

Magazine of the Institute of Directors in New Zealand

# boardroom

AUG/SEP 2016

A close-up portrait of Whaimutu Dewes, a middle-aged man with short, dark hair, wearing a dark suit, white shirt, and a striped tie. He is smiling slightly and looking directly at the camera. A small gold pin is visible on his lapel.

## A QUIET CHAMPION FOR DIVERSITY

*Whaimutu Dewes on mentoring  
and the power of diversity*

**WORKPLACE HEALTH**

**DIRECTORS' FEES**

Board composition  
for SMEs

Spotlight on young  
directors

Future directors in the  
state sector

Managing reputation risk

State sector governance



GREAT ELECTRONICS, BETTER PRICES



**Chatter**

**CREDIT CARD PAYMENT**

CARD TYPE:  VISA  MASTER CARD  AMEX

NAME ON CARD: Nicholas Prior

CARD NUMBER: 4929 7732 7236 5521

EXPIRY DATE: 03 2018 291

**NEW ZEALAND DRIVER LICENCE**

1. NICHOLAS JOHN PRIOR

2. [Photo]

3. 27-10-1976

4. 26-02-2014 4b. 26-02-2024 4c. DONOR

5. DQ299743 5b. 786

6. [Signature]

**PASSPORT NEW ZEALAND | AOTEAROA**

Uruwhenua: P, NZL, LA000044

**PRIOR**

NICHOLAS JOHN

NEW ZEALAND

Date of birth (DD/MM/YYYY): 27 OCT 1976

Place of birth (DD/MM/YYYY): WELLINGTON

Date of issue (DD/MM/YYYY): 10 JAN 2015

Date of expiry (DD/MM/YYYY): 10 JAN 2020

**NZ BANK**

Nicholas John Prior

ACCOUNT NUMBER: 12-3456-7891011-12

ACCOUNT TYPE: Cheque

CURRENT BALANCE: \$12,972.73

AVAILABLE BALANCE: \$15,818.81

DATE	DESCRIPTION	PAID IN	PAID OUT	BALANCE
February 01	ATM Withdrawal			
January 29	Richard Smith Electronics		\$30.00	\$12,972.73
January 28	Bank transfer		\$240.50	\$12,932.23
January 26	JJ's Fish n Chips	\$250		\$12,932.23
			\$15.20	\$12,692.23

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## A note from the editor

The stance taken by Publicis Groupe regarding, now former, Saatchi and Saatchi chairman Kevin Roberts, demonstrates the support the diversity movement has gained. However, as our CEO Simon Arcus stated at the time, this shouldn't mean the end of discussion around diversity. The conversation must continue.

Appropriately, we have dedicated a section of this issue of *boardroom* to diversity. Whaimutu Dewes graciously agreed to speak on the topic, giving some insights from his own experience. Dewes is one of the dedicated mentors who give their time and knowledge to directors through the IoD Mentoring for Diversity programme.

Workplace safety dominated the news in the lead up to the changes to the Health and Safety at Work Act – now the spotlight is turning to health. We have spoken to Worksafe Chief Executive Gordon MacDonald and Health and Safety Business Leaders' Forum executive director Francois Barton to highlight what directors should be thinking about in the health space. Every workplace will have something to focus on – the starting point is to ask the right questions.

Emma Sturmfels  
*boardroom* Editor



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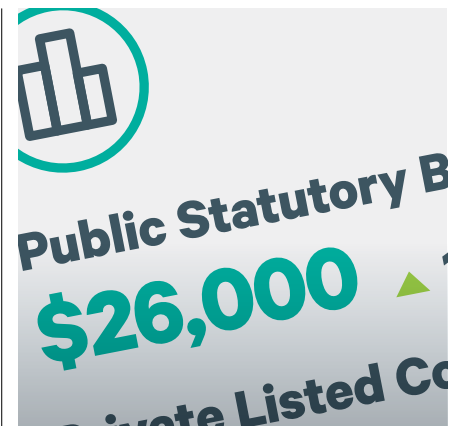
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emma.sturfels@iod.org.nz, 027 536 8062







## CEO REPORT

# Learning from global challenges

There's few privileges of office that come with being the chief executive of the IoD, but one I always claim is the right to put my head through the door at any time during our training courses. I really enjoy meeting the broad range of people taking up governance education and seeing the lightbulb moments for people deepening their governance knowledge.

I was at the Pullman Hotel in Auckland recently and was fortunate enough to see Nick Dangerfield in full flight during our Finance Essentials course. Nick is just one of our excellent group of IoD facilitators and I want to acknowledge the work they do. This group believe in the IoD and have a passion for raising the standard of New Zealand governance.

Our facilitators are exceptional because they combine distinguished careers as directors with the ability to lead a learning experience. When I began working at the IoD one facilitator told me his aim was to be exhausted at the end of the session as then he knew he had done a good job. We value practical, experience based learning from people who understand the boardroom is a place of rules and processes, but also a very human place where some of the greatest learnings come from personal challenge and success.

In January our Governance Leadership Centre said volatility would be a keyword of 2016 and it is undoubtedly true. Since my last column we have had Brexit, an attempted coup in Turkey and appalling violence in Nice to name a few events. Nearly two-thirds of United Kingdom IoD members think the Brexit result is

negative for their business. A KPMG paper in May, Macroeconomics and Brexit in the boardroom, is worth reading if you want to dig deeper from a UK perspective. Theresa May has signalled further change for boardrooms in the UK, with pay levels firmly in her sights and a proposal to have employee representation on boards. Our own fees survey was published earlier this month, we have included some of the key findings in the magazine.

No doubt you are following the progress of the primaries in the USA. My American in-laws remind me that primaries are by no means elections but I keep thinking of two quotes that seem to apply to the USA right now. Joseph de Maistre said "every nation gets the democracy it deserves" and Winston Churchill said "you can always count on the Americans to do the right thing after they have tried everything else." The way you read those quotes will determine whether you are feeling optimistic or pessimistic.

The major features in this issue of **boardroom** are on diversity and health. Diversity has been a big focus for the IoD and will continue to be. Whaimutu Dewes shares his powerful insights on diversity, through the eyes of a mentor with our Mentoring for Diversity programme. The spotlight on young directors continues, featuring one of our youngest Chartered Members, Hamish Walker.

Other initiatives for boardroom diversity have made major progress too. Since the last edition of **boardroom** Minister for Women Louise Upston announced that the Future Directors programme will be taken

up in the state sector. Founded in 2012 by Sir Stephen Tindall, our President Michael Stiassny and Des Hunt, Future Directors develops the next generation of directors.

Health and Safety remains a consideration for directors and Minister for Workplace Relations and Safety Michael Woodhouse has indicated the light will soon be shining on health and wellness in the workplace. This issue of **boardroom** helps bring that into focus. Directors have a role to play in building healthy New Zealand workplaces.

We recognise our members represent a range of sectors and organisations. The IoD is not just for those members of large corporates and NZX-listed company boards. Our call to arms is to raise the standard of governance in New Zealand business and society. SMEs make up the majority of business in New Zealand and face different challenges than larger organisations. NFP issues are very important to us as well. For this issue we have spoken with one of our excellent facilitators to find out some of the issues that SME directors face.

Some directors take a hiatus at this time of the year so if reading is on your mind pick up a copy of *Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism* by Jeff Gramm or John Kay's excellent *Other People's Money* which challenges anyone interested in preventing the next (larger) GFC. The other great read is Robert Teitelman's *Bloodsport* which revisits the merger and acquisition battles of the 1980's. All have discussion of corporate governance between their covers.



# Upfront

## APPOINTMENTS

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

Chartered Fellow Des Hammond has been appointed chair of Tourism Bay of Plenty.

Chartered Member Bill Dwyer and members Peter Houghton and Darren Wright MNZM have been appointed to the board of Development Christchurch Limited.

Chartered Member Tony Allison has been appointed to the board of Smiths City Group.

Chartered Member Peter Dryden has been appointed to the Port of Taranaki Board.

Associate member Bruce Wills has been appointed to the position of independent board director for Horticulture New Zealand.

Congratulations to those who have gained board placements as part of the Future Directors programme: Nicky Ashton to the board of Mighty River Power and Liz Muller to the board of Scales Corporation.

## Congratulations to Emerging Directors

*The Emerging Director Award is designed to foster upcoming talent in governance through mentoring, practical experience, and formal governance training.*

The 2016 Otago branch award winner is Professor **Richard Barker**, and runner-up **Jared Collie**. Professor Barker was recognised as an emerging talent in governance at an event in Dunedin on 28 July. Institute of Directors Otago Southland Branch Chair Geoff Thomas says the judges were impressed by Professor Barker's commitment to developing his governance abilities and career.

The 2016 Waikato branch winner is **Alison Shanks**. The double world champion, Olympian and Commonwealth gold medallist was recognised at an event on 20 July. Institute of Directors Waikato Branch Chair Margaret Devlin says the judges were impressed by Ms Shanks' passion and vision for professional governance development and desire to add real value to Waikato boardrooms.

## CALLING EMERGING DIRECTORS

*The Wellington and Bay of Plenty branches of the Institute of Directors are now calling for applications for the 2016 Emerging Director Awards.*

Each branch award will be presented to the member who most clearly demonstrates the potential to develop as a director in line with the judging criteria.

Applications can be downloaded from [www.iod.org.nz](http://www.iod.org.nz)

**For more information about the awards, please contact:**

**Wellington branch manager, Pauline Prince,**  
[wellington.branch@iod.org.nz](mailto:wellington.branch@iod.org.nz) or 04 474 7634

*Applications close Friday 16 September 2016*

**Bay of Plenty branch manager Laura Gaveika,**  
[bop.branch@iod.org.nz](mailto:bop.branch@iod.org.nz)

*Applications close Thursday 29 September 2016*



*We are delighted to announce that John Waller (ONZM) has been made a Distinguished Fellow of the Institute of Directors by the IoD Council.*

The Institute of Directors' highest accolade, the award recognises Waller's distinguished and successful career, contribution to the IoD, and service to the community.

Institute of Directors CEO Simon Arcus says, "John has made an outstanding contribution to New Zealand across the business and community sectors. He exemplifies a director who executes a distinguished business career hand in hand with giving back to his community. It's said the busiest people seem to get the most done, and the IoD has been fortunate that John has made time to take on the role of facilitator on a range of our courses throughout the years. His commitment to ethical business and good stewardship of the companies he leads make him a role model for others in the profession."

An IoD member since 1996, Waller has a wealth of valuable corporate, financial, commercial, and directorship experience serving on a number of prominent boards. A partner for PricewaterhouseCoopers for over twenty years, Waller is the chairman

of the Bank of New Zealand and a director of National Australia Bank Limited, BNZ Investments Limited, Haydn & Rollett Limited, National Equities Limited, Alliance Group Limited, Sky Network Television Limited, Property For Industry Limited and Donaghys Limited. Waller was a partner at PricewaterhouseCoopers for more than 20 years. He was also a member of their board and led their advisory practice for many years. He was also chairman of the Eden Park Redevelopment Board for the 2011 Rugby World Cup and fundraiser for Leukaemia and Blood Cancer New Zealand's Shave for a Cure campaign.

Waller, BCom, FCA is an insolvency specialist who managed the Chase Corporation and DFC bankruptcies. Waller said recently his role (as receiver) was more akin to that of the emergency room surgeon. He believed his job was to look for flickers of life in his patients which can be rekindled, rather than summarily consigning them to liquidation.

Born in Greymouth, after gaining his accountancy qualification, and following time in the UK, Waller returned to New Zealand with the intention of leading a fairly pastoral existence in the provinces.

Waller's Distinguished Fellowship is the latest in a string of accolades. He was recently made a Companion of the New Zealand Order of Merit for services to business and the community in the 2016 New Year's Honours.

## 5 easy ways to show you're committed to professionalism

*Your membership status reflects your experience and skills as a director. It also demonstrates your commitment to the IoD and our professional standards.*

### HELP US RAISE THE STANDARD OF GOVERNANCE ACROSS THE DIRECTOR PROFESSION.

Include your membership status or your post-nominal:

- 1 In your organisation's annual report
- 2 On your CV and online profiles
- 3 On your business card and email signature
- 4 When speaking or presenting at a function or event
- 5 In your board's register of interests

*Chairs, please encourage your board colleagues to do the above.*

## Chapman Tripp

The IoD extends congratulations to Nick Wells, who has taken up the role of Chief Executive Partner of Chapman Tripp. Chapman Tripp is a valued national sponsor of the IoD and we look forward to continuing to work alongside Nick's team.

### SAVE THE DATE

## IoD Leadership conference

2-3 May 2017, The Langham, Auckland

### IoD BY NUMBERS\*

**7644**

members as at 30 June 2016

**686**

year-to-date new members as at 30 June 2016

**9.9%**

Members under 40

**27%**

Female members

\* Correct at time of publication

**Clarification** – in the June issue of *boardroom* we incorrectly noted that Dianne Kidd had been awarded an MNZM for services to conservation. We would like to apologise for this error and congratulate Dianne on receiving the MNZM for health administration.





## A FOCUS ON **DIVERSITY**

*This year the Institute of Directors (IoD) celebrated five years of its Mentoring for Diversity programme, which has seen just under 100 directors paired with experienced mentors.*

**77% OF THE  
TOP 122 NZX  
COMPANIES  
HAVE LESS THAN  
30% OF WOMEN  
DIRECTORS ON  
THEIR BOARDS.**

At an event in Auckland on June 23, the IoD welcomed the newest intake of programme participants, and pointed a spotlight on the state of diversity in New Zealand.

77% of the top 122 NZX companies have less than 30% of women directors on their boards.

Board diversity is critical to maintaining a competitive and vibrant economy. The challenges of disruption and the modern world call for modern and diverse boardrooms – and we need to lift our game.

The IoD has long held the view that diversity of thought and perspective in the boardroom improves business performance and innovation.

To survive and thrive in our dynamic and complex world, boards need to be able to think outside the box, to consider a diverse range of perspectives about opportunities and risks. Put simply, the modern board calls for a modern approach to board composition.

The IoD believes encouraging boards to value and support diversity is the best approach.









# A quiet champion for diversity

*Whaimutu Dewes is chairman of Aotearoa Fisheries Limited and a non-executive director on the Treasury Board and with Contact Energy. Dewes has been a mentor on the Mentoring for Diversity programme for the past four years; here he speaks to boardroom about why he got involved with the programme and why diversity of thought is so important.*

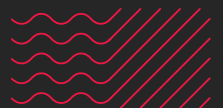
“I think that it’s a great idea and I am glad to be able to support it in whatever way I am able. I thought I had some experience that would be useful for somebody who wanted to be appointed to a board, so it was an opportunity to contribute and give back to the New Zealand community.”

Established in 2011, the first three years of the Mentoring for Diversity programme linked experienced women directors with chairmen and senior directors from NZX and large company boards for a 12 month period. The focus was on women because there was such an obvious imbalance on boards. The IoD has always believed that diversity of thought does not only stem from a better gender balance on boards so in 2015 the programme widened its focus.

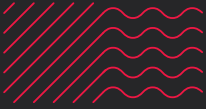
So why get involved with this programme, rather than general mentoring?

“I believe strongly that group decision making, at any level, is better made in the long run with different approaches. I think it was an intuitive thing for me; of course the research has caught up with people’s intuition.

“The boards that I am currently working with, in terms of viewpoints and gender and ethnicity, are not typical of New Zealand boards. It just makes it so much more enjoyable and, I believe, that we are making better decisions in the long run. We’re making more balanced, well-rounded decisions because we are taking into account different points of view on the same issues.







“Twenty years ago champions for diversity were occasional as opposed to the norm.

“We have a level of tolerance for non-representative boards, which is changing. You need people who can do something about it – you don’t need to be loudly proclaiming yourself as a champion of diversity – you just have to work to do something about it.”

As Dewes notes, research says that diversity is important because it improves decision making around the table. “That’s the objective reason,” Dewes says, “but, and I don’t use the word fairness in this, decision making bodies need to be representative of the group on whose behalf they make decisions. I don’t mean statistically, random sampling, I mean they need to be able to represent accurately the views of the people they act on behalf of; if you only represent one part of the community how can you?”

Dewes is Ngāti Porou and Ngāti Rangitihi, and says he is sometimes asked why he isn’t working with just Maori candidates in particular.

“I am influenced by the fact that I am a member of a power minority. I’m Māori and I’ve very proud of that background, I see first-hand what happens to the quality of decisions when power minority and their points of view are not taken into consideration.”

Dewes points to the lack of women chairing NZX50 companies as an indicator of women also being a power minority. As the IoD noted in its research of the top 122 NZX companies, 39 have no women on their boards. Only 5% have 50% women directors.

“There’s a reason for that. It’s not because women don’t want the job or can’t do the job, it’s because they haven’t been presented with the opportunity.

“I don’t see diversity of decision making on boards as being only about gender, but I’m very happy to start with gender.”

Dewes says it is not about having diversity being a token gesture, or fill a quota. “I don’t believe in quotas. If you are going to be doing quotas you have to be doing it in the conscious knowledge that it’s short term because you have to prove a case.”

While quotas themselves are not always helpful, Dewes says there is merit in setting informal targets to help influence how board appointments are made – starting at the search process.

“So, you’ve got a board of six, and you have two women on the board already, say to yourself we’ve got a change coming up so let’s make a conscious effort to get a woman. If you tune your search criteria, your search engines to look specifically for a subset of people who have got the capability, you are more likely to find more of them.

**“The women are there because they are ready. The men better look out.”**

“I think in the first instance while we are still working through this process, until we can say we have achieved this, this is now the norm – and we’re a long way off that – some degree of conscious effort is required.”

#### **MENTORING TO MAKE A DIFFERENCE**

Change takes time and it will take a cultural shift and a multi-pronged approach. The IoD says that boards need to set their own diversity policies and appropriate targets and declare this in their annual reports. Diversity on boards must be approached through a lens of demonstrated competence.

Board appointments are made upon merit – not because a certain type of face is needed to make the board more diverse. Dewes agrees, but says this isn’t something he has ever encountered. “The women are there because they are ready. The men better look out.”

The IoD is advocating for greater board diversity through a range of programmes and initiatives including Mentoring for Diversity and Future Directors. Future Directors aims to give young talented people the opportunity to observe and participate on a company board for a year while giving the company exposure to this talent and the benefits a young mind can bring. Mentoring for Diversity matches high-performing directors with experienced chairmen and senior directors for mentoring, to develop the skills and knowledge needed for an appointment to a listed or large company board.

As a mentor, Dewes is committed to creating more diverse boards. His approach is focused on mutual trust and openness.

“I commit to the time and in that time I endeavour to be a good audience. I do my best to listen and work through what it is the person I am mentoring is seeking.

“The first thing you establish is trust and openness. I share my experiences; it’s all

done on a confidential basis. We've all got a governance horror story, whether you as a chair or a board member, I make sure to talk about some of those.

"I don't need to get much, but having said that I enjoy the experience. I do not at all begrudge the time because you're meeting different people, listening to a different experience on issues that would be rare to get otherwise.

"I enjoy helping people and if I thought I wasn't I would stop. The most important thing you gain is evidence that you are helping, and that actually comes after the sessions. They come back and say 'well I've decided that I'm right and you're wrong and I'm going to keep going'. They come to a view. That's what I'm trying to do, get them to come to a set of views that are manageable and make a plan."

Mentees who Dewes has worked with have gone on to gain new board positions.

"They might have gotten there anyway," Dewes says, "but it is good feedback. Just seeing them do well is a benefit for me, I enjoy seeing that."

#### **WORKING ON A DIVERSE BOARD**

Embracing diversity does not mean compromising on the skills, experience and professional qualifications of board members. It's about appointing people on merit who also bring diversity of thought and perspective to enhance board decision-making. It's also about creating an inclusive culture that enables a diverse mix of people, with all their similarities and differences, to work and bring value to the business.

"A lot of us would rather hear views similar to our own, most of us want to hear a debate but we want to end up in the place

we thought we should be; it's natural.

There are very few people who are entirely comfortable with a decision coming out that is entirely different to where they thought it would have been," Dewes says.

**"That's key – making sure that if someone does have a different view that they get to express it."**

"My approach is that I acknowledge I'm not perfect. I thought I made a mistake once, and then I realised I was wrong," he jokes. "It's that attitude. I don't find it difficult. No one has a mortgage on good ideas and there is no such thing as a dumb question.

"I see chairs doing a really good job of ensuring that people who normally might not have much to say get their views drawn out. That's key – making sure that if someone does have a different view that they get to express it. There are different styles of doing that."

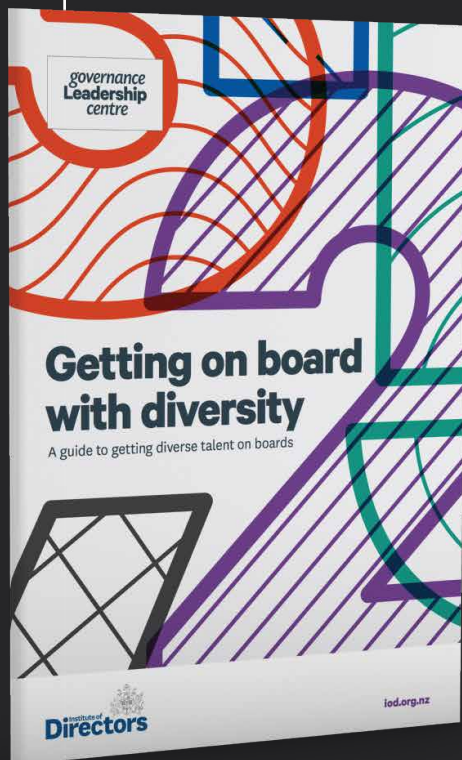
Boards are at their best when they are distinguished by diversity of thought and capability.

"I'm quite conscious of the difference in board dynamics and decision making when we have a range of different people around the table. You have to be aware that everyone has different drivers.

You've got to respect the talent and different views. And hey, they might have a better view than yours."







# Getting on board with diversity

*Getting on board with diversity offers five practical steps to help boards ensure they attract and retain diverse talent in governance. It highlights some of the classic challenges boards can face in getting diverse talent. The guide was launched at the IoD diversity event in June, which also celebrated five years of its Mentoring for Diversity programme and welcomed the 2016 intake.*

“The IoD has long held the view that diversity of thought and perspective in the boardroom improves business performance and innovation,” IoD Chief Executive Simon Arcus says.

“The dividend that diversity pays is bringing different perspectives and more robust decision-making, effective risk management and better company performance.”

In 2015 the total percentage of female directorships on the NZX companies was 17%, compared to 21.5% in Australia and 26% in the United Kingdom. Internationally we are clearly lagging rather than leading when it comes to listed company boards. The 17% figure is quite well known but when you dig deeper it’s even more sobering. Of the 122 companies we looked at, 62 boards have less than 20% of women directors.

Just 6 boards have 50% women directors and one company has more with 60% women.

The IoD says boards need to lift their game as board diversity is critical to maintaining a competitive and vibrant economy. The challenges of disruption and the modern world call for modern and diverse boardrooms.

To help encourage diversity, the IoD has been taking steps to increase the dialogue and transparency about the number of women on NZX boards over time.

The IoD urges listed boards to take active steps to achieve 30-50% of women directors.

“We encourage companies to continue their diversity journey as we want the ultimate aim to achieve diversity of

thought around the board tables of New Zealand. This means having different people working cohesively, exploring the same issues and bringing richness and variety to the board table.

“As the IoD’s Four Pillars of Governance Best Practice says, diversity on a board is vital but should always be approached through the lens of demonstrated competence.”

But how do you actually build a more diverse board? The IoD believes encouraging business to buy in to diversity is the best approach; boards and chairs need to commit to making diversity and inclusion a priority.

The IoD has developed a pragmatic guide to support the promotion of diversity at board tables, with five steps to help boards improve capability.



### CREATE AN INCLUSIVE CULTURE

There are big challenges in re-shaping a culture. It is not about a 'bad' culture becoming 'good' but instead it's lifting the game to get the best out of everyone. Inclusion is about making a diverse mix of people, with all their similarities and differences, work.



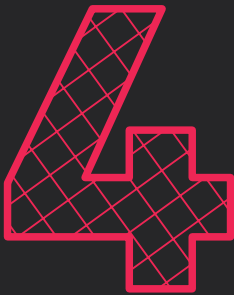
### RECOGNISE AND ADDRESS UNCONSCIOUS BIAS

Bias is a human trait used to make decisions every day; it provides a fast track for decision that can lead us towards the familiar. In board composition, that might mean we surround ourselves with similar people. The challenge is to be aware of, and overcome, biases, both conscious and unconscious.



### REVIEW BOARD COMPOSITION

Board composition is about culture as well as structure and it's a direct contributor to board performance. It's about getting the right mix of people so that 'the whole is greater than the sum of its parts'. Processes such as succession planning and board evaluation are important.



### IDENTIFY AND APPOINT DIVERSE TALENT

Director candidates are often identified through personal networks; but focusing on 'who we know' might mean perpetuating the status quo. Look beyond traditional sources of potential directors for candidates with capabilities but who are also diverse.



### SET TARGETS AND MEASURE PROGRESS

Ultimately, what gets measured gets done. Boards need to lead the way in changing culture and making diversity a priority. Targets and policies can and do make a difference. Reporting on progress in an open and meaningful way that goes beyond compliance, is simply good governance.

YOU CAN DOWNLOAD A COPY OF 'GETTING ON BOARD WITH DIVERSITY' AT [WWW.IOD.ORG.NZ](http://WWW.IOD.ORG.NZ)





# Health and Safety at work: bringing health into focus

*The Health and Safety at Work Act 2015 (HSWA) came into force on April 4 this year, and so far the majority of conversation about the changes has focused on safety. While statistics show one person on average dies at work each week, an estimated 15 people die from work-related disease.*

Information available through WorkSafe New Zealand shows every year some 600 to 900 people die from work-related disease, a figure which has remained relatively unchanged since 1999. In addition to these deaths, around 30,000 people suffer from work-related health conditions each year, with about 6,000 of these people hospitalised.

So why has health not received as much attention as safety and what is the director's role in all of this?

WorkSafe Chief Executive Gordon MacDonald says that cause and effect is a factor. While the impact of a workplace accident is often immediate, the effects of being exposed to a work-related health hazard may not be visible for days, weeks, months or even decades.

"If we take one of the biggest work-related killers, asbestos, sometimes it can take 40 years to see the impact of exposure," MacDonald says.





Another factor is that mitigating health risks can be complex.

“The problem is less clear so the solutions are probably less obvious too,” MacDonald says.

Francois Barton Executive Director Business Leaders’ Health and Safety Forum, agrees the issue is complex.

“We often say that health is like the silent ‘h’ in workplace health and safety. One of the reasons I think, is that it’s often seen as a technical, medical, scientific part of the discussion and that makes it very challenging for some people to get their head around.”

WorkSafe recently released its Position on Occupational (Work-Related) Health and has signalled increased focus will be given to work-related health risks. As the drivers of culture, strategy and direction for an organisation, directors play a key leadership role.

As complex as health can seem, there is a simple place to start – ask questions. Both Barton and MacDonald say the first thing that needs to happen is to understand the risks that are applicable to your organisation.

“The first question is ‘are your health risks understood?’ If we start there we are giving ourselves the chance to actually find some answers,” Barton says.

## *“We often say that health is like the silent ‘h’ in workplace health and safety.”*

MacDonald echoes these thoughts. “Lots of people aren’t asking the questions. It’s using the same disciplines that you use for any risk – what’s the hazard? What’s the intrinsic property of the substance or equipment or environment that could create harm?”

“If we take silica dust as an intrinsic hazard, you ask how many people are



Francois Barton

exposed, what’s the scale of exposure and the degree of harm? If you need it where do you get occupational health advice? Working through those will get you started; they will get you off first base.”

### **WHAT IS INCLUDED IN THE HEALTH SPACE?**

“This might sound a little basic, but people need to get their head around what work-related health actually is,” MacDonald explains.

“Let’s take as an example a company saying ‘we do blood pressure monitoring and we advise people about wellbeing and getting five veg a day’, that’s all good stuff but it isn’t work-related health.

If you are just doing those things, you are not doing work-related health.

“We are talking about what impact does work have on health, and what does somebody bring in to the workplace through their physical state that might have an impact on safety?”

WorkSafe categorises work-related health risk into work-on-health or health-on-work.

### **WORK-ON-HEALTH INCLUDES:**

- biological risks (bacteria, viruses)
- chemical risks (asbestos, lead and other hazardous substances)
- psychosocial risks (bullying, excessive workload, stress)
- ergonomic risks (manual handling, job design)
- physical risks (noise, vibration)

### **HEALTH-ON-WORK INCLUDES:**

- impairment risks (poor eyesight, drug/ alcohol use, mental distraction)
- sensory risks (colour-blindness, hearing difficulty)
- physical mobility risks (frailty, bone conditions, severe obesity)
- incapacity risks (poorly controlled health conditions)

“For office-based businesses often health and safety can seem like a bit of overkill given their risk profile,” Barton says. “But if you start to turn your mind to psychosocial risk; bullying, stress and fatigue, all of a sudden you’ve probably got some areas you can start to focus on.”

Some of the issues covered in the health space might seem difficult to measure and mitigate, for example risks around mental health which could be brought into the workplace or might be as a result of something in the work environment. MacDonald notes that directors are not expected to become experts and just as they would with safety, they should seek guidance and advice.

“Mental health is within scope of the Act, it’s a risk and it needs to be managed,” MacDonald says. “We produce guidance on bullying and there are some well-known indicators with work-related stress; too much work, too little support, relationships within the environment are poor. All of these factors actually boil down to good management.”



Gordon Macdonald

“If you approach it from that lens of good business and managing people, then you will have done as much as you probably can to manage stress caused by work.

“How people feel supported by their organisation is the way I would look at it from the director’s perspective. Because of the nature of some of those factors around health it’s creating an environment where it is not only acceptable but encouraged to have these discussions in the workplace.”

MacDonald discusses how the earthquakes in Christchurch seem to have fast-paced cultural change in this space for some organisations.

“In a sense, and I’m not a psychologist, but it strikes me that almost in an environment like Christchurch where everybody has gone through a traumatic experience, everyone has a kind of ‘permission’ to talk about the stress that they are under which has to be a healthy and positive thing. In other environments that doesn’t exist. Stress is still seen, I think, as a sign of my weakness rather than a sign of some circumstance in my environment which is causing a problem.”

#### **WHAT ARE DIRECTORS RESPONSIBLE FOR?**

Some of the issues identified within health-related work risks are also wider societal issues – depression, obesity, drug and alcohol problems for example. MacDonald acknowledges that for a lot of people

health is seen as a personal issue to be left between an individual and their doctor and don’t consider that health has a work-related dimension. The Act recognises the work-related dimension exists and needs to be addressed.

***“If boards aren’t talking about it, chief executives aren’t talking about it so there won’t be a focus and there won’t be any energy put into it.”***

WorkSafe Chair Gregor Coster explained to **boardroom** last year the due diligence duty in the Act recognises that directors, chief executives and partners hold a high level of control over the priorities, expenditure, and resources of their organisation. HSWA puts health and safety high on that list of priorities.

Barton says that creating an environment that allows complex discussions to be had is part of the responsibilities of a director.

“There’s a cultural environment that is needed for these conversations to be useful and hence the importance of leadership. Without leadership you can’t really have cultural conversations, because if culture drives performance it’s leadership that drives culture. That’s

why boards and executives starting the conversation is important; but equally recognising that it’s complex.”

MacDonald says the key questions for directors are:

- do you know what your work-related risks are?
- what is the approach that needs to be taken to mitigate them?
- how do you know the approaches are working?

“Irrespective of the nature of the business, there will be risks. Even in an office, it could be the overextended use of people at computers, we’ll all have them so what are they?”

“We do not expect directors to be experts. If we are thinking about due diligence, as the director have you asked these questions, is it on your radar and are you pursuing this on your agenda?”

“I think the message is, clearly if there is an evident serious issue that is not being managed then we will be looking for compliance, but generally if we can see that people are starting their health journey good on them and we don’t expect zero to 100 in 6 seconds. It will take a while to get the profile of health up to the level of safety and to raise the level of competence. The other side of that equation is that burying your head in the sand is not the answer.”

“If boards aren’t talking about it, chief executives aren’t talking about it so there won’t be a focus and there won’t be any energy put into it,” Barton says.

“Boards need to see health as part of their risk identification and management process.”

**Further information about work-related health and the HWSA is available at:**  
[www.business.govt.nz/worksafe](http://www.business.govt.nz/worksafe)  
[www.zeroharm.org.nz](http://www.zeroharm.org.nz)

SMALL AND MEDIUM-SIZED ENTERPRISES



Hamish Stevens

# Board composition: a hot topic for SME directors

*Small business is big in New Zealand. Statistics from the Ministry of Business, Innovation and Employment (MBIE) highlight the dominance of small businesses (SMEs), defining them as those with less than 20 employees. SMEs make up a staggering 97% of all enterprises, employ almost a third of workers and produce an estimated 26% of the country's GDP. SMEs created almost half of all jobs in the year ending December 2014.*

Over the next few issues *boardroom* will speak to a few experts in the SME space about common issues SMEs face, and to SME owners and directors on how they tackle these challenges.

Hamish Stevens, a Chartered Member of the Institute of Directors (IoD), is a facilitator for the IoD's *Hot Topics for SME directors*, an interactive webinar focused on small business governance. Stevens says SMEs vary as much as the issues they face but common challenges include determining the appropriate board composition, finding and selecting new directors and separating the role of governance from management.

“Almost invariably you hear positive stories about independent directors being appointed to an SME board. However, the question is why do a lot still not do it and that comes down to how much they know about it, how much they know about the benefits; maybe some SMEs over-estimate the cost and underestimate the benefits of independent directors.

“One of the findings from my research with the University of Auckland is one of the reasons SMEs may not have independent directors is that they don't always know where to find them.

A director is something that you don't just look up on Trade Me to find – you need to look for people you know and trust. If you are an SME owner and don't have suitable people in your network the whole evaluation and selection process can be a bit daunting.”

The IoD says business of all sizes could do with some form of governance. Governance is critical, as it fundamentally forces owners of businesses to step away from the day-to-day of the business – to work on it rather than in it.

SMEs need to consider what type of governance structure works for them, with many often unsure about the benefits of independent directors Stevens says.

“The benefits an independent director brings to an SME can be different to what they bring to large companies. SME directors are necessarily more hands on; but what can be very valuable is the general business background and knowledge and networks outside directors bring. This can be particularly useful in areas such as strategy formulation and setting measurable long term objectives for the firm. “



**CASE STUDY****LONGVELD**

Pam Roa, a Chartered Member of the IoD, and her husband Les founded Waikato manufacturing business Longveld in 1992. Roa attended one of the Hot Topics webinars and has worked through many of the challenges Stevens discusses.

“It can be a challenge to separate our different hats in the business,” Roa says. “We deal with this by regularly challenging each other on what hat we are wearing. This is where the biggest advantage lies in having an independent director and running formal board meetings. It is much easier to consciously switch hats if you have a planned time and place to think in the director space.

“Many SMEs are run by married couples and a bigger challenge is separating the marriage relationship from the management relationship. The only way this works for us is by having a deep and genuine respect for each other’s strengths and areas of expertise. We also check in with our team to gauge how we are behaving. They are our canary in the mine to let us know if our professionalism is slipping.”

Another important consideration is the role of an independent versus a non-independent chair.

Longveld’s governance structure has changed to adapt to varying business needs, Roa says, and the value of an independent chair was apparent.

“When we first appointed an independent director in 2009, I was chair and had a

part-time project management role in the business. We all know the relationship between the chair and the CEO is critical, and although we had built the business together, my husband Les was managing director. So when we disagreed...one of us slept on the couch. Needless to say this wrestling with the leadership position was not particularly constructive, however we learnt a lot about ourselves and the value of independent governance.

“Our next appointment was an independent chair and not surprisingly this worked much more successfully, giving us a transparent and challenging forum for our strategy development instead of the vacuum that many SME owner/managers make their decisions in.”

Roa says Longveld used the IoD’s **directorSearch** in the past, as well as using its own networks to find directors. The IoD maintains New Zealand’s largest database of independent directors, and helps companies match individuals’ skills and experience with their specific business needs.

“Longveld has successfully used the IoD’s **directorSearch** service and we have also utilised the networks built up by attending IoD functions and professional development courses over a number of years to get to know both advisors and potential board members.

“We spend quite a bit of time determining what will complement and test our experience. It is challenging if you are only



Pam Roa

appointing one person so you have to pick one or two key things, rather than focus on a lengthy wish list.

“Our business has always changed rapidly as we learn and grow (and sometimes shrink). If we only budget for one independent director then we may need to change the mix of expertise as circumstances change, so our candidates need to be comfortable with this. We carry out an annual board review process to gauge how it’s going. In the future we will budget for at least two independents to increase the diversity of thinking.”

The IoD recognises that some of the challenges faced by SME directors will be quite different to those faced by larger businesses. Resources are available to SME directors to provide guidance on a number of areas including health and safety and advisory boards.

*Hot Topics for SME directors* is currently being refreshed, with Stevens looking at the issues that SME directors want to further address.

**You can find more information designed for SME directors at [www.iod.org.nz/Governance-Resources/SMEs](http://www.iod.org.nz/Governance-Resources/SMEs)**



## Cybersecurity



What do you ask? Are you doing enough? Can you make an informed decision?

For a confidential introductory chat contact – Andrew Corbett  
E:andrew.corbett@kaonsecurity.co.nz M: 027 585 8003

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Security

# risky business

*Risk management and oversight are the buzz words du jour, heard more and more frequently around New Zealand's boardroom tables and as part of governance discussions.*

As a relatively new organisational capability, it is perhaps not surprising that there is no clear understanding or definition (in every day terms), of what risk management is. Many resort to a definition in an ISO standard; in this case 'coordinated activities to direct and control an organisation with regard to risk'. To make matters a little more obscure, the ISO definition of risk is 'effect of uncertainty on objectives'.

Do these relatively simple definitions help directors and management engage with staff on why they should contribute to the risk management efforts or what value such efforts bring? Very unlikely! In our experience, any reference to an ISO standard tends to be a major turn-off.

This uncertainty about what risk management is, and what value it can add, only confirms the confusion that seems to exist about why we should be practising risk management.

Some risk taking is essential if an organisation is to achieve its objectives. Airlines, for example, wouldn't fly if they didn't want to take risks. Many companies that have been successful understand that, historically, they have been managing risk well. They would not have been successful otherwise. So why do anything different now? Many company decisions involve a risk reward trade-off so, implicitly or explicitly, risk is considered in their strategic and tactical decisions. In all likelihood though, across any one company, different people will approach the risk reward trade-off quite differently; a risk worth pursuing for one person may not be attractive for another. With those inconsistencies can the company be confident that, in each case, objectives are being pursued without

putting the company's financial position or reputation at more risk than the owners/ shareholders would accept?

In attempts to strengthen risk management and corporate governance, companies may establish audit and risk committees, maintain risk registers or appoint risk managers. For some companies, CFOs or financial controllers who are tasked with procuring insurance are unofficially (and unwittingly) assuming a critical part of a risk management function. Is effective risk management being established and embedded through the organisation with these steps?

Our experience suggests perhaps not.

A risk register is not evidence that risk management is adding value to an organisation. More often than not, it is evidence that someone is meeting a compliance requirement. It is probably even more concerning if the risk register is produced by one person (eg CFO, legal counsel), once or twice a year, and can create an illusion within the board that robust risk processes are in place.

#### **SOME OF THE CHARACTERISTICS OF GOOD RISK MANAGEMENT ARE:**

- It is forward looking; it helps to identify and systematically consider things or events that can impact a company's performance.
- It helps prioritise where focus should be; considering the consequence of a possible event in relation to a company's objectives and ties the event to what is important. Considering the likelihood of an event with that consequence helps ensure time and management resource is not wasted on remote possibilities. eg technology risk should perhaps be

*“Risk comes from not knowing what you are doing” – Warren Buffett*



Jennifer Calder



Rob Frost

higher on the agenda than environmental risk for some companies.

- It improves the quality of decisions. A degree of uncertainty is present in most decisions; risk disciplines provide a context that allows the uncertainty to be considered systematically within a decision; it increases the likelihood that the risk reward trade off being made is more than the toss of a coin or based on the personal biases of the decision maker.
- It supports accountability and performance management; prudent responses to identified threats to a company's performance can be assigned to the appropriate person and monitored.
- It supports growth, innovation and pursuit of competitive advantage; decisions to grasp an opportunity are taken when they may not have been without the use of risk disciplines. For example, Air New Zealand's decision to introduce night flights into Queenstown is likely the consequence of a thorough assessment of the risks as well as the commercial benefits. The risk modelling and assessment were presumably a powerful factor that delivered additional insight to all stakeholders.
- It supports a consistent consideration of risk across an organisation; at the risk of dangerous stereotyping, accounting and engineering teams may well make different decisions on the same matter than the marketing or development teams. How does management encourage risk taking that is broadly aligned across the company?

The value that flows from using risk disciplines is not achieved if one person in a company is in charge of risk management.

In a recent Conference Board article (by Praveen Gupta and Tim Leech), the authors' challenge to directors was reflected in the article title: *The Next Frontier for Boards: Oversight of Risk Culture*. It reflected that superior company performance flows from having everyone in an organisation holding some level of ownership for a company's risks and an understanding of how their decisions impact on the overall performance.

Those organisations that are more risk aware appreciate that actively managing not only potential problems (threats) but also potential opportunities, provides them with a competitive advantage. Taking and managing risk is the very essence of business survival and growth.

Some of the more high profile corporate issues in recent times often are the consequence of inadequate or no risk assessment made as part of a number of smaller decisions. Serious loss or disaster (i.e. risks manifested) is typically not attributable to one isolated factor. Rather, it is the culmination of a series of steps and decisions which have exposed a vulnerability of processes, which permitted the loss or disaster. Risk exposure can reflect interrelated event. Each on their own may not pose a major threat, but in combination with other events occurring, significant financial or reputational consequences are felt.

Organisations today face an unprecedented level of reputational risk. Social media options ensure bad news spreads fast. To simply pay lip service to management and related governance is to unwittingly expose the organisation to serious loss or disaster or potentially, not seize strategic opportunities that should be pursued. Effective risk management

should not be a top-down directive but does require appropriate leadership from the top. It cannot deliver value to the organisation however without all staff assuming an element of responsibility for risk and having the discussions around risk just as we expect staff to take some individual ownership for health and safety. At its core, risk management is about asking and answering five questions:

- What are we trying to achieve?
- What are the events or circumstances that could affect the achievement of our objectives?
- What are the consequences?
- How likely are these events?
- What can we do to manage these outcomes and maximise opportunities so that we are not managing the business with more risk than we are willing to accept?

How a culture of risk management is created, applied consistently and sustained in an organisation with various silos of operations will be a challenge. But such a programme could be the difference between failure or success in today's increasingly competitive and rapidly changing economy.

**Jennifer Calder, Client Advisor – FINPRO, New Zealand, Marsh [jennifer.calder@marsh.com](mailto:jennifer.calder@marsh.com)**

**Rob Frost, Head of Business Risk, Marsh [rob.frost@marsh.com](mailto:rob.frost@marsh.com)**



## GLC Update

*A policy submission on service performance reporting, a diversity guide for boards and keeping members up to date on governance developments have been the key focus for the GLC since the last issue of boardroom, says Felicity Caird.*

### Service performance reporting

The External Reporting Board (XRB) is consulting on the exposure draft of a new standard on service performance reporting (ED NZASB 2016-6). The new standard will apply to Tier 1 and Tier 2 public benefit entities (PBEs) in the public and not-for-profit sectors.

The primary objective of PBEs is to provide goods or services for community or social benefit. It is therefore important for PBEs to monitor and report on both financial and non-financial performance. This is particularly important for decision-making and accountability purposes.

Financial information alone doesn't tell the whole story and accurate, timely and meaningful non-financial information is essential for good governance. It helps enable the board to monitor performance, hold management to account and make more effective decisions.

Introducing a new performance reporting regime will mean significant change for many PBEs. The IoD's submission to the XRB emphasises the need for sufficient time and support to

enable an effective transition to new reporting requirements and suggests a phased approach over 3-5 years rather than the planned 2 year implementation period. The time frame also needs to take into account any audit or review requirements that may be introduced.

The GLC will develop resources to help boards of PBEs understand the new service performance reporting requirements.

### Joint venture governance

Modern business is about agility, collaboration and the ability to partner together to achieve joint outcomes. Joint ventures are a formal mechanism to enable this and have significant potential benefits, including opportunities for growth and access to new and different resources and expertise. But they can be complex.

Our latest *directorsbrief* for members looks at what's different about joint venture governance when compared with traditional corporate governance. It also highlights relevant and topical matters and we share insights and tips from David Pilkington, a joint venture expert.

### Comparing corporate governance codes

There is currently fragmentation, duplication and differences in the various corporate governance codes relevant to companies in New Zealand. This can make reporting on corporate governance challenging for listed companies. To assist directors we have developed a comparative table with our national sponsor Chapman Tripp. Corporate Governance Codes Compared (available on the IoD website) brings a number of key corporate governance codes into one place and provides a summary of the similarities and contrasts between the following codes:

- IoD Code of Practice for Directors
- NZX Corporate Governance Best Practice Code
- Financial Markets Authority Corporate Governance in New Zealand: Principles and Guidelines
- New Zealand Corporate Governance Forum Guidelines
- ASX Corporate Governance Principles and Recommendations

The NZX Code is currently being reviewed and a new draft code is due to be released for comment later this year.

## Keeping you updated

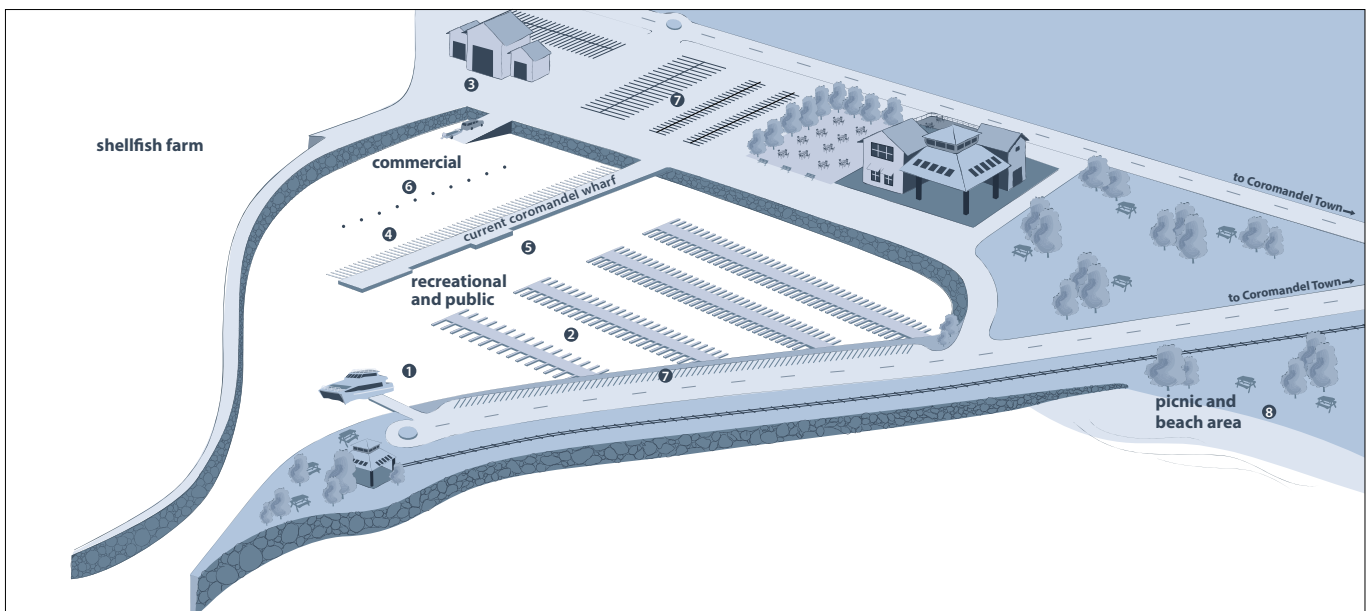
Our second governance update for 2016 was sent to members in July covering legislative changes, court decisions, and other developments and recent thinking on governance best practice.

We made two other policy submissions during this period, one to MBIE on the Exposure Draft of the Incorporated Societies Bill and the other to the Māori Affairs Select Committee on Te Ture Whenua Māori Bill.

***IoD submissions, guides, directors briefs and other governance resources are available at [www.iod.org.nz](http://www.iod.org.nz).***



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# Directors' fees – signs of improving diversity

*The Institute of Directors' 2016 Directors' Fees Report shows directors' fees have risen moderately this year, with pay disparities between male and female directors closing.*

The median increase in non-executive directors' fees increased by 3% (4% in 2015), with the gap between male and female non-executive directors being 10%, a drop from 21% in 2015.

New Zealand directors must perform in an increasingly challenging business environment. Good governance outcomes are achieved by strategic thinkers who are energised and diligent in the boardroom. To deliver those outcomes businesses must ensure that remuneration levels attract, motivate and retain good quality directors.

The IoD's annual director remuneration survey is the key source of information on director remuneration trends in New Zealand. This year fee levels moved at a similar pace to 2015. For non-executive directors the median rose from \$41,610 in 2015 to \$42,994 in 2016. For non-executive chairs the median fees increased from \$52,500 to \$54,000.

Many variables need to be considered when determining a fair and reasonable fee. To support and justify the fee, the IoD considers good accountability practices need to be evidenced such as excellent board evaluation, appointment processes and succession planning.

The male non-executive median fee is \$44,000, a drop from \$45,000 last year, while the female non-executive median increased from \$37,000 to \$39,800. Given the not for profit sector is not traditionally well remunerated, this improvement is highly likely to have come from the corporate sector.

According to the IoD-NZIER Director Sentiment survey, of current serving directors, 60% agree diversity is a key

consideration in making new appointments. Female non-executive directors comprise of 29.7% of the total sample, up from 26.9% in 2015.

The state sector continues to feature significantly lower rates for those contributing to the public interest. Some public service element to director fees may be justified. Nonetheless, it would be a concern if much lower rates meant quality directors with significant experience exercised choice to limit involvement because of a failure to recognise the significant personal risk they take on in many public sector roles.

Non-executive director pay in New Zealand owned companies moved 13.5% from \$37,000 to \$42,000, while overseas owned companies increased just \$375 to \$100,000 from \$99,625 in 2015.

This is the second year the IoD worked with EY to undertake our annual IoD Directors' Fee Survey, and this year saw a 8.3% boost in survey participation from IoD members covering 22% more organisations, making it the most comprehensive in our history. The IoD would like to thank the IoD members who participated in this survey. These are directors who have taken time to contribute data for the good of the director profession. Without member input, we would not be able to produce such an extensive and valuable document.

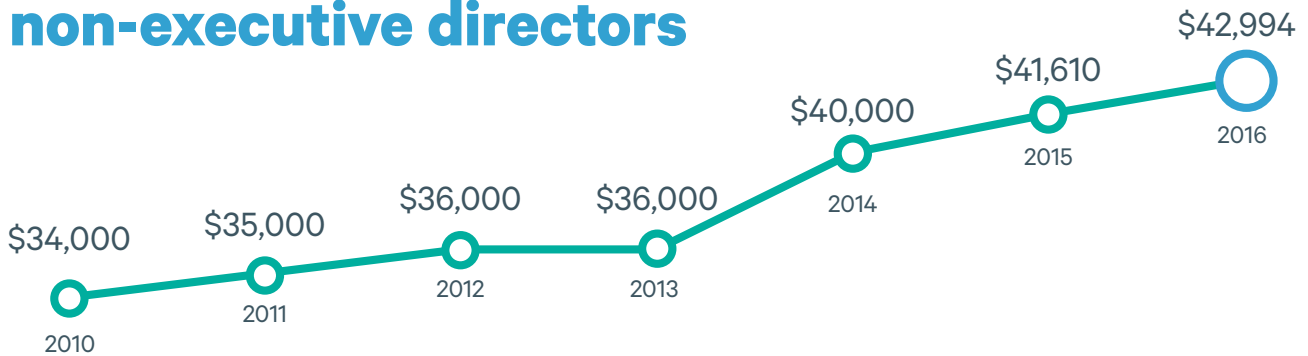
The IoD is New Zealand's professional body committed to supporting its members through lifelong learning and raising professional standards. We are committed to driving excellence in governance. We need directors who are courageous and capable but for whom the risk and reward balance in remuneration makes sense.



**Directors satisfied with their remuneration**



## Median fee for **non-executive directors**



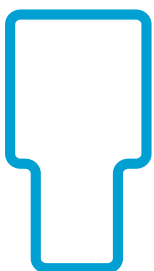
### Female

2016

**\$39,800**

2015

**\$37,000**



### Male

2016

**\$44,000**

2015

**\$45,000**

Median fee for non-executive directors



### Public Statutory Board

**\$26,000** ▲ 12%

### Private Listed Company

**\$80,000** ▲ 1.8%

Median fee for non-executive directors



### New Zealand owned

**\$42,000** ▲ 13.5%

### Overseas owned

**\$100,000** ▲ 0.4%

Median fee for non-executive directors



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# CYBERSECURITY AND THE MODERN DIRECTOR

## *Why cybersecurity is a board issue*

Do you think cybersecurity is something that only concerns your IT department? It is certainly that, but cybersecurity is also something for which every person in your organisation carries some responsibility. As a director your responsibility is even greater, as cybersecurity is today recognised as a multi-disciplinary governance issue which goes beyond the ICT team and is a component of departments including human resources, communications, finance and legal.

But why has cybersecurity moved from what was essentially a fringe issue, to becoming a risk of such magnitude that it demands the attention of the board?

The simple answer is that we have become an information society, massively enabled by technology which makes the creation, exchange and transmission of information considerably easier than ever before.

That information is valuable has never been in question. However, what has changed is the volume of information available today, the systems which contain and convey it, and the enormous variety of information which can, if it falls into the wrong hands, constitute a risk to your business.

### >\_THE HEIGHTENED RISK OF ATTACK

While business today is enormously empowered by ubiquitous computing and connectivity, so too are the professional hackers who seek to profit from illegitimately acquired information. In much the same way that automation improves company productivity, it accelerates the ability of hackers to break into networks, databases, websites and applications. In the same way that the internet makes it easy to do business across the world, it makes it simple for hackers to operate from anywhere.

A recognised authority in tracking global cybercrime, the 2016 Trustwave Report examined cybercrime as a business model for the first time, detailing the methods that cybercrime organisations use to maximise profits from malicious attacks. "Cybercriminals have been congregating and organising for years, but 2015 showed a marked increase in the behaviour we would normally associate with legitimate businesses," said Trustwave Chief Executive Officer and President Robert J. McCullen.

The report also revealed that despite the hype around information security, companies today are still lackadaisical in their approach. For example, 97 per cent of applications tested by Trustwave had 'serious vulnerabilities'.

The work of the hacker, often working in an organised group structured like a legitimate business, is made infinitely more efficient with automated attacks, with bots crawling the web looking for vulnerabilities which they can exploit. It is your duty of care to ensure that when – not if – hackers target your systems, they are reasonably secured.

### >\_INFORMATION SECURITY AND GOVERNANCE: A LEGAL PERSPECTIVE

But what does 'reasonably secured' actually mean? Wellington firm Wigley Law provides a useful perspective on how the law is likely to treat information security as a board issue. The company points out that as with any other risk 100 per cent mitigation is usually not required – and nor is it possible. Instead, cybersecurity risk should be managed and balanced. Each company's risk profile differs: for example, some companies make 100% security promises in their contracts with customers (although that is something that should be fixed).

What is required, however, is for directors to determine how far to go in relation to categories of data. Wigley Law points out that those on the board have an obligation under the Companies Act to exercise the care, diligence and skill of a 'reasonable director' in the circumstances. They conclude that, if the board is not complying with the Institute of Directors' Cyber-Risk Practice Guide, or equivalent, they are unlikely to be legally compliant, giving directors' exposure to damages claims.

The law firm points out that 'companies with good corporate governance have robust board practices to manage risk to meet these duties...what is clear is that cybersecurity should become well entrenched in regular board reviews, given the risk and very real prospect of successful attacks.'

### >\_THE DUTIES OF A DIRECTOR

There is no question that effective cybersecurity is, to a degree, a technical issue (and a complex, multifaceted one at that). But the question for many directors is a simple one: what should I (and the board) do?

On a recent visit to New Zealand, GE's Chief Security Officer Tim McKnight provided something of a checklist which every director should consider. At the top of the list is to add cybersecurity to the agenda.

It is necessary for every director to be aware of cybersecurity. McKnight advised directors to educate themselves on the topic, including understanding the legal issues; this will empower you to ask the right questions of the IT department (and



Scott Bartlett

others). Knowing which information is most valuable is essential, as well as the roles and responsibilities of those tasked with managing it. Directors should assess and know the company security posture.

Given the complexity of the challenge of achieving reasonable cybersecurity, it may be necessary to call on specialist expertise. Experts can conduct vulnerability assessments, including 'penetration tests'; as mentioned in the opening paragraphs, cybersecurity is everybody's concern.

While often vulnerabilities may be found in information systems, they are just as likely to be identified as personnel issues. People remain one of the weakest links in information security chains, so the education of users and the establishment of a stance of vigilance is essential. Risk assessment should even go straight out the door and up and down the supply chain: third party suppliers can be targeted too.

The bottom line is that cybersecurity is a pervasive issue today. For businesses, it is more than an operational challenge; it has become a strategic one. The recognised strategies for dealing with risk must be applied to cybersecurity: understand, mitigate and, because it is a moving target, routinely revisit it. And, owing to the potential for a weak point anywhere in the organisation, vigilance is necessary from the shop floor, right through to the board.



# We'd like to help you make the most of your membership.

*Tap in to all we have to offer:*

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- *The Four Pillars of Governance Best Practice*
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- policy submissions on behalf of profession

- **Specialist board services**



# Future Directors expands into the public sector

*Since its inception in 2012, 17 private sector companies have placed 20 Future Directors on their boards, with another four in progress. This year the programme has expanded to include state sectors boards, in a move that will further strengthen New Zealand's director pool.*

Founded in 2012 by Sir Stephen Tindall, Michael Stiassny and Des Hunt, Future Directors develops the next generation of directors. Future Directors aims to give young talented people the opportunity to observe and participate on a company board for a year while giving the company exposure to this talent and the benefits a young mind can bring.

Minister for Women Louise Upston announced in June that the programme will be expanded to state sector boards, saying that public sector boards and committees would benefit from the programme, as well as develop a larger and more diverse pipeline.

The government's goal is to have 45% women directors on public sector boards. Women currently make up 43.4% of public sector boards.

"This is a significant and innovative step for the public sector and continues the achievements in diversity to date by giving people with potential a great opportunity," IoD CEO Simon Arcus says.

"The need for diversity of age in the boardroom reflects the rapid changes in the business landscape. The dividend that diversity pays is bringing different perspectives and more robust decision-making, effective risk management and better company performance."

Speaking to attendees at the announcement event, Arcus talked about the power of a good idea.

"I think we've hit on a very good idea, that's a scheme where three very dedicated individuals had a conversation about how they could make a difference, show leadership and grow boards for the future of New Zealand. It's also about boards showing leadership, and being a bit braver.

"It's about getting people to think about change".

Sir Stephen Tindall says that the idea came about as a result of the noticeable lack of diversity on New Zealand boards.

"Talking to some of my colleagues overseas I heard that there was a mandate for women to get on boards, virtually a quota system, and how that didn't work."

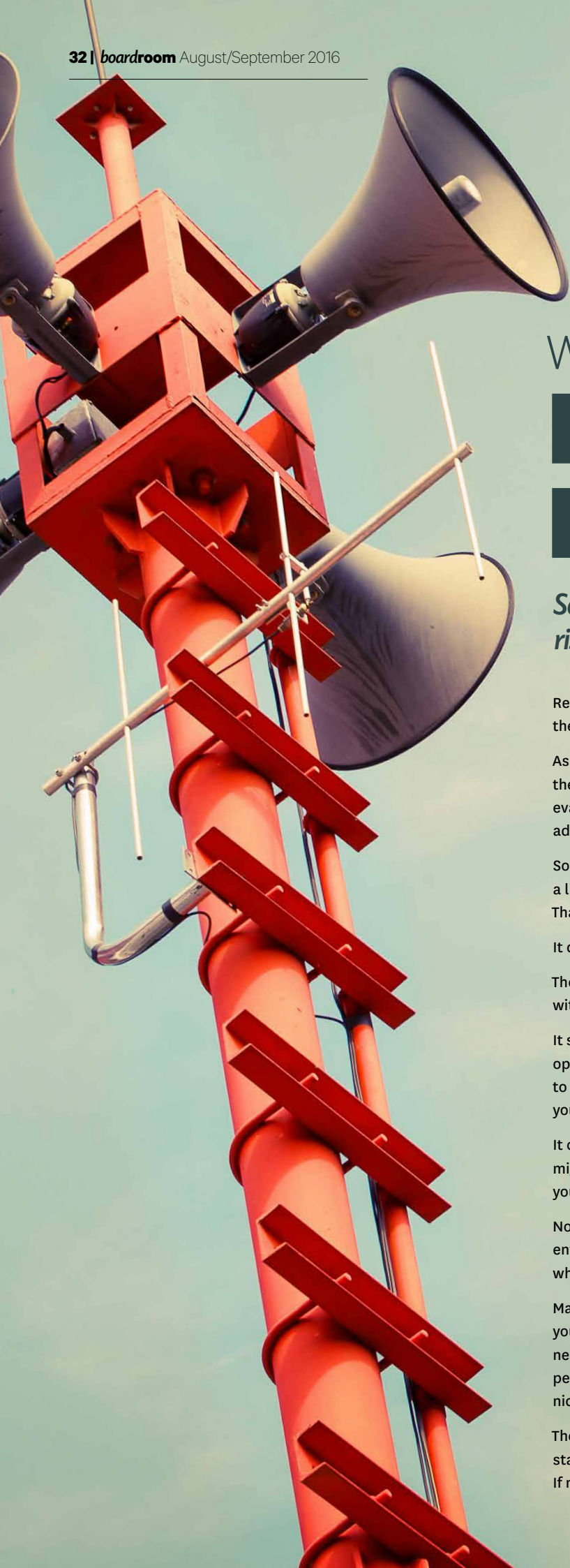
The system would have little effect here either, Sir Stephen noted, saying that women he spoke with said they wanted to be on board on merit rather than as a result of a quota system.

"One of the first things that we got feedback on is that the pipeline is not all that great, because there is not a huge amount of experience. Our idea with Future Directors was that people who might not have even thought about governance would put their names forward and get that experience."

Initially the idea received a lot of push back, with questions around the legality of having a non-board member sit on the board. However, boards received guidance on how this works and new boards are encouraged to get involved. Sir Stephen says that the programme is beneficial for all parties involved, with boards benefiting from a new perspective.

The Future Directors programme has proved such a success that many host boards are coming back for their second and third Future Director. It has also inspired a similar programme in the United Kingdom.

**Find out more about the programme at [futuredirectors.co.nz](http://futuredirectors.co.nz) or [iod.org.nz](http://iod.org.nz)**



## WHAT TO DO ABOUT **Reputation Risk**

*So you know that reputation is a strategic risk – but what do you do about it?*

Reputation isn't tangible, nor is it static. You can't 'manage' it in the same way you can physical assets.

Assuming you're serious about addressing reputational threats, there's a key question: what metrics do you use? How do you evaluate the risks and then ensure that the management team addresses them effectively?

Some metrics are proprietary, developed by companies who make a living by promoting and implementing their particular approach. That could be expensive.

It doesn't have to be that way.

There's a simple set of steps your board, or your board together with senior executives, can take.

It starts with taking a level-headed look at the environment you're operating in. Where might the risks arise, from whom? Don't forget to recognise that something totally unexpected might sideswipe you, too.

It can help to involve an outsider in this situation analysis: you might well be so close to your organisation's operations that you're a little blind to the possibilities.

Now think about where your key stakeholders fit in this environment. As you look at stakeholders, there will be some whose power and influence make them stand out above others.

Make a list of the top four or five. With some stakeholders, all you need to do is show consideration and meet their information needs. Other stakeholders will be 'determined detractors' – people who will never be on side, no matter what you say or do. Be nice to them and invest your energies elsewhere.

Then make your own assessment of where you stand with the key stakeholders. Is your reputation with them what you'd like it to be? If not, how big are the gaps?



Your benchmark needs to be your own list of what attributes you'd like to have associated with your organisation's reputation (which, by the way, is not the same as brand. Brand is the promise you make to your stakeholders, while reputation is their evaluation of your delivery against that promise).

For example, do you want to be seen as dealing quickly with the situation when things don't go right for customers using your products or services?

If this is not how your key stakeholders see you, there's a gap that needs to be bridged, and you can't do it with public relations. Operational steps will be needed.

Once you've made a list of where you stand with the major stakeholders, commission some qualitative research to test your findings. You may have had an overly rosy view: it's time to 'sanity check' it.

The next step is to do some scenario planning based around your findings so far. What would an optimal outcome look like with each of your key stakeholders? How exactly would it be different from your current situation? If you had an ideal reputation with those important to you, what would you be concerned about, compared with your current concerns?

Your scenario planning will provide some keys to designing gap-bridging strategies. A key question is not 'what's wrong now and how can we fix it?' but 'what's working well, and how can we amplify it?'

That's not a naive, glass-half-full approach. It's based on recognising that it's easy to get caught in a 'problem-solution loop': the more problems you find and solutions you develop, the more you find to deal with. It can be a never-ending spiral.

Thinking about what's working well simply puts a different perspective on things, one from which it's easier to identify how to address the issues you'll inevitably face.

Then you not only implement strategies and associated tactics but (and here comes the hard bit) monitor continuously. There's a somewhat outdated idea about 'reputation capital' – that if you are seen to do good long enough by the right people, you can build up a 'goodwill bank' to be drawn on in time of crisis.

That's fine as far as it goes, but it doesn't go far enough. Research suggests there is some shielding effect if you have a good reputation prior to a crisis. People are more willing to give you the benefit of the doubt, to see an event as a one-off rather than as systemic. They're less likely to walk away from you quickly, more likely to stay loyal.

However, reputation isn't like money in the bank. It changes as stakeholders acquire more information. In a 24x7 media environment, that can happen any time of the day or night. So one reputation audit will give you only a slice of life at a point in time. Ideally, you'll get your PR or research company to monitor it for you, week by week.

Of course, you could face reputation threats from people or events you never thought possible. Then it's a matter of looking past the immediate crisis response to implement longer-term reputation repair. There are recognised strategies for doing that. But don't wait for the crisis: start acting now to identify and prepare yourself to address the reputation risks in front of you.



**Chris Galloway, PhD Head of Public Relations, Massey University**



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

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CELEBRATING  
**25**  
YEARS  
1989 - 2014

**FRANCHIZE**  
CONSULTANTS

# The formula for success: it's in the DNA

*What if we could discover the formula behind New Zealand's most successful companies – and then replicate it across multiple firms?*



**Simon Hunter**  
Partner – Performance Consulting  
KPMG, [simonhunter@kpmg.co.nz](mailto:simonhunter@kpmg.co.nz)

Well, maybe we can. KPMG has developed a framework, known as the ‘Enterprise DNA of a high-performing enterprise’, which defines the common traits that take a company to the next-level.

First published in mid-2015, the ‘Enterprise DNA’ is the work of Simon Hunter, KPMG Partner and Performance Consulting specialist. He explains the catalyst for embarking on the research:

“New Zealand is consistently globally ranked as one of the best countries in the world to do business. Yet our GDP per capita is low – we’re not growing fast enough, we’re not innovating fast enough, and we’re not growing productivity as we should be.

“So while the settings are there for success, there is clearly some constraint at enterprise level. We set out to understand what those constraints were.”

KPMG studied a number of New Zealand firms – across different sectors and of different sizes – that are widely recognised as being successful. These are companies that consistently achieve strong double-

digit growth and sustain better-than-average profitability.

“By studying what these firms had in common, we defined the eight traits of the Enterprise DNA. This is what these companies do differently to their peers, both in New Zealand and globally.”

## THE VALUE OF DNA

The purpose of the research, says Hunter, was to share those insights in order to help build the next tranche of high-performing enterprises.

“We want to see the next 10% of New Zealand businesses starting to grow at 30% or 40% per annum.”

However, he points out, successfully adopting the Enterprise DNA is more than a simple ‘cookie-cutter’ exercise. Execution, as always, is the critical part of the process.

“It’s not only ensuring you have built the eight traits within your business – it’s also about applying each of them, continuously, each and every day. That’s what our high-performing companies are able to do.”

# Eight key DNA traits of a high-performing enterprise



## STRATEGIC ANCHOR

One of the eight traits of a high-performing enterprise is that the organisation has a 'strategic anchor' – a clear and strategic purpose which is never compromised.

"It's the single, core purpose that has been there from day one," explains Hunter.

"Even as the business evolves and changes, everything in the company is built around this idea."

While many businesses seek out new directions in response to changing markets, high-performing enterprises do the exact opposite.

"They are constantly looking to narrow and define their focus. And they don't hesitate to cull brands and other elements that don't fit anymore."

## PIVOTAL LEADERS

Another key trait of a high-performing enterprise is that it will invariably have a 'pivotal leader' at the helm.

As Simon Hunter explains, a pivotal leader is one who drives the business to greater achievements – by creating the rhythm,

intensity and culture that allows the whole firm to flourish.

Tony Egan, the general manager of family-owned Greenlea Premium Meats, provides his thoughts on pivotal leadership:

"It's not just about setting direction, or giving direction...it's also about listening and responding, and nurturing the organisation as a whole," says Egan.

"We have a broad range of talents within our firm; and what I'm good at, in my view, is extracting the best out of the people that are good at other things."

## SHARING THE KNOWLEDGE

Simon Hunter says KPMG is using the Enterprise DNA model in a number of ways to assist clients. At a broad level, the concepts have become integral to all general consulting and advisory work – particularly when helping clients break through constraints or challenges.

For the past year, KPMG's Private Enterprise division has also been running the Enterprise DNA Programme. Engaging the executive and/or management team,

typically over a period of two weeks, the aim is to work on specific nodes within the organisation's DNA.

"It's a fast-paced sprint or intervention, which uses systems-thinking to identify where they have constraints and then work through solutions," explains Hunter.

"It allows teams to explore how their future would look as a high-performing enterprise. We're seeing clients achieve results of 30% growth, or 200% improvement in profits. It's pretty exciting."

*Like to know more about KPMG's Enterprise DNA programme? Go to the DNA traits of high-performing enterprise page at [kpmg.com/nz](http://kpmg.com/nz), or contact Simon Hunter*



# Improving governance in the state sector

*Clarity of governance and management responsibilities and roles, and better risk management are needed in the public sector. Felicity Caird discusses key findings from the Auditor-General's recent work on governance and accountability in the public sector.*

There's no doubt there are unique challenges to being on a board in the state sector. One of these is navigating a complex accountability framework that includes Parliament, select committees, ministers, Treasury, the State Services Commission, monitoring departments and, of course, public and media interest and scrutiny. One of the keys to staying on course is focusing on core principles of good governance.

## Different types of governance arrangements in the public sector include:

- State-owned Enterprises, Crown Research Institutes and many other Crown entities, operate with a conventional governance board structure with members generally appointed by ministers
- Some Crown entities such as district health boards have appointed and elected members
- Some statutory bodies have governance and statutory functions, eg the Privacy Commissioner
- Governance in government departments is shared between the responsible minister and the chief executive

In April this year the Auditor-General, Lyn Provost, published *Reflections from our audits: Governance and accountability*. The report pulls together findings from projects and specific work focusing on accountability and governance during the previous year. Two key areas identified where the quality of governance can be improved:

### 1. CLARIFYING ROLES AND RESPONSIBILITIES

Clear roles and responsibilities are essential for good governance and effective decision-making. Distinguishing between governance and management is paramount but not always straightforward. The Auditor-General says increased liability for governors may be driving governors into operational matters. She emphasises the importance of having clear governance documents such as charters and terms of reference to clarify roles and responsibilities, and to build trust and confidence.

Governance in government departments is particularly challenging as governance is shared between the responsible minister and the chief executive. With dual management and governance roles the challenge for chief executives (and sometimes other senior managers) is

being clear which hat the chief executive is wearing – governor or manager. The report discusses roles, responsibilities and relationships between ministers and chief executives, including statutory context, conventions and expectations. I would like to have seen more assessment and insight in the report about what enables and what detracts from effective governance in government departments.

### 2. RISK MANAGEMENT – ‘TOP-CLASS EXAMPLES OF GOOD PRACTICE ARE HARD TO FIND’

Effective risk management is fundamental to good governance and should always be top-of-mind for boards and directors. The IoD's 2015 Director Sentiment Survey showed that 73% of directors were spending more time on risk than in the previous year.

The Auditor-General warns that the inability of entities to identify the warning signs that things are going wrong, or to ‘join the dots’, is often a reason why problems arise. Risk registers weren't always kept up to date and tended to focus on operational rather than strategic issues.

### Eight elements of good governance

There are no surprises in the Auditor-General's eight elements of good





## State Sector Governance Workshop

*Gain insight into the role, responsibilities and challenges of directing on a state sector board.*

**Wellington**  
27 October 2016

**Auckland**  
15 November 2016

**DURATION:**  
**ONE DAY, 8.30AM – 5.00PM**

There are significant differences between the governance role in a private company and a state sector organisation. This can be challenging and requires a good understanding of the processes and drivers inside government.

Using real-world scenarios, this interactive course will provide you with a better understanding of these differences, why they exist, and range of practical tools as to how to navigate through them.

**To register call 04 499 0076, 0800 846 369 or visit [www.iod.org.nz/statesector](http://www.iod.org.nz/statesector)**

governance. They align well with good governance practice in the IoD's Four Pillars of Governance Best Practice and current thinking, including the importance of leadership, culture and conduct. The eight elements are useful for anyone involved in governance – on public sector, commercial or not-for-profit boards.

### **Eight elements of good governance to strengthen accountability:**

1. Set a clear purpose and stay focused on it
2. Have clear roles and responsibilities that separate governance and management
3. Lead by setting a constructive tone
4. Involve the right people
5. Invest in effective relationships built on trust and respect
6. Be clear about accountability and transparent about performance against them
7. Manage risks effectively
8. Ensure that you have good information, systems and controls

### **Emerging governance arrangements**

Changes in the public management system and new ways of working are expected to drive new governance arrangements

such as cross-agency and cross-sector, public private partnerships and network governance – and examples of these are already emerging in the social sector, such as the Social Sector Board and Vulnerable Children's Board.

Experience of co-governance in the environment sector identified five principles that contribute to effective governance in this challenging sector:

- Build and maintain a shared understanding of what everyone is trying to achieve
- Build the structures, processes, and understanding about how people will work together
- Involve people who have the right experience and capacity
- Be accountable and transparent about performance, achievements and challenges
- Plan for financial sustainability and adapt as circumstances change.

When faced with governing in a complex environment, a good starting point is always with core principles of good governance. The Auditor-General's eight elements of good governance provide a useful framework.





# Taking passion into the boardroom

*boardroom continues the spotlight young directors, this time we speak with Chartered Member Hamish Walker about his governance journey.*

Hamish Walker is often the youngest member on many of the boards he sits on “by at least ten to fifteen years”.

At 31, Walker works in an area that is still unknown to a lot of his peers. He recognises there is still a perception that board directors are older and this is a challenge for younger people interested in the profession.

“I think the hardest thing for young people is entering the unknown. The common reaction I get when I tell people what sort of boards I am on is ‘how did you get into that?’ The common perception of the director is grey hair, or very little hair. That is changing.”

Walker sits on the board of the Otago Rugby Football Union, Otago Referee’s Committee, Otago/Southland Lotteries Commission Distribution Committee, chairs

the Dunedin South National Party and is deputy chair of the Southern Region National Party – roles he takes on alongside his day job with Polson Higgs.

“It is an opportunity to give back to the community I love. You get to develop your skill set and meet interesting and diverse people along the way.

“The rugby board is the real personal one for me. I remember growing up in the nineties and crying as a young nine or ten year old whenever an Otago rugby team lost at Carisbrook,” Walker laughs.

“I was involved in rugby and refereeing and with that I travelled around; I got to see different unions and different ways of operating. Talking to the ones that operate really well, it all came back to the board setting a good strategy and vision and a mission statement of how they want to get there.”





Hamish Walker

***“At times you have to stand up, be strong and show courage. It’s a waste of time being there if you have got an opinion and you don’t voice it.”***

Walker is one of the youngest Chartered Members of the Institute of Directors, having joined early this year and quickly sitting the Chartered Member Assessment.

“I’m serious about becoming the best director I can be and it was a no-brainer to join the IoD. If anyone is serious about becoming a director it’s an obvious step to join and become a Chartered Member, which shows to boards that you are dedicated to the profession.

“What becoming a Chartered Member does is teach you best practice and sets you apart from the rest.

“It’s actually surprised me over the last few months thinking about best practice and seeing where we can improve our game – I wouldn’t have gotten this if I didn’t go through the Chartered Member pathway.

“One of the boards I sit on had no female directors, and I was surprised when I realised they wondered why less than 5% of their client base were female. We now have two women around the board table and within four or five months that’s increased to about 15%.”

Even with best practice lessons under your belt, is it difficult to make your voice heard when you might be coming from a completely different view to others around the table?

Walker explains that sitting on the rugby union board he brings a fresh perspective on how to attract younger people to games.

“You have to remember that you are there to advance the cause of the company, and at times you have to stand up, be strong and show courage. It’s a waste of time being there if you have got an opinion and you don’t voice it.

“Attendees at rugby games are generally male over the age of 46. Research suggests that anyone under that age will come to a game not just for the game but for the overall experience. Having someone of my age on the board we can actually connect with the people under the age of 46 and think about how to create the experience. It might not be at the game, it could be creating a buzz in the days before in the lead-up to the game.

“Diversity of thought creates those discussions that need to be had, and it’s important to have a really good chair who will allow everyone to have their viewpoint. I’m lucky to work with Keith Cooper on the Otago Rugby board; he does a really good job of ensuring everyone has their bit to say and feels comfortable in the environment to say it.”

***“The most important thing is to listen, listen and listen some more. You have two ears and one mouth for a reason. Use them in that amount.”***

Walker recognises he is new to governance and values the lessons more experienced

directors have. His advice to other young directors is to “listen, listen and listen some more. You have two ears and one mouth for a reason. Use them in that amount.”

Walker is positive about the demographic change at board level. He wants to encourage other young people interested in governance to find out more, and be clear about why it is that you want to get involved.

“The first thing I ask is ‘why do you want to do it?’ A lot of them give the wrong answer which is ‘it sounds fun’. It’s actually a lot of hard work; for every hour of board meetings you might have to prep for two or three hours.

“Our generation wants to give back; I don’t think money is a motivator to many people my age. One way to give back is to sit on a board and ensure that the purpose or cause is advanced.

“For anyone who does want to get involved the first thing I say is get in touch with the IoD who are great at answering questions. In the first couple of months I probably asked half a dozen really silly questions but they’re answered straight away and you’re made to feel you can ask anything. The IoD is there to support younger people.

“I think as a society if we really want to lift our standard of living we need boards functioning to the best of their ability; for that to happen we need diversity on boards to ensure that differing viewpoints are heard and the best decision is made. It would be pointless if we just had the same group of people sitting on boards.”

# Well cultured

*Culture and conduct are paramount considerations in financial services today. Jim McElwain, executive director of the Institute of Finance Professionals NZ Inc.\*, explores what directors should know.*

When it comes to priorities, they don't come any higher. Conduct, ethics and behaviour are now "top of the list for financial services firms globally", noted Rob Everett, CEO of the Financial Markets Authority (FMA), when he addressed guests at the 2016 INFIZ Awards dinner.

The risk poor conduct presents to a firm's reputation is key, and that risk carries a considerable financial cost. According to research by the London School of Economics and Political Science, the cost of poor conduct for the 10 most-affected global banks was approximately US\$250 billion between 2008 and 2012.

## **SO WHAT IS 'CONDUCT RISK'?**

Speaking at a recent seminar on conduct and conduct risk in financial markets, which was run by INFIZ in association with the FMA and the CFA Society, PwC partner Karen Shires defined it as "the risk that a firm's products, services and activities deliver poor outcomes to customers or poor market outcomes".

As such, in PwC's view, the main indicators of conduct risk are evidenced in two areas: poor outcomes for customers, and significant market incidents.

Poor outcomes for customers may include mis-selling at the point of origination (through product push, poor advice or failures in the sales process); failure of fulfilment (through operational failures,

increased complaints or poor customer satisfaction); and design failure (through overly complex product features, or misleading terms and conditions).

Significant market incidents can include rate manipulation, mis-selling and rogue trading.

Liam Mason, the FMA's director of regulation who also spoke at the seminar, noted the FMA is looking for an alignment of interests. This is because poor conduct might unfortunately mean there is a greater likelihood that problems will not actually be discovered or treated seriously enough, that complaints are not seen as lessons to learn from, and that issues that arise will be solved first for the firm, rather than for customers harmed by it.

"Good conduct has a focus on customers at its core and good customer outcomes as its result," Mason said.

Given conduct is literally how people behave, it is ultimately what the customer actually experiences in their dealings with a firm. And that conduct is driven by the firm's culture – the 'unwritten rules' that govern how things actually work in an organisation.

A stated goal in the FMA's Strategic Risk Outlook reads: "We expect boards and directors of financial service providers, both big and small, to set a strong tone-at-the-top to ensure that customer outcomes

are central to organisational strategy, culture, and conduct."

The FMA is focused on boards and senior management because it is up to these people to lead the firm's culture by example. Simply put, how leaders behave is seen and followed by those throughout any organisation.

"Employees look to examples set by their colleagues and especially their leaders for a sense of whether formal conduct expectations are real, or just rhetoric. They also look to see if there are clear consequences, including for the leadership, if those expectations are not met."

## **SO WHAT DOES GOOD CONDUCT LOOK LIKE?**

In the FMA's view, factors that contribute to good conduct include having the capability to competently deliver the product or service in question, and that any conflicts are managed and interests are aligned (including whether what customers are being asked to pay for goods and services is fair value).

Other factors include culture; control – that checks and balances are in place to support good conduct, including complaints and disputes resolution, and that these are being reported to and monitored by the board; and communication.



Mason posed the following questions that boards and senior management might ask themselves about whether their organisation exemplifies good conduct in practice:

- How do you know your products and services can meet, and are meeting, your customers' needs?
- How do you know you are good at knowing your customers, including their level of financial sophistication?
- How do you demonstrate that your customer and business strategies are aligned?
- How do you know whether your cross-selling strategies, and practices, are appropriate?
- How do you ensure your staff understand the alignment between your business and customer outcomes, and their direct impact on that relationship?

So what does all this look like in practice? The seminar concluded with insights from

a panel of industry leaders, who shared some examples of how good conduct might be implemented on the ground.

For example, they suggested creating a board composition that ensured there were skills to probe and challenge, and that board member induction training included briefings on conduct. Board agendas could include a risk report from the chief risk officer as a standing item, or a 'conduct council' led by business heads could report to the board.

Incentivising staff to reward good behaviour was another example, with a clear understanding created across the organisation of who and what is praised and promoted. And where an organisation is working with outsourced service providers, a partnership model could ensure they are aligned in terms of culture.

Empowering front-line staff, who know the most about customer risk, to fix the

pain points of customers can help ensure customers remain front and centre. And when looking to remedy an issue, they suggested that thinking about fixing the problem from the client's perspective was a steady guide as to the right thing to do.

The seminar 'conduct and conduct risk in financial markets' was held by INFENZ at DLA Piper on 28 June 2016. Speakers included DLA Piper partner Sue Brown and the FMA's director of strategy and risk, Simone Robbers. The panel of industry participants comprised: Kiwibank head of legal-wealth Larissa Vaughan; BNZ head of product performance Natasha Belien; and Sovereign chief distribution officer Richard Klipin.

\* INFENZ is the body for those professionals operating in New Zealand's financial and capital markets with over 1,200 members nationally.

[www.infinz.com](http://www.infinz.com).





# Out&about

## MENTORING FOR DIVERSITY

In June the IoD celebrated the fifth intake of the Mentoring for Diversity programme at an event held in Auckland. The IoD Diversity Guide was also launched at this event.



## AUCKLAND

Auckland branch members had the chance to attend a range of events including an evening with the Auckland mayoral candidates and monitoring what matters in health and safety. Shane McMahon was awarded with his Chartered Member certificate by IoD President Michael Stiassny, during a breakfast function with Barbara Chapman.

- 1 | Rajeev Sunder, Aaron Rink, Tracey Phelan, Ian Fitzgerald
- 2 | Deion Campbell, Alex Skinner, Edie Moke
- 3 | Mary Gordon, Ana Morrison, Keiran Horne, Mei Fern Johnson
- 4 | Claire Evans, Kylie van Heerden, Kate Wareham, Mel Beattie

- 5 | Liz Coutts, Hon Phil Goff, Steve Smith, Sarah Murray, Simone Iles (Auckland)
- 6 | Michael Stiassny and Shane McMahon (Auckland)
- 7 | Mark Hammer, Jane Leahy and Julie Pearse (Otago Southland)
- 8 | H&S (Otago Southland)



**OTAGO SOUTHLAND**

In recent months Otago Southland branch hosted Graham Crombie who spoke about governance of public sector organisations in Otago Southland; Paul Ash, Director of the National Cyber Policy Office, DPMC; and held ‘monitoring what matters in health and safety’ events in Dunedin, Invercargill, and Queenstown.



**TARANAKI**

Taranaki branch members were privileged to receive a Whakatau at their recent event Governance in a Māori context, held in the beautiful Takapou Whariki Gallery.



**Company Directors’ Course** AUCKLAND JULY 2016

*Front row:* Rodney Wong (presenter), Claire Zhou, Erica Jenkin, Noeline Whitehead, Judy Newcombe, Lisa Mackay, Selina Omundsen, Daryn Govender

*Middle row:* Thomas Griffiths, Glynn Tulloch, John Boyd, Doug Harvie, Luc Shorter, Amanda Butler, Jane Retimana, Wes Jones, Chris Lowe, Elaine Ford,

*Back row:* Llanwyn Smith, Jerome Demmer, John Timms, Kevin Burt, Stephen Child, Roy Thomson, Malcolm Black



# IoD Events Diary

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

## Self-paced learning

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

Directors' and Officers' Insurance Ethics – How directors do business Health and Safety Governance

## Webinars

**15 SEPTEMBER**

Chairing Fundamentals

**26 OCTOBER**

Risk Trends

## Northland

The below courses are for Northland residents only

**5 SEPTEMBER**

Rural Governance Essentials, Kerikeri

**6 SEPTEMBER**

Te Pae Hihiri, Kaitaia

**7 SEPTEMBER**

Not-for-Profit Governance Essentials, Whangarei

**8 SEPTEMBER**

Finance Essentials, Whangarei

**9 SEPTEMBER**

Risk Essentials, Whangarei

## Auckland

**24 AUGUST**

Early evening function with Malcolm Bailey, Whangarei

**29 AUGUST**

Evening with Dr Michael Hastings (Lord Hastings of Scarisbrick CBE)

**31 AUGUST**

Lunch function with Hon Amy Adams

**13 SEPTEMBER**

Masterclass – Health and Safety Reform

**14 SEPTEMBER**

Masterclass – Leadership from the Boardroom

**14 SEPTEMBER**

Breakfast function with Rob Waddell

**20 SEPTEMBER**

Breakfast Panel Discussion

**22 SEPTEMBER**

Director Accelerator Lunch

**27 SEPTEMBER**

Governance Essentials

**28 SEPTEMBER**

Finance Essentials

**29 SEPTEMBER**

Strategy Essentials (limited spaces available)

**11 OCTOBER**

Next Generation Director Workshop

**14 OCTOBER**

Breakfast function with Mark Ratcliffe, CEO of Chorus

**17 OCTOBER**

Company Directors' Course – Non-residential

**31 OCTOBER**

Welcome cocktail and networking meeting

## Bay of Plenty

**25 AUGUST**

Strategy Essentials, Tauranga

**31 AUGUST**

New Members Dinner, Tauranga

**15 SEPTEMBER**

Lunch function with David Wright

**22 SEPTEMBER**

Lunch function with Michael Spaans, Taupo

**20 OCTOBER**

Emerging Director Award Dinner, Tauranga

## Waikato

**2 SEPTEMBER**

Breakfast function with Lord Michael Hastings of the UK

**4 OCTOBER**

New member welcome lunch function

**22 SEPTEMBER**

Rural Governance Essentials, Hamilton

## Wellington

### 30 AUGUST

Breakfast with Controller and Auditor-General with Lyn Provost

### 31 AUGUST

Leading in a Digital Era

### 6 SEPTEMBER

East Coast breakfast with Michael Stiassny

### 7 SEPTEMBER

After 5 director remuneration function with Chan-Dorman panellists Simon Arcus and Una Diver (EY)

### 20 SEPTEMBER

Breakfast with Chris Whelan

### 20 SEPTEMBER

Company Directors' Course Refresher (limited spaces available)

### 6 OCTOBER

Risk Essentials Wellington

### 11 OCTOBER

Governance Essentials

### 12 OCTOBER

Finance Essentials

### 13 OCTOBER

Strategy Essentials

### 18 OCTOBER

Audit and Risk Committees

### 27 OCTOBER

State Sector Governance

## Nelson Marlborough

### 14 SEPTEMBER

Evening function with guest speaker Paul Bell, Nelson

### 11 OCTOBER

Evening function with Dr Kirstin Ferguson, Nelson

## Canterbury

### 6 SEPTEMBER

Ashburton evening function with Jessie Chan-Dorman

### 13 SEPTEMBER

Governance Essentials

### 14 SEPTEMBER

Finance Essentials

### 15 SEPTEMBER

Strategy Essentials

### 17 OCTOBER

Christchurch evening function followed by Fellows/Distinguished Fellows dinner

## Otago Southland

### 8 SEPTEMBER

Chairing the Board, Queenstown

### QUEENSTOWN – 4 AND 25 SEPTEMBER,

### 9 AND 30 OCTOBER

(some dates fully booked)  
Company Directors' Course

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# 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.

## BRACKENRIDGE COUNTRY RETREAT AND SPA

**Role:** Independent Director  
**Location:** Martinborough, Wairarapa  
**Closes:** 31 August

## NZ WATER POLO ASSOCIATION

**Role:** Independent Director  
**Location:** National  
**Closes:** 31 August

## CHILDREN'S AUTISM FOUNDATION

**Role:** Trustees, Board Secretary  
**Location:** Auckland  
**Closes:** 30 September

## THE FOLLOWING POSITIONS ARE OPEN UNTIL FILLED:

### ELIZABETH KNOX HOME AND HOSPITAL

**Role:** Trust Board Member (two)  
**Location:** Epsom, Auckland  
Reloaders Supplies Limited  
**Role:** Independent Director  
**Location:** Onehunga, Auckland

### ALZHEIMERS CANTERBURY INC

**Role:** Executive Committee/ Board Chair  
**Location:** Christchurch, Canterbury

### WAIKATO SPCA

**Role:** Committee/Board positions (two)  
**Location:** Hamilton (Te Rapa)  
Waitakere United Inc.  
**Role:** Appointed Directors (three)  
**Location:** Auckland

### WAITANGI LTD

**Role:** Director  
**Location:** Waitangi

### THE HUNGER PROJECT

**Role:** Board Members (two)  
**Location:** Takapuna, Auckland

*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.*

## directorSearch

# Searching for a new board member?

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

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

We have New Zealand's largest database of director talent who are actively looking for board positions.

Our service is robust and objective and in line with best practice.



**Call us to discuss on 04 499 0076  
or email [boardservices@iod.org.nz](mailto:boardservices@iod.org.nz)  
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## Institute of Directors (IoD)

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

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#### Manager, Membership, Marketing and Communications

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#### Manager, Governance Leadership Centre

Felicity Caird

#### Corporate Services Manager

Chris Fox

#### General Manager Commercial

Kirsten Ralph

#### External Relations Manager

Willy Trolove

#### Branch Network Manager

Peter McLellan

*The Institute of Directors has staff based at the National Office in Wellington, an office in Auckland, and eight branch managers operating from their localities. For National Office, telephone 04 499 0076. For branch managers' contact details see Branch Events, page 45*

### COUNCIL 2015

**Michael Stiassny**, President; **Liz Coutts**, Vice President; **Dr Helen Anderson**, Wellington; **Margaret Devlin**, Waikato; **Julia Hoare**, Auckland; **Alan Isaac**, Wellington; **John McCliskie**, Nelson Marlborough; **Ray Polson**, Canterbury; **Glenn Snelgrove**, Bay of Plenty; **Geoff Thomas**, Otago Southland; **Clayton Wakefield**, Auckland

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