those different challenges and changes."

Invited to present at the Tertiary Education Women's Leadership course last year, Michelle took the opportunity to speak on the value of personal resilience in leadership – a topic now close to her heart.

She moved on from ADHB, opting instead for the flexibility offered by consulting, and

took the opportunity to add a Postgraduate Diploma in Business and Administration and a Master of Management to her repertoire while her children were young.

After a stint consulting for a series of big corporates, Michelle began her current position as CFO at MIT.

But three weeks into the role, the company building the polytechnic's new campus went into liquidation.

"I had another very big challenge on my hands, as CFO, to lead the organisation through a time of quite significant challenge and issues.

"Two years down the track, we're on a great path. We're now stable, but that's been through a lot of work – getting the right team behind me, and getting some really strong business partnerships to get us moving in the right direction."

That stability gave Michelle the opportunity to add a directorship to her portfolio. She came across ME/CFS Support (Auckland) Inc – an organisation raising awareness of Chronic Fatigue Syndrome – and says that the cause connected with her.

"It's quite a stigmatised illness. A lot of our members and a lot of sufferers find it incredibly difficult to get the support they need because it's not easily diagnosed and a lot of GPs don't have a great understanding of the illness."

She's driven to add value to the organisations she works with, and says it's this that drew her to governance.

"I love the opportunity to make a difference across a wide range of organisations. You can add value to a number of areas, using your skills and experience to add to multiple disciplines and bring a bigger picture view to things."

*"A lot of people really get nervous about change and challenge, but I think they're fantastic opportunities to show what you can do... Never be afraid of change – learn to embrace it."*





# Māori solution to the health and safety challenge

*In this third in a series of articles, KPMG partner Matt Prichard argues we should look to tikanga Māori to find rich, unique, New Zealand solutions to our key challenges to give us an advantage on the global stage. The contribution of Māori business to New Zealand's prosperity is one of the most exciting opportunities of our generation.*

If mainstream New Zealand business takes the time and builds relationships of trust, KPMG believes there's a huge amount to be gained for all New Zealanders from looking inside Te Ao Māori for solutions to some of our biggest challenges.

## KEEPING PEOPLE SAFE AT WORK

New Zealand has an unacceptably poor health and safety record. Our Government has acknowledged that our past approach to keeping people healthy and safe at work has not been effective.

Catastrophic disasters like the Tamahere coolstore explosion in 2008 and Pike River in 2010 destroy lives, families, reputations and companies.

One to two people die every week because of poor health and safety practices.

## A MAINSTREAM RESPONSE

Our mainstream response is rules-based, and every director knows the rules are about to get much tougher.

The Health and Safety at Work Act has now been passed, and comes into force in April 2016.

The requirements of the new Act have been well covered in *boardroom* magazine. The Act will make health and safety a key focus for directors, giving them a

personal duty to undertake due diligence over health and safety systems and performance.

Failure by directors to comply with these new duties could result in imprisonment of up to five years and substantial fines – \$100,000 to \$600,000 for directors and up to \$3 million for companies.

## MANAAKITANGA

Enhanced rules, compliance checks, audits and stronger governance will go some way to improving our terrible health and safety record.

Many believe that these will only take us so far, and that cultural change in our workplaces is the key to really driving down our record of serious accidents and deaths.

Manaakitanga is the Māori concept of respect, generosity and care for others.

People demonstrate manaakitanga by behaving in a way that upholds the mana of others, treating them as an equal or of greater importance than oneself, through the expression of aroha, hospitality, generosity and mutual respect. Displaying manaakitanga elevates the status of all, building unity through humility and the act of giving.

Applying this approach to your organisation's culture

around workplace health and safety has the potential to significantly enhance the success of your programme.

If a leader or manager's own mana or status comes from the way they care for and take care of those around them, then workers are more likely to be supportive of health and safety measures.

Consider the contrast between a culture of fear of the consequences for non-compliance (although we will never be able to monitor every action in every workplace to enforce that compliance), and a culture of passionately believing that leadership comes from taking care of each other.

This is not an argument for retiring the new rules, processes or inspections. But giving people a passionate belief that supports the way they behave in the workplace will always beat a pure process and controls approach.

Embedding this basic Māori concept in our workplaces could be the most powerful part of a new approach to keeping New Zealanders safe at work.

**Matt Prichard is a partner at KPMG. This is the third in a series of articles that explores opportunities to apply tikanga Māori to give New Zealand businesses an advantage on the global stage.**



# Keeping it in the family

*A farming family have adapted a corporate business structure to ensure the smooth running of their extended family business. By Katherine Robinson*

It's 7:00pm on a Tuesday night and John White is preparing one of the paddocks in his Southland dairy farm. Our phone interview is conducted with a background hum of heavy machinery, making the point that farming is a business that runs around the clock.

A fourth generation farmer, John grew up in the Waikato with his two brothers Thomas and Michael, who now run a family dairy farm each near Putaruru.

John's links with the Deep South stem from the 1990s, when his father Philip and mother Maree bought a share in a dairy

farm (Waianiwa Limited) in Southland as an investment. Study at Lincoln University deepened his connection with the South Island, so after a stint of working in the USA and Chile, it seemed logical to move south to take a role managing a non-family owned dairy farm operation. In this time the family sold Waianiwa, buying 99 South Limited, which John then managed.

Five years later, marriage to Renee and a young family meant that he was keen to find a dairy farm of his own. In conjunction with their family, Renee and John bought South Coast Farms Ltd near Riverton.

With four farms between them – two in the Waikato and two in Southland – the family could see that there would be benefits of scale in continuing to combine. The question was how to do it in such a way that it preserved operational independence but provided structure and support. The family's solution was to adapt a corporate structure in a way that worked for them. Each of the four farms is governed by a separate board and is also managed and farmed separately. Overseeing the four boards is a family council made up of John's father, Philip, mother, Maree, brothers, Michael and

*Kathleen, Maree, Renee  
(with Esther), John, Thomas,  
Richelle, Freda and Kevin  
Hurley (Maree's parents),  
Michael and Philip.*

Thomas, Thomas's wife, Richelle, John and his wife, Renee. The council has no assets but sets a broad strategy that filters down to each of the farms.

Quarterly family council meetings ensure that the whole family regularly touches base on developments, proposals and any outstanding issues. It acts as a conduit for communication – which is vital when the family business is split between two islands.

Concepts picked up on both DairyNZ's governance course and the IoD's recently launched Rural Governance Essentials course have been fed into the way this family business operates.

"We took those ideas that we could see would work well for us. As a council, we established a strategy document to outline what we are about and why we operate, and a policy document to outline how we are going to do it," says John.

"Oddly enough the hardest thing for us was to identify our purpose. That process required some thought but it was one of the most important things we have done. We thought we all knew what we were doing – farming – but we found that it was challenging to look beyond the day-to-day. In the end we settled on our purpose being to create enjoyable, equitable opportunities for an enterprising, values-based family business, now and for future generations," says John.

The family then set up five key principles under which they could run the business. These were family, reputation, sustainability, achievement and enjoyment.

"These have laid the foundations for how we operate and make us consider everything we do. Before we established these five principles, I thought that I should be going for growth at any cost but now I realise that we are doing this

as a family and for the family. It tends to make planning more long-term."

The corporate approach also provided the correct business etiquette on how proposals could be put forward and discussed as a family. John's father currently chairs the family council, but it's under consideration as to whether an independent director should take this role in future.

John says that there is strength in being able to work together, including being able to leverage off the scale of the operation.

"We are always looking for opportunities – though dairy is in a hell of a downturn at the moment. But if there is equity available between the businesses, it means that we can achieve some growth.

"Another one of our strengths is that we are not all farming in each other's pockets. We have limited say in the management of each other's farms, and no one says 'hey, you can't do that!'"

Personal goals are reviewed at every family council meeting to ensure that everyone is still travelling in the same direction.

"The key is that we do continue to keep growing together. But at any stage we can reshuffle shareholdings and sell properties if people decided to diverge and go different ways. We would want to avoid it as a shock and do it through a planned process."

At the moment there are two generations at the board table, but there could be three in the foreseeable future.

"Technically, the children are already part of the council now although they are very young. But when they are older and if they have something to say at the council, we would be very interested to hear it," says John.

The council also has its own exit strategy – set at 15 years ahead when the next generation are ready to make their own investment decisions. One can't help hoping that at least some of the new generation continue the family tradition and stay on to farm together.

#### **ADAPTING GOVERNANCE FOR AGRI-BUSINESS**

Farming families are adapting governance best practice to suit the needs of their own business model, says IoD Director Development facilitator Giselle McLachlan.

"They are interested in finding out more about the benefits of good governance to their farms or agri-businesses. I've noticed that they tend to pick out the ideas or processes that they think are most relevant to them or that will make their business more effective," she says.

Giselle facilitates Rural Governance Essentials, a one-day course designed specifically for farms and agri-businesses. The course gives insights into the benefits that a board can bring to a farming business and into the fundamental responsibilities of a board and individual directors. Since launching in July, the course has been rolled out around the country to meet a heavy demand.

***Get in quick for a place on the Rural Governance Essentials course to be held on 11 November, Palmerston North. For the 2016 programme, read 2016 Director Development brochure with this edition of boardroom or visit [iod.org.nz](http://iod.org.nz)***



# Ten tips for directors on the new health and safety regime

*The success of the new health and safety regime will not be measured by the proliferation of health and safety site committees or by double down enforcement from WorkSafe New Zealand, or even by tougher penalties from the courts. It will be measured by the extent to which it generates cultural change, which means the motivational force must come from the board. Everything else is just a means to an end. By Garth Gallaway and Marie Wisker*

The Health and Safety at Work Act will come into effect on 4 April next year, which is not much time at all once Christmas and summer holidays are taken into account. But we are aware that most boards have already reviewed their health and safety governance arrangements in anticipation of the law change and are well-advanced in their planning.

To assist with this preparation, we've identified ten actions or attitudes which should ensure that you satisfy the requirements of an 'officer' under the Act. The officer definition was fine-tuned as the Bill went through the House and is now designed to capture only directors and very senior managers which, in all but the largest organisations, is likely to be just the chief executive.

**1** Make health and safety the first item on the board agenda, at least while the new system is bedding in. Then make sure that it is always among the top three items and that it is always actively discussed, not just ticked off.

**2** Interrogate decisions for their health and safety implications. Tight project timeframes and high productivity bonuses can encourage people to take shortcuts. Where remuneration is based on performance, safety must be first among the performance criteria.

**3** Apply the same disciplines to health and safety as you apply to financial reporting. The due diligence duty in the Health and Safety at Work Act is almost identical to the director's general duty of care, diligence and skill under the Companies Act 1993, and will require an approach similar to that which directors take to managing financial risk.

**4** If you do not have a board health and safety committee, ask yourself and your fellow directors why not. The Financial Markets Authority Corporate Governance guidelines, released in December last year, recommend this as a mechanism "to provide oversight and accountability for safety procedures, policies and legislative compliance", saying it is "vital that boards give proper time and attention to these matters and that committee decisions are robust and transparent".

**5** Be clear about your role. The primary duty of care lies with the company (or other employing organisation) as the PCBU, the Person Conducting the Business or Undertaking. Your duty as an officer is to ensure that the PCBU is fulfilling its health and safety obligations. This will require – at a minimum – that you:

- maintain an up-to-date knowledge of workplace health and safety matters
- have a detailed understanding of health and safety, the nature of the business and any associated risks and hazards, and
- verify that the PCBU has access to (and uses) any resources necessary to eliminate or – if elimination is not possible – to minimise safety risks.

**6** Instruct the PCBU to factor safety performance into procurement decisions. Your health and safety responsibilities end where your sphere of influence ends, not where your legal accountability ends. This will underline your commitment to workplace safety and will help to lead cultural change across the economy.

**7** Ensure that the worker participation requirements – the health and safety worksite committees and the election of H&S worker representatives – are taken very seriously. The integrity of the establishment process will be critical to how well the structures work.

**8** Be vigilant. This is not a 'spray and walk away' exercise. Ensure that the PCBU regularly reviews its risk profile and risk mitigation strategies. Foster a culture of feedback and speaking up. Consider whether there would be value in setting up a confidential channel for employees to raise health and safety concerns.

**9** Be proactive. Make site visits. When you are there, engage directly with the employees. Ask them if they feel safe at work, if they are aware of any safety issues which need attention (including the purchase of safety equipment), and if employees are taking safety risks on the job. Ask yourself how well you understand the workforce culture and – if the answer is scarcely at all – do something about it.

**10** Accept that the reputational risks around unsafe work practices causing injury or death are now higher than they were before 29 miners were killed at Pike River on 19 November 2010. The Royal Commission observed in its report on the explosion that New Zealand had had an underground coal mining tragedy "every generation or so" but that the lessons from these tragedies had always been forgotten. Pike River may be the exception, the watershed moment which forces profound and enduring change.

Over the last 20 years, we have seen seismic shifts in public perceptions of drink driving and smoking in public buildings. It may be that a similar shift is underway now around workplace safety. If so, businesses with bad safety histories may become the targets of a consumer backlash.

The "she'll be right" attitude which has delivered New Zealand workplace injury rates twice as high as Australia's and six times as high as Britain's is no longer acceptable – and directors and officers are the ones tasked with driving that attitudinal change.

**Garth Gallaway is a partner at Chapman Tripp and Marie Wisker is a Senior Associate.**



Garth Gallaway



Marie Wisker



## OPINION

# Unaffordable housing – why this is a business issue

*Home ownership is a critical link to entrepreneurship in New Zealand – and is now no longer possible for many New Zealanders. The issue is most acute in Auckland, which is increasingly uncompetitive globally, posing a long-term and strategic risk for businesses. By Shamubeel Eaquib*

House prices have risen sharply in recent years, intensifying into unaffordability, particularly in Auckland. The average house price in Auckland is well over \$800,000, yet the average family earns around \$80,000. The average family cannot buy the average home.

House prices have been rising faster than incomes since the early 1990s. Home ownership rose for nearly a century until 1991, but has since fallen steadily to now being the lowest since 1951.

The worsening affordability problem has led to a number of issues. The most prominent are social consequences, but there are also business consequences that directors should be aware of, as cities become internationally uncompetitive and reduced access to capital dulls entrepreneurship.

## BUSINESS AND ECONOMIC CONSEQUENCES

There are tangible consequences of housing unaffordability for businesses. The two most prominent for directors to consider are stifling entrepreneurship and eroding city competitiveness.

Housing unaffordability is dulling entrepreneurship. It is difficult and costly to borrow funds to start a new business venture. Most lending for emerging and small businesses is secured against a mortgage. Declining

home ownership means that fewer and fewer Kiwis will be able realise their dream of starting a business.

The design of our banking system further reinforces this. Because mortgages are ranked lower risk in regulation, banks naturally prefer to lend against houses rather than to businesses, which are seen as riskier. As a result, the share of bank lending to mortgages has been steadily rising from less than 10 per cent of total lending in the 1950s to over 50 per cent today.

Entrepreneurship is important, as new businesses tend to make use of emerging ideas and technologies to compete with existing businesses. This injection of creativity through entrepreneurship is at the heart of economic vitality, productivity growth and competitive businesses.

Unaffordable housing is also a challenge to the cost of doing business and ability to attract and retain talent.

Businesses in Auckland pay higher wages to reward skills and productivity, but also to pay for the high cost of living. While paying wages to reward skills and productivity is good business, paying over the odds to compensate for a higher cost of living is not. But many businesses need to do this, especially for support staff and back office functions.

Housing has become a substantial part of the household budget. Auckland is a high wage economy, reflecting a concentration of highly skilled jobs and the agglomeration benefits of closeness and serendipity in a big city. If we rank New Zealand's regions by income, Auckland is near the top. But once we take housing costs into account, Auckland falls to near the bottom. Housing costs are so high that Auckland is increasingly uncompetitive relative to other parts of New Zealand. The exception is for very highly skilled people, whose jobs simply do not exist in any other part of the country. But medium and low-skill workers may be better off, in terms of disposable income, in the regions where there are job opportunities.

Auckland is often compared to global cities like Sydney, to justify the cost of housing and the cost of doing business. But Auckland prices are out of step with Sydney. Auckland has a population of just 1.5 million people, fewer than Sydney in the 1950s. The median house price in Sydney is over NZ\$1,000,000 and the median house price in Auckland is NZ\$735,000, at the time of going to press. (I use the median price here rather than the average price, which is over \$800,000 for Auckland, to ensure we are comparing like for like.)

Compared to Sydney, Auckland has 25 per cent lower prices, 30 per cent

lower incomes, 27 per cent lower population density and a 66 per cent smaller population.

Unaffordable housing increases the cost of doing business and reduces our global competitiveness. This matters for businesses, especially when it comes to attracting and retaining skills, whether from other parts of New Zealand or globally.

Directors need to think critically about where they locate their staff: carefully balancing the agglomeration benefits of being together against the costs to the business and their staff (both financial and social). Increasingly, HR managers are finding benefits to locating at least some of their staff, particularly low and medium skill jobs, in more provincial areas.

At an operational basis, the trick is to find and retain skilled staff in Auckland, who need to be compensated for Auckland's high housing costs. This compensation can be in non-financial terms, including investment in staff through training and transparency of career progression.

Governance professionals need to understand that this is a potential bottleneck to their firms' growth ambitions. This needs to be an important facet of their strategic thinking, in addition to the usual economic, business and regulatory issues. The business implications are in many ways a manifestation of the social consequences of unaffordable housing.

#### **SOCIAL CONSEQUENCES**

The social consequences of unaffordable housing are clear to see in the rise of Generation Rent: today 52 per cent of adults in New Zealand and 57 per cent of adults in Auckland rent. Yet home ownership remains a core aspect of Kiwi culture. This dissonance between cultural identity and inability to own a home is

frustrating for increasing numbers of Kiwis and is leading to social and political apathy.

Those who do manage to buy are in mortgage slavery for all their working lives. This increases risk of financial hardship. More families now live further away, children stay in care outside of the home for longer with less quality family time.

Reaching old age without a home and substantial financial savings risks an impoverished retirement. New Zealand's universal superannuation is only enough if there are no housing costs and there are some additional financial savings. Retirement will be plagued with financial uncertainty for many.

The gentrification of suburbs has unseen impacts. While this leads to investment and beautification of some locations, the previous poorer residents are pushed out. Left unchecked, we risk creating an environment of segregation, disenfranchisement and division drawn along the lines of land ownership.

#### **SOLVING THE CRISIS**

New Zealand treats residential rentals differently from other contracts. Rental contracts tend to be short-term and with few rights. As a result renting is shelter, but not a home. Compared to places like Germany and Switzerland, where the majority tend to rent, the typical lease terms are long, the bar for giving notice (both parties) is high, tenants have significant rights and responsibilities. Modelling New Zealand rental rules along these lines would mean that the majority of adults already renting in New Zealand would lead a higher quality of life.

A key driver of unaffordable houses is the high cost of land, which reflects slow supply of land (which is provisioned with infrastructure and amenities). The main difficulties are around urban planning,

NIMBYism and current infrastructure funding structures, which mean the funders do not receive windfall gains from their investments. While it is tempting to focus on local government, in reality the problem is more complex. It involves local authorities and their urban planning, but also NIMBYs who stop change. Funding structures put the cost to local government but the economic and tax gains accrue to central government without any mechanism to reward local authorities. Better urban design, ways to combat and placate NIMBYs and better funding structures are needed.

Investor demand for housing is also a key driver. Housing is seen as tax-free investment. Existing tax rules require taxes to be paid on houses bought with the intent to benefit from capital gains. But the rules are vague and application inconsistent. Stronger application of the capital gains tax (although not named as such) will help curb house price speculation.

The final element is banking. Current rules specifically reward lending to mortgages. These rules need to be updated to remove such a bias to housing in favour of entrepreneurship.

We know the causes and solutions to the housing affordability crisis. The social, business and economic costs are clear and growing. Change requires political leadership, but that will only come from pressure from the public and business leaders.

***Shamubeel Equb is an independent economist, currently on a career break to be a dad with a little sprinkling of consulting.***

# Governance Leadership Centre (GLC) update

*Health and safety developments and a new practice guide have been a key focus for the GLC since the last boardroom.*

## LEADING ON HEALTH AND SAFETY

*The Health and Safety at Work Act 2015 comes into effect on 4 April 2016. The Act aims to improve New Zealand's workplace health and safety culture by creating a proactive partnership between employers and workers.*

Under the Act the main duty of care for the health and safety of workers lies with the company. A director's duty as an officer of a Person Conducting a Business or Undertaking (PCBU) is to exercise due diligence to ensure that the company meets its health and safety obligations.

Managing health and safety duties should be no different for directors than managing other risks, such as financial or business risks. Directors who are already leading on health and safety should not need to do anything different under the new Act. This means staying up to date on health and safety issues, understanding the nature of the operations and the associated hazards and risks, and making sure that there are appropriate resources and processes to eliminate or minimise those risks.

## UPDATING THE GUIDELINE

In 2013 the IoD and Ministry of Business, Innovation and Employment issued the *Good Governance Practices Guideline for Managing Health and Safety Risks*. It has been widely used by boards and business leaders to achieve best practice in health and safety governance. Although the principles of the guideline still apply, the IoD is working with WorkSafe NZ to update it to ensure it reflects changes in the new Act. The new guideline will be available early 2016.

The guideline and other resources, including *directors'briefs* on health and safety reform, are available at [iod.org.nz](http://iod.org.nz).

## EFFECTIVE BOARD MEETINGS

The *Board Meetings Practice Guide*, issued to members in September, aims to ensure good decision-making through effective meetings. This new addition to the GLC's suite of resources was developed in response to members' requests for guidance on boardroom meeting practice.

The guide focuses on critical aspects such as planning and preparation, which can not only ensure a meeting runs smoothly but also help to foster robust debate. The guide provides tips and templates for three essential boardroom tools – a focused agenda, board papers that contain the right information to meet the board's purpose and needs, and minutes that record decisions and tell the story of the meeting.

The guide is relevant to all boards, including those of smaller business and not-for-profit organisations.

***GLC Practice Guides and other governance resources are available at [www.iod.org.nz](http://www.iod.org.nz)***

## Perspectives

### G20 ENDORSES UPDATED OECD PRINCIPLES OF CORPORATE GOVERNANCE

The updated *G20/OECD Principles of Corporate Governance* (2015) were launched at the September G20 meeting in Turkey. Endorsed by the G20, the Principles provide recommendations to national policy makers to promote market confidence and business integrity through good corporate governance. The intended reach encompasses countries with a wide range of corporate governance frameworks and covers functions of financial markets, shareholder rights, institutional

investors, disclosure and transparency, and the responsibilities of the board.

The IoD's submission to the OECD on the draft update of the Principles is available at [iod.org.nz](http://iod.org.nz)

### NEW PERSPECTIVE ON INDEPENDENT DIRECTORS

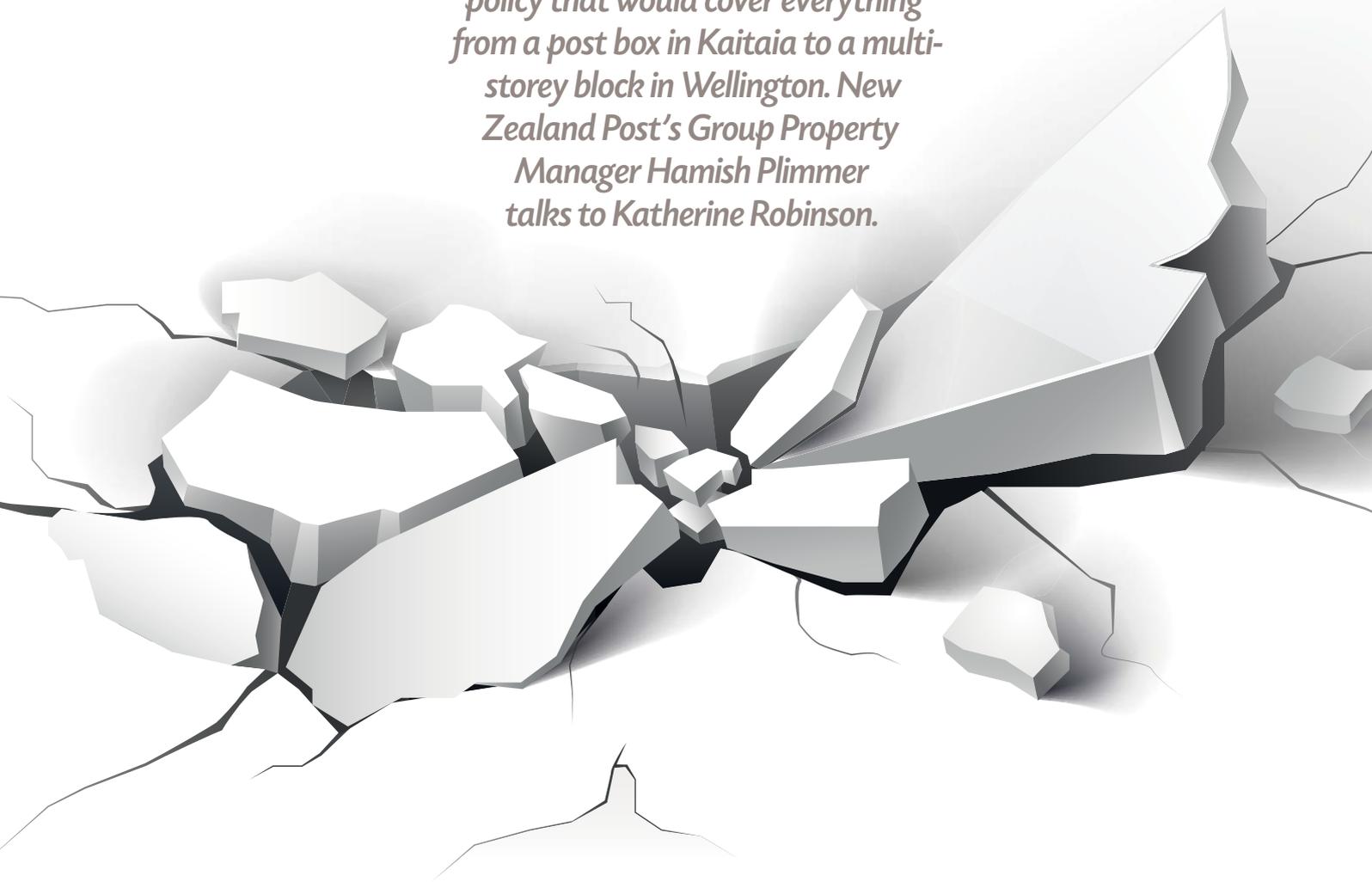
The role and contribution of independent directors in board risk oversight continues to engender debate and discussion. Siobhan Sweeney, a recent prize-winning Cambridge researcher, suggests that we need 'contrarian' directors to play the part of devil's advocate in the boardroom.

She argues that independent thinking has been lost in boards due to the systematic failure of the selection process and a culture of confirmation bias, collegial consensus and group-think. Siobhan proposes a strategy and framework for appointing contrarian directors to protect and encourage independent thinking and improve board risk oversight.

*The creation of the Contrarian Director and their role in achieving workable board independence and better risk oversight, Cambridge-McKinsey Risk Prize 2015*

# Strengthening **the code**

*The Christchurch earthquakes heightened awareness of the need for buildings to be robust enough to stand up to a strong earthquake. For New Zealand Post, the challenge was to develop a seismic policy that would cover everything from a post box in Kaitaia to a multi-storey block in Wellington. New Zealand Post's Group Property Manager Hamish Plimmer talks to Katherine Robinson.*



***“You are 100 times more likely to die in a car crash or a house fire than in an earthquake but you have to put that in the context that if an earthquake does happen it can be totally catastrophic.”***

Developing a seismic policy for an organisation with a national presence was no easy task. New Zealand Post holds a portfolio of 392 properties, including 38 where it is the landlord as well as the tenant. The business also has 150 ATMs in shopping centres or other buildings. In addition, New Zealand Post sells through 150 franchises, such as stationery shops, and 600 agencies such as dairies or convenience shops.

The board’s priority was to not only satisfy legal obligations but also to ensure the safety of staff and customers and to uphold the reputation of the business. Under current legislation, existing buildings need to be strong enough to meet a standard of 34% of the building code required of new buildings. Immediately after the Christchurch quakes, it became apparent a higher standard was needed.

“The market has been driven by the public sector and larger corporates, particularly by banks and insurance companies, who benchmarked 67% of the new building code as the standard. In developing our seismic strategy, this was our starting point,” says Hamish.

The first step was for all buildings to be assessed for earthquake strength through an Initial Evaluation Procedure (IEP) which is a desktop process giving an estimate of building strength as a percentage of the new building code.

An IEP sets a baseline to feed into a decision matrix around future occupation, but it should be noted that it is a very basic approach and can be quite inaccurate. If you are making major decisions around future occupation a more in-depth on-site analysis should be conducted. This is called a Detailed Seismic Assessment (DSA). It was relatively straightforward getting information on those buildings owned by New Zealand Post, but more complex where the

organisation was a tenant and it had to request the information from landlords.

“We got a mixed reaction at first as some said they already fulfilled the statutory obligations and couldn’t see why more strengthening was required but they came round when they could see the long-term benefits.

“It helped both our business and the landlord if we could stay on-site during the strengthening process where possible. Moving costs are prohibitive – for example, hundreds of thousands of dollars to move a corporate Postshop. In many instances the cost of strengthening is less than this. So in some cases we funded strengthening works in leased sites, stayed in occupation and were able to negotiate rent relief once the building was strengthened,” says Hamish.

It also became apparent that you could not apply a blanket policy across the country – one code did not fit all regions.

“We refined our policy to reflect the seismic activity of different regions. It is unrealistic to require the same seismic strength of a building in Northland or Auckland as you would in Wellington.”

This led New Zealand Post to consult with geo-science specialist GNS Science who was able to demonstrate the effect of an earthquake on a building in a one-in-50 year earthquake in a particular region. They used the Modified Mercalli Intensity Scale (MMI) to measure the earthquake’s effects.

“If the effect on the building from a modelled one-in-50 year earthquake was an MMI of 7.5 or above – that is, causing damage – this would require the building to be strengthened to a higher percentage of the new building code. The higher the earthquake risk in an area, the stronger the building had to be,” says Hamish.

Ninety per cent of New Zealand Post’s portfolio has now been assessed and is compliant with its seismic policy. It expects to have completed the remaining 10 per cent within 12-18 months.

Most of the remaining buildings are in provincial centres where there are limited seismically strong alternative buildings for the business to move into.

“That’s an issue with provincial New Zealand – many centres are in earthquake-prone areas with old



Hamish Plimmer

building stock that, while meeting the current statutory obligations, do not meet our seismic policy. To help this we have built two portacom shops – one in the North Island and one in South Island which we can move to different locations if required,” says Hamish.

Hamish says that the earthquake risk has to be weighed up by the board as with any other risk.

“If you weigh up the risk of an earthquake against all the other risks to a business they rate quite low. New Zealand has suffered seven fatal earthquakes since 1840, killing a total of 479 people. You are 100 times more likely to die in a car crash than in an earthquake but you have to put that in the context that if an earthquake does happen it can be totally catastrophic.”

#### **STRONG WORDS**

Hamish has this advice for directors regarding earthquake strengthening:

- weigh up the earthquake risk and don’t underestimate the risk of objects and furniture being left unrestrained inside the building.
- manage your risk mitigation regarding earthquakes and consider whether there is a moral obligation or reputational risk that exceeds statutory obligations.
- if you are looking for a new building – one of your first questions should be ‘what is the seismic strength of the building?’ Bear in mind that market forces have pushed the preferred code upwards of statutory obligations.
- no policy will ever be perfect, so you need to review it and adapt it to whether it is still workable and practical. You can’t fight the market – the risk around seismic safety in buildings is always in context. If there has just been a major earthquake the risk will be perceived as high.
- go to GNS Science for advice – they will give you the facts behind the effect of an earthquake so you can decide how best to mitigate this.



# Property risks and liabilities

*While there has been considerable discussion in recent times on risk exposures that appear to be increasingly volatile, specifically in the cyber and health and safety areas, directors should remain aware of the complexities that exist for some of the traditional property and liability risks. By Rob Frost*

The lessons from Christchurch, along with the impact of the Building Code and the National Building Standard, are major drivers of additional complexities in the property area. With resilience being an important capability for companies following any loss event, there is a growing focus on the quality of business continuity plans and whether business interruption insurance is aligned to these plans.

#### **BUILDING CODE**

All buildings in New Zealand must comply with the Building Code, which defines how a building must perform in its intended use rather than how it should be built. A contingent liability exists when the code has been modified and a building no longer complies with the current code. Organisations will face the obligation to upgrade a building if any renovation work is to be undertaken, or if the building suffers damage and is to be repaired or replaced. In the latter case, if insurance proceeds are expected to be used to fund the repair or replacement, the policy limit may not cover the cost of work required to meet the current building standard (if

the building did not meet this standard at the time of loss or damage). Older buildings understandably carry more risk in this regard than newer buildings.

#### **NATIONAL BUILDING STANDARD (NBS)**

A building is considered earthquake prone if it fails to meet 34 per cent of the NBS. Such a building is likely to cause injury or death or damage to another building following a moderate earthquake. The relevant territorial authority will set a period within which the building is to be strengthened. But ask yourself, as a director, would you be happy to have staff, customers or visitors spend any time in such a building? A building that is assessed between 34 per cent and 67 per cent is considered an earthquake-risk building – that is, where the risk of injury or death is considered lower than an earthquake-prone-building. Many buildings in New Zealand fall into this category. As a director, how have you assessed the risk to people and other general liability exposures and reached a decision on the building's continued acceptability for occupancy?

## BUSINESS RESILIENCE

In the Marsh Directors' Risk Survey published last year, directors said that business interruption was a significant risk. Unless there are robust continuity plans, together with adequate funding aligned to these plans (generally financed via insurance), a business' viability will be seriously challenged if a major operating site suffers a severe loss.

The core component of business interruption policies revolves around maintenance of gross profit for an agreed term. This period is generally assessed as the time it would take to re-commence operations and potentially recover the former market position.

Increasingly however, we see clients undertaking a strategic assessment of the appropriate action the business would take if a major operating site was lost. Often the outcome of this review is not to replace like-for-like but to redesign a competitive capability in the context of the current industry and competitive profile. This can be very different to what was required when a site was established and may be in a different location. Insurance should then be purchased to support this plan plus any necessary crisis response and mitigating actions.

Some clients realistically assess that, following a major loss event, their customer base would be forced to rapidly source product or services elsewhere. When the business disruption is for an extended period, there is the real likelihood that they may not have full or even partial access to survive a large disruption. In that situation, insured values may be considerably less than if full recovery needed to be financed. If that situation could apply to your business, you could be over-insured and paying excessive premiums.

Directors are accountable to shareholders to ensure that adequate insurance protection is in place for the business. Failure to ensure that adequate insurance is in place is one of the more common causes of claims against directors and officers.

## ACCUMULATION OF VALUES

For larger companies with a number of sites, insurance cover is often purchased with a limit relating to the largest foreseeable or probable loss, rather than purchasing cover that reflects the total consolidated asset value, which would be far more expensive. The rationale for this is based on the view that foreseeable loss events are not likely to impact more than one site, unless two sites are adjacent.

However, as we have seen in Christchurch and now expect elsewhere, the more likely catastrophic loss events in New Zealand are natural: seismic, volcanic or tsunami/flooding. In these situations, losses can be more widespread than say, for a fire, and the possibility of losing more than one site is greater. If companies that have a number of sites broadly located within the same urban area continue to insure on the basis of the maximum probable loss, they may be under-insured and be exposing their balance sheet by effectively self-insuring their exposure beyond the foreseeable loss value.

Some companies will take the view that the likelihood of a natural catastrophe covering a broad geographic area such as Christchurch, Auckland or Wellington, is so low that it is reasonable to only carry insurance to cover the maximum loss at the most valuable site. If this is an explicit decision with full awareness of the extent of risk that the company is carrying with its own balance sheet, that may be a reasonable option. But if directors are not aware of the full extent of what could be significant self-insurance, then you and the company may be exposed to potential uninsured losses and reaction from shareholders. Natural catastrophe modelling may be prudent in these situations.

## ADJACENT EXPOSURES

How well do businesses understand the risks they may be facing as a consequence of the activities occurring at a property adjacent to a key site or potentially, adjacent to a supplier's key site? The recent explosions at the port in Tianjin are an example where

substantial damage was caused over a wide area and as a consequence, significant implications now exist for supply chains dependent upon that port.

Should business be interrupted, will an insurance policy cover losses, particularly if no physical damage has occurred to the occupied site? We have seen in Christchurch that many businesses in the city suffered severely, not due to any damage to their property, but due to regulatory-imposed restrictions limiting access to the site. Insurance policies may cover this exposure but often with low limits. The same issue may arise when staff could be prevented from accessing a site due to an incident that forces closure of the area in which an office or operating site is located. Continuity plans need to be regularly updated to ensure companies have plans and resources to support an appropriate response to issues other than fire or flood.

## IT'S ABOUT THE RISK

A prudent response to these types of issues is not about buying more or less insurance. Effective, proactive risk mitigation starts with an understanding of the business' strategic plan and operations and involves a thorough risk assessment. This needs to be repeated periodically. For property exposures, insurance will generally play a part in effective risk mitigation with other initiatives but the optimum solution, and the insurance wording that is right for the business, will be determined by the outputs of a risk assessment process that would include consideration of:

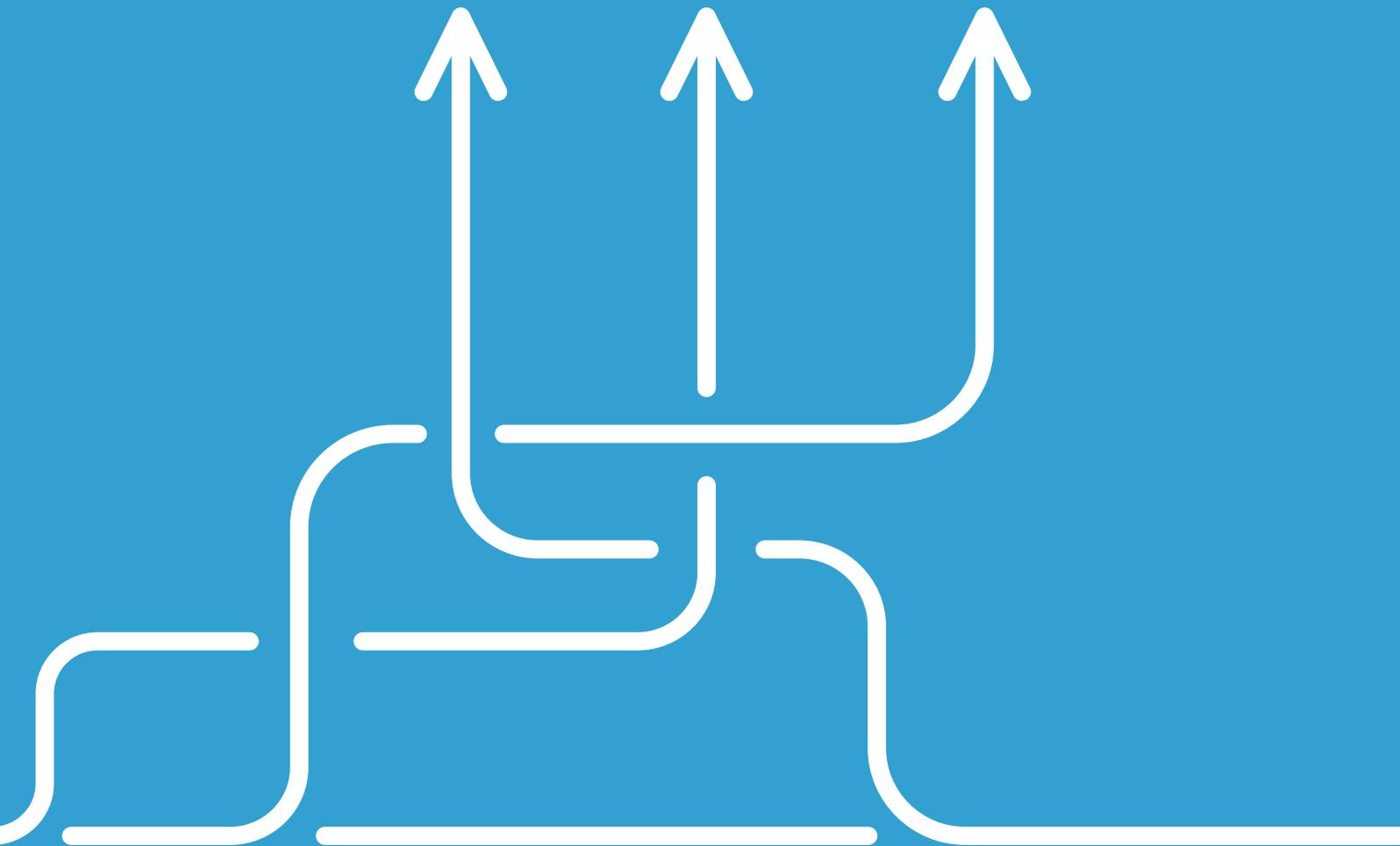
- compliance with Building Code and National Building Standard
- aligning business interruption insurance with current business continuity plans
- accumulation of values within a key geographic area
- own or supply chain exposure to neighbour risks

## FOR FURTHER INFORMATION

**Rob Frost is Head of Business Risk, Marsh.**  
For further information, on property or business risks please contact him on [rob.frost@marsh.com](mailto:rob.frost@marsh.com) or 09 928 3022.

# A new route to professionalism

*The Chartered Member Assessment can be a powerful affirmation of director skill, capability and experience. Breanna Cullen talks to three directors about their pathway to Chartered Membership.*





Martin Lewington



Mel Hewitson



Vivien Wynne

Introduced on 1 October 2014, the Chartered Membership pathway established seven categories of IoD membership, providing defined standards for the director community for the first time. Those making the step up to Chartered Membership have to prove their skill through the Chartered Member Assessment, completing a written assignment and exam. They must also attest to their good character and commit to upholding the principles of the IoD Charter.

“The Chartered designation is tangible evidence to the business and general community that a director has committed to the IoD’s professional standards and the ongoing development of their career,” says the IoD’s newly appointed Manager Chartered Pathway, Tony Southall.

“Chartered Members and Chartered Fellows improve their knowledge and skillset as they move along the pathway, and gain increased governance credibility and respect from their peers and the wider community.”

#### A NEW PROFESSIONALISM

Mel Hewitson says that for her, passing the Chartered Member Assessment was a fundamental step toward being recognised as a professional director.

“Unlike IoD members who earned their Chartered Membership through significant experience as directors, I had less demonstrable experience at the board table, so I really saw passing that Chartered Membership Assessment as essential to demonstrating that baseline governance capability.”

With a background in institutional investment management and stints as

Head of Wealth Risk at ANZ and Director Financial Advisor Regulation at the Financial Markets Authority, Mel says that governance has been a developing theme throughout her career. Now a director of the Auckland Communities Foundation and chair of the nominating committee for the Guardians of New Zealand Superannuation Fund, she joined the IoD in 2013.

“I was at an interview with Treasury’s COMU team, and they advised me that if I was serious about a governance career, I should join the IoD and take the Company Directors’ Course. And I was, so I did.”

She completed the course in early 2014, mentioning to the Director Development team at the time that the ability to test her knowledge would be a valuable opportunity.

“My interest was more about proving that I’d embedded the knowledge and making my investment more tangible. When the tiered membership announcements were made, it was an easy decision for me to follow the Chartered Member route.”

She completed the Company Directors’ Course Refresher in June, with a view to completing the assessment later in the year. Coupled with online modules in ethics, and health and safety governance, she says it was good preparation for the assessment.

“I found the Refresher course really forced me out of the management headspace of my day job to focus on the key governance themes and kickstart my revision for the assessment.”

“As for the assessment process itself, I thought it was well-designed, really well explained and run. Content-wise – yes, it was challenging, but positively so.”

***“Directors want to be the best that they can be to ensure that the organisations they govern can be the best, and the IoD and the courses they offer – the learnings, the opportunity to network – makes an important contribution to that.”***

#### AUSTRALASIAN APPROACH

Based in Auckland and working for Australian-owned ANZ and BNZ, Vivien Wynne felt she needed a trans-Tasman perspective on governance.

“A number of our listed companies here are also listed in Australia and have an Australasian-Asian focus, so for me, it seemed logical to have knowledge of governance in both jurisdictions.”

She joined the Australian Institute of Company Directors (AICD) in 2014, undertaking its Company Directors’ Course and becoming a Graduate Member of AICD. Joining the IoD in early 2015, she set her sights on Chartered Membership.

She says consulting Membership Team Leader Lisa McRae made it “simple and easy” to plot her route to develop her individual professional development plan.

“Having undertaken the assessment process in Australia, the next step for me was to undertake the Company Directors’ Course Refresher.

# directorVacancies

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

## ST MARGARET’S COLLEGE

**Role:** trust board member  
**Location:** Christchurch  
**Applications close:** 23 October

## CHILDFUND NEW ZEALAND

**Role:** board members (four)  
**Location:** Auckland  
**Applications close:** 30 October

## WHITESTONE CHEESE CO

**Role:** director  
**Location:** Oamaru  
**Applications close:** 31 October

## KEEP NEW ZEALAND

**BEAUTIFUL SOCIETY INC**  
**Role:** director  
**Location:** national  
**Applications close:** 12 November

## FAMILY AGRIBUSINESS COMPANY

**Role:** independent director  
**Location:** Hawera  
Applications will remain open until position is filled.

## MULTIPLE SCLEROSIS WAIKATO TRUST

**Role:** trustees (two)  
**Location:** Hamilton  
Applications will remain open until position is filled.

## SAFE (SAVE ANIMALS FROM EXPLOITATION)

**Role:** board members (three)  
**Location:** national  
Applications will remain open until positions are filled.

## MARLBOROUGH HOSPICE TRUST

**Role:** trustee  
**Location:** Blenheim  
Applications will remain open until position is filled.

## HALLOWAY GROUP LTD

**Role:** directors (two)  
**Location:** Auckland  
Applications will remain open until position is filled.

## AOTEAROA NEW ZEALAND ASSOCIATION OF SOCIAL WORKERS

**Role:** board member  
**Location:** national  
Applications will remain open until position is filled.

## AUCKLAND DIVING COMMUNITY TRUST

**Role:** trustees (two)  
**Location:** Auckland  
Applications will remain open until position is filled.

## SCOUT ASSOCIATION OF NZ

**Role:** national chair, board members  
**Location:** Wellington  
Applications will remain open until position is filled.

## HALIFAX NEW ZEALAND LTD

**Role:** director, chair  
**Location:** Auckland  
Applications will remain open until position is filled.

## CHILDREN’S AUTISM FOUNDATION

**Role:** trustees (three)  
**Location:** Auckland  
Applications will remain open until position is filled.

## BEDS R US FRANCHISE SYSTEMS INCORPORATED

**Role:** chair  
**Location:** Auckland  
Applications will remain open until position is filled.

*“The standard of candidate was exceptional, testament to both the IoD network and the power of the Habitat brand”*

Peter Taylor, General Manager,  
Habitat for Humanity  
(Christchurch) Ltd.

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



She says the CDC Refresher filled any knowledge gaps and equipped her well for the exam.

“There were very experienced company directors facilitating, and the course was enriched by examples of applied governance from attendees.

“What I found helpful was that there was updated New Zealand material, covering governance requirements, case studies, legislation and judicial decisions, which I could add to the body of knowledge that I gained from the Australian course.

“The preparation required is knowledge of The Four Pillars, recent course material, as well as the Companies Act, and all of that is discussed at the Refresher course.”

Vivien recommends consulting the IoD’s New Zealand Director Competency Framework to help identify areas that may need strengthening.

“For a number of us, we haven’t sat exams for a while, so it’s also helpful to think about exam technique. Think about the number of questions and the time you have to complete the assessment.”

“Preparation equals confidence, and you can go into the assessment confident of the outcome when you’ve done the preparation,” says Vivien.

#### MAKING TIME TO LEARN

A tailored training day run by the IoD’s Boardroom Training team was the inspiration Mercer Managing Director Martin Lewington needed to focus on his governance skills.

He signed up for the CDC Refresher and says it hit the right spots.

“It gave me a couple of days out, it focused on a lot of the new issues – financial markets, changes in health and safety, conflicts of interest, many things.”

“Those two days gave me an opportunity just to reflect, refresh, and update skills – but also spend time discussing with others contemplating a similar path or sharing experiences, so that was really good.”

Having made the first step along the pathway, Martin decided to continue on to Chartered Membership.

“Chartered Membership gives you that discipline and motivation to continually embark on that self-development course – you know, making sure you do take time to stay up to date or participate in seminars. It puts a really good framework and process around it.”

He made time in a busy schedule to take the Chartered Member Assessment in August.

“You do think, ‘Where am I going to find the time?’ But it’s just a case of making sure you know what you’re signing up to. And it’s ongoing – you’re making that commitment, so you do need to prioritise time for learning and continued self-growth.”

“Directors want to be the best that they can be to ensure that the organisations they govern can be the best, and the IoD and the courses they offer – the learnings, the opportunity to network – makes an important contribution to that.”

## Do I need to do the CDC Refresher?

*These members all completed the Company Directors’ Course (CDC) Refresher before sitting the Chartered Member Assessment. Not everyone will need to, here are the guidelines:*

#### IF YOU DID THE CDC IN 2014 OR 2015:

- review your course materials
- study the Four Pillars, and familiarise yourself with the Companies Act 1993 (and amendments).

#### IF YOU DID THE CDC FROM 2007-2013:

- complete the two-day CDC Refresher course
- study the Four Pillars, and familiarise yourself with the Companies Act 1993.

#### IF YOU DID THE CDC BEFORE 2007:

- consider attending a current five-day CDC as the course has been reviewed and modified since you attended.

#### IF YOU ARE JUST NOW COMPLETING THE CDC OR PLAN TO IN THE FUTURE:

- we recommend you sit the Chartered Member Assessment, closely after completion of the CDC while it is fresh in your mind.

Visit [www.iod.org.nz/charteredmember](http://www.iod.org.nz/charteredmember) for full details and criteria.

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Grant Jeffrey

# Astute in governance

*A Rotorua family business opened its doors to good governance because it makes sense, adds value and will help them grow to new heights.*

“The idea was a bit daunting,” Fiber Fresh Managing Director Michael Bell says of appointing an independent director onto his company’s board.

“Bringing someone we didn’t know into the working secrets of our 30-year-old family business was something we had to think about seriously. It is a big undertaking opening that door. But once we started the process our confidence grew, it just makes sense now. Why wouldn’t we?”

Fiber Fresh, a world leader in fibre nutrition for calves and horses, currently employs around 50 staff and exports from its New Zealand manufacturing base to a growing number of countries, including Singapore, Malaysia, Hong Kong, Korea, Japan and the Middle East.

Initially advised by New Zealand Trade and Enterprise that it needed to consider appointing an independent director if it wanted to continue to grow and develop, Fiber Fresh contacted the Institute of Directors (IoD) to ask about DirectorSearch and took the leap.

“Like most small businesses we initially didn’t know where to go or how to do this but understood why it needed to happen,” Michael says.

“The bigger we get the more common sense it becomes, because it’s about practising good governance. The calibre of the directors the IoD provided us with was unbelievable. Anyone on the

short list would have been perfect, and it’s amazing that those people wanted to be on our board. The process has given us so much confidence.”

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

“We are approached by a broad range of organisations looking to appoint one or more independent directors to their board. Family businesses in particular are seeing the benefits of having independent views, to assist them in meeting their objectives,” IoD Board Services Advisor Kelly McGregor says.

“We work with clients to determine their criteria and use this to provide a long list of suitable candidates for consideration. We can also assist with the overall appointment process and regularly participate on selection and appointment panels to provide an objective view.”

Experienced Tauranga director and IoD Chartered Member Grant Jeffrey was chosen by Fiber Fresh. His first board meeting was in September.

Grant says having an independent eye on a company is not only comforting for shareholders but also gives external stakeholders more confidence.

“Independent directors bring fresh viewpoints to a board and thus

enhance the board’s ability to make strategic and operational business decisions that maximise the value of the business,” Grant says.

“I have a global sales and manufacturing background reaching back to 1991. Along with these skill sets, I continue to be part of my family businesses, hold directorships on other medium-sized companies, all of which allow me to bring those dynamics and experiences to businesses such as Fiber Fresh.”

Grant was also appointed to the board of Jenkins Group Ltd via the IoD DirectorSearch service last year.

Fiber Fresh says they’re looking forward to what happens next.

“It’s about bringing confidence to our investors, banks and the government agencies funding us. I think a board member coming into our family company is going to add value, because they’re coming from an independent background,” Michael says.

“It’s about setting up structure, having fresh eyes and involvement from a high level professional outside of what we know. It’s important as he will hold us to account and make us more astute in governance.”

**If you are looking to appoint a director, call to discuss your needs with DirectorSearch. Tel: 04 499 0076, email [boardservices@iod.org.nz](mailto:boardservices@iod.org.nz) or visit [iod.org.nz](http://iod.org.nz)**

# branch events

IoD members are welcome to attend branch events nationwide.  
Check out the full list of branch events at [iod.org.nz](http://iod.org.nz)



Members will be awarded  
2 CPD points per event.

## AUCKLAND

### Fraser Whineray, CEO, Mighty River Power

Fraser Whineray on how the company is building a shared vision of real sustainability.

7:30am – 9:00am, 30 October,  
The Northern Club,  
19 Princes Street, Auckland

### Evening panel meeting

Engaging executive search/finding the right skills for the board.

5:30pm – 7:30pm, 2 November,  
The Northern Club,  
19 Princes Street, Auckland

### Rugby World Cup:

#### The aftermath

NZRU chair Brent Impey considers the question: Is it a celebration of brilliant governance, or is the board responsible no matter what?

7:30am – 9:00am, 19 November,  
The Northern Club,  
19 Princes Street, Auckland



Brent Impey

## WAIKATO

### Breakfast function with David Galbraith

7:00am – 9:00am, 21 October,  
Waikato Stadium

### Lunch function with Mark Stewart

12:00pm – 2:00pm, 11 November,  
Waikato Stadium

## WELLINGTON

### East Coast breakfast with Hal Josephson

Everything you always wanted to know about the digital revolution, but were afraid to ask.

7:15am – 9:15am, 20 October,  
The Old Church,  
199 Meeanee Road, Meeanee



Hal Josephson

### After 5 with Tim Bennett, CEO, NZX

Everything you need to know about capital raising for small companies.

5:30pm – 7:30pm, 28 October,  
Level 1, NZX Centre, 11 Cable Street

### After 5 with The Drug Detention Agency

Managing drugs and alcohol in the workplace – hear about directors' responsibilities under the Health and Safety at Work Act.

5:30pm – 7:30pm, 10 November,  
Hotel Coachman, 140 Fitzherbert  
Avenue, Palmerston North

### Annual Dinner

Join us for our annual dinner with Phil O'Reilly as guest speaker.

6:00pm – 10:00pm, 23 November,  
Wellington Club, 88 The Terrace

## BAY OF PLENTY

### Employment legislation: what you need to know

Sharp Tudhope partner Shima Grice talks

legislation for employers.

5:30pm – 7:30pm, 28 October,  
Hui Bar & Grill, 19 Pohutukawa  
Avenue, Ohope, Whakatane



Shima Grice

### Strategy for a board agenda

Maven International's Joanna Lambert on prioritising and how to get the most out of boardroom strategy sessions.

5:30pm – 7:30pm, 12 November,  
Tauranga Club, Devonport  
Road, Tauranga

### #BelieveYouCan

Join us for a festive event with Sir Peter Blake Leader Rachel Taulelei, speaking on the theme 'Believe you can'.

6:00pm – 9:00pm, 26 November,  
Rydgas Rotorua, 272 Fenton Street,  
Rotorua



Rachel Taulelei

### Christmas event

Join us for a festive evening dinner with guest speaker Steve Saunders, winner of the 2014 Westpac Tauranga Business Awards Excellence in Business Leadership Award.

6:00pm – 9:00pm, 9 December,  
ASB Baypark, 81 Truman Lane,  
Mt Maunganui

## TARANAKI

### Experiences of a new director

Graeme Johnston and Ian Steele share their experiences as new directors on the BTW Company board.

*7:30am – 9:00am, 20 October, New Plymouth Golf Club, Golf Course Lane, Bell Block, New Plymouth*

### Christmas function

Guest speaker Dan Radcliffe, founder of International Volunteer HQ and winner of the EY Entrepreneur of the Year 2014.

*7:00pm – 10:00pm, 12 November, Yarrow Stadium, Maratahu St, Westown*

## NELSON MARLBOROUGH

### Annual dinner and AGM

Guest speaker Sir Peter Talley.

*6:30pm onward, 3 December, The Grand Mercure Nelson Monaco*

## CANTERBURY

### Dame Jenny Shipley

The next 25 years – a forward view on things that matter.

*5:45pm – 7:45pm, 21 October, Addington Events Centre, Jack Hinton Drive, Christchurch*



Dame  
Jenny Shipley

### Fellows and Distinguished Fellows Dinner

By invitation only.

*7:30pm to 9:30pm, 21 October, Addington Events Centre, Jack Hinton Drive, Christchurch*

### Governance in SCIRT

Jim Harland on how the board has helped deliver.

*5:45pm – 7:45pm, 18 November, Commodore Airport Hotel, Memorial Avenue, Christchurch*

### New member lunch

Meet your local branch committee and find out more about the IoD.

*12:00pm – 2.00pm, 27 November, The George, Park Terrace, Christchurch*

### Christmas cocktails

Enjoy an opportunity to relax and catch up with colleagues and friends.

*6:00pm – 8:00pm, 3 December, Hagley Oval Pavilion, Riccarton Avenue, Christchurch*

## OTAGO SOUTHLAND

### Queenstown cocktail function

Join us for a function with guest speaker Mr Mark Quickfall, Chair of Skyline Enterprises Ltd.

*5:30pm – 7:30pm, 23 October, Queenstown Resort College, 7 Coronation Drive, Queenstown*

### Lunch function with Christopher

Luxon, CEO Air New Zealand

Strategy setting: the role of the board and the CEO.

*12:00pm – 2:00pm, 28 October, The Dunedin Club, 33 Melville Street, Dunedin*

### Ethnic diversity and the bottom line

Join Mai Chen at this event, co-hosted with the Southland Chamber of Commerce.

*7:00pm, 29 October, Kelvin Hotel, Invercargill*

### Dunedin cocktail function with Jen Rolfe

*12:00 pm, 10 November, The Dunedin Club, 33 Melville Street, Dunedin*

### Christmas cocktails

Guest speaker Mark Verbiest, Chairman of Spark New Zealand.

*5:30pm, 2 December, The Dunedin Club, 33 Melville Street, Dunedin*

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# branchnews



## AUCKLAND

China Watch editor David Mahon gave an overview of China's changing demographic, economic and political landscapes.

Members heard Labour leader the Hon. Andrew Little on Labour's vision for the future of the New Zealand economy on 21 August.

Mai Chen spoke on cultural intelligence and how demographic disruption creates a burning platform for companies wanting to be fit for the future.

Mike O'Donnell tackled governance, disturbance and online mongrels in his talk, and gave 10 digital rules of thumb for understanding the web, business and data.

Nick Wells, partner at Chapman Tripp, spoke on Treaty settlement issues and trends in iwi governance at a joint IoD-CAANZ event in Kerikeri.

3months director Mark Pascall gave a beginner's guide to digital transformation.

## WELLINGTON

Irrigation NZ CEO Nicky Hyslop spoke on the value of water for regional New Zealand at an East Coast breakfast event.

Hon. Paula Bennett gave a lively presentation about her journey into politics and her passion to make a difference in New Zealanders' lives.

Former Wellington mayor Kerry Prendergast discussed conflict management and her views on the skills needed in the boardroom.

Commerce Commission Chair Dr Mark Berry and CEO Brent Alderton talked on directors' obligations in relation to the Acts the Commission enforces, and the benefits of an effective compliance programme.

- 1 | David Mahon (Auckland)
- 2 | Neil Sisam, Jan Alley (Auckland)
- 3 | Liz Gunn, Kelly Smith (Auckland)
- 4 | Hon. Andrew Little (Auckland)
- 5 | Lizzie Leuchars, Michelle Boag (Auckland)
- 6 | Hon Louise Upston, Simon Arcus, Paula Southgate, Margaret Devlin (Waikato)

- 7 | Alex Wilson, Blair Matheson, Melissa Evans, Sarah Matheson (Bay of Plenty)
- 8 | Alec Wilson, Des Hammond, Deb Shepherd (Bay of Plenty)
- 9 | Richard Hegan, Paul Burns, Jason Toth (Canterbury)
- 10 | Tony Offen, Dr Peter Fennesy (Otago Southland)

- 11 | Tania Palmer (Nelson Marlborough)
- 12 | Katrina Kidson, Dave Schape (Nelson Marlborough)



**WAIKATO**

Shelley Major of Major Consulting Group spoke on the Health and Safety at Work Act.

Minister for Women Hon. Louise Upston discussed women in leadership.

New Zealand Olympic Committee head Mike Stanley presented on governance challenges facing the NZOC.

Tom Walton of Network Box spoke on the urgency of cybersecurity measures.

Matt Cooper of Sport Waikato looked at changes in sport.



**BAY OF PLENTY**

University of Auckland lecturer Deb Shepherd led an open floor interactive discussion on areas of concern within SMEs, suggesting where and when governance can help.

Stephan van Lieshout from Spark Digital BoP and Xavier Marginaud from Marsh discussed cybersecurity and the measures board members must take to ensure business survival.



Ngaire Best from The Treasury provided an overview of the landscape of state sector board and the Crown board appointment process.

Dr. Bev Edlin delivered a workshop on ethics in the boardroom, and walking the ethical line.



**CANTERBURY**

Richard Hegan, ASB's National Manager Rural Corporate, gave an insightful presentation on the bank's governance expectations and the use of independent directors in farming businesses.

Steve Abley held an interactive conversation on the changing role of an SME founder.

Tony McCormick and Nicky Hyslop shared their insights into crisis communications at an event in Timaru, noting the importance of pre-established relationships with media.

Workshops tackling the question of whether an advisory board was the next step for a business drew a strong crowd in Christchurch.



**OTAGO SOUTHLAND**

The Governance Wisdom Breakfast proved popular, with aspiring directors working through a case study and learning from experienced directors.

Tony Offen, Dr Peter Fennesy, Dr Stephen Sowerby, and Dr Peter Dearden outlined how they balance good governance with ensuring scientists have the freedom to explore and discover.



**NELSON MARLBOROUGH**

Tania Palmer spoke about Contact Energy's cultural journey to zero harm.

Wynyard Group CEO Craig Richardson shared his views on the crime shift to cybercrime.

**TARANAKI**

Jim Ramsay and Graham Symons shared their journeys to governance best practice at a panel breakfast event.

Craig Macfarlane and James Crighton tackled the issues faced in their family businesses, including diversifying to multi-site operations.

# THE NEW ZEALAND SECURITY CONFERENCE AND EXHIBITION

## "SAFE AND SECURE CITIES"

Will be held in Auckland on:  
Thursday 19th November,  
Friday 20th November and  
Saturday 21st November.

The venue is the ASB showgrounds  
217 Green Lane West, Greenlane, Auckland

The Conference theme this year is  
"Safe and Secure Cities".

The safe-city concept presents a number of  
challenges:

- The sharing of information effectively to reduce crime and disorder
- The integration of smart intelligence gathering

solutions with existing systems to offer a  
common platform for monitoring and dealing  
with situations at all levels

- Regulatory obstacles including data protection laws
- Delivering a return on investment when funding is required

We will also look at how technology has evolved  
and made it possible for government agencies,  
emergency services, public sector officials and  
professionals across the security industry to  
work together in order to deliver safe and secure  
cities which protect people and safeguard critical  
national infrastructure.

### SPEAKERS include:

#### Peter Houlis

A Chartered Security Professional, with a passion for designing ground-breaking, high end CCTV, Access Control and Totally Integrated Security Solutions. Peter is an experienced practitioner in the physical security field, having spent 40 years gaining considerable knowledge and understanding of security technology and the principles and practices of protecting people and assets, along with the ethics necessary for leading a respected company.



### EXHIBITION

The ASB Showgrounds provides for a larger exhibition space, plenty of parking and easy access to the building. The exhibition is FREE to attend.



### NETWORKING

The New Zealand Security Association (NZSA) is the largest industry representative body for the security industry in New Zealand. Its voluntary members include security companies ranging from large multi nationals to sole traders both in the private and government sectors. The conference is the single largest gathering of security professionals in New Zealand.



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Exhibitors are invited to present their latest range of products and solutions to a broad range of potential clients. This will be on a first – come – first – served basis and since we have only 8 sessions available, you need to HURRY and book.

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Felicity Caird

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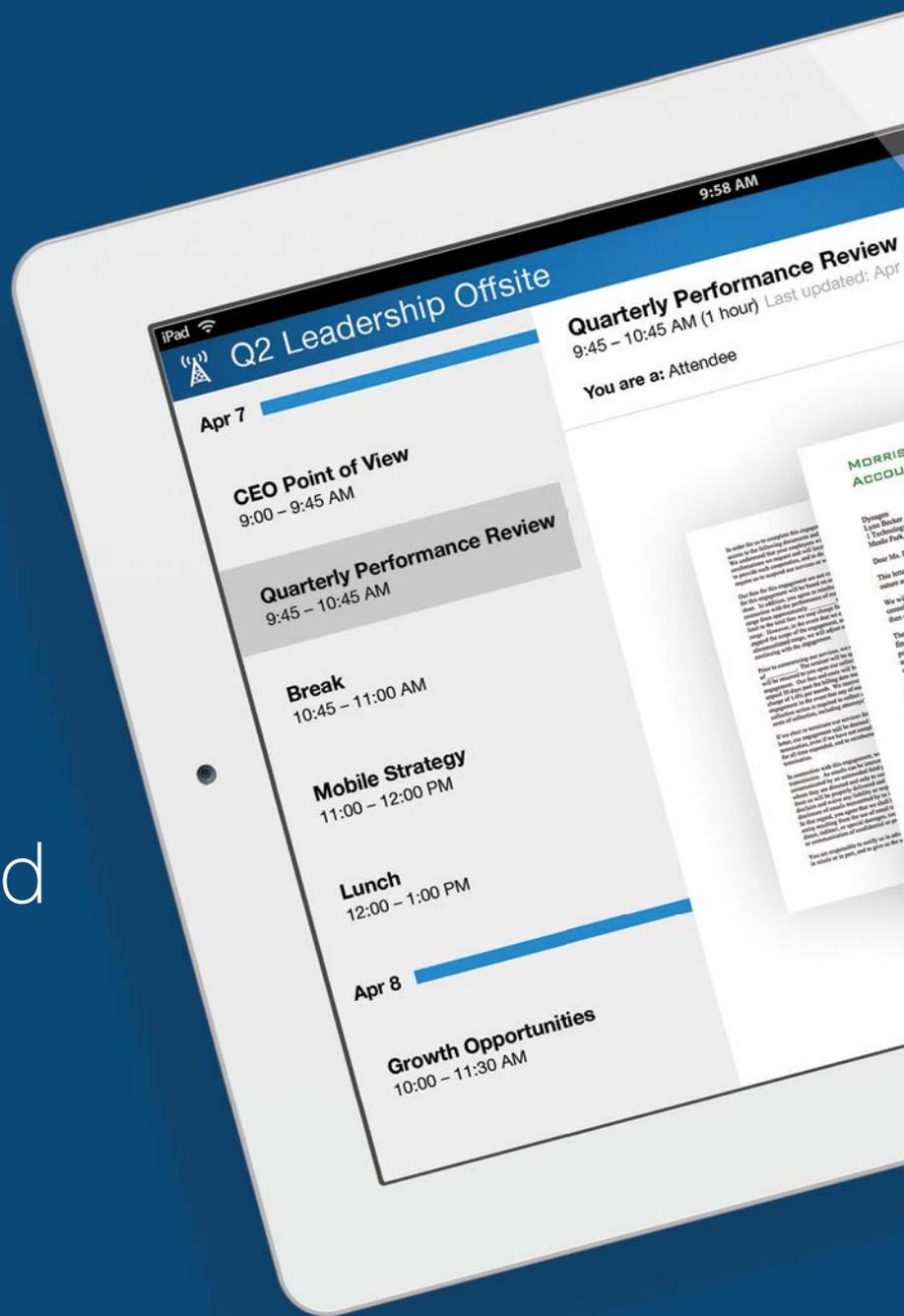


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