

Developing the Next Generation of Governance Leaders for Aotearoa New Zealand

Transforming the Leadership Landscape

Contents

Foreword	3
Executive Summary	5
Research Methodology	6
Megatrends Impacting Boards	8
Leading in a crisis - impact of Covid, Conflict, Climate	12
Increased involvement in driving strategy	18
Boardroom dynamics and behaviours	22
Corporate Governance Landscape in Aotearoa	24
Te Ao Māori	25
Lack of diversity and inclusion in our cultural context	26
Being bold	28
Lack of continuous improvement ethos	29
Developing Future Directors	30
Context for developing future Governance Leaders in Aotearoa NZ	31
Profile of an 'ideal future director'	33
Self-evaluation and Next Steps	34
Competency Dictionary	38
Appendices	46
Acknowledgements	50

Foreward



In a fast changing world, we see the challenges for directors are evolving apace. This has clear implications for the role that board members play and also the competencies that the role demands.

We are believers in the value that boards can add. Directors need to act deeper into their organisation and operate more broadly at the same time.

Deep means 'into' the organisation, operating with an informed view of 'how things work' in this entity and across the sector. Think issues around conduct, for example.

Broad means straddling a myriad of issues beyond one's own subject matter expertise. Commercials, climate change, talent, strategy, technology, social licence and much more.

So, the job of a director is getting harder and there is a very real challenge for directors to do what ever they can to develop their skills fast to ensure they grow with the needs of their boards.

It is for this reason, propelled by our vision of "transforming the leadership landscape of New Zealand," that we have decided to embark on this research, to make our contribution to this field of knowledge.

Whilst we work with board directors on a daily basis, including advising boards on appointments, board evaluations and chief executive succession, this research has seen us formally engage with a cross-section of the director community in New Zealand to develop and deliver a thought-piece that might serve to move our collective conversation forward.

It is our expressed desire, that some of what we might call 'the art and science of being a governance leader' is made clearer through this work and that it might offer guidance on what it takes to be a great director in the context of Aotearoa New Zealand.

We thank the directors from across the motu who have generously offered us their time and insights, without which this report would not have been possible.

We trust that this document serves to catalyse some interesting conversations and is an interesting, digestible, and genuinely useful document.

A handwritten signature in black ink, appearing to read 'Peter Kerridge'. The signature is fluid and cursive, with a large 'P' and 'K'.

Peter Kerridge



“

There is a very small pool of directors, many of whom have similar backgrounds and profiles. This can lead to groupthink. Relationships determine whether you get invited to sit on boards, and the selection process is not always rigorous.”

Jen Rolfe

“

Boards need people at their peak. We need to get out of the tenure mindset. I have seen boards where people haven't had an executive role for a couple of decades, as well as other boards with current executives including Chief Digital Officers, early in their governance career. The latter perspective is bold, current, and can be far more useful to contemporary business problems.”

Sheridan Broadbent

Executive Summary

The juxtaposition of these two quotes paints a picture of the corporate governance landscape in Aotearoa.

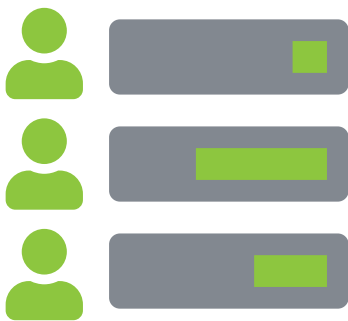
Renowned internationally for our Kiwi ingenuity and the uniqueness of our Māori heritage, New Zealand talent is respected globally. We are admired for our innovation and commitment to indigenous communities - relative to other nations. However, this research project identified that there are many voices in the local director community advocating for an increased focus on diversity and inclusion, with stronger integration of Te Ao Māori and adopting tikanga approaches - particularly in our Environment, Sustainability and Governance (ESG) reporting. The kōrero with Kerridge also covered a broader range of themes throughout the research, running the gamut from digital disruption to leading in a crisis and shareholder activism. This research report will address a variety of themes that have emerged from the conversations with a broad range of directors. The overarching message has been clear - if nothing changes, nothing changes. This is a critical time to prioritise investment into director development, to better serve the needs of people, planet and profit.

A resounding consensus amongst the directors interviewed was that New Zealand needs a sharper focus on director development. A sense of complacency in the 'village network' needs to evolve in favour of true diversity of thought in boardrooms. Catherine Savage, professional director and Chair, challenged further that this research needs to live beyond the document - rather, it needs to progress into meaningful workshops and conversations to advance the agenda of director development. Tools in service of this agenda are included in this book, including a plan for director development. We have also included a due diligence checklist with strategic questions that you, as directors may ask before joining a board. Director responsibilities and accountabilities are significant, and we invite you on this development journey of being better kaitiaki and guardians in your governance approaches.

Research Methodology

To gather the most compelling, relevant and representative input for this research theme, we curated a group of over 50 senior leaders from across the country (refer to Acknowledgements, page 50), representing the private, public, not-for-profit and iwi sectors. Our cohort included Chairs, Independent and Non-Executive Directors, Executive Directors, Trustees, Chief Executives, Kaumātua and other senior leaders.

Objective



The role of the non-executive Director has significantly changed in light of the megatrends impacting on our operating environment.



The non-executive Director of the future will face a spectrum of new challenges and will require vastly different skillsets.



This research attempts to capture our key learnings and decipher what it means for developing future directors for New Zealand.

Methodology



Questions

Interviewees were asked to respond to the following areas:

- ▶ What are the global trends impacting the role of the non-executive director and what is the impact on the role of directors in New Zealand? What skills/competencies are becoming more important?
- ▶ The New Zealand Corporate Governance Landscape: To what extent are we unique? What are we doing well and where can we improve?
- ▶ What is your perspective on the role of the Chair?
- ▶ What examples can you share of effective and ineffective governance behaviours that you have observed? Particularly in relation to managing performance, agile ways of working, quality decision-making.
- ▶ What can we do to better develop future directors? How do we create a stronger pipeline of new directors? Where can directors get formal and informal development? (Besides Institute of Directors)
- ▶ To what extent do you see directors investing time and resources for personal development? What can we do better?
- ▶ What do you think can be improved in the way New Zealand boards currently appoint new directors?



Megatrends Impacting Boards

Megatrends **Impacting Boards**



In recent years, several distinctive themes have been top of mind for governance communities locally and internationally.

These have historically included a focus on topics such as health and safety, cyber security, and compliance and conduct. Current themes are understandably influenced by the global context, particularly leadership in a crisis responding to the Covid-19 pandemic. Reporting standards are evolving, and this is driving a particular focus on Environment, Sustainability and Governance (ESG). This serves as a reminder that changes in regulatory compliance require constant vigilance. Beyond these major trends that were a key focus in Aotearoa in 2021, broader themes continue to prevail and still have currency in our market – these include digital disruption, customer centricity, and rising complexities and ambiguity.

This chapter expands upon three key theme categories emerging from the research interviews, alongside broader insights from the sub-themes:

Leading in a crisis - impact of Covid, Conflict, Climate



• Rising complexities and ambiguity



• Increased focus on Environment, Sustainability and Governance



• Lack of diversity and inclusion



• Understanding wellbeing and culture

Increased involvement in driving strategy



• Customer centricity is critical



• Shareholder activism



• Digital disruption



• Changes in regulatory compliance

Boardroom dynamics and behaviours



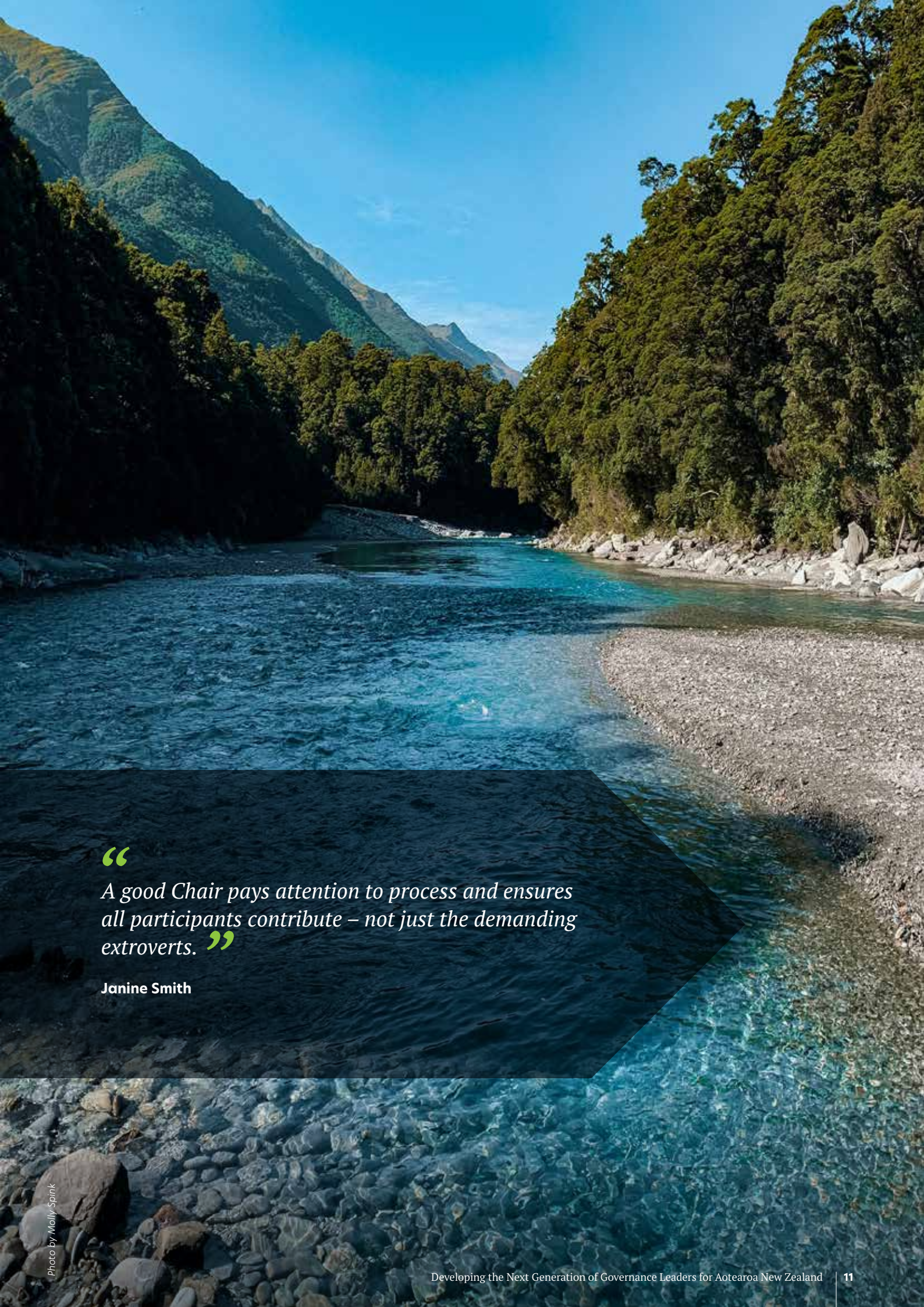
• Urgency of leadership and effective Chair behaviours



• Interface between governance and management



• Board cadence and structures



“

A good Chair pays attention to process and ensures all participants contribute – not just the demanding extroverts.”

Janine Smith

Leading in a crisis – impact of Covid, Conflict, Climate

This was a prevalent theme from the research interviews. The pressure of performing effectively as a board director whilst navigating multiple crises has been challenging, often requiring the lines to blur between governance and management in order to work as a team and collectively problem-solve.

The issues have been complex, including the global pandemic, climate change, and conflict in society, including key movements on social justice issues. Directors commented on the need to be more available to management to support their wellbeing, as many executives were working long hours to navigate the crises. Directors also had a more intensive workload, with the cadence of monthly or quarterly board meetings collapsing into weekly teleconference calls.

The feedback and reflections from leading in a crisis have crystallised into a simple lesson learned: for directors to be clear on the purpose and vision of the organisation, and be clear on service to communities, and in turn, make bold decisions.

Directors shared stories of being bold and staying true to the organisational purpose, despite the crises. An example is the board members of the charity Ronald McDonald House continuing to serve families needing accommodation close to the hospital to care for sick children by investing in booking hotel rooms when the lockdown restrictions and 'bubble' requirements affected families who needed to reside in the Ronald McDonald accommodation. The investment was costly, yet it was critical in supporting the hospitality sector as well as families. This commitment to customers and staying true to organisational Kaupapa resulted in the organisation having longer-term benefits through brand recognition and loyalty, as well as increased corporate sponsorship and fundraising. Another example is outlined below:

“NZ Cricket commented strongly in the media that we will not tolerate racism – this was in response to racist slurs yelled from the crowd during a match in 2019. The spectator concerned was tracked down and banned for two years from attending cricket matches in NZ. My view as a board member is to strategically align our governance to broader social issues where appropriate, and not tolerating racism is an area that is definitely appropriate. Since that episode, NZ Cricket has decided to lend its support to the charity “Give Nothing To Racism”, which connects to principles under the Human Rights Commission. We also gave our players the freedom to choose to support such issues – an example of them actioning this is when the Black Caps took a knee in support of the West Indies players in solidarity of Black Lives Matter.”

Diana Puketapu

Several of the directors interviewed in this research emphasised the need to make bold decisions to navigate the crises of Covid-19, conflicts in society, and climate change.

“It took courage and being bold to influence the Fonterra Board of Directors to lean into the sustainability issues facing dairy farming. We had to create an organisational culture that was brave enough to admit some of the negative aspects of dairy farming to the environment, before telling the story of how we were working hard to mitigate these risks. Previously, it had been an avoidance topic.”

Carolyn Mortland

Whether it be addressing Covid, conflict, or climate, the reflections of the importance of being purposeful, resilient, and bold shone through.

Rising complexities and ambiguity

This was almost unanimously the answer to the question: what keeps you awake at night as a director?

“

Due to the nature of our small market and the desire to be ‘nice’ to everyone, there is a reluctance to challenge and debate, hence leading to groupthink. Strong communicators with a contrarian point of view are often labelled as ‘difficult’.”

Fabian Partigliani



“The issue is around having people understand the difference between complex issues and complicated issues. Complicated issues are able to be problem-solved and can benefit from “best practice”, but more and more of what you see on boards is complex – you have insufficient information and ambiguity that really commands directors to change their approach and apply new thinking, outside of what might have worked elsewhere. Complex issues may not even be able to be defined, so the board needs to position for this.”

Jeremy Smith

The current global context is particularly complex and difficult to navigate.

Specific to a New Zealand context, the research themes with local directors advocated for richer conversations and robust debate in order to better address complexities and ambiguity. There was a critique of the ‘niceness’ often found in New Zealand director communities.

“Due to the nature of our small market and the desire to be ‘nice’ to everyone, there is a reluctance to challenge and debate, hence leading to groupthink. Strong communicators with a contrarian point of view are often labelled as ‘difficult’.”

Fabian Partigiani

The research found that many people echo this sentiment. There is a desire for more robust debate, particularly given the complexities and nuances to navigate.

Increased focus on Environment, Sustainability and Governance (ESG)

The evolving regulatory landscape and reporting requirements under ESG have been a key focus for directors. This predominantly correlates to reporting on climate issues and corporate social responsibility towards socio-economic dynamics. Interestingly, some champions of Diversity and Inclusion (D&I) have positioned their programmes under the ‘sustainability’ aspect of ESG, noting it is a critical piece of the puzzle given the changing demographics in Aotearoa. The argument was clear that without a meaningful commitment to D&I programmes in the workplace, businesses would not be truly sustainable. Directors with an appreciation of Te Ao Māori wove linkages to the environment and kaitiakitanga, noting indigenous wisdom has long advocated for ESG principles.

One of the key challenges discussed by directors was the lack of understanding about how to report ESG matters, including appropriate metrics. This is being considered by the External Reporting Board (XRB), with clear standards and guidance on climate reporting underway. The granting of Royal Assent to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the Act) is a significant milestone. It not only gives the XRB a mandate to issue a climate-related disclosure framework for Aotearoa New Zealand but also to issue

non-binding guidance that relates to non-financial reporting, including ESG matters.

“The XRB is continuing to prioritise the development of climate standards to fulfil the intentions of the Act but is working on a parallel track to develop its overarching ESG reporting framework. We intend to publish more on that front over 2022 and 2023.

Climate reporting is likely to require new processes to be embedded within reporting entities, including understanding current risks, opportunities and financial implications, but also imagining how different futures may influence the creation and maintenance of enterprise value. However, we are clear that reporting entities are embarking on a journey—no-one is expecting perfection on day one. The disclosures are intended to be ambitious and forward looking, and to provide a clear and consistent path for reporting entities to follow as they mature and improve their reporting over time.”

Michelle Embling

The World Economic Forum released a consultation document entitled ‘Toward Common Metrics and Consistent Reporting of Sustainable Value Creation’, prepared in collaboration with Deloitte, EY, KPMG and PwC. This provides a framework for reporting and metrics aligned to ESG principles. The four key pillars and themes are shared in the following table – a comprehensive list of sub-themes, can be found in the citation below:

Pillar	Theme
Principles of Governance	Governing purpose
	Quality of governing body
	Stakeholder engagement
	Ethical behaviour
	Risk and opportunity oversight
Planet	Climate change
	Nature loss
	Fresh water availability
People	Dignity and equality
	Health and wellbeing
	Skills for the future
Prosperity	Wealth creation and employment
	Innovation in better products and services
	Community and social vitality

Given that ESG is a key focus, there is evolving literature and resources available in supporting directors on how to approach the issue. This includes the reporting requirements but also the layered approach of how to trickle down ESG principles into the behaviours, systems and processes of an organisation to embed it in the culture.

Lack of diversity and inclusion

This was a common lament from the directors interviewed. There is consensus amongst directors that the lack of diversity on boards is a significant issue.

1. World Economic Forum. ‘Toward Common Metrics and Consistent Reporting of Sustainable Value Creation.’ Prepared in collaboration with Deloitte, EY, KPMG and PwC. January 2020. <https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation>

“There is a lack of appreciation for cultural issues, cultural diversity, and the Māori perspective. There is a sense of complacency. The behaviours and mindset of some directors are hard to change.”

Carol Cheng

This theme will be expanded upon in more detail in the next chapter, particularly as there are a series of quotes that speak to the lack of diversity and inclusion in our cultural context. Rather, this chapter reiterates that the lack of D&I on boards is an international issue. Indeed, it is a megatrend impacting governance globally. There is now an increased focus to report on diversity metrics and track progress.

The NZX Gender Diversity Statistics⁹ for the year ended September 2020 shared that the proportion of female directors across NZX 50 companies continues to increase and is on track to reach Global Women’s new 40% target by 2026. The report noted it was disappointing to see a further drop in the percentage of female directors among companies outside the NZX 50, however. With all NZX 50 companies continuing to have a diversity policy, the report shared it is encouraging to see a further increase in the proportion of other listed companies with a written policy – reaching a new high of 86.3%. This broader lens on D&I appointments will help address director talent pipeline issues.

The Australian Institute of Company Directors publishes Board Diversity Statistics², and as at November 2021, the percentage of women on ASX 200 boards is 34.2%, and there are no boards in the ASX 200 without women. Women also comprised 41.8% of new appointments to ASX 200 boards. Gender quota systems are seen as a contentious issue, albeit certain countries with this in place have reported improvements to business outcomes – this is another touchpoint in a long line of evidential data that supports the business case for D&I.

The percentage of women on Fortune 500 boards rose to 22.5% in 2018, up from 15.7% at the start of the decade. People of colour on Fortune 500 boards increased from 12.8% in 2010 to 16.1% in 2018³. Ultimately, the vision for D&I on boards is to extend beyond gender to also encapsulate broader aspects of diversity of thought. Given the global social shifts in gender fluidity, more nuanced approaches for D&I need to be considered that factor in the rainbow community as well as different ethnicities. This is still a work in progress, and reporting or tracking progress is understandably a complex task given the kaleidoscope of human identities.

There is plentiful research published that demonstrates the economic and social value of D&I on boards. Qualitative and quantitative research has supported the hypothesis that diversity of thought leads to better quality decision-making and improved outcomes for organisations. Some examples include a 2020 report by McKinsey &

2. AICD. Board Diversity Statistics. December 2021. <https://aicd.companydirectors.com.au/advocacy/board-diversity/statistics>.

3. Deloitte and Alliance for Board Diversity, Missing pieces report: The 2018 board diversity census of women and minorities on Fortune 500 boards, 2019

Lack of diversity and inclusion

Women on ASX 200 boards



The percentage of women on ASX 200 boards is 34.2% and there are no boards in the ASX 200 without women.

New Appointments of Women on ASX 200 boards



Women comprised 41.8% of new appointments to ASX 200 boards.

Women on Fortune 500 boards



The percentage of women on Fortune 500 boards rose to 22.5% in 2018, up from 15.7% at the start of the decade.

People of colour on Fortune 500 boards



The percentage of people of colour on Fortune 500 boards increased from 12.8% in 2010 to 16.1% in 2018. AICD. Board Diversity Statistics. December 2021.

Company entitled 'Diversity wins: how inclusion matters'⁴ – this is the third report in a McKinsey series investigating the business case for diversity, following Why diversity matters (2015) and Delivering through diversity (2018). Another is a Deloitte Insights report 'The inclusion imperative for boards'⁵ – such literature often cites studies that prove the value of diversity of thought, proving the business case for it. The next horizon is to go beyond 'box ticking' diversity metrics towards a culture of inclusion. This is particularly relevant for boardroom dynamics, and the role of the Chair is critical in setting the tone and expectations for ways of working. A charter can be a useful tool in setting the expectations for inclusive behaviours. Chairs interviewed have shared that building a culture of inclusion requires effort, self-reflection, constant feedback channels, and deliberate behavioural patterns to truly create a conducive environment for discussion. A genuine interest in different perspectives and a commitment to seeking out diversity of thought is required.

The common distinction used to explain D&I is often 'diversity is being invited to the party, but inclusion is being asked to dance' – some ethnic minority directors shed light on this further by saying, 'I want to be involved in planning the party!' The message is clear: the lack of D&I on boards is a big problem that needs solving, handled with nuance and care to show inclusive respect to different people rather than a box-ticking exercise.

Understanding wellbeing and culture

This was the final sub-theme discussed under the key theme of leading in a crisis. Directors commented on the increased importance of keeping abreast of staff wellbeing. This was not only in an overt sense of health and safety in the context of a pandemic but also in the intangible ways such as mental health. Several directors endorsed the increasing importance of organisation resilience, especially since the onset of Covid, and the need to focus on organisational culture and employee wellbeing.

"Boards are 'leaning in' more. Boards need to be more responsive to employee wellbeing, organisational culture and conduct. Awareness of staff welfare is critical."

Jackie Lloyd

Employee engagement surveys and other tools to measure wellbeing are now becoming the norm, rather than the exception. The old adage 'what gets measured gets done' applies in this context, with many directors requesting reporting on staff wellbeing in a holistic sense as opposed to previous approaches such as metrics on workplace injuries. The impact of Covid-19 on staff health and safety has been a critical issue for directors to keep a close eye on, including reasonable measures to protect employees from getting infected or passing the virus on to others.

"We have seen great improvement on the focus on health and safety in recent years – the 'she'll be alright' mentality

has changed for the better, with a greater focus on making sure employees get home safe."

Paul McGilvary

Embedded in this discourse has been a greater empathy and appreciation for the broader wellbeing of executives and staff – many of whom were working long hours due to crisis management requirements, whilst also dealing with personal issues in a pandemic. These included the pressures of having family and friends overseas in potentially more dangerous environments, or having to navigate dynamics within the home 'lockdown' context with caring for family needs alongside delivering performance at work. Directors themselves discussed the pressures of an increased workload, with the urgency of board meetings and teleconferences out of cycle to better respond to the crisis. Many directors interviewed shared that monthly cadence meetings often collapsed into weekly or bi-weekly Zoom calls, whereas quarterly meetings were no longer sufficient to cover the agenda in an ever-changing pandemic context.

Whilst the general consensus from the research interviews was that there has been progress from directors taking an active role on People and Culture issues, several directors commented there is still room for improvement.

"Chief People Officers of organisations often don't spend enough time with boards. People are now being regarded as the key asset of any organisation. The commitment to develop people is an important input to the culture. Covid has also led many people to re-evaluate their lives and work and so the right culture and values within that culture are even more important for organisations in this changed Covid world."

Janine Smith

The typical board skills matrix tends to spread technical competencies across legal, audit and risk, and commercial skills. However, there are advantages to having former Chief People Officers or individuals with technical competencies from the broader Human Resources discipline to strategically contribute. Organisational culture and talent issues are increasingly becoming the largest challenges to overcome, and thus such a strategic skillset on the board can be helpful. One of the obstacles to 'giving up a board seat' to a director with an HR Skillset is that this can be outsourced to a board advisor or consultant, along with a belief that senior directors have 'enough experience' in this domain.

"Boards defer to experts for legal/financial matters, but when it comes to people and culture, suddenly everyone is an expert! Ultimately those who have led thousands of people in teams probably have a bit more insight."

Mark Powell

There is an appetite from directors to have greater strategic involvement in People and Culture programmes, which bodes well for the future.

4. Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince. Diversity wins: how inclusion matters' May 19, 2020. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

5. Mike Fucci, Terri Cooper. 'The inclusion imperative for boards': <https://www2.deloitte.com/us/en/insights/topics/value-of-diversity-and-inclusion/redefining-board-responsibilities-to-support-organizational-inclusion.html>

“

We have seen great improvement on the focus on health and safety in recent years – the ‘she’ll be alright’ mentality has changed for the better, with a greater focus on making sure employees get home safe.”

Paul McGilvary

Increased involvement in driving strategy

The next collection of sub-themes pertains to driving the strategy of an organisation. Most of the directors interviewed shared they feel there is a need for increased involvement to play a more engaged and active role in strategy.

Customer centricity is critical

Many theoretically agree that customers are of critical strategic importance, yet in practice customer-centricity doesn't always play out. Directors interviewed discussed how having a clear lens on the customer, with a finger on the pulse of customer-centric information, is one of the key ingredients for strategic success. Data and analytics can support this, but many directors feel that the time spent in boardroom agendas is not sufficiently dedicated to strategic discussion on the customer. Some sectors and industries are particularly strong on understanding the customer, such as FMCG, whereby buyer behaviours can be distilled down to 'at this time, Customer X will purchase this item from this supermarket aisle' – but this approach doesn't translate to every industry. Nonetheless, most of the directors interviewed lamented the general lack of customer-centricity in organisational strategy and how this impacts the delivery of systems and processes. There was a focus on trying to build more customer discussion into the boardroom, including ideally off-site visits and creative ways of understanding customer experience.

“When I first joined the Beca board, a decade or so ago, board meetings would be hosted by its various offices including Singapore and Australia. The majority of our time on such visits would be spent inside a boardroom, with presentations from staff and key customers, and comparatively brief breaks to engage more broadly with staff. After due reflection, such visits were transformed from a single day to two days per visit, with a day dedicated to much more active engagement including targeted off-site visits, experimenting with new technology and using certain tools ourselves, and meeting and greeting many more of our people, including client focussed engagement. Through such a relatively simple change, travel was much better leveraged, further enhancing directors’ understanding of both the breadth of and innovation within its business and in turn helped us contribute more richly to strategy.”

Catherine Drayton

“Directors will make better decisions if they spend time in the business talking to employees and stakeholders, and understanding the culture and the risks and opportunities the organisation faces.”

Dame Therese Walsh

“We were asked to help Z Energy imagine what the future customer experience could look like in the era of EVs and connected vehicles. Rather than paying for costly consulting advice that often is delivered on PowerPoint decks, the Z executive team used RUSH services to prototype a creative and experiential ‘car of the future’ that could pull into a Z site with future-focused customer services on offer. We imaged a world full of connected electric vehicles using current and future cutting-edge technology tools. We built this experience on top of a real EV, and the board directors were able to drive along with Mike Bennetts, the Z Energy CEO and experience a glimpse of the future customer experience. This was a helpful tool to get them to strategically connect and put plans in motion.”

Pavan Vyas



Photo by Aaron Sebastian

Further to the issues on customer experience, several directors commented that unless the board recruitment processes evolve to ensure more diverse voices are heard, the customer-centricity piece will inadvertently suffer.

“Board compositions need to be more reflective of the customers they serve.”

Anne Urlwin

“New Zealand board compositions do not reflect the population nor customer base, especially state sector organisations. Asians are grossly under-represented on boards.”

Carol Cheng

The changing demographics of Aotearoa require a greater spread of directors on boards, not only for the benefit of diversity of thought but also to offer wider customer perspectives. This was brought to life during a board appointment process Kerridge & Partners ran for a client, whereby one of the candidates commented that an ‘incremental’ increase in rate-payer bills is no different to an ‘extra latte’. Conversely, a perspective from a panel member shed light on, they cannot afford even a ‘latte a day’ and that the disconnect of not understanding the broader groups of customers is one of the strategic challenges for boards.

Shareholder activism

Linked to themes of customer-centricity in terms of the voice of the public, shareholder activism is a further dynamic impacting strategy. Increasingly, shareholders employ a variety of tactics, from media pressure to litigation threats, to force a conversation and bring about change. Boards of directors are now required to navigate the impact of shareholder activism on strategy. Investopedia explains shareholder activists as a way that shareholders can influence a corporation’s behaviour by exercising their rights as partial owners. Classes of shares allow for distinct voting

privileges, in addition to dividend entitlements⁶. While minority shareholders don’t run the day-to-day operations, several ways exist for them to influence a company’s board of directors and executive management actions. These methods can range from dialogue with managers to formal proposals, which are voted on by all shareholders at a company’s annual meeting.

Shareholder activists also employ a variety of offensive tactics to force changes. For example, they might make strategic use of media channels in order to publicise their demands and prompt greater pressure from other shareholders. They may also threaten companies with lawsuits if they are not allowed to have their say.

Some of the issues addressed by shareholder activists are for social change, requiring divestment from politically sensitive parts of the world, for example, greater support of workers’ rights (sweatshops) and/or more accountability for environmental degradation.

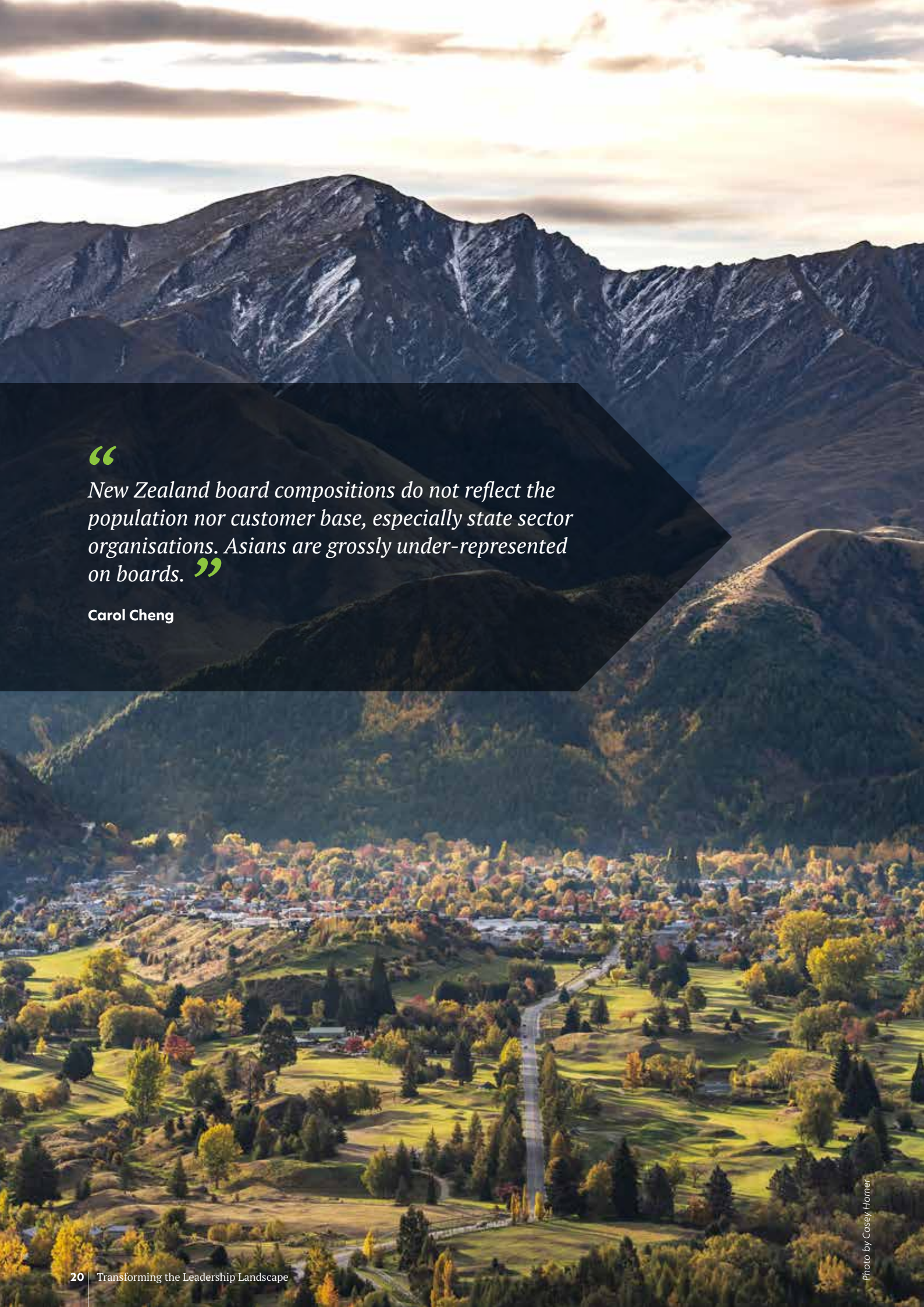
“Shareholder activism is not a privilege - it is a right and a responsibility. When we invest in a company, we own part of that company and we are partly responsible for how that company progresses. If we believe there is something going wrong with the company, then we, as shareholders, must become active and vocal.”

Mark Mobius, Global investor & fund manager, Founder, Mobius Capital Partners LLP

“Shareholder activism works when activists understand something about the characteristics of the business that the board doesn’t.”

Ben Horowitz, Technology entrepreneur, author and co-founder of VC firm, Andreessen Horowitz

6. James Chen. Shareholder Activist. December 05, 2020. <https://www.investopedia.com/terms/s/shareholderactivist.asp>



“

New Zealand board compositions do not reflect the population nor customer base, especially state sector organisations. Asians are grossly under-represented on boards.”

Carol Cheng



Photo by Andre Bernhardt

Digital disruption

The advent of technology and the impact of digital disruption was a key stimulus requiring directors to be more involved in strategy.

“Technology has speeded everything up. Directors now need to give considered views in a very short time. Technology has caused business models to be disrupted – for example, e-transactions exploded with the onset of Covid-19. We need much more emphasis on risk, including people risk.”

Paul McGilvary

Some boards have approached resolving this by boosting the level of digital talent around the boardroom.

“As Chair of the Technology Committee for the Fidelity Life board, it was important to appoint a new Board Advisor who was steeped in future-focused technology trends and knowledgeable about the technical aspects of technology. We aim to launch more customer-centric life insurance channels, which will require a digital lens. In addition to appointing a Board Advisor, we have also decided to have a seat at the table for an Independent Board Director with a digital skillset and technology sector experience. We work closely with the Chief Technology Officer and other executives, engaged on the business technology transformation.”

Alan Gourdie

“Modern boards need to have aligned expertise, skills and experiences – they cannot afford to have members who are only generalists anymore, they need those who have the relevant specialist or sector experience so they are able to ask the tough, knowledgeable questions of management in increasingly complex operational environments.”

Janine Smith

Beyond changing the skills present around the boardroom table, directors are also investing in their own education and learning about digital disruption. This is often through attending courses, reading material, or keeping abreast with developments in technology through research in their own time including watching relevant videos or attending conferences.

Changes in regulatory compliance

This was another frequently mentioned sub-theme requiring directors to play a more active role in strategy. The rate of change in the wider regulatory and compliance landscape requires forward-thinking from directors. Earlier in this report, the XRB's role on addressing ESG reporting requirements and changing regulatory frameworks were discussed. In general, directors have shared an appreciation for these evolving regulatory requirements.

“Having worked with other regulatory regimes offshore, it is encouraging to see both the NZX and FMA taking a stronger position on continuous disclosure, conflict of interest, insider trading and other Director obligations together with the work the Institute of Directors is doing to lift the standard of governance as we move closer to ESG reporting requirements.”

Sue Tindal

The culture and conduct movement has also been evolving. The focus on improving behaviours, systems and processes in the financial services sector following the Royal Commission has been warmly welcomed. Broader changes in regulation, whether it be for health and safety or ESG, require directors to pay closer attention to metrics and reporting from the business on matters such as employee engagement or workplace harassment. The legal sector and media sector have been under scrutiny recently, connecting to a wider societal openness to discuss mental health and staff wellbeing.

Boardroom dynamics and behaviours

Another major theme emerging from the research interviews centred on the importance of boardroom dynamics and behaviours in order to drive performance.

These centred on:

- ◆ Importance of leadership and effective Chair behaviours
- ◆ Interface between governance and management
- ◆ Board cadence and structures

Many endorsed that these need to be achieved at the top - with the Chair.

Importance of leadership and effective Chair behaviours

Every single participant in this research commented on the importance of the role of the Chair in being a leader who sets the tone. Below are a collection of these quotes, providing a flavour for the many ingredients in the recipe for success as a Chair.

“A good Chair pays attention to process and ensures all participants contribute – not just the demanding extroverts. The Chair is the key influence on the board being effective. Chairing can be learned. Getting rid of an underperforming Chair can be difficult in New Zealand and some can stay too long because they are allowed to, either by outdated constitutions or other structural issues.”

Janine Smith

“Good Chairs hold the narrative well; they understand the organisation, its anecdotes, its heroes, its purpose, its stories. When needed, the Chair needs to guide the conversation and decisions around a moral code and what we stand for. They need to step up and lead.”

John Coop

“A Chair needs to be aware that they cannot operate like a CEO but take a different approach to bring out the best in each director. The ability to solicit input from other directors, a sense of humour, and taking a collegial approach are qualities that are key.”

Jen Rolfe

“A good Chair is able to elicit input from all directors without imposing their own views.”

Evan Davies

“I have discovered recently the absolute importance of the role of the Chair in setting the values of an organisation, making sure that consensus decisions are not groupthink, that people are heard, especially those with quiet voices. Also, the importance of the Chair knowing about the organisation, not speaking first, setting the agenda of the board meeting and working with the chief executive on priorities.”

Norah Barlow

“I have seen things become negative when the Chair runs ahead of the Board – for example, they work too closely with the CEO to agree on a plan and becomes fait accompli when presenting to the Board.”

Jackie Lloyd

Threads of servant leadership were commonly woven throughout the conversations, endorsing the role of Chair as serving communities and ensuring humility in approach.

Boardroom Dynamics



Importance of leadership and effective Chair behaviours



Interface between governance and management



Board cadence and structures

Interface between governance and management

Following the role of Chair, the next theme was the relationship between the two 'teams' of governance and management and how best both groups could play as 'one team'.

“On a couple of boards that I have chaired, the management have felt that they’ve had to have a solution to bring to the board. I instead encouraged management to understand that they don’t always need to have the answer: In fact, involving the board on the journey can often be very helpful.”

Tony Carter

The data from this research echoes existing thought-leadership and literature on effective relationships between governance and management, including:

- ◆ Both teams understand their distinctive roles and respect the boundaries, with a shared purpose of helping the organisation succeed
- ◆ Management takes a “no surprises” approach when working with boards because there is mutual trust
- ◆ Understanding when to stay at a high level and when to dive into details
- ◆ Directors put in the work and come prepared to meetings.

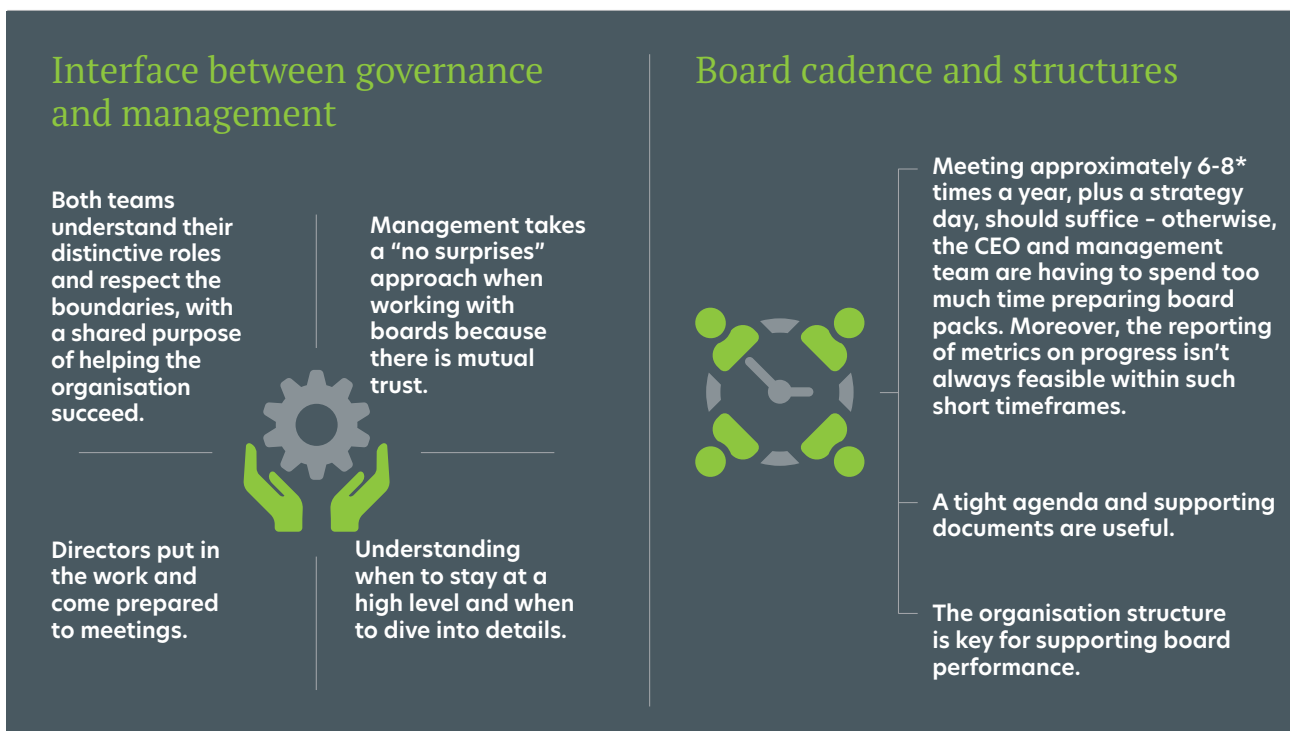
Board cadence and structures

The third sub-theme was administrative and structural, but complementary to the previous 'soft skills' or EQ aspects of board dynamics. This theme focuses on what makes for effective board cadence and structures.

There were several general comments made regarding how to maximise board effectiveness through structures and cadence:

- ◆ Meeting approximately 6-8⁷ times a year, plus a strategy day, should suffice – otherwise, the CEO and management team have to spend too much time preparing board packs. Moreover, the reporting of metrics on progress isn't always feasible within such short timeframes.
- ◆ A tight agenda and supporting documents are useful.
- ◆ Sub-committees can play an important role to support board performance.

7. This will largely depend on the context and maturity of the organisation, as understandably more frequent meetings will be required for different life stages of the business. For instance, additional meetings during times of significant change (such as M&A transactions or listing processes) are normal.



An aerial photograph of a dense, lush forest. A river or stream winds through the center of the forest, creating a path that leads the eye from the bottom towards the top of the frame. The trees are thick and green, with some variations in shade suggesting different types of vegetation. The overall tone is dark and naturalistic.

Corporate Governance Landscape in Aotearoa

Corporate Governance Landscape in Aotearoa

No country exists in a vacuum divorced from the broader global themes and megatrends. Nonetheless, there are a number of specific themes that encapsulate our corporate governance environment:

- ◆ Te Ao Māori
 - ◆ Lack of diversity and inclusion
 - ◆ Being bold
 - ◆ Lack of continuous improvement ethos
- This chapter explores these in more detail.

Te Ao Māori

Nau mai, haere mai. Tiro atu ki te pae, mauria atu tō korowai.

Welcome. Look forward into the horizon and prepare.

Te Ao Māori was one of the most discussed topics within the research interviews, and as a result, the initial chapter written was substantially longer than other chapters in this report. The length of writing was to give mana to the kōrero in respecting the complexities and nuances of the discussion themes. The entire chapter is published in full in the Appendix, and the following content is an abridged version.

The Māori world view is rich with wisdom and the lessons from tikanga, and the values and approaches are particularly relevant in the governance context. There is

a growing respect and appreciation for Te Ao Māori and its impact on governance, leadership, and the economy.

The academic article 'Paradigm warriors: Advancing a radical ecosystems view of collective leadership from an Indigenous Māori perspective' shares the meaning of the word leader:

"To be a leader, a rangatira, then, is to excel at weaving people together, to encourage or inspire others to go on a journey together, to exercise agency, and to light the way toward a world in which all flourish."⁸

Language and storytelling are important aspects of Te Ao Māori - translations to English cannot always encapsulate the layered meanings of te reo words. The explanation of leadership applies poignantly to a governance context, given the responsibilities of board directors in leading Aotearoa towards a brighter future. The research identified that there is a growing commitment to weave Te Ao Māori into governance.

There is a contingent of directors wishing to learn more about Te Ao Māori, but they are unsure of where to begin. Iwi leaders suggest commencing with foundational

Corporate Governance Landscape in Aotearoa



8. Chellie Spiller, Rachel Maunganui Wolfgramm, Ella Henry, Robert Pouwhare. 'Paradigm warriors: Advancing a radical ecosystems view of collective leadership from an Indigenous Māori perspective'. *Human Relations Journal*. 2020, Vol. 73(4) 516-543.

aspects of the worldview rather than learning the language itself to increase understanding. They advocate building a wealth of skills in cultural competency that empower directors to operate effectively as leaders. Preferably, this cultural competency upskilling will spark a sense of spiritual connection with the concepts and values of Te Ao Māori as approaching this with a pure business-lens has some risks of missing the point. There are some uncertainties about the storytelling communication style, which can be considered less succinct, and not 'business-like'. Even so, there is an increasing desire to better understand and welcome iwi approaches to governance. A rise in iwi board director appointments is supporting this objective, along with courses on Māori governance.

Building a wealth of skills in cultural competency can be compared to the concept of a 'basket of skills' or the 'kete' woven basket. The 'kete' is an often-used metaphor to express the layering and weaving approach needed in problem-solving, and this is applicable to governance. Equipping directors with a cultural competency toolkit and introduction to Te Ao Māori can be valuable for their 'kete' of skills. Some organisations have invested in training programmes for board and management teams, including off-site sessions on marae led by iwi facilitators. Beyond the educational benefits of these programmes, directors enjoyed the Whakawhanaungatanga process. This is a deep approach to establishing relationships, and the trust and understanding developed between board and management teams resulted in improved boardroom dynamics. The investment of time in truly getting to know the people around the room helps with challenging conversations, emotional intelligence, empathy and understanding points of view. There is also the belief that this people-centric process can help navigate the difficulties of chairing a diverse board.

"It is humbling to be the first board director to a Council Controlled Organisation who influenced to have a pōwhiri welcome, which was new to the onboarding process for Auckland Council. It was a mutually positive experience, as in my dialogue with Auckland Council I was able to explain the significance and importance of a pōwhiri for me to join the board of ATEED, as an iwi director, and for them to understand this should now become a permanent process improvement. It required having respectful but courageous conversations, being bold and authentic, and I am proud of the people who listened and supported this outcome."

Dan Te Whenua Walker

Whilst the increased mana of Māori governance is a positive progression in society, this does not mean existing and historic challenges can be ignored.

"We need to do more to uphold the principles of Te Tiriti o Waitangi on our boards, especially if we are to honour a truly partnership approach. There is also much we can learn from Te Ao Māori - including values such as kaitiakitanga, which are very relevant for governance today."

Ziena Jalil

The research included interviews with several iwi directors, many of whom shared similar sentiments. Because of certain sensitivities, these collective views have been synthesised in the quotes below and anonymised:

"I am often seen as the tokenistic Māori director on the board. People don't seem to realise that there are complex, varying perspectives between iwi - I cannot offer a standardised Māori lens."

"I am close to retirement age now, and when I was a younger director I took more of an activist approach, but then I took more of a diplomatic approach. I will politely point out if I feel a Māori perspective is clearly lacking in strategy development, often by asking questions such as, 'how will this benefit customers in places like South Auckland?' I have been in governance roles now for nearly two decades, and I am at the point of thinking, why even bother going to a board meeting? The lens is often so innately Pākehā-centric, I can't help but feel that the time I have left would be better spent going to a local marae and helping rangatahi with their schoolwork. It would add more value."

"In order to get buy-in for my 'diverse' perspectives, I have to work harder than other directors through corridor conversations at the board dinner, or phone calls between board meetings. They say my voice is welcomed, but if I speak up at a board meeting without doing the pre-work and securing allies for my perspectives, my voice lands on deaf ears at the board meeting."

"It can feel lonely and isolating to be the only iwi director on a board. There is now a movement advocating for appointing more than one Māori to a board, to give a more nuanced view. This also helps with iwi director development as we can buddy up to grow and learn together."

These sentiments are in stark contrast to interviews with some non-iwi directors, whose views have also been synthesised and anonymised:

"Various boards I am on are doing so much better about considering diversity - we have taken active steps to appoint women, or people from different ethnic backgrounds including Māori. We also consider diversity of thought in our approach - the invisible parts of diversity, when people have different perspectives based on their formative experiences."

Lack of diversity and inclusion

This was one of the most commonly lamented factors within the interviews. There is a growing sense of urgency to help resolve this. As mentioned in the previous chapter, there were a plethora of quotes that described the uniqueness of the New Zealand context in relation to D&I:

"New Zealand is a country of small businesses, and thus boards tend to be made up of like-minded people and therefore lack diversity."

Anne Urlwin



Photo by Dario Mueller

“New Zealand boards lack diversity due to the relatively small director pool. Most seem to be from similar upper middle-class background, went to same private schools; very few seem to be from a working-class background.”

Mark Powell

“The New Zealand governance community is very small. There is a strong sense that this group of people, may be numbering 500, have a common history. This can be very positive, drawing upon a common past. But it also can be negative; people need to be careful with one another to remain independent of one another.”

John Coop

“There is a very superficial assessment of director competency – appointments are primarily based on network and referees, or ‘who knows who’. The board does not want to take the risk of appointing a new face.”

Fabian Partigliani

These quotes speak to the context within which achieving diversity is difficult. There is a sense of familiarity within the ‘village network’ which has resulted in a community of directors who form a relatively small pool of talent. Over the course of many years, this small group of directors has ended up forming a cohort that dominates board positions. It is common for the same group of directors to ‘jump’ from board to board, or indeed, one director’s term ending results in the appointment of one of their ‘director buddies’ in their place. Swaps occur as well. These appointments often happen by simple recommendation rather than a competitive process. Even when a

competitive process is carried out, including advertising or a formal search process, the recommendation of the outgoing director in support of someone from the dominant director pool carries a lot of weight. This paradigm isn’t necessarily deliberately malicious or manipulative, but nonetheless, the impact is New Zealand has a somewhat homogenised group of directors who are seen to hold court versus having pathways for new talent or diverse voices to win a seat at the table.

“There is a small group of experienced directors which is an ‘old boys’ network.”

Carol Cheng

“Current governance fora and groups aren’t the most inclusive environments, and as a minority you can often feel “othered”. Diversity is our reality, but we need to make a conscious effort to inculcate inclusive behaviours, practices and culture to ensure we can realise the benefits of diverse perspectives, experiences and backgrounds.”

Ziena Jalil

These quotes convey the complexity of gender-based and race-based socio-political dynamics that are obstructing new talent from winning board seats.

The additional issue is that building a culture of inclusion that celebrates and leverages the power of diversity is very difficult to achieve. This requires a ‘hearts and minds’ approach which is committed to achieving diversity of thought in the boardroom because the value of such thinking and decision-making is genuinely appreciated.



Photo by Kyle Myburgh

“A lot of boards are spending a lot more time on D&I, but realising just deciding to make a change won’t actually help you make a change. I haven’t seen D&I done well. One needs to step into the change – it should be immersive.”

Catherine Drayton

Many directors align to the importance of diversity, debate and being inclusive. However, various anecdotal evidence suggests this is not materialising in practice. Several directors discussed the challenges of achieving diversity of thought in the boardroom, particularly the leadership role of the Chair in facilitating this:

“Diversity is a two-edged sword. Getting a diverse board is only 10% of the work, the other 90% is getting the diverse board to work well.”

Tony Carter

“When I first joined a particular board early on in my career there was an older Australian male as Chair. I felt I had been brought onto the board to tick the female box. The Chair didn’t really want me there. During one meeting, I was sitting down the end of the board table, and the Chair said to management “you’d better come up this end of the table as this is where the real conversation is happening”, specifically excluding me. I can’t emphasise enough the importance of the role of the Chair in inclusion, not just diversity.”

Joanna Perry

“The role of the Chair should be inclusive to ensure and facilitate appropriate input. The Board needs to be a contest of ideas surrounding the prioritised topics to either make robust decisions or enable them to be decision ready. Diverse Board composition, in experience that is varied, current, and relevant, in today’s market environment relating to the organisation’s operation, or potential direction of travel will assist this. Without this the contest will be diluted.”

“Boards embracing diversity of backgrounds, experience and ideas is healthy, but inexperienced Directors may find it more difficult to hold their ground or overreach. The Chair role is therefore pivotal in ensuring the debate is robust and fair but not dominated to the detriment of fresh thinking”.

Russ Hewitt

Addressing these issues will require the courage to have honest conversations and the conviction to pledge behaviour change and be held accountable. It will also require making bold decisions. However, being bold is a sub-theme that emerged as an area that is a work in progress for Aotearoa.

Being bold

Many directors interviewed shared they feel we are not being bold in New Zealand. This applies to taking risks, being ambitious, and not seeing failure as a bad thing. Culturally, this is a larger conversation that has links to endemic behaviours such as the Tall Poppy Syndrome. There is a deep-seeded desire to be ‘nice’ rather than bold.

“If New Zealand boards have a weakness, it is that members lack courage – they don’t want to upset anyone.”

Janine Smith

“Boards fail or are ineffective when they lack the courage to be bold and decisive. They also fail when they miss the megatrends or are unable to respond to the changing landscape, because they have been too habitual in their thinking.”

Evan Davies

Resolving this will involve a commitment to development programmes that support being bold, authentic leadership training, coaching conversations, organisational psychology workshops, unconscious bias training, self-awareness, and self-reflection. Typically, these programmes are provided at the executive levels, but there is a hunger within the contemporary governance community for increased director development and training programmes on soft skills versus technical training. However, the research showcased that whilst these voices are growing and advocating for investment in director development; there is still an entrenched lack of continuous improvement ethos within the wider governance circles.

Lack of continuous improvement ethos

The lack of a growth mindset and low commitment to a continuous improvement ethos was a recurring theme in the research, highlighting the importance of investing in and encouraging regular director development activities. The research revealed that there is a sense of complacency within the New Zealand market and a tendency to stick to the comfort zone rather than push the envelope. This cultural dynamic influences the lack of continuous improvement ethos.

“Many directors were executives 10-20 years’ ago and have developed their leadership skills within organisations managed through a command and control, hierarchical leadership style. Directors coming from that background may default to ways of leading and communicating that are not a great fit for high performing organisations today where values, purpose and employee engagement are more significant drivers than they have been in the past. This reinforces the importance of today’s directors having a learning mindset and striving for continuous development.”

Abby Foote

Board Reviews were commonly discussed as a useful tool for feedback and facilitating continuous improvement – albeit it was cautioned that Board Reviews should be anonymous to encourage honesty. Several directors shared that the culture in New Zealand isn’t strong on sharing feedback, with many conversations avoided due to discomfort with conflict. As such, the independence of external Board Reviews was cited as a useful tool.

However, there are examples of exceptions to the rule. Many of the directors interviewed shared how their boards are making an effort to promote a continuous improvement ethos. Below, we share some examples of boards adopting best practice methodologies to encourage continuous improvement.

“The board completes an assessment at the end of each board meeting in board-only time and provided feedback to the Chair about the effectiveness of the meeting. This rating tool was to encourage continuous improvement for both the board’s performance, as well as to the management team. As Chair, I would then immediately meet with the CEO to give prompt feedback from the board to management, along with direction, advice, guidance.”

Brian Blake

“Every year, the TradeMe board did a review – not the IOD one, but a questionnaire internally developed. The results were shared with everyone and they were discussed openly. It meant that everyone understood each other and their perspectives. It enabled robust discussion without it becoming personal. We would also go for dinner around three times a year. There were five board members, which I have to say made it easier to operate than some of my bigger boards. The key criteria on the board was intellectual curiosity, which meant that we fought hard, but in a good way.”

Joanna Perry

“Invite a guest speaker to every board meeting, to speak on a broad range of topics and force boards to think long term.”

Steve Reindler

“Some directors appreciate that board roles go beyond just attending board meetings. There is a need to understand the industry, conduct site visits, customer engagement and other activities.”

Jennifer Moxon

Several directors advocated for being self-aware about the value you are adding to the organisation, and in turn being willing to leave a board if you are no longer able to contribute meaningfully.

“Take yourself off the board when you can’t add value anymore.”

Morag McCay

These sub-themes lend insights into the specific aspects of our local context that frame how governance is approached. In order to develop future directors for Aotearoa, the skills required will need to respond to the socio-political and cultural dynamics. These skills and competencies will also need to respond to what the ‘ideal’ future director profile looks like.

A person with a backpack is seen from behind, walking on a wooden boardwalk that leads into a vast, rugged mountain range. The landscape is filled with tall grasses in the foreground and steep, rocky slopes in the background. The overall tone is dark and atmospheric, with a blue-grey color palette. A bright green triangle is visible in the top left corner.

Developing Future Directors

Developing Future Directors

This chapter covers two key areas – the context for developing future directors in Aotearoa; and synthesising the profile of an ‘ideal future director’ based on the research findings. The latter is used as a framework for the Director Development checklist.

Context for developing future Governance Leaders in Aotearoa NZ

Related to the themes discussed in previous chapters, there are concerns that we aren't doing enough to build a pipeline of diverse directors. Efforts to rectify this include 'Future Director' appointments, alongside a focus from various government departments, such as the Ministry for Ethnic Communities, towards helping organisations gain access to candidates in their networks. The IoD has also run programmes and events for specific communities, such as Pasifika directors. There is a growing awareness of the D&I landscape, and directors are aiming to connect networks and communities to support cross-fertilisation of ideas and different ways of thinking. This is a context in which the 'village network' has advantages, given that many ethnically diverse directors who 'broke the ceiling' and have accrued significant governance experience are now making an effort to support emerging directors from their respective communities. Nonetheless, this remains a problem to solve, and further effort is required to boost the talent pipeline.

The existing Future Director programme run by the IoD, along with the in-house Future Director or Board Observer schemes run directly by several organisations, have helped to introduce new faces and voices. There have been a series of programmes and courses available for emerging directors. However, the research revealed that most directors feel the approach to this has been lacklustre overall. Instead, most directors were advocating for a dedicated, concerted effort toward enhancing the talent pipeline. Mentoring relationships and alumni forums need to be formally curated and managed to help address talent acquisition and development for future directors.

On the plus side, governance roles are now being advertised across broader channels, ensuring wider reach to different segments of communities. It is becoming more common to use platforms specific to audience segments to attract different candidates, such as Appoint Better Boards, Mahi, and Māori and Pacific Jobs. Beyond these formal platforms, there is an increased awareness about investing time advertising roles on various social channels to reach people from diverse backgrounds. There has also been an increase in awareness of welcoming directors with disabilities, albeit this is an area particularly lacking in attention relative to other diverse populations.

Typically, the research has found that efforts to date have tended to be focused on gender as the 'first horizon' to overcome in terms of improving diversity of thought in boardrooms. This has been a deliberate effort, and many have worked hard to set up the talent pipelines to achieve this. It often starts with a focus on building bench strength for females in senior leadership roles. An iconic case study in New Zealand has been Spark, achieving the combination of female Chair and female CEO in a listed business.

“The fuller picture for achieving this starts with the journey nine years ago when the Board (via HRCC sub-committee) requested that management set gender diversity targets. At the time I was the Chair of the HRCC subcommittee of the Board, and there were no females in the leadership team reporting to the CEO. Setting those targets allowed us to then have the conversation about females being on the shortlists and in Jolie Hodson’s case having worked with her previously, it required specifically recommending her for the CFO job. Having “sponsors” is how men have got jobs for decades and this is one of the most effective ways for females to progress as well – but of course it is a snowball effect because in the first place you need to have enough seniority as a female to be that sponsor for other women.”

Justine Smythe

9. <https://www.nzx.com/regulation/nzregco/diversity-statistics>

It is this strategic and deliberate approach over nearly a decade that helped achieve Spark's diversity targets. For the future, boosting and building a solid pipeline of talent ideally needs to 'snowball' beyond gender towards addressing different forms of diversity. The November 2021 data showed there were no boards in the ASX 200 without women. Women also comprised 41.8% of new appointments to ASX 200 boards. The NZX Gender Diversity Statistics⁹ for the year ended September 2020 shared that the proportion of female directors across NZX 50 companies continues to increase and is on track to reach Global Women's new 40% target by 2026. The report noted it was disappointing to see a further drop in the percentage of female directors among companies outside the NZX 50, however. With all NZX 50 companies continuing to have a diversity policy, the report shared it is encouraging to see a further increase in the proportion of other listed companies with a written policy - reaching a new high of 86.3%. This broader lens on D&I appointments will help address director talent pipeline issues.

There are also socio-cultural factors at play whereby immigrants who bring international perspectives feel their input is not fully understood or appreciated, especially if the organisation doesn't have a global footprint or isn't a multinational. Many international candidates have commented it is difficult to 'break into' the New Zealand market, not only for governance roles but also for senior executive positions. This trend is further highlighted through frequent feedback from Kiwi expats returning home that the local market struggles to comprehend the size and scale, and complexity of their roles offshore - even if they are a returning Kiwi, the length of their tenure overseas is seen to be potentially problematic for them 'fitting in' to the local culture. They feel their CVs are harder to understand, and in turn, recognition of their skills and competencies and how these can transfer across to the New Zealand market is lacking. All of these cultural dynamics have an impact on the ability to attract, welcome and retain diverse directors.

The historic structural and institutional racism in New Zealand has also had an adverse impact on iwi directors, including talent pipelines. Unconscious bias workshops are common for executives but not the 'norm' necessarily for board directors. As such, many of the iwi directors interviewed for this research commented it is hard to perform effectively in an environment where 'people don't know what they don't know'. Even with the best of intentions from other board directors, the environment can feel unwelcoming and non-inclusive simply due to a lack of understanding. These directors also shared a sense of burden to 'represent' the perspectives of Māori, but this feels disingenuous and impossible given the nuances of views across iwi and hapu. There have also been requests for oncoming iwi directors to 'upskill' the other board members in their respective cultural intelligence journeys, which is a heavier workload in addition to their standard director duties. Some directors interviewed spoke of intergenerational trauma and the lack of understanding or empathy being a potential obstacle for emerging Māori directors.

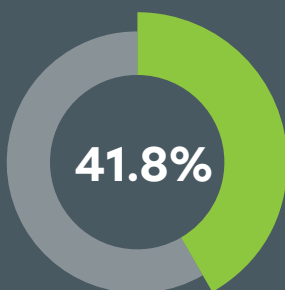
Pasifika directors have made similar comments during the research, noting that within their communities, a leader could be visible in church or working hard in the kitchen, yet these forms of servant leadership aren't yet fully understood or valued in 'mainstream' corporate society. Similarly, iwi leaders have advocated for the different roles on the marae and what this instils in people in terms of leadership skills. The example that is often used to bring these different 'lenses' to light is that of making eye contact in an interview, which for Pasifika people is culturally seen as being disrespectful yet in a Pākehā context, can be misconstrued as the candidate lacking confidence or struggling to focus. There is also the iwi lens of 'Kāore te kūmara e kōrero mō tōna ake reka' (the kumara doesn't speak of its own sweetness), which also has an impact in interview settings. Humility is valued in Māoridom, and thus several organisations have evolved

Developing future directors

Zero



November 2021 data showed there were no boards in the ASX 200 without women.



Women comprised 41.8% of new appointments to ASX 200 boards.



All S&P/NZX 50 companies continue to have a diversity policy.



The proportion of other issuers with a written diversity policy reached a new high of 86.3%.

<https://www.nzx.com/regulation/nzregco/diversity-statistics>

their interview processes to allow for a support person or spokesperson to accompany the candidate and speak on their behalf. Whilst this approach is gaining prominence in certain sectors, including health and not-for-profit sectors, it is not the mainstream approach. It is also less common for governance or executive appointments, under the lens that a leader should be able to 'hold their own' in an interview for senior positions. These are complex, tense realities, and no simple solution exists in regard to behavioural change.

Moreover, there have been some concerns about the style of governance training offered currently and whether it is fit for purpose to offer future directors the broad range of skills needed to perform effectively. Several directors endorsed organising courses for 'soft skills' including curiosity, ability to challenge and debate, strategy, innovation, appreciation of technology and how it could help the business.

“Existing governance courses provide good theory but often little practical insights – this is a significant gap. Different types of courses are needed to train directors on other important aspects e.g. self-awareness, personality styles, communication styles, managing stress, coaching support.”

Anne Urlwin

This context influences how to develop future directors, as well as highlighting the critical skillsets needed to perform effectively as a director in the future.

“There is a place for a post graduate qualification to enable those with successful careers to add to their skill set as they transit from management to governance roles. A Postgraduate Certificate in Leadership and Governance will be offered at the UoA from around September 2022 exploring national and international developments, innovations and new thinking in governance including a focus on issues such as the environmental and sustainability record of the organisation. Retaining the confidence of owners and the community is essential to maintain the ‘licence to operate’.”

Dame Alison Paterson

Profile of an 'ideal future director'

Interestingly, the consensus amongst those interviewed was that under the assumption that core technical governance skills are a given, the profile of the ideal future director is predominantly down to soft skills. In the category of core technical governance skills, the following areas were considered part of the 'essential skillset':

- ◆ understanding the legal and compliance requirements of being a board director
- ◆ basic financial literacy
- ◆ commercial nous
- ◆ sharp intellect with the strategic ability to think rationally and logically about different issues
- ◆ ability to contribute on subject matter pertinent to the business, including any relevant technical skills and competencies or sector-specific experience

- ◆ able to add value to the skills matrix and be fit for purpose (especially for technical roles such as Chair of Audit and Risk)
- ◆ willingness to do the mahi and investing time and effort

However, when asked to imagine the profile of an ideal future director, most interviewees reflected that soft skills were most in demand. These include:

- ◆ genuine connection to the vision, values, purpose and mission of the organisation
- ◆ ability to speak up when relevant and ask insightful questions, as well as challenge effectively
- ◆ empathy and emotional intelligence or EQ
- ◆ self-awareness with the ability to reflect on one's own style and performance, whilst also being receptive to feedback
- ◆ team player approach to being a cultural fit, but not at the expense of being bold and brave enough to be a cultural add
- ◆ curiosity and desire to learn more about trends or topics
- ◆ commitment to continuous improvement ethos
- ◆ strategic thinker not only about complex business issues, but also about how these impact on people dynamics

These perspectives advocate for director development and training to be akin to Authentic Leadership programmes, empowering the director to know oneself and understand themselves in the context of others to best contribute to governance. This is on the basis that the 'core' governance skills are already met including work ethic and commitment to doing the 'baseline' mahi of a director. The research has found that the development horizons for directors are to focus on interpersonal skills. These include honing their ability to raise points at opportune moments within a board meeting to strategically guide the conversation towards optimum solutions – but achieving this requires masterful awareness of body language and 'reading the room' more generally. The ideal future director is curious about unconscious bias and is self-aware enough to invest time in training. They seek to have conversations with different people to themselves. They are open to coaching and feedback.

These themes have been synthesised to develop a competency dictionary and director development framework in the following chapter.



Self-evaluation and Next Steps

Self-evaluation and Next Steps

Director development framework

Leveraging themes from the research, we have developed a Competency Dictionary detailing a list of helpful skills and behaviours for contemporary governance leaders. This Competency Dictionary is designed to serve as a tool for director development.

Whilst there is no silver bullet solution to director development, nor can any one framework be the singular source to refer to, this Competency Dictionary can be used to prompt 'coaching conversations' for governance leaders.

Like all frameworks, this approach has its limitations. Our Competency Dictionary is focused predominantly on behaviours in the boardroom and board dynamics. This is because most of the directors we interviewed highlighted emotional intelligence, communication style, fit, and leadership behaviours as being the most important skillsets for effective governance leaders. Our Competency Dictionary also draws on our expertise in Leadership Consulting to inform the development tools. Given the focus on leadership behaviours, this Competency Dictionary does not provide extensive details on the functional or technical aspects of board director skills, such as having a basic understanding of the fiduciary requirements of being a board director.

One important caveat is that the development themes are derived from the question 'what is the profile of an ideal future director?' However, there is no 'one' ideal profile for a board director. Rather, this is nuanced, whereby what is ideal in one context can be problematic in another. Diversity of styles and approaches are helpful on boards, and thus a variety of 'ideal' profiles must co-exist to create harmony. Sports metaphors on teamwork - needing a variety of positions to form a high-performing team - apply in the boardroom environment as well. Many directors we interviewed used a musical metaphor, whereby the Chair is the conductor of the orchestra, and the board directors each bring their own musical instrument to cohesively create the melody.

Underpinning both metaphors is the assumption that a director must be able to meet a baseline set of leadership behaviours to maximise their contribution. This is separate to the functional expertise they have, such as in Audit and Risk or Remuneration. Our Competency Dictionary focuses on the 'baseline' skillset of leadership behaviours to support director development.

Principles of director development

A continuous improvement ethos is critical.
To start with, ask yourself:

- ▶ Do you have the desire to improve?
- ▶ How are you going to stay relevant in a rapidly changing world?
- ▶ Are you self-aware? Do you proactively reflect on your communication style and behaviours?
- ▶ How do you keep up to date with emerging trends and market challenges?
- ▶ Do you seek feedback from others as to how you could be more effective and make a bigger difference?
- ▶ Do you listen to others' views, especially when they are different from yours?
- ▶ Do you proactively seek new learning opportunities?
- ▶ Do you adapt your style and approach to suit the context?
- ▶ How do you ensure your behaviour consistently sets the standard to stakeholders, in terms of values, ethics and integrity?

These questions can help kick-start the reflection process to help you in completing the following self-evaluation and development tasks.

How to use this guide

As discussed previously, the focus of this framework is on board dynamics and leadership behaviours as opposed to the technical or functional competencies required for governance.

01

The Director Development Framework is broadly divided into 3 components: Leadership, Strategy, and Execution

02

Spend time reflecting on yourself for the self-evaluation section. This includes seeking feedback from others on your style and performance. There are several psychometric assessment tools available to help provide you with structured feedback about your personality and how you are perceived by others

03

Review the Competency Dictionary on page 38 to identify which leadership behaviours you need to work on. You may find it helpful to score yourself from 1-5 for each competency in order to identify areas to work on

04

Refer to the list of tips on page 40 on how to develop skills for those specific competencies

05

Complete the Personal Development Plan template

06

Synthesise your observations to develop your director brand

Self-Evaluation

Knowing yourself and getting feedback on your strengths and weaknesses is essential to complete a development plan. Psychometric assessment tools can provide you with a helpful framework to better understand your style and personality, as well as how others perceive you. Find someone on the board to give you feedback on your behaviour - this can be someone you have natural chemistry with, as well as someone who you might have healthy tension with. You may also wish to seek feedback from a range of board members and executives, to get broader perspectives.

Enhanced skillset

STRATEGY

- ▶ Sharp intellect with the strategic ability to think rationally and logically about different issues
- ▶ Technical skills and competencies or sector-specific experience

LEADERSHIP

- ▶ Genuine connection to the vision, values, purpose and mission of the organisation
- ▶ Ability to speak up when relevant and ask insightful questions, as well as challenge effectively
- ▶ Empathy and emotional intelligence or EQ
- ▶ Self-awareness with ability to reflect on one's own style and performance, whilst also being receptive to feedback
- ▶ Team player approach to being a cultural fit, but not at the expense of being bold and brave enough to be a cultural add
- ▶ Curiosity and desire to learn about trends or topics in aid of the organisation
- ▶ Commitment to continuous improvement ethos
- ▶ Strategic thinker not only about complex business issues, but also about how these impact on people dynamics

EXECUTION

- ▶ Understanding of the legal and compliance requirements of being a board director
- ▶ Basic financial literacy
- ▶ Commercial nous
- ▶ Sharp intellect with the strategic ability to think rationally and logically about different issues
- ▶ Ability to contribute on subject matter pertinent to the business, including any relevant technical skills and competencies or sector-specific experience
- ▶ Able to add value to the skills matrix and be fit for purpose (especially for technical roles such as Chair of Audit and Risk)
- ▶ Willingness to do the mahi and investing time and effort

Competency Dictionary

These are some practical suggestions directors can do for their development. Some suggestions are relevant to all 3 components of Leadership, Strategy and Execution, while others are more specific to a one.

General

- ◇ Develop or join a community of like-minded directors as a support and networking group.
- ◇ Seek feedback from fellow directors and executives where possible on your contributions and leadership style.
- ◇ Rather than ask people to volunteer feedback which can lead to superficial responses, demonstrate self-awareness by making self-appraisal statements rather than asking questions. Saying, "I think I focus too much on the employee engagement and sometimes miss broader implications such the commercials, what do you think?" is easier for most people to reply to than a question which asks them to volunteer this point.
- ◇ Based on feedback and self reflection, identify the aspects of governance leadership you want to work on and map out your development plan. Share your development plan with someone who can give you feedback and hold you to account.
- ◇ Write down feedback received onto Post-It Notes. Create two categories: the criticisms that are probably not true of you, and the ones that are. Collaborate with a trusted person to identify these correctly. Develop a plan to address and improve on the true criticisms. For those that are not true, re-sort the comments into criticisms that are important to you and discard the rest, think of ways and means to convince people around you by deeds, not words, that those criticisms are untrue of you.
- ◇ Consider your blind spots - where do you rate yourself higher than others rate you?



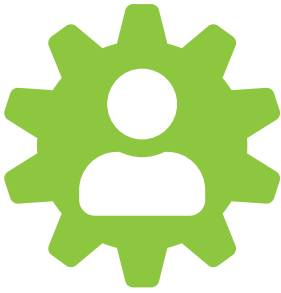
To increase your cross cultural competency:

- ◇ Spend a night on a marae, reflect on your appreciation of Te Tiriti and how it impacts your role as a director.
- ◇ Create your mihi and practice te reo pronunciation by filming videos or performing in front of a mirror.
- ◇ Attend ethnic festivals to learn about different cultures.
- ◇ House a foreign student from a country your organisation is thinking about entering.
- ◇ Travel and stay for a week anywhere in the world where you are a minority and most others do not speak your language, keeping away from tourist areas. Reflect on how you feel and what you learn.
- ◇ Volunteer with a community organisation or charity.



Leadership

- ◇ Identify someone on the executive team you can mentor.
- ◇ Identify executives outside of your board involvement to coach/mentor.
- ◇ Develop close relationships with one or two fellow directors who can be your unfiltered feedback source, and reciprocate by giving feedback to them.
- ◇ Anticipate tough questions and contrarian views from others. Expect pushback and rehearse how you will respond. Practice your style, pace, tone and volume. Build courage by practicing articulating difficult points into succinct sentences.
- ◇ Be willing to connect to your emotions and share more vulnerably to develop stronger interpersonal relationships.
- ◇ Understand your 'authentic self' and bring your whole self to governance; not to create an 'untrue' image of yourself.
- ◇ Read the room and make observations, then cross-check if your insights.
- ◇ Deliberately seek out the opposite or contrarian view to your own.
- ◇ To build your own empathy and emotional quotient, study the three most compassionate people you know and distil what you can learn from each of them.
- ◇ Attend unconscious bias workshops and challenge your personal biases.
- ◇ Learn to Influence others by observing what motivates them.
- ◇ Put yourself out of your comfort zone at least once a quarter - this could be attending a course on a brand new subject, an immersive experience, meeting an associate or acquaintance whom you do not get along with to develop a relationship, or working with a coach.
- ◇ Find a young digital native to mentor you.



Strategy

- ◇ Expand your networks - both within and outside the industry.
- ◇ Read widely and keep up-to-date with global trends - these could be generic megatrends or industry specific developments.
- ◇ Get exposure to different industries and see what lessons/ solutions can be transferable.
- ◇ Keep abreast of the competitor landscape and relevant markets to your organisation.
- ◇ Attend a global conference with specific development objectives in mind.
- ◇ Get involved in government or industry working groups or think tanks.
- ◇ Get a mentor who can be a sounding board on strategy.
- ◇ Every six months, choose a topic or subject that you know very little about and invest time to find out all you can, e.g. cybersecurity, climate change.



Execution

- ◇ Speak to three of your organisation's biggest customers about your strengths as an organisation and areas for improvement.
- ◇ Walk the 'shopfloor' unannounced (with the knowledge of the executives) and speak to junior staff about their work and welfare.
- ◇ Invest the time to prepare thoroughly for board meetings. Develop your point of view on board papers/topics - learn to identify aspects you like/agree and disagree with, and areas where you seek more information.



Director development plan template

Your development needs and targets will likely change from board to board, depending on the context. As such, the following template can be used multiple times as a worksheet for different boards in your governance portfolio.

Your director 'brand' - what do you want to be known for?

- ▶ What director 'brand', how do you want to be perceived when others think of you?
What do you want to be known for?
- ▶ What are the top three technical or functional areas that underpins your contributions as a director?
[e.g. Audit & Risk, Health & Safety, Marketing, M&A]
- ▶ What are the top three leadership behaviours you bring to the board?
[e.g. ideas and innovation, great facilitation skills, challenges status quo].

PERSONAL DEVELOPMENT PLAN TEMPLATE

What is the context of the board?

What are the top three goals I need to work on in this context?

- 1.
- 2.
- 3.

Leadership behaviours I want to work on?	What will I commit to do?	What resources do I need?	Who can give me feedback along the way?	How do I know I have made progress [what timeframe am I working with]?
1.				
2.				
3.				



Appendices & Acknowledgements

Appendix 1:

Extended chapter – Te Ao Māori

Nau mai, haere mai. Tiro atu ki te pae, mauria atu tō korowai.

Welcome. Look forward into the horizon and prepare.

Te Ao Māori was one of the most discussed topics within the research interviews, and as a result, the initial chapter written was substantially longer than other chapters in this book. The length of writing was to give mana to the kōrero in respecting the complexities and nuances of the discussion themes. The entire chapter is published in full in this Appendix, and we encourage you to read it for the wider picture.

The Māori world view is rich with wisdom to support all communities. The lessons from tikanga, the values and approaches, can apply to a multitude of contexts – particularly governance. There is a growing respect and appreciation for Te Ao Māori and its impact on governance, leadership, and the economy. Symbolism and iconography carry weight in Māoridom. The explanation of leadership from a Māori lens is an example, as expressed in an academic article 'Paradigm warriors: Advancing a radical ecosystems view of collective leadership from an Indigenous Māori perspective'¹⁰, which shared the meaning of the word leader through a linguistic exploration:

“Leadership in a Māori paradigm is associated with being a rangatira. The word rangatira is made up of the ‘raranga’, meaning to weave or plait, and ‘tira’, which refers to a group, a company of travelers, or rays or beams of light. Rā is associated with light and is also the word for sun; ngā refers to pluralities; ‘ti’ refers to divine energy, which underpins the word tira; and ‘rā’ referencing to the impact of light on growth. Rangatira therefore conveys associations with light, growth, and divine energy explains the source of rangatira as rā ngāti rā – that humans are rā (light) who ngāti (belong to) rā (the light). This perspective reiterates that we are all rangatira, rā ngāti rā, humans with divine origins who belong to Te Ao Mārama, the world of light. To be a leader, a rangatira, then, is to excel at weaving people together, to encourage or inspire others to go on a journey together, to exercise agency, and to light the way toward a world in which all flourish.”

Language and storytelling are critical facets to Te Ao Māori – translations to English cannot always encapsulate the layered meanings of te reo words. The explanation of leadership applies poignantly to a governance context, given the responsibilities of board directors in leading Aotearoa towards a brighter future. The research identified that there is a burgeoning commitment to weaving Te Ao Māori into governance.

Some directors have expressed an honest desire to learn more about Te Ao Māori, but they feel uncomfortable or overwhelmed with where to begin. The default approach has been to upskill through learning the language, including becoming proficient with a pepeha or mihi mihi. However, iwi leaders who are teaching Te Ao Māori advocate for starting with the foundational aspects of the worldview rather than jumping to the language. This is because appreciating the foundations can enrich the language learning, and it also de-risks from it becoming a box-ticking exercise to rote learn a pepeha or mihi mihi with no further commitment to the language. The overarching advice is to approach this an upskilling exercise, no different to broader director development in technical skills or competencies. The advice is to consider building a 'bucket of skills' in cultural competency that enable and empower directors to operate effectively as contemporary leaders. Having cultural intelligence is increasingly being seen as a critical skillset to thrive as a leader in the current era. Ideally, investing in the journey of cultural competency upskilling will spark a sense of spiritual connection with the concepts and values of Te Ao Māori that engages with the hearts and minds. Approaching this with a pure business-lens has some risks of missing the point. Indeed, the research and surrounding conversations have revealed that some directors still view Te Ao Māori concepts as 'fluffy'. There are also hesitations about the flowing storytelling communication style, which can be interpreted as less succinct, professional and not 'business-like'. Nonetheless, there is a clear wave of support growing to better understand and welcome iwi approaches to governance. The increase in iwi board director appointments is supporting this aim, along with courses and programmes on Māori governance.

The 'bucket of skills' can be transferred to the concept of a 'basket of skills' or the 'kete' woven basket. The 'kete' is an often-used metaphor to express the layering and weaving approach needed in problem-solving, and it is applicable to governance. Equipping directors with a cultural competency toolkit and introduction to Te Ao Māori can be fruitful for their 'kete' of skills. Several organisations have invested in extensive training programmes for board and management teams to attend together. These include off-site lessons on marae and are led by iwi facilitators. Some are as long as five days, which is a significant commitment of time but bears fruit. Beyond the educational benefits of these programmes and enriched understanding of Te Ao Māori, directors shared one of the best unexpected advantages was the Whakawhanaungatanga process. This is a deep approach to establishing relationships,

10. Chellie Spiller, Rachel Maunganui Wolfram, Ella Henry, Robert Pouwhare. 'Paradigm warriors: Advancing a radical ecosystems view of collective leadership from an Indigenous Māori perspective'. *Human Relations Journal*. 2020, Vol. 73(4) 516-543.

and the trust and understanding developed between board and management teams through this exercise resulted in improved boardroom dynamics. Both teams were able to better understand the psyche of each person, appreciating the 'why' behind their questions or approaches. There is a growing appreciation for indigenous wisdom and the impact of Whakawhanaungatanga on boardroom dynamics. This is because the investment of time in genuinely getting to know the people around the room helps with challenging conversations, emotional intelligence, empathy and understanding the point of view. There is also a view that this people-centric process can help navigate the difficulties of Chairing a diverse board.

"It is humbling to be the first board director to a Council Controlled Organisation who influenced to have a pōwhiri welcome, which was new to the onboarding process for Auckland Council. It was a mutually positive experience, as in my dialogue with Auckland Council I was able to explain the significance and importance of a pōwhiri for me to join the board of ATEED, as an iwi director, and for them to understand this should now become a permanent process improvement. It required having respectful but courageous conversations, being bold and authentic, and I am proud of the people who listened and supported this outcome."

Dan Te Whenua Walker

Whilst the increased mana of Māori governance is a positive progression in society, this does not mean existing and historic challenges can be ignored.

"We need to do more to uphold the principles of Te Tiriti o Waitangi on our boards, especially if we are to honour a truly partnership approach. There is also much we can learn from Te Ao Māori - including values such as kaitiakitanga, which are very relevant for governance today."

Ziena Jalil

The research included interviews with several iwi directors, many of whom shared similar sentiments. These collective views have been synthesised in the quotes below and anonymised:

"I am often seen as the tokenistic Māori director on the board. People don't seem to realise that there are complex, varying perspectives between iwi - I cannot offer a standardised Māori lens."

"I am close to retirement age now, and when I was a younger director I took more of an activist approach, but then I took more of a diplomatic approach. I will politely point out if I feel a Māori perspective is clearly lacking in strategy development, often by asking questions such as, 'how will this benefit customers in places like South Auckland?' I have been in governance roles now for nearly two decades, and I am at the point of thinking, why even bother going to a board meeting? The lens is often so innately Pākehā-centric, I can't help but feel that the time I have left would be better spent going to a local marae and helping rangatahi with their schoolwork. It would add more value."

"In order to get buy-in for my 'diverse' perspectives, I have to work harder than other directors through corridor conversations at the board dinner, or phone calls between board meetings. They say my voice is welcomed, but if I speak up at a board meeting without doing the pre-work and securing allies for my perspectives, my voice lands on deaf ears at the board meeting."

"It can feel lonely and isolating to be the only iwi director on a board. There is now a movement advocating for appointing more than one Māori to a board, to give a more nuanced view. This also helps with iwi director development as we can buddy up to grow and learn together."

These sentiments are in stark contrast to interviews with some non-iwi directors, whose views have also been synthesised and anonymised:

"Various boards I am on are doing so much better about considering diversity - we have taken active steps to appoint women, or people from different ethnic backgrounds including Māori. We also consider diversity of thought in our approach - the invisible parts of diversity, when people have different perspectives based on their formative experiences."

There appears to be a clear disconnect between these perspectives. There seems to be an illusion that increased D&I in the boardroom now exists, given the recruitment efforts of recent years, emboldened by a false sense of security that pockets of resistance seem to be fading into a bygone era. Conversely, interviews with iwi, Pasifika, and ethnic minority board directors tell a different story.

There are still significant obstacles to the talent pipeline feeding diverse board director appointments. Meanwhile, for the 'diverse' directors who have managed to win a seat at the table, it is often an unwelcoming and uncomfortable experience due to the lack of inclusion.

Appendix 2:

Due Diligence Checklist

The following is a helpful guide to prompt potential due diligence questions you can ask before joining a board. They are by no means an exhaustive list; rather, they are a starting point.

1. How would you describe the culture of the Board and have there been any major differences of opinion on strategy or other key initiatives?
2. In terms of the ELT, how well do you rate the leadership team? Are there any areas of concern or gaps in expertise?
3. Company X has Y number of shareholder representatives on its Board. What is the state of the relationship between those parties?
4. In terms of the broader shares register, how many shareholders are there in the company and are there any disagreements about strategy or other material issues?
5. Are there any major unrecorded contingent liabilities that have arisen in the current financial year?
6. Does the company's constitution contain any unusual provisions affecting the operations or authorities of the Board?
7. Is the company involved in any controversial matters, material litigation or investigations by formal authorities?
8. Have employee engagement or organisational climate surveys been undertaken? If not, how would you describe the culture of the organisation?
9. Has company X considered the relevance of the principles of Te Tiriti o Waitangi The Treaty of Waitangi, bi-culturalism and engagement with Māori entities as part of its overall strategic focus?
10. Does Company X have a Diversity and Inclusion policy?

In the event that I join the Board of Company X:

1. What induction process will be provided?
2. What sub-committees would you expect me to be a member of?
3. Are there any specific expectations or requirements the Board would want me to focus on?
4. I have noted the dates of the various Board meetings – all of which I am available to attend in-person (should I be appointed). You mentioned health and safety committee meetings in our interview – do you have a schedule for those meetings also please? Is there a People and Culture / HR Committee?
5. Finally, what is the remuneration for the role?

“

Be clear about why this organisation wants you on its board. Make sure that this is the contribution that you can and want to make.”

Claire Denison, Governance Partner, Kerridge & Partners

Acknowledgements

We would like to thank the following people for their contribution to this research.

Abigail Foote
Alan Gourdie
Albert Brantley
Alison Barrass
Anne Urlwin
Barry Bragg
Ben Green
Brent Goldsack
Brian Blake
Bruce Hassall
Caren Rangj
Carol Cheng
Carolyn Mortland
Catherine Drayton
Catherine Savage
Craig Stobo
Dame Alison Paterson
Dan Te Whenua Walker
David Clarke
David Woods
Diana Puketapu
Elena Trout
Evan Davies
Fabian Partigiani
George Adams
Graeme Milne
Greg Batkin
Jacqueline Lloyd
Janine Smith
Jen Rolfe

Jennifer Kerr
Jennifer Moxon
Jeremy Smith
Jim Mather
Joanna Perry
John Coop
Joy Marslin
Justine Smyth
Mark Darrow
Mark Finlayson
Mark Powell
Mel Hewitson
Melissa Clark-Reynolds
Michelle Embling
Morag McCay
Norah Barlow
Pat Snedden
Paul McGilvary
Pavan Vyas
Peter McBride
Philippa Dunphy
Russ Hewitt
Sarah Haydon
Sheridan Broadbent
Steve Reindler
Sue Tindal
Dame Therese Walsh
Tony Carter
Ziena Jalil

Project team acknowledgements

Renisa Peterson
Cheewei Kwan
Amelia Long
© 2022 Kerridge & Partners



Contact us:

Kerridge & Partners

Level 15, 51 Shortland Street
Auckland 1010
New Zealand

Phone: +64 9 969 9900

Email: info@kerridgepartners.com

www.kerridgepartners.com