

Diverse Thinking Capability Audit of New Zealand Boardrooms 2018

Removing the barriers and realigning Governance

By Mai Chen / Chair, Superdiversity Institute
for Law, Policy and Business

SUPER DIVERSE
DIVERSITY THINKING
INSTITUTE TANK

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There are so many other top Directors I would have liked to interview, but I had to set a launch deadline and that required me to cut the report off at a certain point.

I look forward to interviewing some of those Directors in subsequent diverse thinking capability audits of the New Zealand Boardroom and to measuring real growth in diverse thinking capability.

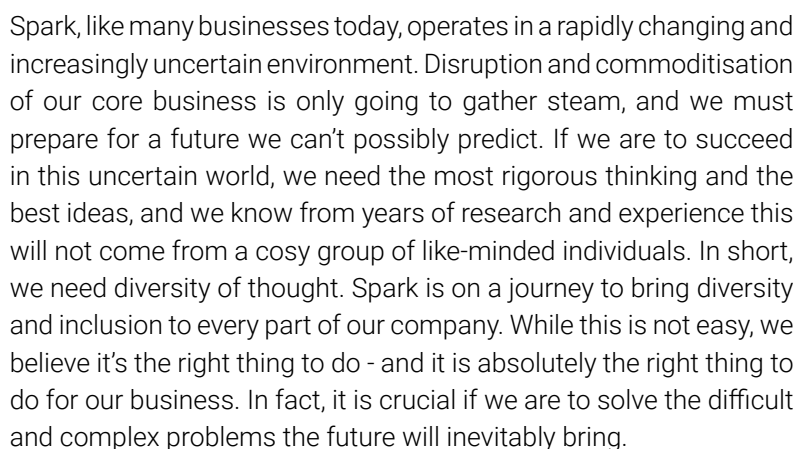
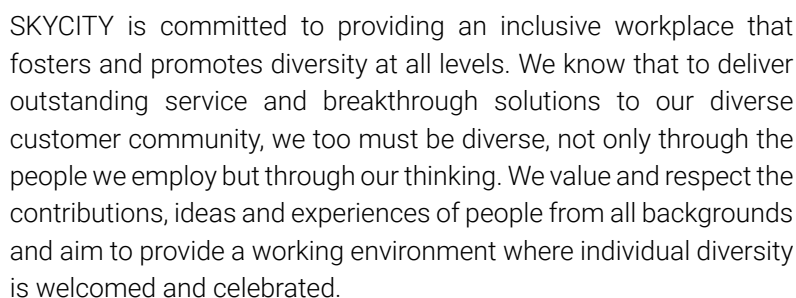
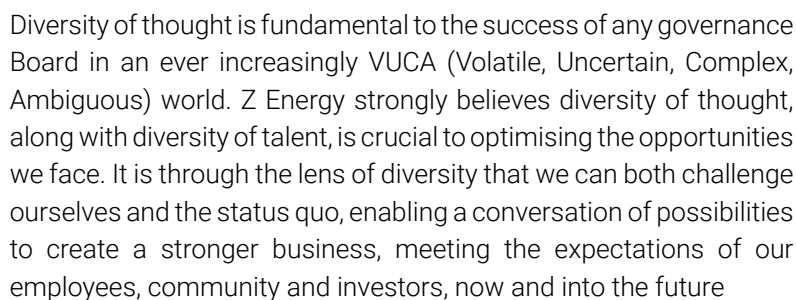
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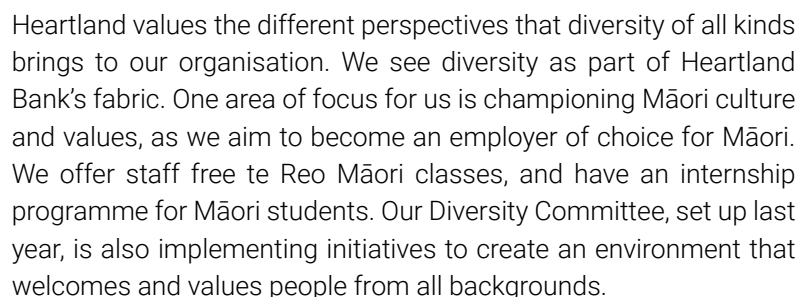
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About the Author

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Diversity and inclusion's greatest value comes when it is embraced not only as a set of human resource initiatives, but also as a holistic business program. Linking strategy to include business and financial management leaders and influencers creates this connection to ultimately deliver increased performance and financial value. Countless studies have been published showing the positive impact that diversity, inclusion and equality in the workplace have with respect to performance, innovation and superior financial results. Even with increasing awareness of diversity issues, not all companies know how to approach diversity and inclusion programs effectively. We fully understand the transformative power of great talent and its ability to turn potential into success. To meet this growing need for experience and advice, we have created Caldwell Advisory Councils. Our Councils can help deliver long-term value by providing strategic insight, external accountability, and expert guidance in developing strategy and programs, and aligning goals, people and processes.



At Jade we value the diversity of our people. We actively build balance and inclusivity into our workplace, so we can utilise our differences in making sure that what we produce is innovative and reflects the world around us. With great diversity, we also understand the importance of practices which help to build strong working relationships and a cohesive and trusting culture. Learn more about us at jadesoftware.com.



The first words on The Goat Farm's website are: "It's sheep we're up against!" What that means to us is that whenever we can, we look at client problems in a different way than they'd tackle them themselves. Bringing a diverse perspective – ideally one that's closer to the customer's than that of the company's – is one of the most valuable things a marketing partner can do. Internally, we enable this by not having a standing army of employees, but a wide network of interesting and clever people we can call upon when needed. Working with different people keeps us fresh, and leads to far more interesting outcomes than we'd get by running a conventional agency.



NZ Asian Leaders and SUPERdiverse WOMEN exist to give visibility to the talented leaders in both of these groups that have skills and diverse thinking to contribute to New Zealand including in our Boardrooms.



Chen Palmer Partners was established by two diverse thinking founders 24 years ago. The firm supports diverse thinking, merit-based appointments and the principles behind the UN Universal Declaration of Human Rights: "All human beings are born free and equal in dignity and rights."

Janine Smith

Principal, The Boardroom Practice Limited

Part 2: "The Problem"

Chair, SKYCITY Entertainment Group

President, Institute of Directors

Chair, Bank of New Zealand

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Diverse Thinking Capability Audit of New Zealand Boardrooms 2018

Removing the barriers and realigning Governance

Why a Diverse Thinking Capability Audit?

- 1 This Diverse Thinking Capability Audit is a global first and seeks to fill a gap created by the lack of tools to measure diverse thinking on Boards. Yet the importance of diverse thinking to enhance the quality of Board decision making and performance is so great that this gap must be filled.
- 2 This is now more urgent than ever as New Zealand has demographically transformed and customers have become more complex, as discussed in the *Superdiversity Stocktake: Implications for Business, Government and New Zealand* and *The Diversity Matrix: Refreshing What Diversity Means for Law, Policy and Business in the 21st Century* previously published by the Superdiversity Institute in 2015 and 2017.
- 3 Currently, the gap appears to exist because diverse thinking has been elided with gender equality, so that some Chairs and Directors think that getting women around the Board table is all that is needed. The number of women, or people with other demographic characteristics like ethnicity or age, is also easy to measure. You can literally see the diversity.
- 4 Although diverse thinking may leverage off gender equality, it is a broader concept. Getting all of the talent pool around the Board table that can contribute to the success of the company/organisation is just the first step. The next is to ensure you are actively recruiting Chairs and Directors who can think diversely about risks, problems and solutions. Demographic characteristics may be one group of predictors of diverse thinking but there are many others. If we do not get beyond the stereotypes of what diverse thinking is, who are diverse thinkers and how best to encourage them to challenge and have different views and perspectives, we will not reap the benefits of diverse thinking.
- 5 A global literature search (see Appendix A) shows that there is an overwhelming focus on gender diversity and to a lesser extent ethnic diversity in Boardrooms, and how to attract and retain diverse talent. However, there is little research specifically on how to increase diverse thinking in the best interests of the company/organization, the predictors of diverse thinking beyond gender and ethnicity, and how to create a Boardroom culture and governance practices which will encourage diverse thinkers to contribute challenge or offer different insights for better decision-making.
- 6 The Russell Reynolds Associates Report on “Different is Better – Why Diversity matters in the Boardroom,”¹ does set out the benefits of diverse thinking in the Boardroom, but this Diverse Thinking Capability Audit goes beyond the Russell Reynolds Report by determining:
 - (a) Why diverse thinking matters in New Zealand Boardrooms;
 - (b) Quantifying how much diverse thinking is actually going on in New Zealand Boardrooms;
 - (c) Identifying the issues, challenges, and barriers to diverse thinking;

¹ Russell Reynolds Associates Report "Different is Better – Why Diversity matters in the Boardroom" (2009). Available from www.russellreynolds.com.

- (d) How best to remove these barriers and to increase diverse thinking on Boards in the best interest of the company/organisation and New Zealand Inc;
- (e) How to attract and retain diverse thinking Chairs, Directors, CEOs and senior managers in the best interest of the company/organisation;
- (f) What changes Chairs and Boards need to make to Board culture to retain diverse thinking Directors and to optimise their contribution. This leads to a discussion about the skills and critical competencies needed by 21st Century Chairs and Directors; and
- (g) How diverse thinking Directors can be more effective at the Board table.

Overview of Diverse Thinking Capability Audit

- 7 This Diverse Thinking Capability Audit has confirmed that confusion exists among top leaders as to what diverse thinking comprises and this confusion is holding back its growth and development and undermining company and organisational performance. Some Chairs and Directors think that diverse thinking means getting female or ethnic or young Directors on the Board; that diverse thinking is just a matter of demographic balance.
- 8 It is important to ensure that we have diversity and inclusion, that we have the whole talent pool at the table, and that discrimination is not preventing talented “diverse” people from being appointed as Directors and from contributing effectively once they are appointed. It is also important that Boards reflect the customers they serve, by having Directors who come from those groups in society, but only if those Directors also have relevant skills and true empathy and understanding of the customers they represent.
- 9 Thus, diverse thinking can leverage off diversity, but demographic diversity is only one predictor of diverse thinking capability. There are many others that are not tied to gender or ethnicity or age or any other demographic factor. We need to remove the simplistic stereotypes around diverse thinking that assume all women and ethnic Directors are diverse thinkers and all Anglo-Saxon men are not. Personal and professional experiences can also make us “see the same dots but connect them in a different way,” or view them through different lenses, regardless of gender or ethnicity.²
- 10 Having diverse thinking capability is not enough. You must have skills to contribute to the Board and critically, you need to have the courage and bravery to express diverse thoughts around the Board table.
- 11 There are many barriers to doing that, including a Boardroom culture of consensus, a Chair that does not value diverse thinking, or views from the Chair and the rest of the Board that the diverse thinker is simply performing a gender/Māori/other demographic tick box compliance role to assuage criticism from shareholders or to be “on trend” with the appearance of diversity and to reflect the customer base. There is no expectation that the diverse Director will bring anything more than the appearance (window-dressing) of diversity and that can then become a self-fulfilling prophecy that diversity makes no real difference to company performance.
- 12 The only thing worse than getting diverse people onto Boards is to do so and then find they can make no difference because the Chair and other Directors will not let them or they are not suitably skilled.
- 13 This type of thinking puts the onus of diverse thinking on to the visibly “diverse” around the table, when it is every Director’s responsibility to think diversely about problems, risks, solutions and opportunities. No single Director can do that for the whole Board.

² See Vaughn Davis's interview.

- 14 Then there is the problem of diverse thinking Directors getting marginalised by the Chair and other Directors for challenging and having left field ideas (especially if there is only one on the Board), not having influence, and then leaving in frustration. These predominantly negative experiences of diverse thinking Directors were amongst the most affecting findings from this Diverse Thinking Capability Audit. Many diverse thinking Directors feel misunderstood, marginalised, and that their contributions are not valued. They feel they have to do all of the work to challenge and ensure well rounded Board discussions at the Board table.
- 15 This Diverse Thinking Capability Audit has made these issues about diverse thinking visible, so we can debate them and devise explicit strategies to grow diverse thinking to improve company/organisational performance. Defining the problem is only the starting point of solving the problem. It frees us up to go on a journey of taking rigorous, systematic, and logical steps towards growing diverse thinking. We need to clarify what diverse thinking is so companies do not stop at diversity and inclusion, but instead leverage off that to improve the performance of Boards and companies in New Zealand. This Diverse Thinking Capability Audit suggests that “in flying, it’s always better to see the mountain you’re about to fly into than to get stuck in the clouds.”³
- 16 It is very encouraging that every person interviewed in the course of this Diverse Thinking Capability Audit acknowledged the importance of diverse thinking, and the need to do more to increase it. There was widespread agreement on the pivotal role of the Chair and of Boardroom culture, as influenced by the rest of the Board. The real life examples helpfully identify where we need to put the work in, and show that changes are needed to Boardroom practice to better recruit and then enable diverse thinkers to optimise their contribution for the benefit of the company or organisation. In particular, we need Chairs to lead the way to increased diverse thinking.
- 17 The interviews provide insight into current Boardroom practice through the experiences of Chairs, Directors, executive search specialists, and government appointing agencies. They show that the benefits derived from diverse thinking for better company performance are not theoretical but real.

³ See Vaughn Davis's interview.

Assessment of Diverse Thinking Capability in New Zealand Boardrooms

- 18 It is clear that until diverse thinking Directors are better respected and supported, the diverse thinking capability of New Zealand Boardrooms will never move from 2.5 out of 5 (50%), which was the average of the assessments of capability by those interviewees willing to provide a score. Most did, a few would not, and many qualified their scores by distinguishing between a score for Boards they had been on, as opposed to New Zealand Boards generally, or distinguishing between the actual diverse thinking taking place (generally 2 out of 5) from the potential capability (usually 3-4 out of 5).
- 19 Nevertheless, the interviews were also encouraging. All Directors understood why diverse thinking really matters for Boards and why we need to work harder to grow it. Not all of them understood, however, that all Chairs and Directors should be working to deepen their own diverse thinking capability to optimise the relevance of their contribution to Board decision-making.
- 20 There was also an overwhelming chorus of senior Directors wanting to show leadership in removing the barriers to getting more diverse thinking on Boards. Diverse thinking Directors interviewed also wanted to be the bridge to help Chairs and Boards improve their leadership and to change Board culture and practices to allow them, diverse thinking and company performance to flourish.
- 21 The Diverse Thinking Capability Audit has elicited much useful guidance for Chairs, Directors, and diverse thinkers. There is value in identifying the problem, but there is even greater value in finding solutions. This Report includes best practice behaviours and processes for Chairs and Directors, and behaviours to avoid if you do not want diverse thinking Directors running for the door, or self-censoring and conforming.
- 22 Real influence derives from mutual respect between Directors of each others' skills and expertise. Throughout the interviews, many Chairs and Directors gave advice as to how diverse thinkers can be more influential. Although some of this advice is specific to diverse thinkers, there were also many comments that are useful to all Directors and which, if implemented, could maximise the value of all Directors' contributions.
- 23 Leveraging off this wisdom has also confirmed the need for tools, strategies and tactics to measure diverse thinking in Chairs, Directors and in the Boardroom to help grow and increase it. The feedback is that despite the ongoing value of a Skills Matrix, it is not enough to measure diverse thinking capability. Thus the Superdiversity Institute has created a Diverse Thinking Matrix® to operate alongside the Skills Matrix. It has also developed the Diverse Thinking Criteria of Boards®. Chairs, Directors and Boards can use these criteria to ascertain whether the Board is engaging in diverse thinking and whether that is growing.
- 24 When this Diverse Thinking Capability Audit first started, the intention was to audit Australasian Boardrooms. But the overwhelming majority of New Zealand Directors who wanted to grow diverse thinking resulted in the decision to finish the New Zealand Diverse Thinking Capability Audit first. It is clear that a critical mass of Chairs and Directors in New Zealand can lead in this space. This will allow us to achieve the most diverse thinking Boardrooms, of any country in the world, and to reap the dividend of a better performing economy and greater wellbeing in our society. New Zealand needs to maximise the value of diverse thinking so our companies/organisations can compete with the best in the world, despite our size, small talent pool and distance from market.

Interviewees

The methodology used to conduct the interviews below is set out in Appendix C.

Chairs and Directors

- Abby Foote
- Angela Mentis
- Anne Loveridge
- Arthur Grimes
- Barbara Ala'alatoa
- Bruce Hassall
- Cameron Harland
- Caren Rangi
- Cecilia Robinson
- Dame Jenny Shipley
- Dame Naida Glavish
- Dame Therese Walsh
- Danny Chan
- David Pilkington
- Doug McKay
- Dr. Andrew Wong
- Dr. Lee Mathias
- Geoff Ricketts
- Graeme Milne
- Hon Margaret Wilson
- Hon Ruth Richardson
- Janine Smith
- Joan Withers
- Julia Raue
- Justine Smyth

- Kevin Kenrick
- Kevin Roberts
- Kirsten Patterson
- Liz Coutts
- Louis Hawke
- Lyn Lim
- Mark Verbiest
- Mary-Jane Daly
- Mavis Mullins
- Murray Jordan
- Naomi Ballantyne
- Peter Griffiths
- Philip Chronican
- Prue Flacks
- Rob Campbell
- Rosemary Warnock
- Sir Ralph Norris
- Steve Reindler
- Sue Sheldon
- Sue Suckling
- Susan Paterson
- Tania Simpson
- Tony Carter
- Traci Houppapa
- Vanessa Stoddart
- Vaughn Davis

Shareholders

- **New Zealand Shareholders' Association:**
John Hawkins and Michael Midgley

Executive search specialists

- Caldwell Partners:
Simon Monks
- Hobson Leavy:
Carrie Hobson
- Kerridge & Partners:
Peter Kerridge and
Claire Denison
- Propero: Sarah Naudé
and Matt Stanley
- SEQEL Partners:
Mark Ashcroft
- Signium: Maurice Ellett

Government nominations
services

- **Ministry for Women:**
Renee Graham and
Amanda Neemia
- **The Treasury:**
Gael Webster

Key Analysis and Conclusions from Interviews

The primary evidence on the basis of which the analysis and conclusions below were derived is on pages [37](#) to [85](#).

What is diverse thinking?

- 25 Diverse thinking is having a different viewpoint from the norm, taking different perspectives to problems and problem solving, and viewing issues through different lenses. This difference may be due to having different demographic factors from the rest of the Board such as gender, ethnicity or a different cultural background, age, being abled differently from the norm, or sexuality. But such factors are only one group of predictors of diverse thinking. There are many others including professional training and personal experiences, how you were raised and in what circumstances. So diverse thinking does not necessarily coincide with attributes like gender or ethnicity or age - but it often does.
- 26 The Russell Reynolds Report speaks of the interplay between:⁴
- experiential attributes (educational, business, functional and market experience),
 - demographic attributes (gender, ethnicity, geography and generation); and
 - personal attributes (personality, interests and values).
- 27 Diverse thinking is different from **gender equality** which concerns having women equally represented at the Board table because they are fifty percent of the population who work, earn, lead, are customers and make decisions, and because you want the best skills from the whole talent pool. Diverse thinking is also different from **pay equity** which concerns people doing the same work being given the same value for that work.
- 28 Diverse thinking is also different than the usual definition of “diversity and inclusion” which is about welcoming demographic difference in the workplace, and ensuring that all people feel respected and valued regardless of gender, ethnicity, sexuality, (dis)ability, or religion. The relevant skills needed to benefit a Board do not just reside in one gender or ethnicity, or in those who have no disabilities or are of one sexuality.
- 29 Once all of the talent is at the Board table, then all Chairs and Directors on the Board should be encouraged to think diversely to ensure companies/organisations are future ready for disruption and able to see all of the risks and opportunities and solutions to increasingly complex problems.
- 30 But most of the focus remains on improving gender balance on Boards and in the C-suite.

⁴ Russell Reynolds Associates Report on "Different is Better – Why Diversity matters in the Boardroom," pages 8-9.

Confusion over definitions and why it matters

- 31 The Diverse Thinking Capability Audit has confirmed that some Directors think that gender equality is the same as diverse thinking. The concepts are related but they are not synonymous and diverse thinking is a broader concept. The problems that arise if you elide the two include:
- (a) Just focusing on getting women Directors on Boards as the only action needed to improve diverse thinking on Boards;
 - (b) Putting the burden for diverse thinking and for knowledge about women customers on women Directors;
 - (c) Treating women Directors as the gender tick on Boards and not expecting them to contribute apart from adding diverse thinking about women customers;
 - (d) Imposing stereotypes that all women (and indigenous, ethnic, etc.) Directors are diverse thinkers while all male Directors are not and cannot be diverse thinkers;
 - (e) All Chairs and Directors not realising their responsibility to grow their own diverse thinking capability;
 - (f) Boards not expressly recruiting skilled Directors with diverse thinking capability;
 - (g) Not enough thought being given to the predictors of diverse thinking capability apart from demographic characteristics;
 - (h) Not enough thought being given to the skills needed by Chairs and other Directors to create a culture that encourages diverse thinking Directors to challenge and to express their different views;
 - (i) The self-fulfilling prophecy that women Directors do not make a difference to Board performance; and
 - (j) Not understanding that female or ethnic quotas relate more to getting all of the talent pool around the table and reflecting your customer base, than to diverse thinking, and are insufficient to increase diverse thinking around the Board table.
- 32 Stereotyping poses a barrier to more diverse thinking. Just as women, minorities and young people do not want to be stereotyped as contributing less on Boards than men, stereotyping Anglo-Saxon men as incapable of being diverse thinkers creates a barrier for those Directors who are diverse thinkers from contributing fully to the Board.
- 33 Some Directors argued that women inevitably bring a diverse perspective to the Board. Those Directors also think however that others can be diverse thinkers and that different women from less privileged and from very different personal and professional backgrounds can bring more diverse thinking to the Board table.
- 34 The important point is to assess each Director on their own merits, skills, experience, openness and diversity of thought. Thus, a prerequisite for diverse thinking is that all Directors are treated on the basis of merit and not conscious and unconscious biases and stereotypes. An accurate understanding of the predictors of diverse thinking is also needed.

Predictors of diverse thinking and the Wharton Study

- 35 Gender and ethnicity for example, are visually easy measures of diverse thinking in a Boardroom if a simple count of such Directors could directly translate into more diverse thinking. Sometimes they do. But not always. Given the importance of diverse thinking to better company decision-making and performance, it is important that we are clear about what leads to these outcomes.

- 36 A recent review of Board performance studies from the Wharton School suggests that Board gender diversity has no impact on company performance.⁵ This was the subject of a recent editorial by Alex Davis in the *New Zealand Herald* which suggested that the “push for women on Boards [is] flawed,” because the studies show there is no link between increased gender representation and increased Board performance.⁶
- 37 What Mr Davis’s editorial omitted was the review’s explanation of why this might be. It said that the women appointed to corporate Boards may not be very different from the men in respect of their values, backgrounds, and knowledge. It is these differences that increase the Board’s “cognitive variety” and thus performance, and so the finding that women do not increase Board performance may be influenced by the fact that the women appointed to Boards are very similar to the men appointed to Boards. The review also suggested that if women who have different values, backgrounds, and knowledge are appointed, they may lack the ability to influence. As we will see from the interviews, it is harder for diverse thinking Directors to influence – even if they are male, and even more so if they are female.
- 38 In conclusion, the Wharton Study is evidence that diverse thinking is hard to measure and gender alone is too simplistic a measure. It reinforces the need to understand all of the predictors of diverse thinking and to recruit specifically for skilled Directors who truly have a different viewpoint and the ability to bring relevant but fresh challenge.

Skills remain a prerequisite for appointing diverse thinking Directors

- 39 Appointing Directors who have no other relevant skills for the Board except that they are the
right gender or ethnicity will simply guarantee that those Directors will have no influence at the
Board table. They will be treated as a compliance tick and there will be no expectation that they
can contribute to the substantive business of the Board. They will carry out their tenure under a
suspected cloud of incompetency and the lack of respect from the Chair and other Directors due
to their lack of skills will ensure they conform and never say anything.⁷
- 40 Ultimately, diverse thinking is about getting the right people. The focus should be on determining
what type of diverse thinker is needed for your particular Board, given the industry and the issues
the company is currently facing. There is no one size fits all. It is false and damaging to assume
that diverse thinking and skills are mutually exclusive. We need to dispense with the stereotypes
and ensure that the Directors appointed have the right skills **and** diverse perspectives to improve
Board performance. This is a “skills plus” approach, as alluded to by Danny Chan.

Why does diverse thinking matter for Boards?

- 41 The Diverse Thinking Capability Audit confirms that diverse thinking is critical for Boards and that Directors have experienced the difference diverse thinking can make to improve performance. The main reasons are:
- (a) Getting all of the relevant information and all options on the Board table before decisions are made;
 - (b) An antidote to groupthink and to blind spots;
 - (c) Preventing “enclave” thinking and being complacent;

⁵ Katherine Klein "Does Gender Diversity on Boards Really Boost Company Performance?" Wharton School, University of Pennsylvania (18 March 2017). The relevant meta-analyses are Corinne Post and Kris Byron "Women on Boards and Firm Financial Performance: A Meta-Analysis" (2014) 58:5 Academy of Management Journal 1546, and Jan Luca Pletzer, Romina Nikolova, Karina Karolina Kedzior and Sven Constantin Voelkel "Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance – A Meta-Analysis" (2015) 10:6 PLoS One e0130005.

⁶ Alex Davis "Push for women on Boards flawed" *New Zealand Herald* 10 July 2018.

⁷ Professor Derrick Bell *And We Are Not Saved: The Elusive Quest for Racial Justice* (New York: Basic Books, 1987).

- (d) Ensuring you do a full 360 degree analysis of risks, opportunities and solutions, and that the right questions get asked from the start;
- (e) Challenging the values that sit behind decisions;
- (f) Forcing deeper analysis and questioning history, presumptions and assumptions;
- (g) Ensuring customer knowledge, intuition and empathy;
- (h) Contributing a cultural lens and learnings from indigenous and other cultures;
- (i) The best brains to help deal with non-traditional disruption and sharper global competition in our online connected world;
- (j) Contributing different networks; and
- (k) To better deal with #metoo type issues.

Is there a problem with diverse thinking capability in New Zealand Boardrooms?

- 42 The interviewees clearly state that New Zealand Boardrooms are not engaging in enough diverse thinking and this is detrimentally affecting, or not assisting, our Board performance and ability to compete globally especially in this difficult, digitally disrupted, demographically transformed environment.
- 43 The problem starts with a lack of understanding that diverse thinking is not just getting women onto Boards and that it needs to be specifically recruited for, taking a number of predictors into account, and a proven track record in diverse thinking. Some Boards talk about diverse thinking but do not do anything apart from recruiting some women Directors. Some Boards are doing well, but most others are not – and even those who are doing well still have room for improvement.
- 44 Kevin Roberts' comments about the need for Boards to have incrementalist, transformational and disruptive thinkers all working in harmony is significant and instructive. But many Boardrooms only have Directors capable of thinking about incrementalist change. It is not enough in the heavily disrupted and transformed business environment companies have to succeed in. Sometimes those who have the capacity for transformational or disruptive change (including entrepreneurs) are not appointed due to a Boardroom culture of consensus and agreeability. They do not come from the same enclave and they do not belong to the usual networks of Chairs and senior Directors.
- 45 The executive search specialists interviewed corroborate the experience of Directors that shoulder tapping still happens *de facto* if not *de jure* and that it is hard to overcome a bias towards Board recruitment committees wanting to appoint people like themselves. There remain significant barriers to diverse and diverse thinking Directors getting appointed onto Boards. Some Boards continue to have small, elite networks.
- 46 There is change but it is slow due to long term limits for sitting Directors and the expectation of at least 6 and maybe 9 years. Even when diverse thinking Directors are appointed, some Boards do not think through what that means and seem surprised when challenges are made and different views expressed. Some Chairs worry that this level of "disruption" reflects badly on them and are keen to retain efficient consensus decision-making and "to get the work done."⁸
- 47 Sometimes women Directors do not welcome other women onto Boards who can deepen diverse thinking. Some Chairs only want Directors they know and who think similarly to them.
- 48 The impact on diverse thinking Directors is generally negative. They have to do all of the hard work to challenge and may be misunderstood or thought to be too left field or wasting Board time with

⁸ See Dame Jenny Shipley's interview.

irrelevant comments. Directors have to work much harder not to be ostracised or thought to be difficult or disrespectful, especially when the Board culture, not surprisingly consistent with Kiwi culture, is not to rock the boat.

Experiences of diverse thinking Directors

- 49 Diverse thinking Directors have highlighted in their interviews a range of obstacles when it comes to their Board experience. Their views can be seen from page [37](#) onwards.
- 50 Appointment is the first hurdle. As diverse thinkers, they may present differently from the norm, which can be off-putting for those interviewing or appointing them. It is often difficult for those appointing to look past unusual characteristics to see the diverse thinkers' value.
- 51 Once appointed, diverse thinking Directors have said they feel underestimated, misunderstood, marginalised and sidelined. They say they feel compelled to prove themselves and dispel stereotypes about who they are and the value of their contribution. They have said that their peers do not listen to them or do not respect their view.
- 52 These Directors also feel considerable pressure to conform. They worry that other Directors see them as irrelevant or disruptive. This does affect their "brand" and makes it more difficult to get other appointments.
- 53 Discrimination is also an issue, whether it is being given tasks that fit a stereotyped view of who they are (i.e. as a Pasifika Director on an educational organisation, getting all the jobs related to suspensions and expulsions because that was disproportionately happening to Pasifika students) or being the recipient of aggressive, unhelpful, or paternalistic approaches from other Directors. Diverse thinking Directors say these negative experiences make it difficult to go into the Boardroom and contribute diverse thinking.
- 54 But there have been some positive experiences too. Diverse thinking Directors take pride in bringing a uniquely valuable perspective to the Boardroom. Some feel a responsibility to keep bringing that perspective, even when it is difficult. Some diverse thinking Directors have had supporters around the table who have encouraged them to keep making those different contributions. This helps diverse thinking Directors persevere despite encountering head winds.
- 55 Diverse thinking Directors say it can be lonely. They can be under-estimated, insulted, patronised and misunderstood, but what shines through is a genuine desire to contribute to the Board and to make it perform better. This motivates diverse thinking Directors to hang in there, and keep challenging and contributing their different thoughts and challenges even when it would be much easier to conform and be part of the consensus. But many diverse thinking Directors know that conforming is the enemy of what is best for the company/organisation and they have to play their role – or the Board will perform worse.
- 56 There is some understanding of the need for the Chair in particular, as well as the rest of the Board, to support diverse thinking Directors, but only some diverse thinking Directors report experiencing that support or the valuing of their role.

Younger Directors and generational change

- 57 Stereotypes about age (too old, too young) are as unacceptable as those about any other
characteristic irrelevant to Board performance, but younger Directors may be better adapted to
digital disruption and demographic transformation. They are also less wedded to consensus
decision-making and to expressing their opinion. Youth is one gap in Director thinking on many
Boards, and increasingly important to understand and reflect the customer base. Generational
change can have a profound effect on increasing diverse thinking on Boards.

Solutions

Solution One: Broaden networks for recruitment of diverse thinking Directors

- 58 The lack of diverse thinkers on Boards often starts with the longlist that executive search professionals propose to the Appointments Committee, and to Chairs and Boards.
- 59 An independently run process is best. There should be names on the longlist the Chair and Directors do not know. The candidates need to have skills but an assessment should also be made of the extent to which they can bring a different perspective to the Board. It is essential to get candidates that have skills **and** diverse thinking capability. It is also best to get candidates who have an established track record of diverse thinking.
- 60 Careful consideration of the skills and diverse thinking capability of existing Board Directors is critical before deciding what further skills and diverse thinking capability is needed. Most Boards do not assess their extant Directors for diverse thinking capability. That needs to start. Most Chairs do not know enough about the views and experiences of their Directors beyond the formal professional credentials and experience Directors have. That level of information is not enough for Chairs to fully utilise all the capabilities that would benefit the Board. They need to rectify that lack of knowledge by applying the predictors of diverse thinking to all Directors.
- 61 You need a balance of incrementalist, transformational and disruptive thinkers. Too much or too little of one or the other will not allow the Board to perform optimally. Of course, some Directors can undertake the range of incrementalist, transformational and disruptive thinking. Directors who have great skills and great diverse thinking across the full spectrum of change should be in high demand.
- 62 If the Board has strong governance skills, then it may be appropriate to appoint a Director with less governance experience who nevertheless brings critical diverse viewpoints the Board needs. But there needs to be constant review of Board needs and whether all Directors continue to have relevant skills and ways of thinking to fit those needs.
- 63 Thus, the Chair should consider if Directors who previously made a relevant contribution are no longer doing so and should be asked to leave. The current expectation of 6 – 9 years has to adapt to the disrupted environment business now has to succeed in. Continuity and historical knowledge has a value but that should not be a substitute for continuing to make relevant contributions at every Board meeting.
- 64 Chairs, Directors and recruiters need to broaden their networks. Looking at the sponsors and supporters of this Diverse Thinking Capability Audit is a good start. Broad networks for recruitment are an antidote to groupthink and avoid the risk of “enclave” thinking noted by the Australian Royal Commission into Banking.
- 65 The Future Directors programme does provide the opportunity for Boards to tap into a skill set of diverse talent they may not ordinarily have access to, help address the experience gap faced by younger professionals looking to get into governance, and allow Boards to see how age, gender, skill, and ethnic diversity can impact on Board dynamics. A number of Future Directors have been successful in gaining governance roles following the programme, however there is still huge potential for more Boards to get involved, as well as helping Future Directors leverage the experience they have gained into permanent governance roles.
- 66 Consideration should be given to Peter Kerridge’s independence principle (or “no prior relationship” rule) where appointments are made of people who do not know one another. In a small country the size of New Zealand, this principle would be more difficult to implement, but it does speak to

the need for Directors not to be conflicted in challenging or disagreeing, for the sake of preserving or respecting prior relationships, especially with the Chair but also with other Directors.

Solution One – Actions for Boards:

- Assess the diverse thinking capability of the current Board
- Create a longlist from broad networks
- Consider Board refresh and rotation
- Leverage Future Directors
- Aim for independence and no prior relationship

Solution Two: Need for a Diverse Thinking Matrix® alongside the skills matrix

- 67 The Skills Matrix is not enough. We also need a Diverse Thinking Matrix® that takes into account the
predictors of diverse thinking including demographic attributes, personal experience, professional
experience, and alignment with customer base.
- 68 This Matrix allows Board appointments committees to identify whether the candidates have the
types of traits and experience that usually predict diversity of thought. It will also allow Boards to
identify extant Directors that have diverse thinking.
- 69 The apposite and relevant diversity of thought needed will differ from each Board depending on
the existing Directors, industry, stakeholders, customers and/or export markets.

Solution Two – Actions for Boards:

- Use the Diverse Thinking Matrix® to identify diverse thinking Director candidates
- Use the Diverse Thinking Matrix® to identify diverse thinking Directors already on Boards

Solution Three: Skills needed by Chairs and senior Directors to change Board culture

- 70 The Kiwi culture tends towards agreeability (as Peter Kerridge said) so it is important for those senior Directors wanting to lead the growth of diverse thinking in New Zealand to say that different views are positive and not negative, and to lead changes in Board culture and behaviours needed to value diverse thinkers and encourage them to challenge and give their diverse viewpoints.
- 71 This will require Chairs in particular to have the skills needed to create an inclusive environment where all Directors can bring all of their experiences, viewpoints and challenges to the fore so a rounded debate can take place. Chairs will need to value diverse thinking and have the empathy and strong interpersonal skills to back that up.
- 72 If they do not, and cannot learn, Chairs do need to think about whether they remain qualified for the role. Some Directors spoke of Chairs who bullied, terrorised, wanted agreement from Directors and let challenges drop thereby communicating they did not value them. As Rob Campbell said, "some chairs were qualified for the job, but the job has changed."
- 73 Directors also need to value diverse thinking, support culture change and support diverse thinking Directors. They need to call out unfair bias against diverse thinking Directors if they see it happening at the Board, including by the Chair.
- 74 Chairs and Boards need to consider using tools to encourage diverse thinking, including:

- (a) Sustained mentoring and coaching to help diverse thinking Directors as opposed to ad hoc admonitions when Directors get things wrong;
- (b) Asking the diverse thinking Director to kick off the discussion; and
- (c) The Board assessing the diverse thinking at the meeting once it has finished. Was there enough challenge? Did we get all options and perspectives on the table before decisions were made? Did Directors feel able to challenge? Did we support diverse thinking and challenge enough?

Solution Three – Actions for Chairs in particular, but also Directors:

- Value diverse thinking by words and behaviour
- Create an inclusive culture
- Support diverse thinking Directors by calling out bias
- Coach and mentor diverse thinking Directors

Solution Four: All Directors need to build their own diverse thinking capability

- 75 Diverse thinking is an essential capability for success as a Director in the disrupted environment in which Boards now have to succeed in the 21st century. All Directors need to be working hard to deepen their own diverse thinking capability.
- 76 Directors need to develop disruptive networks of people with a different gender, age, stage, ethnicity, culture, religion, language, sector and profession to themselves.⁹ They actively need to keep learning and be curious and challenge their own assumptions and limits. Directors need to broaden their experiences. They need unconscious bias training.
- 77 What is considered apposite Board training to ensure Directors are match fit needs to be reviewed, using a diverse thinking lens.
- 78 While all Directors are still building their capability in diverse thinking, we do need to ensure that there is more than one diverse thinking Director on a Board. Many interviewees said that you have to have more than one diverse thinker to bolster confidence to speak, to be heard, and to be influential and to prevent isolation. Just as you cannot always presume that a woman Director will be able to represent all women on all issues all the time (and get it right), Boards also cannot rely just on one person to have diverse thoughts. Otherwise, you create a ghetto lacking proper rigorous debate in the best interests of the company or organisation.

Solution Four – Actions for Boards:

- Keep learning, be curious, and challenge your own assumptions
- Build a disruptive network of people who are a different gender, age, stage, ethnicity, culture, religion, language, sector and profession
- Take unconscious bias training
- Appoint more than one diverse thinking Director

⁸ Julia Middleton *Cultural Intelligence | CQ: The Competitive Edge for Leaders Crossing Borders* (London: Bloomsbury, 2014).

Solution Five: Training

- 79 Training is needed on the key skills, attitudes, capabilities, tools, tactics and strategies needed:
- (a) For Chairs and Directors to support diverse thinking around the Board table;
 - (b) For Chairs and all Directors to grow their own diverse thinking capabilities; and
 - (c) To allow diverse thinking Directors to be more influential at the Board table and with management.

Solution Five – Actions for Boards:

- Learn relevant skills, attitudes, capabilities, tools, tactics and strategies
- Upskill yourselves to remain relevant and effective
- Assist diverse thinking Directors to upskill and become more effective

Solution Six: Realignment of Board processes

- 80 More diverse thinking on agenda items will require longer Board meetings or a reprioritisation of what is discussed. It will be less efficient but hopefully generate higher quality decisions. The focus cannot be pushing the business through. That may require different processes and a different approach to the agenda. A balance will be required between preserving a culture that is conducive to making good decisions, but ensuring it is a real consensus informed by diverse thinking around the Board table.
- 81 Also, enough time needs to be allocated to strategic discussions as well as properly dealing with necessary compliance.
- 82 Public Boards, private Boards, Māori Boards and not for profit Boards should learn skills, tools, tactics and strategies from each other to grow diverse thinking. Different types of Boards play different roles but all Boards need more diverse thinking.

Solution Six – Actions for Boards:

- Prioritise agenda items, and focus on strategy as well as compliance
- Adapt processes aimed to drive consensus decision-making
- Prepare for longer Board meetings
- Learn from other types of Boards (public, not for profit, Māori or ethnic)

Solution Seven: CEO/Management also need to value and engage in diverse thinking

- 83 Board decisions are implemented by the CEO and their management team. If the CEO and management team do not value diverse thinking, then they can kill an idea by not implementing it or not understanding it fully to be able to implement it properly. Thus the value of diverse thinking has to be role modelled by the Board and then consistently flow down through the entire organisation.
- 84 The Board needs to ensure they appoint a diverse thinking CEO, and that diverse thinking is valued and is recruited for in the senior management team, and throughout the company. The CEO and senior management team must be reassured that challenge is the Board's role. They should not be able to shut down diverse thinking through controlling the agenda.

Solution Seven – Actions for Boards:

- Role model diverse thinking
- Appoint a diverse thinking CEO
- Commit the whole organisation to diverse thinking
- Reassure management that the Board's role is to challenge

Solution Eight: Measuring diverse thinking by the Board/Chairs and Directors

- 85 Measurement of diverse thinking is important to ensure the Chair and Directors are accountable and transparent with shareholders that everything is being done to maximise the Board's performance and that of the Company. Many readers of this Report will be familiar with the maxim "what gets measured gets managed." That goes for diverse thinking too.
- 86 The NZ Shareholders' Association also encouraged more Boards to adopt Spark NZ's approach of fronting all Directors at AGMs to explain their role and strategic vision for the company. It helps shareholders have confidence that they do have diverse thinking Directors maximising company performance.
- 87 To improve the diverse thinking capability of New Zealand Boardrooms, tools are needed to assist Boards to:
- (a) Increase the appointment of diverse thinking Directors on Boards in the best interest of the company/organisation;
 - (b) Attract and retain diverse thinking Chairs, Directors, CEOs and senior managers;
 - (c) Grow diverse thinking on Boards, including identifying diverse thinking Directors already on Boards and encouraging all Directors to bring all of their perspectives and experiences to the Board table to benefit the company/organisation;
 - (d) Ensure that Chairs know the diverse thinking capability of their Directors and how to draw on those views and experiences to benefit the company; and
 - (e) Be able to measure progress in increasing the diverse thinking happening around the Board table.
- 88 There are few tools to measure diverse thinking attitudes, and extant tools to audit and review the performance of Boards/Chairs and Directors do not include questions about diverse thinking, nor the skills needed to foster and grow diverse thinking in the Boardroom.
- 89 The Superdiversity Institute has devised a range of tools to measure and grow diverse thinking on Boards including Diverse Thinking Criteria of Boards®, Diverse Thinking Matrix® and a Diverse Thinking Audit for Boards®. The Diverse Thinking Criteria of Boards® is available in this report at page 32. If you are interested in finding out more about the Diverse Thinking Matrix® and Diverse Thinking Audit for Boards®, please contact the Superdiversity Institute.

Solution Eight – Actions for Boards:

- Measure the diverse thinking of the Chair and Directors
- Use the Diverse Thinking Criteria of Boards® to assess your Board's diverse thinking capability
- Use the Diverse Thinking Matrix® to increase the appointment of diverse thinking Directors
- Use the Diverse Thinking Audit for Boards® to grow the diverse thinking on your Board and to measure progress
- Set targets for behaviours that will grow diverse thinking

Solution Nine: Leadership

- 90 We need leadership from senior Directors to define the issues and to grow diverse thinking in New Zealand Boardrooms. There is no reason why New Zealand companies cannot be global leaders in diverse thinking governance. Our small size means we must have peak performance to win, but our small size also means we can be fast first movers in maximising this advantage for New Zealand Board performance.
- 91 Leadership means taking actions to value and encourage and grow diverse thinking on the Boards Directors sit on but also talking about these issues and mentoring diverse thinkers and growing their own diverse thinking capability. This provides guidance to younger Directors about how they should behave and the value of diverse thinking capability.
- 92 We also need shareholders to lobby for diverse thinking Directors that can assist Board performance. The New Zealand Shareholders' Association already supports greater diverse thinking because they know it enhances company performance. They want to continue to play a leadership role, and to increase their influence to support diverse thinking Boards.

Solution Nine – Actions for Boards:

- Role model diverse thinking and valuing diverse thinking
- Talk openly about the need and reasons for diverse thinking
- Mentor Chairs and Directors to support and grow diverse thinking in the Boardroom
- Mentor diverse thinkers
- Engage with your shareholders or their representatives

Solution Ten: Periodic capability audit of Diverse Thinking in Boardrooms

- 93 We need to check progress on growing diverse thinking by regularly doing a Diverse Thinking Capability Audit of New Zealand Boardrooms. It is hard to predict what the environment will be like with any accuracy for our companies/organisations beyond a three year horizon, so we should measure progress in diverse thinking on our Boards every three years.

Solution Ten – Actions for Boards:

- Regularly measure progress

Diverse Thinking Criteria of Boards^{© 10}

Measuring the diverse thinking capability of a Board is hard to do quantitatively, but the criteria below provide qualitative measures to assist the assessment:

Criterion One – Valuing diverse thinking

Is diverse thinking valued on your Board and what is the evidence of that?

Criterion Two – Leadership by the Chair/Directors

Who is primarily responsible for ensuring diverse thinking on the Board? Describe what actions the Chair takes to facilitate diverse thinking on the Board? Give examples of how other members of the Board value/support diverse thinking and diverse thinking Directors?

Criterion Three - Recruitment

Does the Board consciously appoint diverse thinking Directors? If so, how? How was each member of the current Board recruited? Do diverse thinking Directors in fact get appointed to Chair Board committees, or to Chair the Board? Are there any recent or pending changes to the Board composition? If so, what are they and why are they occurring?

Criterion Four – Boardroom culture

Does the Board agree all the time?

Criterion Five – Diverse thinking Directors

What do the Chair and other Directors do to ensure diverse thinking Directors are not marginalised? Is there a conscious effort to mentor and train diverse thinking Directors? How influential are your diverse thinking Directors? How could they be more influential? Is there any assistance being provided for them to achieve this?

Criterion Six - Changes to Boardroom processes

What changes have been made to governance practices to allow more diverse thinking at the Board table? If no changes have been made, please explain why they are not needed?

Criterion Seven – sustainability and obstacles

Do diverse thinking Directors stay on the Board, or do they resign? Have any Board members encountered obstacles to diverse thinking-related? If so, what were they?

Criterion Eight – reaping the benefits of diverse thinking

Are suggestions by diverse thinking Directors picked up by the CEO/senior management?

Criterion Nine – Increasing the current Board’s diverse thinking capability

What do the current Chair/Directors do to increase their diverse thinking capability?

Criterion Ten – Assessing diverse thinking on your Board

Does your Board assess the diverse thinking capability of its Chair and Directors? If so, how?

¹⁰ These criteria have been informed by the Institute of Directors in Ireland report, "Diversity in the Boardroom 2017", available at www.ioidireland.ie

- 100 Chairs need to clarify their expectations. Less experienced Directors should not defer to more experienced Directors purely because of governance experience. Chairs should make it clear that there is no hierarchy of contribution and that what matters is that all Directors contribute.
- 101 Many Chairs and Directors interviewed have highlighted that it is simply harder to chair a diverse thinking Board. Chairs need skill and patience to draw the best from a diversely composed Board. Diverse thinking discussions take longer than consensus and compliance driven ones, and Chairs must get through the agenda while still ensuring that valuable diverse thinking is happening.

The Chair should be a conductor and a coach

- 102 To get the best from a diverse thinking Board, the Chair needs to play dual roles. As a conductor, the Chair needs to make sure the Board works well together and that the right people speak at the right times. The Chair needs to focus on Directors needing support and coach them (guide and support them) to deliver their best contributions in the most effective way.
- 103 To be an effective conductor and coach, the Chair needs to ensure they know their Directors better and what strengths and diverse thoughts they can bring to the discussion. It has not always been encouraged for people to bring their “whole selves” to their professional roles, so many Directors will need explicit permission to do so. The Chair is best placed to give this permission by taking an active interest in who their Directors are, personally and professionally, and by encouraging them to bring all aspects of themselves to the discussion.
- 104 As part of conducting and coaching, the Chair also needs to recognise that Directors will have diverse personal styles that will impact their contributions and delivery. It is important that Chairs remain open-minded and not let different styles distract from diverse thinking contributions.
- 105 To be an effective coach, Chairs need to ensure they do not “cast a shadow” by implicitly or explicitly, consciously or unconsciously, directing the rest of the Board to align themselves with the view of the Chair. Although Chairs will always have their own useful contributions to Board discussion, they need to ensure that these do not prevent others from proffering their own views.

Tools Chairs can use to encourage diverse thinking

- 106 Just as the role of the Chair has changed, the tools that the Chair will need to use to promote valuable contributions in the Boardroom have changed too. Chairs need to take positive action to ensure that diverse thinking happens around their Board table, which may include:
- (a) Being intentional about who starts the discussion, and the order in which Directors are asked to contribute;
 - (b) Providing opportunities for each member to lead decision-making processes;
 - (c) Making time to talk about diverse thinking and to evaluate whether the style and form of the meeting is conducive to diverse thinking; and
 - (d) Using committees to encourage mentoring of diverse thinking Directors.

Advice and Guidance to Diverse Thinking Directors

Advice for any Director that wants to be influential

- 107 Any Director that wants to be influential should:
- (a) Not offer an opinion if they do not have anything to add;¹³
 - (b) Not position themselves with expertise over and above what they actually have;
 - (c) Upskill themselves (including openly discussing how they can develop their secondary competencies into primary competencies); and
 - (d) Buy services the same way their customers do, to get real insight into how the business delivers for its customers.

Choose Boards wisely

- 108 Diverse thinking Directors should choose their Boards wisely. They should pick Boards that they know will permit debate and challenge. Otherwise it will be a battle for those diverse thinking Directors and for the rest of the Board. No value will be added and the diverse thinking Director will feel frustrated and marginalised.
- 109 In order to choose the right Boards, diverse thinking Directors need to work to build strong networks. These networks will help them get appointed, but will also help them gain insight into which Boards will be right for them.

Build credibility

- 110 Diverse thinking Directors should be sensitive to existing Boardroom dynamics and introduce diverse thinking strategically. Diverse thinking Directors should build credibility by showing other Directors that they understand the decisions the Board has made to date and the Directors' views that have precipitated those decisions. Part of building this credibility is building relationships and collegiality with the other Directors.
- 111 Once the diverse thinking Director has proven that they share the best interests of the company with the other Directors, then it is easier to offer diverse thinking contributions.
- 112 Diverse thinking Directors also need to show that they can contribute in all areas of Board discussion, not just their area of speciality. This may mean strengthening financial literacy or commercial capability. But most importantly it is about demonstrating a "growth mind-set", being curious about others' perspectives, working hard, and being well prepared.

Delivery is as important as content

- 113 Diverse thinkers have to be thoughtful about how to challenge in a way that is most effective
with this particular group of people on the particular Board and given the specific company/
organisation. They also need to build their governance skills so they understand how to operate
most effectively round that Board table.

¹³ Joan Withers suggests the “W.A.I.T” principle: ask “Why Am I Talking?”

- 114 The delivery of a diverse thought should be “calm but persuasive,”¹⁴ and should be tailored to best engage the rest of the Board. This may mean framing contributions from a “governance” perspective, appealing to the organisation’s vision or strategic goals, or translating the diverse thinker’s experience into one shared by the rest of the Board.

Resist the pressure to conform

- 115 Diverse thinkers need to resist the pressure to conform and remember that they have been
appointed for their unique perspective. While it is important to tailor your delivery so that your
idea can be picked up, diverse thinkers should not allow themselves to conform to the style and
thinking of the others around the table if this will inhibit their diverse thinking contributions.
- 116 Putting up diverse contributions takes confidence and bravery. Diverse thinking Directors can
gain confidence by building relationships with the other Directors around the Board table, and by
surrounding themselves with other people to support them.

Challenge for a clear reason, compromise when needed, and be a team player

- 117 Diverse thinking Directors should not personify “the devil’s advocate”. Diverse thinking is about adding value from a different perspective, not about dissent for its own sake. Should the diverse thinking Directors’ view not get picked up, they must be able to live with the Board’s decision and front it when necessary.

Diverse thinking Directors should pick when to work offline or at the Board table

- 118 Diverse thinkers should work to ensure that they are raising their concerns or delivering their contributions at the right level. This may mean choosing whether to comment at the Board table, or whether to work outside the Boardroom with the management team. The appropriate choice will depend on the nature of the contribution.

¹⁴ See Tania Simpson's interview.

Key Evidence from Interviews, Supporting the Analysis, Conclusions, and Solutions

Is diverse thinking different from gender equality or pay equity?

What interviewees say

- 119 “Gender equality and pay equity are just the right thing to do.” **(Mark Verbiest)**
- 120 “We really need to understand what is meant by diverse thinking beyond stereotypical concerns about gender and ethnicity. The word “diversity” is very often used but little understood. If diversity means ticking boxes for gender, then New Zealand Boardrooms are pretty much there. You often have a Director present at the table who represents the Māori perspective and generally there is a 50:50 gender split. But is that all there is it to diversity? That approach is too reductive. If you look at the TVNZ Board, it is certainly diverse in that sense. But the value of each Director is much broader than that. They bring a range of skills and backgrounds that are not linked to that traditional definition of “diversity”. It is the diverse and rigorous debate that makes TVNZ a diverse thinking Board, not the fact that they “tick the boxes”. That said, the TVNZ Board does have a 50:50 gender split and a Māori Director.” **(Cameron Harland)**
- 121 “The New Zealand governance world sometimes struggles with the concept of true diversity. The real discussion around diversity is a lot broader than gender. It should include and embrace all aspects relevant to the make-up of the present and future target market and jurisdictions including skill sets, experience, culture and personal / professional ‘DNA.’” **(anonymous interviewee)**
- 122 “Gender representation has a role to play but has been elevated above the main game which is diverse thinking in the best interests of the company. We should not shy away from the ongoing need for diversity. But we need to stop looking at it in such a linear fashion and thinking we need a person to represent each gender, ethnicity, or skill. We need to take a more holistic approach of lining it all up together – you could get one person that represents many of those things.” **(Kevin Kenrick)**
- 123 “The sad thing is that diversity has been captured by gender, because it’s easy to measure. It is not enough, but it is a start. The likelihood is that a three male/three female Board will be more diverse than a six male Board.” **(Tony Carter)**

Quotas

- 124 “Ideally, we should be seeking a meritocratic selection of our best from the total talent pool available. We are not there now so using compliance as a driver is justified in the short term.”
(Peter Griffiths)
- 125 “The talent is available and how you get them there doesn’t matter. What matters is taking steps towards truer diversity.” (Mary-Jane Daly)
- 126 “Boards can come under pressure to appoint women Directors but that is not diverse thinking. Appointing more women to Boards is a start, but it is not enough. A lot of the women on Boards in New Zealand come from the same cohort: suburbs, private schools, holiday home locations. How diverse is that? Diverse thinking can relate to your gender, ethnicity and age. Younger people, irrespective of gender, do think very differently about the world from those Directors who are 55-70 years. At the end of the day, diverse thinking is not about meeting ethnic, age or gender targets.”
(Mark Ashcroft)

- 127 “The argument of quotas for Boards and Directors is problematic. The concept runs a risk of encouraging a sense of entitlement rather than performance and is completely contrary to the concept of ‘best practice’ where inexperienced Directors are forced on companies to pursue a broader political and social agenda. Such a policy may be possible in the regulated markets of monopolies, duopolies, cartels and Government organisations because the taxpayer and captured customers will always end up paying for sub-optimal performance. Competitive international markets are not nearly so forgiving!” (anonymous interviewee)

Women on Boards

- 128 "Diverse thinking is not a competition between men and women – it is the responsibility of leaders
to be effective for the future." **(Dame Jenny Shipley)**
- 129 "The teaching profession is full of women and as a result that environment is often lacking in
diverse thinking." **(Barbara Ala'alatoa)**
- 130 "A Board stacked full of the most diverse thinking white males will still be lacking."
(Cameron Harland)
- 131 "Boards I have been on which had an even gender split had much more robust debate and better
decision-making." **(Hon Ruth Richardson)**
- 132 "There is need to discuss the link between diversity and Board capability. There are examples of
significant publicly listed companies with women Directors that really have not performed that
well. But then having a Board with Directors of the same gender and ethnicity do not necessarily
perform well either." **(Carrie Hobson)**

What is diverse thinking?

Breaking stereotypes around diverse thinking

- 133 "The stereotypically "diverse" may not be a diverse thinker, and the stereotypically "non-diverse" may bring diverse thinking to the table." **(Dr Lee Mathias)**
- 134 "There is a distinction between "true" diversity and "apparent" diversity, and I am a very good example of that. When people look at me, they see a white middle-aged male. But I come from a low income background, I am the first person in my family and extended family to go to university, I am an engineer who spent 6 years working in London and Germany with market responsibility for Russia, the Middle East and North Africa. I speak fluent German, am a private pilot, and have a black belt in Aikido. These are the "concentric overlapping circles" that make up my diversity and make me a diverse thinker."
(Graeme Milne)
- 135 "It is hard to make any real progress with diverse thinking when sexism remains alive and well."
(Hon Margaret Wilson)

What interviewees said

- 136 “Diverse thinking is about looking at the same dots as everyone else, but joining them a completely different way. Diversity always depends on the context – anyone can be diverse depending on the room they are in. It is a matter of degree. On all the Boards I am on, I am the least experienced in the areas that the Boards deal with – i.e. for my arts-focused Board, I’m the least artsy, and for my education Board, I have the least experience with education. But in all these cases, I add to the Board. There is no need for everyone in the room to know about everything. In fact, a good Board is like *The Avengers* – you only need one Hulk.” **(Vaughn Davis)**
- 137 “Diversity is about diversity of thinking, experience and background. It is not as much about age, and gender which is how the conversation tends to be narrowly defined. I know 60 year old males who work hard to keep ahead and informed on latest trends and similarly I know 35 year old

females who are cruising and not really curious at all. We need to be careful how we frame the diversity discussion.” **(Doug McKay)**

- 138 "Directors need to be diverse thinkers – to turn over the stones of their own thinking. We need to stop conflating gender diversity and diverse thinking. The conversation is too narrow." **(Sue Suckling)**
- 139 "Diverse thinking is about looking at the world differently. The right formula for Board Directors is IQ (Intelligence Quotient) + EQ (Emotional Quotient) + TQ (Technology Quotient) + BQ (Bloody Quick), all powered by CQ (Creativity Quotient). That is what drives business performance. I am a big believer in diverse thinking... True diversity is about having a balance of creativity and innovation, rationality and emotion, management and leadership, experience and naivety, knowledge and curiosity." **(Kevin Roberts)**
- 140 "Diverse thinking is about understanding what is ahead of the curve, understanding international trends, being agile and being eclectic. You need head, heart, and backbone to be a modern Director... Diverse thinking is about enhancing our overall wellbeing as a country and we have a lot of catching up to do." **(Hon Ruth Richardson)**
- 141 "Diverse thinking means considering the public good, as well as delivering on the company's objectives." **(Traci Houppa)**
- 142 "Diverse thinkers are those that demonstrate challenging thinking. They are not just 'yes men'. They are people willing to challenge, to think, to review, and to drive different outcomes. They need to have a track record of diverse thinking." **(Cecilia Robinson)**
- 143 "We've really started to understand that the weird and the annoying can be damn helpful. There are times when someone makes an offbeat comment and it's like, really! But you need people who have the capacity to put that kōrero to the table, to challenge the thinking." **(Mavis Mullins)**
- 144 "Diverse thinking in action is when someone says something I am not expecting, when you think – where did that come from? The main predictors of diverse thinking are different backgrounds and upbringings which give you a different outlook on life." **(Lyn Lim)**
- 145 "It really comes down to Carol Dweck's growth mindset versus fixed mindset. Diverse thinkers have a growth mindset – an underlying belief that they can get smarter – which places a high value on learning, developing and growing. People with a fixed mindset believe that you are born with particular traits, skills and capabilities. The difference between a growth mindset and fixed mindset is fundamental and drives how you approach others. I don't think you can embrace diverse thinking with a fixed mindset." **(Kevin Kenrick)**
- 146 "Real diverse thinking occurs when there is a strategically significant combination and range of views around the Board table. By strategically significant, I mean an optimal combination of different but all strategically relevant views that maximise the likelihood of strategic success for a Board and the organisation it governs." **(Caren Rangī)**

Predictors of diverse thinking

- 147 "It is more of a matrix approach rather than a one-dimensional box-ticking exercise. We should not
over simplify what it means to bring diversity onto a Board." **(Liz Coutts)**
- 148 "Diverse thinking is part of the constant debate about nature versus nurture. Some people are just
born thinking more laterally than others. But for others the thousands of factors that make up our
experience, culture and value sets, and education, are all relevant." **(Tony Carter)**
- 149 "You cannot always predict where diverse thinking comes from. Sometimes it can arise from
a different values set of a Director. The diverse thinking Director may come from different
industries, but what industries they have worked in and demographic data are only predictors."
(Philip Chronican)

- 150 "We still have a muddled view of what diverse thinking means. True diverse thinking has less to do with gender and ethnicity and more to do with *how* and *what* people think. A whole range of psychological factors impact thinking: where people sit on the continuums of extroversion/introversion; their time preferences (whether oriented to the past, present or future) and how they acquire information and make judgements." **(Louis Hawke)**
- 151 "Gender contributes significantly to diversity and more women CEOs and on Boards bring new strengths. But it is not enough to simply be a woman to bring diversity of thought. It's an important step in the right direction for Boards but we need to keep pushing further to really drive diversity of thought into a multitude of other areas including of culture, ethnicity, work and life experiences, language, family etc." **(Angela Mentis)**
- 152 "My diverse thinking comes from my very different experiences. I was born and raised in Te Atatu, West Auckland. I came via a different route to CEO, from property into retail, and I came from a working class family, which has given me a lot of empathy for customers and staff. My Chairman at Sky City, Rob Campell, is a diverse thinker because he is a former unionist." **(Murray Jordan)**
- 153 "The predictors of diverse thinking include listening, curiosity, and a future focus. Curiosity is about being a hungry, voracious learner. And the future focus recognises that the skills we need to win in the future will be very different from those that are important today." **(Kevin Kenrick)**
- 154 "Family context is also important; eldest children have different perspectives from middle and youngest children, and from only children. You will have had a different experience as a woman growing up with all brothers or with all sisters." **(Prue Flacks)**
- 155 "What makes us unique is what we have each lived through both personally and professionally... What makes me "me" is "diversity through adversity" or resilience. Sometimes this lack of privilege can be a real strength. It is essential in certain parts of the life cycle of a company particularly when it experiences negative shocks or unforeseen critical opportunities. Many Directors have come from personal or commercial environments where their resilience has not necessarily been heavily tested... It is the distinction between being book smart and street smart..." **(Julia Raue)**
- 156 "Anyone who is not from the dominant majority is likely to think differently from the dominant majority. The driver of that can be due to socio-economic factors, gender, race, or professional factors (i.e. a different professional background). So getting a diverse thinker in a female dominated industry could mean getting a male involved." **(Anne Loveridge)**
- 157 "Attitudinal diversity" is important in the Boardroom." **(Joan Withers)**
- 158 "Directors who are appointed for their diverse skills, thinking or background are often people who do not fit the "thirty year C-suite career" stereotype." **(Dame Therese Walsh)**

Wharton study

- 159 “Unless a person has different experiences, gender alone will not guarantee diverse thinking.”
(David Pilkington)
- 160 “One of my Boards recently took a privilege questionnaire which asked a number of questions
including “did you attend a private school, did you travel overseas as a child, did your family have
a bach.” The outcome highlighted the difference in scale of privilege across the group. For me
personally it highlighted that my real lack of privilege growing up has helped shape my diversity of
thought.” (Julia Raue)
- 161 “It is about diversity of experience – if you have been a tax partner or a CA, it does not matter if you
are a woman, as you have probably had exactly the same experience as your male counterpart.”
(Liz Coutts)

- 162 “Chairs/Boards that have not got diverse thinkers or women will usually go to the “usual” sources
of candidates (lawyers, investment bankers and accountants) to find a “low risk” woman – when
in many ways women from these more traditional professions have actually had quite similar
training, experience and networks as the men who are already on the Board.” **(Anne Loveridge)**
- 163 “The Wharton study is held up as a shield in a number of places, to argue against gender equity
or having women on Boards. People also point to women or young people or IT experts or people
of different ethnic backgrounds having gone on Boards and not having made a difference.”
(Kirsten Patterson)

Demographic factors are one group of predictors of diverse thinking

- 164 “The Governance and Appointments Unit formally monitors the diversity of candidates for
appointment across four metrics: age, gender, ethnicity, and geographic location. These metrics
are considered as contributing to diversity on Boards.” **(Gael Webster)**

Gender

- 165 "Gender diversity in Boards and committees is a pre-requisite to diverse thinking. The wider talent pool you have (including women as fifty per cent of the population), the more skills and perspectives can be brought to bear with the ultimate result of improved performance."
(Renee Graham and Amanda Neemia)
- 166 "You cannot just presume a person has diverse thinking because of their gender. But having women on Boards and in decision-making roles does affect the priorities – it raises issues often overlooked. You need both men and women and ethnic diversity (given New Zealand's superdiversity) to ensure issues are not overlooked or ignored as unimportant."
(Hon Margaret Wilson)
- 167 "Contrary to the view of Alex Davis in the *New Zealand Herald*,¹⁵ women are making a huge difference." **(Joan Withers)**
- 168 "While diversity is not just about gender, gender has a role to play. For example, men and women often have a different approach to assessing risk which is one reason why it is important for Boards to have some gender balance." **(Prue Flacks)**
- 169 "Ethnicity and gender are a pretty good primary indicator of the likelihood of different life experiences, but diverse thinking also occurs in plenty of individuals of either genders or all ethnicities as well." **(Peter Griffiths)**

Cultural diversity

- 170 “I have taken the path less travelled. That is valuable on Boards. Cultural diversity is really important for diverse thinking – we need to reflect the demographics of those who we are trying to benefit. People make huge assumptions about others and that is why we need to make sure they are present at the table.” **(Mavis Mullins)**
- 171 “Pākehā Boards can learn from Māori Boards when it comes to perspective and taking the big view, “the 100 year plan.” With that, Māori also have a different view when it comes to our “natural capital” – for example, our relationship with Ranginui (Sky Father) and Papatūānuku (Earth Mother). When you recognise her with a face and a name, it brings in a different level of responsibility to create a pathway forward.” **(Mavis Mullins)**
- 172 “There is still some cynicism when it comes to the value Māori can bring to the Board table. If we really understand the Māori worldview, the long horizons, the value of culture and relationships,

¹⁵ Alex Davis "Push for women on Boards flawed" *New Zealand Herald* 10 July 2018.

this will serve us well through Asia, the Pacific, and beyond. It is about recognising and being comfortable with different ways of looking at various elements of our business, our communities, our world.” **(Mavis Mullins)**

- 173 “When we built Auckland Hospital we proved that taking the Māori world view into account has benefits for everyone, not just Māori. My experience in te ao Māori is part of what makes me a diverse thinker, and it is the lens I bring to bear in most of my governance work.” **(Dame Naida Glavish)**
- 174 “As an ethnic woman lawyer on a Board, I’m 3 in 1 – governance skills with legal background, female and Asian. Although I am a lawyer and grew up middle-class, I was born in Malaysia and am fluent in Mandarin, Cantonese, Fujian and Bahasa Malaysia, as well as English. I have a very different background from a lot of other Directors.” **(Lyn Lim)**
- 175 “There are particular diverse experiences and skills that are important in a New Zealand context. Cultural nuances are important to the substance of diversity. It is essential to have Directors who are empathetic to Māori and have Māori cultural capability. They do not have to be Māori themselves if they have well-developed experience working with Māori. Having cultural empathy as a result of global experience is also important. And having experiences of different corporate structures i.e. whether the dominant shareholder is private sector or public sector is useful too. These are diverse reference points that are worth having around the table.” **(Dame Jenny Shipley)**

Disability

- 176 "Disability is an aspect of diversity that is frequently overlooked. Living with a disability has given me a very different understanding of the effect of decisions on others. For me the main issue has been physical access. For example, I therefore look at decisions relating to transport to assess whether they enable people with disability with access to work or social events. With an aging but still engaged growing part of the population too little attention is given to inclusion of people with a disability." **(Hon Margaret Wilson)**

Age

- 177 “I had my first Director role at 32.” **(Abby Foote)**
- 178 “The most obvious diversity I bring to the Board is age. I have regularly been the youngest Board member – this was the case with the NZ Film Commission, NZ Story, TVNZ, and Downstage Theatre Trust.” **(Cameron Harland)**
- 179 “I am often the youngest at the Board table.” **(Dame Therese Walsh)**
- 180 “When it comes to age diversity, you need to get the “sweet spot” - people who are young enough to bring that perspective, but not so young that they have not had a chance to get their own professional experience. You don’t want wannabes. Entrepreneurs can be tricky because they want to get stuck in and do it themselves. You need people who are willing to really be advisors, not doers. This can be a difficult transition. You might need to coach Directors to get to that point. They need to leave feeling they have made a contribution.” **(Graeme Milne)**

Diverse thinking does not mean abandoning skills

Not diversity for its own sake

- 181 "If a Director candidate does not have the skill set required then go no further. This is the number
one priority. Diversity and other issues are a consideration after that." (**Doug McKay**)
- 182 "There is danger in just getting a woman or a Māori or Pasifika. It is important you don't end up
with low skill capability. You need Directors with talent and skills but optics matter as well. The two

are not mutually exclusive and the aim is to get both.” **(Barbara Ala’alatoa)**

- 183 "You cannot afford to have "learner drivers" on Boards." **(Danny Chan)**
- 184 "Diversity is not for its own sake, you have to have the skills." **(Lyn Lim)**
- 185 "We should not have diversity for diversity's sake; it has got to be about strategy the company
trying to achieve. You also need Directors who can do a good job." **(Dr Andrew Wong)**
- 186 "While diverse thinking is important, you also need to ensure there are the right skills to ensure
the governance role is fulfilled appropriately. For an Audit and Risk Committee for example it is
important to have accountants around the table." **(Dame Therese Walsh)**
- 187 "The key is to ask what each Director is bringing to the table. Sometimes that may not mean
bringing on a diverse thinking candidate – sometimes you just need a steady hand to deal with
operational matters. It is a balance." **(Peter Kerridge)**

Getting skills and diverse thinking – the “skills plus” approach

- 188 “You still have to start with the skills matrix and ensure that you get people who have the skills
to be on the Board. If however you get two candidates who are both equally skilled, and one of
the candidates is a woman or is a young person or is an ethnic and the business is doing a lot of
business in China, for example, then it is good to choose the person who is either the woman or
is young or has the right ethnicity to assist with the market of relevance to the company. This is a
“plus” factor.” **(Danny Chan)**
- 189 “Skills should be prioritised and identified through a comprehensive skills-matrix. Only after that
should demographics be overlaid to reap the double dividend of what this can offer. It is imperative
that Boards match the skills of the company when it comes to industry expertise.” **(Justine Smyth)**
- 190 “Diverse thinking starts with a selection process using a skills matrix and overlaying this with
diverse thinking.” **(Sir Ralph Norris)**
- 191 “Skills matrices often ignore the more abstract qualities associated with diverse thinking.
There does need to be a skills balance but we should not elevate traditional competencies (i.e.
accountancy, law) at the expense of diverse thinking.” **(Dr Lee Mathias)**

What skills does the Board need for quality performance?

- 192 “We need to reframe the issue. We need to start with the question “What does it take for this Board to secure quality performance?”, “What are the characteristics of a quality Director?”, “How can a Director add value?” This is a question that applies regardless of gender or ethnicity or any other difference. We then need to ask ourselves whether the candidates we are appointing meet those quality criteria.” **(Hon Ruth Richardson)**
- 193 “You need to start with the answer and work back - “what is the point of the Board? Why is it there?” The fundamental role of the Board is to ensure that the company delivers in making the world a better place for everyone. That is the role of business now. Shareholder value is an outcome; it is not the purpose of the enterprise. My Food Bag and Unfiltered are good examples of this.” **(Kevin Roberts)**
- 194 “Succession and skills planning always needs to start with the challenges faced by that particular company, industry or sector and identify what skills and qualities we need to meet those challenges.” **(Liz Coutts)**
- 195 “Compliance, governance and diversity of thought are not always considered natural partners but selecting Board members with a track record of delivering will help ensure that as well a broad perspective, they also have the collaboration and partnership skills required for being a successful

Board member. Purposefully adding diversity of thought as a consideration when appointing new Directors will enable better decision making.” **(Angela Mentis)**

Why does diverse thinking on Boards matter?

- 196 “It’s all about the *why*. *Why* is diverse thinking so important and what difference does it make at the Board table.” **(Hon Ruth Richardson)**

Better decision-making and performance

- 197 "Diverse thinking is the antidote to groupthink." **(Justine Smyth)**
- 198 "The biggest issue facing the uptake of diverse thinking is the groupthink and stagnation of ideas which can happen where Boards have sat together over a long period of time without variation or change. Now more than ever, it is clear that stagnant and homogenous candidates can do damage." **(Justine Smyth)**
- 199 "Diversity and diverse thinking are more important than ever, given what has happened in the banking sector in Australia. Diverse thinkers bring a number of critical lenses that would have helped mitigate some of the issues we have seen with the Royal Commission on banking." **(Mary-Jane Daly)**
- 200 "It is very important for Boards to be regularly assessed and audited. The Australian Prudential Regulation Authority (APRA) inquiry into the Commonwealth Bank of Australia found a "widespread sense of complacency, being insular, and an overly collegial and collaborative working environment".¹⁶ External checks are important to prevent this sort of culture around a Board table." **(Rosemary Warnock)**
- 201 "The APRA Inquiry referred to 'chronic ease' whereby an "overly-collegial and collaborative working environment" and "inadequate oversight and challenge by the Board and its committees" created a sense of complacency and insularity. There should sometimes be chronic unease and not the chronic ease found by APRA at CBA." **(Vanessa Stoddart)**
- 202 "Diverse thinking is important for Board and company performance, especially as Boards that have been together for a long time tend to replicate the same perspectives and ways of thinking about the business." **(David Pilkington)**
- 203 "The Australian Royal Commission into banking misconduct is a salient reminder that an "enclave" of beliefs can be perpetuated without there being a conscious recognition that such an enclave exists." **(Louis Hawke)**
- 204 "Albert Einstein said "no problem can be solved from the same level of consciousness that created it." Diverse thinking can help elevate good solutions to great ones." **(Dame Naida Glavish)**
- 205 "Boards lack self-awareness. When undertaking Board performance reviews, I sometimes see a "collective blindness" being demonstrated – Boards rate themselves an 8 out of 10, and their management team rates them a 4. For many Directors, Board appointment is the pinnacle of achievement. Going in to an environment where you are not right all the time and where that is entirely appropriate, when that is what you are used to, can be threatening, and it can almost create a type of learning disability." **(Peter Kerridge)**
- 206 "There is massive value in challenge around the Board table. If you have had robust debate from different perspectives, and everyone has thought about the issue from different angles, you can have more confidence in your decision – it has been stress-tested and you know the pitfalls ahead of time." **(Susan Paterson)**

¹⁶ Australian Prudential Regulation Authority *Final Report of the Prudential Inquiry into the Commonwealth Bank of Australia* (April 2018). Available at www.apra.gov.au.

- 207 "By having diverse thinkers we are able to view problems and opportunities from different perspectives." **(David Pilkington)**
- 208 "Teams are made up of series of individuals with diverse skills, and Boards are no different. What is important is that those diverse skills result in robust discussion, whether you are on a rugby team, or a jury, or a Board. That robust discussion is what improves decision-making and performance." **(John Hawkins)**
- 209 "I am a massive fan and proponent of diverse thinking because I've seen the benefits. I don't think some companies would have achieved the same positive state of performance if they hadn't instilled diverse thinking in their appointments, skills matrix, and manner of operation." **(Mark Verbiest)**
- 210 "Diverse thinking is about getting better decisions. This requires a clear objective of what the enterprise/organisation is trying to achieve. Is it more profit? Is it survival in a changing market? Is it social value-based?" **(Hon Margaret Wilson)**
- 211 "As an ex-Air Force pilot of 11 years, a phrase I often use is "in flying, it's always better to see the mountain you're about to fly into than to get stuck in the clouds". A good decision requires consideration of all relevant information and perspectives." **(Vaughn Davis)**
- 212 "It is good practice to get all of the different options on the table before you make a decision." **(Tania Simpson)**
- 213 "Broader perspectives from diverse thinking Directors can drive a broader range of questions being asked from the outset." **(Angela Mentis)**
- 214 "I have seen diverse thinking increase Board effectiveness. Where diverse thinkers are willing, present and are prepared to champion new ideas and to debate, the decisions after such robust debate are well considered." **(Anne Loveridge)**
- 215 "Diverse thinking on Boards is really important so we need to be upfront and very deliberate about what it is and ensure it happens." **(Sue Suckling)**
- 216 "As a diverse thinking Chair, if you do not peel back the discussion through Directors having different views, then you will only get canned thinking and that is not in anyone's best interests. The focus should not be on disruption but on strategic change." **(Traci Houppa)**
- 217 "The better the Board reflects the customer base, the more intuitive the analysis and decision-making. You have a better understanding of your customer base. You have fewer blind spots." **(Liz Coutts)**
- 218 "Very few business problems only have one clear answer and you need brains that can think about the full range of possible solutions including probability of risks, and strategic and blue skies thinking." **(Rob Campbell)**
- 219 "The value of diverse thinking is not always the point that the diverse thinker makes. Sometimes a left field point can force the conversation to change and to take a few more layers off the onion exposing something else entirely. A Board paper might make a point logically and rationally and the decision will seem obvious. But there is always a risk of superficial thinking that the diverse thinker is well placed to unravel. I sat on a Board with a Director whose contribution often elicited a response which caused other Directors to restate their points in a different way. That restatement often added significant value to the discussion. It may unlock a conversation which should happen, but wouldn't otherwise do so." **(Dame Therese Walsh)**
- 220 "In my experience, management like seeing Directors challenge each other constructively as it ensures different perspectives are well aired." **(Prue Flacks)**

- 221 “The Boards I want to be involved with are those who are sold on the idea of diversity thinking. If you do not value diverse thinking, you simply won’t attract the best Directors.” **(Mark Verbiest)**
- 222 “Diverse thinking has made a difference in the entities I Chair, because the voice is different, the thought pattern is different, the networks are different. Challenges can look quite different through a variety of lenses. Harsh judgements can be logically explained, gaps in strategy or understanding can be bridged. But there does need for the full Board to want to listen and to try not to defend or answer, just listen and process, then discuss.” **(Mavis Mullins)**
- 223 “If we can improve the capability of our Boards, we will make a significant contribution to improving our GDP.” **(Carrie Hobson)**

21st century challenges: New Zealand Boards are behind

- 224 “New Zealand can only survive if it is faster than the rest. We need to have the fastest, sharpest, most diverse and smallest Boards in the world.” **(Kevin Roberts)**

Reflecting customers

- 225 “Despite the Companies Act 1993 referring to the Board’s responsibility to shareholders, companies/organisations will suffer if they don’t reflect customers and employees and have their support.” **(Doug McKay)**
- 226 “The day of the hierarchy is over – it is consumers and citizens who are driving change in business and in politics.” **(Hon Ruth Richardson)**
- 227 “Companies need to reflect their customer base.” **(Cecilia Robinson)**
- 228 “The governance paradigm has changed materially. Now Directors need to have a sound knowledge and understanding of what will surprise and delight their customers, and be empathetic towards them. A customer-centric mindset is now essential for Directors. This makes Directors that represent and understand the customer base more important.” **(Joan Withers)**
- 229 “There are many companies in New Zealand where a lack of diversity is a great risk. If you do not understand the customer’s needs, you are going to struggle. The customer is a current and future proposition. In Summerset’s villages, maybe 5-10% of the current residents are non-European. But this is something that will massively increase. The future composition will be substantially different. Boards and management need to be aware of how age and ethnicity profiles across the customer base will change, because this will have a massive impact on businesses’ bottom lines. We need diverse thinkers to be able to roll with these changes.” **(Dr Andrew Wong)**

#metoo

- 230 “Our businesses are getting more complex, and for many, the risks are getting greater. Also, issues that existed but did not necessarily get addressed are coming to the surface. First it was health and safety, then we have seen the discussion on customer and community expectations. More recently it has been the discussion on bullying and harassment in our workplaces. Questions that often went unanswered at Boards in the past are now being raised with CEOs and management, and need to be answered.” **(Vanessa Stoddart)**

Volatile, uncertain, complex and ambiguous

- 231 “We live in a VUCA (volatile, uncertain, complex, and ambiguous) world and in that kind of world, if
you do not change yourself, you will be changed.” **(Kevin Roberts)**
- 232 “The world is changing fast and we cannot keep doing what we have always done. We need
people on Boards who are best placed to cope in a changing world. And, he says, “we’re a

small country at the bottom of the world, we can't be followers" – we need to get on with it."
(Mark Ashcroft)

- 233 "We can't afford to sit back and become the Kodak country, so our Boards have to grow our
diverse thinking." **(Julia Raue)**
- 234 "Business is behind on adapting to the increasingly dynamic environment facing Boards in the
21st century challenges. Insularity and self-reinforcing homogeneity on Boards will not assist
companies to catch up. Cross pollination of ideas and fewer unspoken assumptions will help."
(Rob Campbell)
- 235 "Diverse thinking is increasingly important for Boards. The silly ideas of yesterday are the gold
of tomorrow. The things that made an organisation successful yesterday will not make that
same organisation successful tomorrow. We need people who can help us succeed tomorrow by
having thoughts no one else has had. The world has unlimited challenges but it also has unlimited
opportunities." **(Bruce Hassall)**
- 236 "The world is changing – new technology is rapidly emerging and community perspectives are
becoming more important. As a result, diversity in all its senses is critical." **(Mary-Jane Daly)**
- 237 "Most businesses right now are dealing with massive and monumental change – just look at
television. So you need people around the table who are able to understand not the business as it
was, but the business as it will be. This necessarily requires diverse thinking and people who can
embrace where the world is going." **(Cameron Harland)**
- 238 "Directors are more open to thinking about issues in non-traditional ways because there are more
non-traditional challenges." **(Abby Foote)**
- 239 "The increasing complexity of business and speed of environmental change argues that the days
of taking a narrow linear view of issues is unlikely to lead to good, let alone great outcomes."
(Louis Hawke)
- 240 "The better performing New Zealand companies more clearly understand present and future
stakeholders beyond Board and Executive team. Chairs, Boards and organisations will increasingly
seek to draw on those professionals who reflect key stakeholder groups, thereby creating a
stronger, symbiotic and more valued relationship between customer and supplier thereby raising
barriers to entry. New and developing international markets, growth sectors, smarter companies
and better strategies will define those organisations that will better utilise new and existing
Director pools of talent for the future. Increased diversity in the make-up of Boards will happen
more quickly and naturally in these sectors because of obvious market need and insight. It is only
in the more traditional, protected sectors and companies where the "old order" will prevail in the
short to medium term." **(Simon Monks)**
- 241 "If we take a macro view of what the New Zealand business environment used to be like, and the
many oligopolies and duopolies, there is a Darwinistic element to Board performance. In that
environment, Boards do not have to be brilliant because their competitors are also averagely
governed. But things are changing now – the landscape has demonstrably shifted. People have
not got their heads around it yet but they need to catch up fast with the extent of pace and change
we are facing." **(Peter Kerridge)**

Diverse thinking advisors are not enough

- 242 “The difference between buying in diverse thinking through advisors and having diverse thinking Directors is that it is the Directors who make the decisions. So advisory Boards for youth, Māori, Asians, technology, for example, may not be enough.” **(Rob Campbell)**

Is there a problem with diverse thinking capability in New Zealand Boardrooms?

Yes!

- 243 “Diverse thinking capability on New Zealand Boards is pretty low. Improvement comes from
education and from having more diverse thinkers influencing at the Board table. Acceptance that
there is a problem is the first step.” **(Tania Simpson)**
- 244 “We’re probably not doing that well when it comes to diverse thinking on Boards in New Zealand.
Some companies have really embraced it, some have caved under pressure, and others are still
stuck with their heads in the sand.” **(Mark Ashcroft)**

Tickbox compliance

- 245 “The Diverse Thinking Capability Audit is timely. There is increased conversation, and awareness regarding diverse thinking but too many people treat it as a tick-box exercise. The early stages of thinking focussed on having a woman on the Board, but what we need is diverse thinking maturity. We need a critical mass of diverse thinking people to shift the conversation, tone and topics on the table. We can ill afford to waste time debating “why.” For those who understand it, the why feels like a step we should have passed. If people don’t get the why, they’re probably not qualified for the job. It is those people who do not get it who are adopting a tokenistic focus on gender representation to fend off criticism and challenge.” **(Kevin Kenrick)**
- 246 “The research said that, in theory, if you cracked women diversity then you would unlock the matrix of all diversity. I do not know if that has been the case. Women Directors don’t need to show they are tougher than the male Directors. There is more potential diverse thinking ability amongst Board Directors then actually happens so the challenge will be how to ensure that we do harvest that potential.” **(Bruce Hassall)**
- 247 “When Boards talk about “diversity” it tends to refer to gender, culture, and ethnicity, rather than diverse thinking and a diverse skillset. I am not sure the degree to which Boards have thought through what “diverse thinking” means into practice.” **(Carrie Hobson)**

Brave women from South Auckland don't get appointed

- 248 "Gender does not add much to diverse thinking on Boards. Many women I have encountered on Boards are lawyers and accountants who've been to private school and to university. They tend to come from privileged backgrounds. They know how to play the game the way it's played, and they don't tend to be the challengers. In fact, they can tend to be ultra orthodox. We don't appoint the brave women." **(Dr Arthur Grimes)**
- 249 "Those who dare to be different don't tend to get appointed to Boards. This is a problem for men as well as for women. It's possible that the focus on gender has actually reduced diverse thinking. If the focus is to appoint a woman, you're more likely to pick a "safe" woman. If your focus is to appoint diverse thinkers, you could appoint a diverse thinking woman or a man who may actually bring more diverse thinking as a result of his background." **(Dr Arthur Grimes)**
- 250 "It's difficult to identify diverse thinking, and part of that is because you just don't see it round the Board table – we don't see many people from South Auckland around the Board table. There are a number of Directors too who think that governance is a good retirement role, when what we need is people who want to work hard." **(Dr Arthur Grimes)**
- 251 "The real problem is that the wrong sort of people sit on Boards. Too many people join Boards for Darwinian reasons, survival, power, wealth, and fame, not to make an impact. We need to revamp Boards to incentivise performance." **(Kevin Roberts)**

Not enough transformational and disruptive thinkers

- 252 “Too many people joining Boards are only good at incremental, operational change and checking that the boxes are ticked. We need more transformational and disruptive thinkers at the Board table. Directors need to understand the full spectrum of change: incremental, transformational, and disruptive. If you get people from across this spectrum on the Board, you will make tremendous progress and have a lot of fun doing it. You need all three of these types of change agents working simultaneously on the Board.” **(Kevin Roberts)**
- 253 “The “incrementalist / transformationalist / disruptor” concepts are not fixed roles for each Director. Directors take on different roles at different times and as they are required. Sometimes making decisions in the best interests of the company will require a more conservative view. If you are making a massive financial decision, you need to exercise your best judgment. This may mean not taking the risk on a disruptive approach.” **(Joan Withers)**

Getting diverse thoughts out

- 254 “Diversity sounds neat and cool when you are on a panel but actually implementing it, and chairing
for diverse thinking can be really difficult. Directors who are not up for it fall back on compliance
instead and can become obstacles to progress.” **(Traci Houppapa)**
- 255 “The easy bit is to hire diverse thinkers, the hard bit is to get the best out of them. Getting the best
out of them is a journey.” **(Tony Carter)**
- 256 “We need to do a better job of leveraging diverse thinking from the people around the table.”
(Sue Suckling)

Busyness

- 257 “Busyness is a barrier to diverse thinking. Chairs know that they need diverse thinking, but being busy overwhelms effectiveness. Chairs need complete and utter personal discipline. They need to ask themselves if they really are committed to diverse thinking, and if they are, they need to reflect this in their KPIs.” **(Dame Jenny Shipley)**
- 258 “It is hard to unlearn the old ways of doing things, where what was most important was to get the work done. It is new territory for us all and it will take getting used to. For some it will be a frustrating journey. Diverse thinking Board discussions take longer and require patience. Board discussions may not seem as efficient as what some Chairs and Directors are used to. But true commitment to diverse thinking, including time commitment, will deliver real dividends.” **(Dame Jenny Shipley)**
- 259 “The idea that a high performing Board gets consensus is backwards. What is really important is “the dissenting judgment”. But we have a perception that getting the job done is more important than getting the job done right.” **(Vaughn Davis)**

Chairs lack the skills

- 260 “The Board Chair needs to intimately know the Directors so that they can approach each in a
bespoke fashion. The difficulty though is that the world hasn’t moved on and we continue to have
Chairs following the old prototype of having full power and terrorising everybody else who has a
different viewpoint.” **(Barbara Ala’alatoa)**
- 261 “The problem is that Board Chairs and Board Directors can think that diverse thinkers are an
impediment, that what they are saying is irrelevant, that they are frustrating. The result is that
diverse thinkers think “why the hell am I here?” **(Murray Jordan)**

All Directors need to be diverse thinkers

- 262 “Getting real diversity and a diverse approach to business issues on Boards is a serious problem. To be truly successful and genuinely diverse, all Directors need to engage in diverse thinking. Directors need to have a genuine growth mind-set and stop thinking narrowly and technically only. They need to think on a global scale and not be insular. That then means they will more greatly value diverse thinking.” **(Philip Chronican)**

Few entrepreneurs approached

- 263 “Few entrepreneurs are approached for mainstream Boards, despite the depth of the entrepreneurial women community. Boards need to be more open minded. They don’t understand the level of value that can be added by diverse thinking. There is a perception that diverse thinkers are hard to control. Chairs and Directors might feel that they are unpredictable. But Boards need to overcome this feeling and recognise that some things are more important than consensus. They need a deeper understanding. Companies who are not doing this will get left behind – fast forward 20 years and they’ll be gone. Entrepreneurs have a lot of value to add as opposed to people who have just come up the company ladder.” **(Cecilia Robinson)**

Fear of rocking the boat

- 264 “We sacrifice performance at the altar of harmony and relationship-building. And we do it
consciously!” **(Peter Kerridge)**
- 265 “New Zealand Boards have a greater desire to achieve consensus than international companies.”
(Maurice Ellett)

Boards are not attractive to diverse thinkers

- 266 “We need to make it more appealing, attractive, and aspirational to go on a Board... Directorship is deeply unappealing to many diverse thinkers. Otherwise young people won’t want to go onto Boards. We need to fundamentally restructure what Boards do and how they do it so that there are fewer meetings, and the focus is on ideas and strategy with compliance handled by others. Otherwise, we will not see any progress.” **(Kevin Roberts)**
- 267 “It’s important to make the Boardroom a more attractive place to be for diverse thinkers.” **(Murray Jordan)**

Lack of attractive role models

- 268 “We need more role models to encourage talented millennials to contribute as Directors. People like Jake Millar of Unfiltered Media, Cecilia and James Robinson of My Food Bag, and Prime Minister Jacinda Ardern have the energy and the commitment to change that is necessary for the modern day Director. Otherwise, young people don’t/won’t want to go on Boards.” **(Kevin Roberts)**

Few Asian Directors

- 269 “New Zealand’s growing connection with Asia does really mean that we should be seeing more Asian Directors on Boards like Zespri and Fonterra. But we are not.” **(Danny Chan)**

Diverse thinking is not making enough difference

- 270 “The problem is that diverse thinking is not making enough of a difference on Boards. We have
to ask “why not?” We need one or two exemplar enterprises that have made a genuine diversity
approach work. So many people do not really understand what diversity of thought means apart
from different looking faces. It is about getting better decisions.” **(Hon Margaret Wilson)**

Need to change Board culture and governance practices

- 271 “Remember when they started putting chilli in chocolate? It was a daring new food trend but the reality is that no one really knew what culinary wonders were possible other than eating it as is. The current state of diversity in governance is a bit like that. Boards have headed out with their shopping lists to acquire new ingredients to add to their current supplies. They have lined them all up on the kitchen bench, then realised that actually they don’t really know what each of the ingredients can do, let alone what happens when you mix them all together. So they end up cooking the same old cake, and just sprinkle the new ingredients on the top as garnish, and proudly present this as diversity in action. The reality is that in order to make the most of this new diversity of “ingredients” around the Board table, you need new recipes (i.e. new governance practices) and new head chefs (Chairs) who understand, value and can whip up new and interesting culinary delights!”
- (Caren Rangji)**

Boards are not agile or dynamic

- 272 “We expect our management teams to be agile and dynamic but I question if Boards are role
modelling this themselves.” **(Murray Jordan)**

Chair/CEO Capture and predetermined decision-making

- 273 “We need to prevent Chair/CEO capture where everything is decided offline and the decision is
already made before the Board has even met. This tends to shut down any diverse thinking or
challenge.” **(Kirsten Patterson)**
- 274 “Chairs must avoid being captured by the CEO, so that the CEO does not end up *de facto* running
the Board and shutting down diverse contributions from Board members.” **(Vanessa Stoddart)**

Importance of the Board Chair

- 275 Every interviewee, without fail, stressed that the Chair is crucial to maximising the benefits of
diverse thinkers on Boards.

Chair must value diverse thinking

- 276 “If the Chair is not supportive of a diverse thinking Director, it doesn't matter how good you are. It is not going to work. Board diversity increases the need for strong leadership skills for Board Chairs as the Boardroom leader in three main areas:
- (a) Developing the Board as a team with trust and respect. Getting to know each other outside the Boardroom and to form some personal bonds may assist here;
 - (b) The Chair's ability to foster a collegial, inclusive and open Boardroom environment leading to a safer environment that will encourage healthy debate and better decision making; and
 - (c) Managing meetings effectively, as diverse opinions generally lead to greater discussion. The need here is for a Chair to ensure agreements are reached in a timely manner, with good communication skills to ensure that these are summarised clearly to reach a shared Board decision.” **(Janine Smith)**
- 277 “Leadership characteristics such as inclusivity, empathy, and strong interpersonal skills are critical to success in leading diverse groups.” **(Janine Smith)**
- 278 “The Chair must be a believer in the value of diverse thinking and enjoy the challenge... It is important to have a Chair who is not threatened by vigorous debate and who does not aim for an easy across the Board consensus. The old ways will not cut it anymore. Chairs must be champions and facilitators of diverse thought.” **(Justine Smyth)**

- 279 “If the Chair does not value diversity, then you’ve got the wrong person in the Chair. It is the Chair’s
role to maximise the value of diversity for the sake of the shareholder and in the best interests of
the company.” **(Peter Griffiths)**
- 280 “If Chairs do not want to change because they have come up through the system and it does not
suit them to change, and they want to protect what they have got, then nothing is going to change
on Boards.” **(Hon Margaret Wilson)**

Chairs set the tone

- 281 “The role of the Chair is crucial. There is evidence that diverse Boards have the potential to be
way better than non-diverse Boards, but if they are not chaired properly, there is the potential
for them to be worse. The Chair sets the tone – it is hard to be a good Board with a bad Chair.”
(Peter Kerridge)
- 282 “Once key investors and advisors settle on a particular Chair, the tone and pathway is usually
then set – for better or worse! This single act has huge implication for the eventual make-up of
a new Board, skill sets deployed, Chief Executive, culture and prospects for success or failure.”
(anonymous interviewee)

Chairs must create an inclusive culture

- 283 “Chairs need to be alive to the opportunities for diversity and looking to execute on it, they
should cultivate a Board environment where it flourishes and delivers a dividend to the company
performance.” **(Doug McKay)**
- 284 “As the Chair’s role is to be inclusive, fostering the right culture where everyone can contribute is
key. Part of that is resisting the urge to immediately say why an idea will not work – and that is
something that takes practice.” **(Kevin Kenrick)**
- 285 “The Chair plays a critical role in ensuring all voices are heard as well as how challenges are
considered around the Board table. For diversity of thought to truly be valued, all voices and
perspectives need to be treated equally and this is sometimes a challenge for more traditional
Boards when experienced subject matter experts have been recruited and their market or industry
shifts considerably and other skills and experiences need to be called upon.” **(Angela Mentis)**
- 286 “Board discussions should be constructive. No one should be left feeling battered and bruised and
the rationale for the decision should be clear. There are governance styles that need adapting.”
(Julia Raue)
- 287 “Most Chairs use an “around the table” technique to ensure full participation in critical strategic
areas to ensure diverse thought and viewpoints are shared and understood at the end of a session
or subject discussion. Most also use Director and management reflection post a Board meeting
to support and measure meeting effectiveness i.e. quality of papers; quality of discussion; right
topics discussed; and the right time spent.” **(Julia Raue)**
- 288 “A strong majority of established Directors may prevent a new Director from bringing a new
idea forward. To minimise this risk the Chair should ensure that discussion is well-rounded.”
(Sir Ralph Norris)

It is harder to chair a diverse thinking Board

- 289 “Chairs need skill to elicit more from diverse thinkers. Board performance reviews can assist too – particularly the measure of the percentage of airtime each Director has in each meeting. You have an idea in your mind but seeing the empirical evidence can surprise you about who does and does not talk.” **(Joan Withers)**

- 290 “It is easy for Chairs to be concerned that too much diverse thinking will lead to a Board which is
split and divided, which has the potential to really undermine progress, and which ultimately can
reflect on them. Managing a diverse Board is not easy.” **(Steve Reindler)**

Diverse thinking takes longer

- 291 “Chairs must resist the tendency to cut Board meetings short or skip agenda items. The APRA
Report into CBA makes it clear that time should not be an inhibitor. Chairs should ensure that the
agenda is well considered and focused on strategic, risk and compliance priorities with adequate
time provided so contributions are not cut short. Also the quality of papers from management
must be of a high standard and delivered in a timely way so that Directors can be adequately
prepared to make a quality contribution.” **(Vanessa Stoddart)**
- 292 “Companies need to be prepared to put their money where their mouth is. If we want diverse
thinking, we need to give people the space to do so. This means being flexible, whether that is start
times or not having late meetings; we as leaders need to enable our talent pool to feel successful
at work and at home.” **(Cecilia Robinson)**

Importance of the agenda

- 293 “John Peebles’ doctoral thesis “Power and influences on the Board’s agenda: Who determines
what corporate Directors discuss?”¹⁷ found that the Chief Executive is the prime influence on the
agenda. It is important that the Chair of the Board also has a role. As soon as I became Chair at
Mercury and at Auckland International Airport, I arranged for the agenda to be set by myself and
the Chief Executive together.” **(Joan Withers)**
- 294 “The Chair also needs to be a diverse thinker as they set the agenda and thus how much time and
priority are given to issues. The agenda should not be dominated by management. That gives the
Chair a lot of power to impact the focus of the Board.” **(Kevin Kenrick)**

Diverse thinking starts with different styles

- 295 “We need to respect diverse personal styles to extract diverse thinking. This diversity of style and how contributions are made by Directors is an important dimension. For example, when you see people of different ethnicities and cultural backgrounds around the table, you see a range of different styles. Entrepreneurs and innovators also can have their own different styles of contribution. Directors and Chairs need to be respectful of these different styles and make sure they are creating an inclusive environment if they want to gain the benefit of diversity and encourage diverse thinking. The same of course applies in the management context. This respect for different styles is a prerequisite to getting diverse thinking.” (Vanessa Stoddart)

Chair as conductor

- 296 “The Chair is the one ‘conducting the orchestra’ and the skill lies in getting all the different people
working well together. It is important that the Chair also has diversity of thinking.” **(Liz Coutts)**
- 297 “Chairs had to facilitate, and blend the diverse thinking with the rest of the Board, and shape it –
to bridge (from the diverse thinking Director’s thoughts to the rest of the Board) and to pull these
thoughts together. The Chair’s role is to pull the best out of each Director, and to unlock their
diverse thoughts.” **(Bruce Hassall)**
- 298 “Chairs need to be the conductor. They also need to be professionally mature to know there are
things they don’t know and to be open about that. Chairs need to coach both the diverse thinker
and the others around the table to help the Board recognise the value of that Director as it may

¹⁷ John Peebles "Power and influences on the Board's agenda: Who determines what corporate Directors discuss?" (thesis presented in partial fulfilment of requirements for degree of Doctor of Business and administration, Massey University) 2010.

take a year for a Director to perform. Chairs also need to know how to manage strong personalities to get the best decisions from the Board.” **(Dr Lee Mathias)**

- 299 “If they are all specialist players, you need a conductor who knows when to bring each instrument
to the fore, and when to bring them all together to create a beautiful sound.” (Kevin Kenrick)

Shadows cast by Chairs

- 300 “Chairs need to always understand the shadows they cast in the Boardroom, and the effect this
can have on diverse thinking, and it is easy for them to underestimate this or overlook it. It happens
more than we would like.” **(Steve Reindler)**
- 301 “The Chair needs to speak last. Otherwise the other Directors will try and agree with the Chair to
curry favour.” **(Danny Chan)**

Chairs need to get to know their Directors better

- 302 “The Board Chair needs to intimately know the Directors so that they can approach each in a
bespoke fashion. The difficulty though is that the world hasn’t moved on and we continue to have
Chairs following the old prototype of having full power and terrorising everybody else who has a
different viewpoint.” **(Barbara Ala’alatoa)**
- 303 “There are probably Chairs who do not know their Board as well as they should. A lot of Chairs
do “desktop research” on their Boards, but what is more important is to have informal time with
them, so that you can get to know them and make sure you are bringing the best out of them.”
(Mavis Mullins)

Chairs must respect and actively encourage diverse thinking

- 304 “Board Chairs openly commenting that they are interested in a person’s ideas because they think
differently or have a different perspective encourages and empowers diverse thinking Directors to
speak up, and puts others on notice that they should be interested in a different perspective, rather
than dismissing an answer as being off point or irrelevant.” **(Anne Loveridge)**
- 305 “I have chaired Boards with diverse thinkers and it is really important for Chairs to be able to translate
for others around the table, to give context for people’s different experience, or to seek that clarity.”
(Mavis Mullins)

Coaching is key

- 306 "Chairs need to set the expectations for an inclusive Board environment and then actively
intervene with everyone to ensure their personal contribution is delivered within that framework.
The Chair needs to recognise that not everyone will thrive in the typical Boardroom environment."
(Peter Griffiths)
- 307 "Chairs need to have great leadership skills, including EQ and CQ, and mentor and coach their
Directors and CEO. They also need to be sufficiently aware of their own biases to ensure that these
do not inhibit Directors' contributions." **(Vanessa Stoddart)**
- 308 "It is important to touch base with new diverse thinkers prior to the meeting. That way the Chair
understands their point of view and can help them communicate it to the other Directors effectively,
and prompt them if they don't volunteer relevant comments. Chairs must also take an active
role in encouraging other Directors with dogmatic viewpoints to engage with other perspectives.
Otherwise, those Directors say their piece and then check out." **(David Pilkington)**
- 309 "The Chair has a very strong role in enabling contributions to be made without fear of ridicule or
embarrassment. The Chair needs to often bring fringe comments into context or seek further
clarity. Appreciation of contributions needs to be sincere." **(Mavis Mullins)**

Clarifying expectations

- 310 "A 'command and control' type Chair will struggle to get the value of diverse thinking out of the Board, even if diverse thinkers are present. The role of the Chair is very much about clarifying style and expectations. ...Less experienced Directors sit back out of respect and are not sure of the expectations. Their views should be sought out and their confidence bolstered, acknowledging they were chosen to be there for a reason." **(Mark Verbiest)**

Tools Chairs can use to encourage diverse thinking

- 311 “Chairs need to be mindful of the subtle ways in which to foster diverse thinking. She says that even the order in which the Chair asks Directors to contribute can skew the outcome. Chairs need to have insight and in that regard need even to be quite clinical in their approach.” **(Claire Denison)**
- 312 “I ask the diverse thinker to start the discussion if that Director is likely to have the outlier view and then get the contributions from other Directors. It doesn’t have to be the other way around and there may not need to be consensus either.” **(Peter Griffiths)**
- 313 “A great Chair needs to provide opportunities for each member to lead decision-making processes to allow all members to better understand the range of approaches they bring. Diverse governance requires more of a collective leadership approach than the traditional practice of having the Chair as the Board leader.” **(Caren Rangì)**
- 314 “Boards should make time to talk about diverse thinking. This could mean reserving time at the end of Board meetings to evaluate difficult meetings - “was it difficult for the right reasons or for the wrong reasons?” This is not an opportunity to re-litigate the issues, but is about assessing the style and form of the meeting. It is about questioning what the Board could do differently and how they could improve the level of diverse thinking around the table.” **(Dame Jenny Shipley)**
- 315 “A Board I am involved with had a dinner where the Chair started off by saying “I would like to hear what is happening in your life, except for anything to do with this organisation.” This prompted rich, powerful conversation about people’s families, interests, social concerns, hopes and aspirations. It meant that each Director had a powerful insight into their peers that they otherwise would not have, and can take that into the Boardroom with them. It also assisted Directors to bring all of themselves to the Board.” **(Kevin Kenrick)**
- 316 “The structuring of sub committees can sometimes include an opportunity to implement a tuakana teina programme or a mentor type arrangement to bring together people who do not know each other well, or to enable personal growth.” **(Mavis Mullins)**

Changing role of the Chair

- 317 “I draw the distinction between a “classical” Chair role which has one skillset – which is about setting the agenda, supporting the Chief Executive, and getting the work done – and the new Chair role, which is about capturing the dividends from diverse thinking including identifying risks and unintended consequences. This requires a new skillset, the art of optimising the diverse talent on the Board, which to date has tended to be undercooked. Classical Directors still expect to listen to the conversation and then put their view which they expect will be accepted without dissent.”
(Dame Jenny Shipley)
- 318 “The Chair, other Directors and shareholders need to see how having this combination of diverse views is of strategic significance to the organisation. The reality is that in order to make the most of this new diversity of “ingredients” around the Board table, you need new recipes (i.e. new governance practices) and new head chefs (Chairs) who understand, value and can whip up new and interesting culinary delights!” **(Caren Rangī)**

- 319 “Some Chairs may have had skills for that job last century. But the job has changed this century
and they need to recognise that and go.” **(Rob Campbell)**

Women need to take the Chair

- 320 "Women have to step up and take on Chair roles." (**Susan Paterson**)

What about the rest of the Board?

- 321 While Chairs have a crucial role, the other Directors also play a big part in creating a culture that
results in a diverse thinking Board. That includes respecting the diverse thinkers around the table
and contributing diverse thoughts themselves.

All Directors have a role to play

- 322 “All Directors have a role to play in encouraging diverse thinking – this is vital.” **(Julia Raue)**
- 323 “Whether you are in the Chair or not, you need to support the diverse thinkers in the room.
The Chair and Directors need to lead on this issue.” **(Graeme Milne)**
- 324 “The rest of the Board needs to respect other people’s perspectives and see that different
perspectives are helping to solve the problem. It feeds on itself. Over time, the confidence and
bravery of diverse thinking Directors grows as they succeed in helping the Board to higher quality
discussions and decisions.” **(Bruce Hassall)**

All Directors have to adapt

- 325 “Diverse thinking is when everyone changes as a result of someone different being in the mix. The norm has to keep moving. Every time someone new and different is appointed to a Board, the Board has to shift.” **(Tania Simpson)**

Governance is a team sport

- 326 “Other Directors can inhibit diverse thinking as well as the Chair. Directors have to remember that
they are there for the shareholders and not for themselves.” **(Steve Reindler)**
- 327 “Chairs and Directors need to “play the ball and not the man”, to have robust conversations and
listen respectfully to other points of view.” **(Rosemary Warnock)**
- 328 “The rest of the Board has a role to play too in supporting diverse thinkers. Particularly if a Director
is struggling, the other Directors can advocate for them around the table and sell their case for
them. Having a mentor is useful too. When senior Directors help junior colleagues to make their
points well, it is better for everyone.” **(Tony Carter)**

All Directors are responsible for diverse thinking

- 329 “Directors also need to be willing to comment outside their stated area of expertise, in other words,
to give the Board the benefit of all their experience, not just their own professional experience
e.g. accounting or legal. Directors need to have a blend of specialist and generalist skills.”
(Prue Flacks)
- 330 “Every Director has a responsibility and role in diverse thinking. I challenge Board members
to consider what the opposite argument is before confining themselves to one view.”
(Sir Ralph Norris)

Diversity dividend and self-fulfilling prophecies

- 331 "Chairs who do not have the skills to maximise the benefits of diverse thinking can create a self-fulfilling prophecy where diverse thinkers are not able to contribute in the best interests of the company, to make a positive difference to the performance of the Board and company."
(Kirsten Patterson)

Unconscious bias

- 332 Chairs and Directors who have declared their commitment to diverse thinking need to be aware that they may have unconscious biases (and therefore behaviours) which are preventing diverse thinkers from contributing.

Bias at the Board table

- 333 “You find all sorts of biases coming out round the Board table – against women, coloured people,
young people, poor people, which hinders the effectiveness of the Board.” **(Sue Suckling)**
- 334 “Sometimes others respond to you as if you are a different species. It is an unconscious bias issue
– they do not know how to deal with someone from a different culture.” **(Lyn Lim)**

Recognising and overcoming bias

- 335 “Chairs need to be able to recognise that unconscious bias is a factor for themselves and for others around the table to be able to maximise the benefits of diversity around the table. Avoiding stereotypes is important. Young Directors can bring dynamic change around the Board table but some older (70 plus male) Directors can surprise you with the amount of reading, travelling and keeping up to date that they do.” **(Liz Coutts)**
- 336 “The prize is in the Chair and Board understanding their unconscious biases first and foremost and also being prepared to acknowledge them to the Board peers.” **(Angela Mentis)**
- 337 “The Chair must have no unconscious bias. I have worked in countries overseas where I was in the minority. This has helped me interrogate myself as to whether I have any unconscious bias and to think harder about being more inclusive.” **(Peter Griffiths)**

Standing against discrimination/bias against diverse thinking Directors

- 338 "Chairs need to reality check perceptions of Directors as "disruptive." Are they disruptive or "are
they just not like us?" It is about behaviour, mindset, and taking the time to create a constructive,
progressive environment. It is not always straightforward." **(Dame Jenny Shipley)**
- 339 "I have purposefully supported Directors who have been dismissed by others as being disruptive
where it was clear to me that the quality of those Directors' thinking was first rate. With active
coaching, apparent disruptive tendencies (if they existed at all) have disappeared quite quickly."
(Mark Verbiest)
- 340 "I remember a time when a Chair was being quite critical of one of his Director's style of
contribution (a woman) and I had a real feeling that the commentary had nothing to do with that
Director and everything to do with the fact that she was different - a woman with a female style."
(Vanessa Stoddart)
- 341 "Directors who are appointed to a Board to fulfil a requirement, such as ethnic representation,
are liable to restrict themselves to offering only that viewpoint. Boards cannot afford to let them
sit in specialist silos. The other Directors should disabuse them of the idea that that part of their
identity is all that is wanted from them – they should bring all their strengths to the table. Boards
are getting a lot better at this. Most Directors recognise the need to have a view, even if this is not
their expertise or experience." **(Joan Withers)**

The importance of Board culture

Creating an inclusive culture on Boards

- 342 "What is really important is the culture of the Board – which I define as the behaviours that are accepted within the group. The Chair has a big role to play in establishing that culture and creating an environment where people do not feel they are the "other". Part of this is informal time outside of the Boardroom which should be used by Directors to build their relationships with one another. It is about welcoming individuals to bring their whole self to the table. In this way, the Board is an important role model for management." **(Kevin Kenrick)**
- 343 "Unless we address the Board table environment, diverse thinkers will not be attracted or retained. We need an environment where people do not feel "other". As long as people feel marginalised, it will be hard to draw diverse thinking out of them. It takes bold, courageous people." **(Kevin Kenrick)**
- 344 "Chairs need to create a collegial and supportive environment, and diverse members need to feel welcomed, not just invited." **(Doug McKay)**
- 345 "If a Board or organization really wants to embrace diverse thinking then the environment needs to be open and safe." **(Louis Hawke)**
- 346 "Board culture is of paramount importance. The Board has to see the value not just of classical skills and experience but also of behaviour, culture, and debate. This comes from strategizing and socialising outside the Boardroom which helps develop that essential trust and respect. Patrick Lencioni in his books about high performing teams says that high performance comes down to removing barriers that exist between individuals. You need a dynamic in the Boardroom that encourages Directors to draw on their broad experience and wisdom." **(Joan Withers)**
- 347 "The Board needs to foster and role model an inclusive culture." **(Angela Mentis)**
- 348 "We need all the talent at the table, and we need a culture that genuinely embraces new thinking and seeks fresh ideas." **(Hon Ruth Richardson)**
- 349 "Creating an inclusive culture is key and there is much work to be done. The first step for getting diverse thinking on Boards is to create an inclusive culture. But attention has instead gone to Step 3 (Board composition) and Step 4 (appointing diverse talent), or debates on Step 5 (Targets). To get the real and significant value from diversity, we need to ensure we don't skip Step 1." **(Kirsten Patterson)**
- 350 "Inclusion is probably the more important element to emphasise over diversity itself. An inclusive Board culture is essential, but this must extend throughout the organisation." **(Julia Raue)**
- 351 "CEOs need to play a role in maximising the leverage from diverse thinkers. If diversity at the Board is a source of advantage then it must be materially more important within the business. Inclusion needs to be actively led and managed throughout an organisation for any real benefit to be realised, not just the Board." **(Peter Griffiths)**
- 352 "There is probably more diversity in New Zealand Boardrooms than Chairs realise. Chairs just need to work to make that diverse thinking welcome and to draw it out. So those two tax accountant Directors might also be a poet and a closet social justice campaigner, but they might feel they are only there to speak as tax accountants. People need to be able to bring their whole selves to the table." **(Vaughn Davis)**

From consensus to comfort with disagreement

- 353 “The traditional Board culture is often one of consensus decision-making and linear discussions.
To get the value from diverse thinking, the Chair has to be comfortable with hearing (open to

receiving) divergent views and ensure the rest of the Board is comfortable too. Boards have to be mature enough to have different views without blowing up. Opening up a can of worms has to be acceptable.” **(Philip Chronican)**

- 354 “To really get the benefits of diverse thinking, there needs to be a commitment to an environment where challenge and debate is welcomed.” (Mary-Jane Daly)

Kiwi culture

- 355 "Disagreement is often a challenge for Kiwis. We tend to be a bit more gentle in the way we discuss issues, particularly compared to Australians and Americans. As a culture, we can sometimes be a bit sensitive and take things too personally. In a country this size, we don't want to burn any bridges, not even one!" **(Mark Ashcroft)**
- 356 "Personality has a huge impact on people's willingness to bring diverse thinking to the Board table. It shapes the approach to the debate, and so it is important to get the personality mix right. One particular component of personality is "agreeableness" and that is particularly relevant for New Zealand Boardrooms. We have a New Zealand disease of wanting to get on with everyone all the time. But this does not add to Board performance." **(Peter Kerridge)**
- 357 "It is easy to see the way other cultures work, but it is hard to see your own. We need to hold the mirror up to the good and the bad of Kiwi culture and how it operates in the Boardroom. There is a lot to be celebrated – our conviviality, helpfulness, lack of hierarchy but there is a flip side. We need to get to the point where people challenge in the Boardroom and it is celebrated, and we are not there yet. People also need to leave the Board once they are captured and are not longer providing challenge." **(Peter Kerridge)**
- 358 "New Zealanders do have a discomfort with disagreement, but this is common to a lot of cultures. I am Swedish and it is the same in Sweden. We have to call people out when we do not agree – we shouldn't encourage consensus, we should encourage debate and robust conversations. Boards should be aiming for thought leadership. There is vigorous debate around the My Food Bag table – and that's a good thing! It means we come up with great thinking like leading the debate on double helpings of parental leave." **(Cecilia Robinson)**
- 359 "New Zealanders have a cultural advantage as we tend to speak up and share our views whereas my experience on international Boards is that you need to draw the Asian Directors out." **(David Pilkington)**

Changes needed to how Boards have traditionally operated

Resetting governance practices so it is not solely aimed at getting consensus

- 360 “If a person is appointed onto a Board because they are a challenger, then the Chair and Board
need to understand what that means for the modus operandi round the Board table. We are not
always going to agree, and getting different views and options on the table will take more time.”
(Hon Ruth Richardson)
- 361 “Diverse thinking takes more time than Boards may be used to.” **(Mavis Mullins)**
- 362 “Governance practices need to be reset to maximise the benefits of having diverse thought around
the Board table. Current governance practices are based on the premise that consensus decision-
making is the aim of good governance i.e. that there should be consensus both around the
process and the eventual decision. Success is defined as everyone agreeing. Consensus around
the decision-making process assumes that all Board members will aim to “line up together” and
this immediately assumes a sameness of thought; conversely, those who present a view different
to the “main view” can be seen as disruptive, disrespectful and not team players. So this is a
disincentive to diversity of views.” **(Caren Rang)**

- 363 “Instead of attempting to find a consensus view on organisational vision and mission, diverse
governance should start the process with examining and articulating what strategic success
looks like from each of the diverse perspectives, and have the confidence to present a multi-
faceted strategy.” **(Caren Rangì)**
- 364 “We should broaden the Board induction process so that the process includes introducing the
current Board membership to the diverse views and practices of the new Director. This would then
be followed by the Board consciously considering how to adapt their decision-making process to
best utilise diversity.” **(Caren Rangì)**
- 365 “Induction processes should consider diverse thinking and what it means in challenging others.”
(Sir Ralph Norris)
- 366 “Boards can have a ‘disagree and commit’ outcome – there does not need to be consensus...
In extreme examples, you cannot have a split Board, so need to agree on things that matter, or a
Board member that is uncomfortable with the “disagree and commit” outcome would have to step
down. But it is better to stay, if possible, to have a robust debate, and think about how you can
influence outcomes.” **(Anne Loveridge)**

Questioning the traditional approach to minority and majority views

- 367 “Depending on the issue, the right thing to do may be shifting the consensus to the outlying view [of the diverse thinker]. In the rare event that consensus can’t be achieved, then a majority decision can be the approach. Anything else is fraught with risk. However, there will be some occasions where a minority opinion may be a better option. Where a Chair senses this, the challenge is to return the attention of the Board to the question and reframe the conversation in an attempt to create a broader coalition of support or a better compromise position. Proceeding with the view of the majority needs to be the last solution and should be taken as a sign that there may be underlying matters that need to be addressed.” **(Peter Griffiths)**

Board practice and rhythm

- 368 “We need more flexibility in governance practice. Governance practice needs to adapt, attract and retain diverse thinkers.” **(Murray Jordan)**
- 369 “As Marx (Groucho not Karl) alluded, “I don’t care to belong to any Board that will have me as a member”... I want six meetings a year where all we discuss is ideas. The compliance aspect should be handled by the right people outside of the meeting format. We need to restructure the rhythm of the Board. Directors can no longer afford to read 300 pages of Board papers (which takes days to read) and attend 12 meetings a year.” **(Kevin Roberts)**
- 370 “I do not think too much time is spent by Boards on compliance.” **(Joan Withers)**
- 371 “Advisory Boards are the way of the future as they only talk about stuff that matters so it is a much better way to make a contribution. Start-ups have a small operating Board and a large advisory Board. The Boards are compensated differently – the Advisory Board is compensated in equity. Therefore what matters for the Advisory Board is the success of the company, not their own prestige. It incentivises performance. Ideally, a Board should have no more than six people.” **(Kevin Roberts)**
- 372 “There is an increasing view that New Zealand companies have too many Board meetings and that in keeping with best practice internationally, five to eight meetings per year (including strategy days) is not only more appropriate, but opens up the opportunity for Directors not of the domestic jurisdiction to participate more fully and effectively. Whilst there is no substitute for face time, both at Board meetings and adjacent times to develop relationships and culture, it could be argued that New Zealand Boards are still reluctant to fully embrace and utilise technology in a way that would diversify the Directorship pool.” **(Simon Monks)**

- 373 “More time needs to be spent by the Board on strategic issues.” **(Naomi Ballantyne)**
- 374 “There should be greater expectations of insight from management as opposed to pro-forma
reporting; more clarity and relevance in Board papers; more time for discussion and questioning
and possibly smaller groups (as it’s difficult to have deep discussions with 10-20 people in the
room). Perhaps these are luxuries, and trade-offs need to be made, but at the end of the day,
how the means are structured depends on the sought after ends. And the end has to be seen in
tangible organization achievement.” **(Louis Hawke)**

Board refresh

- 375 “Turnover around the Board table is important. A Board needs rotation to introduce fresh-
thinking. A Director retiring every one to two years strikes the right balance between freshness
and maintaining the level of trust and respect that comes from an established Board table.”
(**Mary-Jane Daly**)
- 376 “We must have Chairs and Directors that remain relevant to what that Company and Board needs
at that time.” (**Vanessa Stoddart**)
- 377 “Any Director standing for reappointment should require majority support and those going for
a second reappointment must have almost unanimous support from fellow Directors. This is
an important accountability measure to ensure there is still good engagement and contribution.”
(**David Pilkington**)
- 378 “Board rotation takes time. Opportunities only come up every couple of years as most Directors
expect to stay in the role for six to seven years. It is important to be strategic when bringing on
diverse thinkers. It is important not to change the Board composition too much all in one go as
this impacts Board cohesion.” (**Liz Coutts**)
- 379 “I have experienced three new Directors (including one that took the Chair) at once and it took a
while for the Board to adjust to that much change. It took a while for the Board to adjust to that
change so a strategic approach to succession planning is necessary.” (**Mary-Jane Daly**)

Measuring diverse thinking

Need for measurement

- 380 “We need metrics and measurement of diverse thinking to ensure there is greater accountability
and transparency.” **(Cecilia Robinson)**
- 381 “The complexities of leveraging and getting the best out of diverse thinking is a growing area
of interest in Board reviews. While there is research supporting the difference diversity makes,
we need to start discussing what “difference” to performance means and how we measure it.
Is it just short-term share price or are we measuring innovation and long-term value creation?”
(Kirsten Patterson)
- 382 “Even if you cannot measure diverse thinking, you can celebrate it.” **(Vaughn Davis)**

Improved performance is the best measure

- 383 “If the diversity does not correlate with improved performance then probably the Board is not
working hard enough at it.” **(Doug McKay)**
- 384 “The best measure of diverse thinking on a Board is the success of the company. But that
depends on whether the Board is held truly accountable for the performance of the company.”
(Naomi Ballantyne)

- 385 “In terms of measuring diverse thinking, we should move away from quota requirements and
focus on Board performance, specifically whether companies are performing consistently over
time and whether they are keeping pace with change in the sector. One on one performance
reviews of Directors is really important.” **(David Pilkington)**

Importance of Board/Chair/Director assessments

- 386 “Director and Board assessments and self-assessments should include a question on diverse
thinking to make sure everyone is thinking about this.” **(Anne Loveridge)**
- 387 “It has always been challenging to hold Boards to account, and this holds true for measuring
commitments to diverse thinking. Transparency would be the best method, but due to the
nature of commercial business this is not always an option. Director-feedback reviews are
a useful accountability mechanism, which allows for reflection of the dynamics of the Board.”
(Justine Smyth)
- 388 “Most Boards use reviews to ensure effective governance (or to continue to drive best practice)
and support other areas including Board development or Director retention and recruitment. This
supports ensuring the addition and extraction of benefits of diversity, as does elements such as
diversity and inclusion (D&I) monitoring and reporting. Having a D&I policy, and KPIs or measures
to drive a strong D&I culture is another. We need to be very deliberate about what we want to focus
on, and how we will deliver and measure it.” **(Julia Raue)**

Experiences of Diverse Thinking Directors

Negative experiences

Difficulties of getting appointed onto the Board in the first place

- 389 “Diverse thinkers may not interview in the typical way expected by the Chair and other Directors
and this can be off-putting for clients, especially if they do not know the candidate.” **(Sarah Naudé
and Matt Stanley)**

Being underestimated

- 390 “When I first started my governance journey, there was a level of underestimation from others
about me.” **(Mavis Mullins)**
- 391 “As a diverse thinker, you can feel compelled to prove your credentials and your right to be there,
which you should not have to do.” **(Julia Raue)**
- 392 “I have seen some Chairs and Boards struggle when the diverse thinker speaks up, raising
their usual “alternative (from mainstream) view,” while others switch off or roll their eyes.”
(Anne Loveridge)
- 393 “I am often seen as the Asian woman stereotype. This means I have to prove I am able to lead
and am not submissive. I often get pigeon holed. Directors expect me to conform and it can
be confusing for them when I do not! Because I am Asian, people think that I am hardnosed or
commercial or materialistic, when in fact I have always had a pragmatic approach and a strong
community focus.” **(Lyn Lim)**

Being misunderstood

- 394 “Other Directors think I am quiet. But I’m not – I just do not feel the need to fill the silence and take up time saying the same thing as others. Where I differ from many others in the Boardroom is I do not feel the need to repeat what others have said (mutual reinforcement) by way of contribution at the Board table. I would rather use my voice to add ideas.” (Lyn Lim)

- 395 "If you present a different view from the main view, it can be seen as disruptive, disrespectful and
not being a team player. So this is a disincentive to diversity of views." **(Caren Rangi)**
- 396 "Diverse thinkers can be misunderstood. Reflecting on my time in the Air Force, I was given the
opportunity to go on a course to prepare candidates for senior leadership. The feedback I was
given was "we thought you were great but we didn't like how you always played devil's advocate".
I was not deliberately playing that role – that was just my opinion/viewpoint." **(Vaughn Davis)**

Being marginalised, side-lined and ignored

- 397 “Sometimes a Director with a reputation for being a challenger is appointed because the market/ shareholders demand it. It is part of the trend. But the Board has not necessarily thought through the implications of that challenger coming on Board. The result can be that challenges are not picked up. You challenge and then there is silence...The response to the challenge may be to dismiss it on the basis that you do not understand the business. It does renew your determination to challenge. Challenge is one of the key roles of the Board.” **(Abby Foote)**
- 398 “It is frustrating to put up good points and then have the Chair let them drop, with no one else picking up the comment. You are made to feel as if your contributions were irrelevant and an impediment. You ask yourself “why the hell am I here?” No one is listening, as they are too busy making ego driven comments to make themselves look good.” **(Murray Jordan)**
- 399 “I have seen Chairs letting drop diverse thinking and challenges and none of the other Board members pick it up and run with it, or the Chair crediting that idea to another Board member.” **(Sue Sheldon)**
- 400 “I often see Boards where there is a Team A of extroverts and a Team B of introverts. If Chairs do not implement a policy of equity of airtime, Team A dominates the discussion and Team B only gets put in as an afterthought.” **(Tania Simpson)**
- 401 “Mutual respect for my view, even if it is not the view of the many works better than the “we tried that in 1970 and it didn’t work” approach. Inclusion can’t be emphasised enough...I have experienced making a contribution in a Board meeting and someone laughing. My approach is to say “it’s really interesting that you’d laugh at that – let’s work out why you had that reaction.” Using it as a jumping off point for discussion can yield really valuable results.” **(Julia Raue)**

Pressure to conform

- 402 “It’s hard – diverse thinkers have to do all the work to get across their different point of view! We need others to understand that they have to do some work and they may have to be prepared to change if they want to get the benefit of diverse thinking. What people do not realise is that their culture is not “normal”, it is just “normal to them.” People need to take a step back from their own culture. Otherwise it leaves diverse thinkers playing the role of cultural interpreter.”
(**Tania Simpson**)
- 403 “Some Directors have a sense of caution or insecurity about bringing in left-field views. They worry they will be left out in the cold if they do not join the consensus. The conventional wisdom is that if you become isolated, then ultimately you will fall off the Board. A lot of Directors do not want to be in that position and the pressure to conform can easily prevail. It is the ones who do not care about that who can withstand the pressure to conform – people who value freedom and independence of thought. It is a special quality.” (**Steve Reindler**)
- 404 “Not being embraced by one organisation can tarnish a diverse thinking Director’s ability to take on other Directorships. It can affect their brand as a Director.” (**Mary-Jane Daly**)

Multiple points of difference

- 405 "The differences between men and women of the same culture are less than the cultural differences
between people of the same gender." **(Tania Simpson)**
- 406 "As an ethnic woman, the Boardroom can still be a difficult place to be, even one that has good
gender balance... Some women can be more aggressive or more unhelpful than a male Director.
I have also experienced some older white males take a particularly paternalistic approach.
The approach I always take, when I am tired of the gratuitous or inappropriate comments, is to
bat it back – Yeah, right, and you are an old white male and you feel threatened, because times
are changing and we're here whether you like it or not ! If you say it to them with a 'sweet, Chinese
smile', I generally find that they don't know what to think or how to respond – it stops them in their
tracks." **(Lyn Lim)**

Token representation is fatal to true influence for diverse thinkers

- 407 “As the Pasifika woman on the Board, I can be underestimated as the “brown tick”. The other
Board Directors don’t expect me to make any other contribution and expect me to be the rubber
stamp of the business that the Board wants to get done.” **(Barbara Ala’alatoa)**
- 408 “The diverse thinker may get tasks to do on the Board consistent with stereotypes of their
gender or their ethnicity. Sometimes in the past as the brown person on the school Board of
Trustees, I got the hospital pass of dealing with suspensions or dismissals - because it’s mostly
the brown kids who are getting kicked out of school.” **(Barbara Ala’alatoa)**

Positive experiences

The benefit of difference

- 409 "There is a lot of responsibility being the different person in the room. But one of my mentors taught me to treat that as an advantage." **(Tania Simpson)**
- 410 "I do a lot of things differently to the "norm" – in business I'm an inveterate note taker, cartoonist and want to understand the why, the what and how of any situation – as well as having an off-beat sense of humour (which is sometimes best kept to myself). Being dyslexic I find it hard to read and spell. Despite that I spend 2-3 hours every day looking at articles from a range of disciplines. All of this helps to make it easier to see patterns in data and linkages across a range of sciences. Nobel Prize winner Herbert Simon's concept of "bounded rationality" helped me understand that each of us can look through the same window but see very different things as a result of real or imagined boundaries. These boundaries relate to perceptions of time constraints, information availability (and interpretation) and our own cognitive capabilities." **(Louis Hawke)**
- 411 "I never intended to be a Director – I do not have an MBA, I am not a lawyer or an accountant – but what I bring to the table is my experience as a medical professional as well as my experience building businesses. I have worked at the coal face in South Auckland, and that is something that not a lot of other people around many Board tables have had exposure to." **(Dr Andrew Wong)**

Support from other Directors

- 412 “I have experienced other Directors taking me aside and saying “great that you’re raising these
issues. If you continue to do so, I will support you.”” (Abby Foote)

How can diverse thinkers be more influential?

Advice relevant for any Director that wants to be influential

- 413 “A problem Boards frequently encounter is Directors feeling compelled to offer an opinion,
even if they do not have anything to add. Directors should consider the acronym W.A.I.T. –
“Why Am I Talking?!” Directors should think more and make sure that they offer the highest
order comment they can in order to maximise the value of everyone around the table. Directors
should also be reluctant to position themselves with expertise over and above what they actually
have. It undermines credibility and makes it harder to offer diverse ideas when they do have
merit. Finally, management most hates Directors who use anecdotes as if they were facts.”
(Joan Withers)
- 414 “Directors should openly discuss how they can develop their secondary competencies into primary
competencies. All Directors, including diverse thinking Directors, need to continue to develop
themselves, over their usually 6 to 9 year tenure on a Board.” **(Joan Withers)**
- 415 “Experienced Directors need to receive professional development and continue to upskill
themselves to increase diverse thinking.” **(Dame Therese Walsh)**
- 416 “All Directors should have to buy services the same way their customers do, to get a real insight
into how the business delivers for its customers. Some professional services firms are also doing
more to broaden their experiences, by embracing pro bono work, which brings them in touch
with clients and communities they otherwise would not engage with. There is no substitute for
the learning people gain by coming face to face with situations that make them feel “other.””
(Kevin Kenrick)

Choose your Boards wisely

- 417 “Diverse thinkers will not sit on a Board that they know will not permit debate and challenge. I always want to know who else is on a Board before deciding whether to accept an appointment. You need to review very carefully before you go onto a Board. For me, part of the fun of the role is the ability to reinvent your brain, and think outside of the square. There are lots of very interesting challenges to consider, so why would we want to avoid discussing them? New technology requires new thinking.” **(Susan Paterson)**

Challenge/dissent for a clear reason

- 418 “You need to have absolute clarity about the goals you are trying to achieve by challenging. If it is
a commercial Board, then the challenge always has to be commercial.” (**Abby Foote**)
- 419 “You do not want to disagree with everything and be devil’s advocate on everything!” (**Danny Chan**)

Building credibility

- 420 “Accepting change can be hard as all biological systems instinctively reject foreign antibodies –
so it’s important to gain credibility first, be empathetic to “what is” and then use that goodwill to
push the boundaries. All of this can be uncomfortable and stressful as it often means challenging
group beliefs that have been erroneously elevated to the status of facts.” **(Louis Hawke)**
- 421 “Diverse thinkers need to put time into influencing and understanding the Boardroom environment
so that they can be heard and included.” **(Dame Therese Walsh)**

Ability to compromise and be a team player

- 422 “Diverse thinkers need to be able to compromise. Compromise is a great skill to have and is a quality deeply steeped in our heritage. When Directors hold out on an issue, they need to allow prudent compromise to allow the discussion to move forward.” **(Steve Reindler)**

- 423 "The diverse thinking Director also needs to be mature. They raise a different view, it doesn't always prevail. Then they need to let it go and not keep a grudge against those who disagreed with them nor keep trying to relitigate their view to "win". **(Philip Chronican)**
- 424 "Directors have to remember that at the end of the day, you do have to run the company. So have a point of view, fight your fight, but let it go if it doesn't work." **(Kevin Kenrick)**
- 425 "You need to have people who can add value from their diverse thinking but who can also "live with the consensus" at the end if their idea isn't the one carried forward. This can be tricky. When you're making appointments, you have to be wary of people who aren't going to end up being a team player. Endless re-litigation is unhelpful." **(Dr Arthur Grimes)**
- 426 "Diverse thinking Directors need to think about how they come across to the rest of the Board and management as it all comes down to trust and respect and building trust between the Board members as a group and with the management team. That includes no re-litigation or I told you so if the decision goes against them." **(Mark Verbiest)**
- 427 "If individual Directors are not willing to engage or become dysfunctional then they should either leave or be asked to leave. This is not about achieving harmony for its own sake but rather about being effective; and effectiveness needs mutual respect and understanding of different views. Similarly Directors are there to act in the collective interest of the organization and not just in the service of a sectoral interest or idea." **(Louis Hawke)**

Delivery as important as content

- 428 “While the disruptive style has its place and can be effective; taking a subtle approach can sometimes be more valuable. It is about highlighting important issues, recognising that they may be outside the frame of reference of the other Directors and packaging them in a way they can understand. There is an obligation on the Director articulating the diverse view, to develop the skills to make that view appealing rather than confrontational. I learned this the hard way and I am still learning all the time how to be more effective as a diverse thinker.” **(Dame Jenny Shipley)**
- 429 “The diverse thinkers I have seen have been effective by being calm but persuasive. They do not use emotion. If you can translate ideas in a way others can understand, you do not have to jump up and down to be heard. It does require having good relationships around the Board table.” **(Tania Simpson)**
- 430 “If you are not going to conform in your thinking, it is even more important that you conform in your behaviour.” **(Dr Arthur Grimes)**
- 431 “Different views can create tension and be challenging. If you were male, you might get away with it. But women do have to have higher interpersonal skills to be accepted. That can be learned.” **(Susan Paterson)**

Clearly articulating your point to make it relevant

- 432 “To effect change and diverse thinking, you need to contextualise your perspective in a way
that engages the other Directors, i.e. talking about the “Aotearoa view” not the “Māori view.” The
kaupapa of diversity remains the same – the message and delivery is different.” **(Traci Houpapa)**
- 433 “Do not just ask a question and leave management guessing - ask the question in a way that
clearly frames the governance concern you are raising, and give examples. You need to bring
people on the journey, and make it relevant. The more you do this, the more people expect you to
bring a different view, and seek it out.” **(Julia Raue)**
- 434 “Diverse thinkers need to translate their radical thoughts into a corporate governance framework.
They should not also immediately think of “why not?”” **(Tony Carter)**

- 435 “Diverse thinking Directors have to be able to translate diverse thoughts and put them in the
context of that particular Board and business. Otherwise, the diverse thinking Director is out in left
field and seemingly making irrelevant comments.” **(David Pilkington)**
- 436 “One way diverse thinkers can get their point of view across in a “Board-friendly” way is to
contextualise their comments by reference to the organisation’s values. Most organisations
have laudable values which are a great articulation of who they want to be... diverse thinkers
can challenge by highlighting discrepancies between the organisation’s values and its behaviour.
Looking into this mirror helps create a mandate for change.” **(Kevin Kenrick)**

Knowing when to work offline or at the Board table

- 437 “I do most of my work outside the Boardroom with the executives. The problem is whether the
other Directors think you are pulling your weight as you are not commenting that much at the
Board table.” **(Murray Jordan)**
- 438 “The challenge should come out at the Board table during Board meetings. I am reluctant to create
the consensus offline. The hard discussions tend to be strategic. The Board contribution is to test
the ideas. It is about how the Board brings the challenge.” **(Abby Foote)**

Resist the pressure to conform

- 439 “Diverse thinkers need to “walk in talking”. We should not acclimatise ourselves to the norm of
the Boardroom, we should acclimatise the room to us, early on – otherwise our voices get lost.
Historically diversity on Boards has been about women joining, and learning how to fit in as a
minority among the men. When you come from a different culture, the pressure to fit in is even
greater.” **(Tania Simpson)**
- 440 “It is crucial that diverse thinkers make their ideas heard. This can mean stopping the conversation
from moving on if your point is being overlooked. You have to “hang tough”. Your responsibility is
to your shareholders, not to the rest of the Board.” **(Vaughn Davis)**
- 441 “Māori Directors tend to be deferential to those with more experience, and allow themselves to be
drowned out even when they have a valuable perspective to add.” **(anonymous interviewee)**
- 442 “Even someone with a very different background can start to think conservatively if conservative
people form the bulk of their professional relationships. It is something you need to be conscious
of; otherwise it is easy to adapt and conform without realising it.” **(Julia Raue)**
- 443 “An insight I had from a recent Board review was that while it is important to understand the
industry the Board is working in, Directors should not forget that they are there to bring other
perspectives. Directors can think that they “need to earn the right to be there” by being like everyone
else. But actually, their role is to complement others, not to duplicate them.” **(Kevin Kenrick)**
- 444 “Framing and using the language of the people in the room can help diverse thinkers be more
influential, but that this runs the risk of diluting or watering down those ideas. I suggested an
“open mic” at the beginning of a Board meeting, where stakeholders could come and give their
view to the Board. Had I phrased it in a more “Boardroomy” manner, it might have gotten over the
line, but then it wouldn’t have accurately conveyed the spirit of the suggestion.” **(Vaughn Davis)**

Confidence and courage

- 445 “Increasingly the problem is not getting diverse thinking Directors onto Boards but helping them
to be brave enough and confident enough to put forward a view which is different from others.
It is not what you say, but how you say it and sometimes diverse thinking Directors need to practice
more of the latter to be more influential.” **(Bruce Hassall)**
- 446 “You need to have courageous Directors willing to put up their diverse thoughts.” **(Sue Suckling)**

- 447 “There is no value from that different background unless the Director has the confidence to speak
up and to speak out. You have to be brave.” **(Susan Paterson)**
- 448 “The most important thing for diverse thinkers in being effective at the Board table is a sense of
maturity and confidence in their place in the world.” **(Dr Lee Mathias)**
- 449 “Diverse thinkers need to have something different to add and they have to be brave and confident
enough to put it forward.” **(Dr Arthur Grimes)**

Importance of building relationships

- 450 “I leverage the Māori cultural models of relationship building to help get to know my fellow Directors and help me influence as a diverse thinker. Humour is another tool I use which comes from my Māori worldview, and which proves a useful way of “relaxing and levelling” the Boardroom environment.” **(Tania Simpson)**
- 451 “What is most important for communication is the relationships you have with the other Directors. Diverse thinkers should spend more time building relationships with others. You can get to know people much better eating together and washing dishes together than you can sitting across the table in a Board meeting.” **(Vaughn Davis)**

Networking

- 452 “Networking is really important for diverse thinkers to get themselves noticed. They need to make themselves known to search consultants, the business community, and Director networks. Doing courses is also another way to network and can be a good way of strengthening relationships.”
(Liz Coutts)

Having support

- 453 “As a diverse thinking Chair it is really important to surround yourself with people to support you. As Chair, I delegate and devolve functions to the rest of the Board. It is more democratic (but not a “free for all”) and it gets good results. The Foundation North Board is extremely diverse, and to get them all to agree is not easy! Reframing is an essential tool. It is about clarifying the issue without turning the other Directors off.” **(Lyn Lim)**

Financial Literacy and sector knowledge

- 454 “Diverse thinking Directors need to have the financial literacy to assist for-profit business. If not,
they need to learn.” **(Bruce Hassall)**
- 455 “In complex environments, you need to understand how the sector works. Diverse thinkers need
to be willing to work hard and to be the best prepared.” **(Dr Lee Mathias)**
- 456 “The diverse thinker needs to demonstrate that they also have a “growth mind-set” and are curious
about others’ perspectives as well as their own.” **(Anne Loveridge)**
- 457 “Diverse thinkers need to tick more than one box. It is not about just being a different ethnicity or
having IT skills, you need to be adding value to the table in a multi-dimensional way. It is also about
what you do once you have been appointed – the way you conduct yourself in the Boardroom
impacts your ability to influence and to be heard.” **(Liz Coutts)**

Critical Mass of diverse thinkers

- 458 “It could be helpful to have more than one diverse thinker to avoid a sense of isolation as the
person challenging the status quo.” **(Dr Lee Mathias)**
- 459 “You need 30% of the Board to be diverse thinkers for those people to actually be able to make a
difference.” **(Liz Coutts)**

- 460 “There needs to be a critical mass of diverse Directors to be influential as even senior Directors
find it hard to challenge and to have their voices heard.” **(Kirsten Patterson)**
- 461 “I have taken massive professional risks in refusing to sit as the sole woman on Boards to fulfil a
quota and tick a box. Getting more diverse thinkers on Boards makes it less likely that others can
single you out as difficult.” **(Justine Smyth)**
- 462 “As a diverse thinker, I want to be on Boards which get the benefits of diverse thinking. You
do not want to be the minority; you want to work with people who are on the same page.”
(Cecilia Robinson)
- 463 “One needs to be brave to contribute diverse thinking. I’ve built my confidence over time but
having other diverse thinkers at the table helps. Having other people contributing in a different
way with different thoughts makes it easier for me to feel comfortable questioning respectfully or
presenting a different perspective.” **(Vanessa Stoddart)**
- 464 “It is very important to have more than one diverse thinker, so that the challenge to “mainstream”
ideas is not seen to be a personal “hobby horse” of one individual. Otherwise it is difficult not to
sound like a broken record.” **(Anne Loveridge)**
- 465 “One diverse thinking Director cannot wield enough influence around the Board table so there is no
point. You need at least two.” **(Sue Suckling)**
- 466 “The diverse thinking Director must not be isolated on a Board. Only having one will make it
impossible for them not to feel uncomfortable. There should be overlaps with other Directors on
the different lenses and views they bring to the Board table.” **(Philip Chronican)**

Amount of governance experience needed?

- 467 “There is room for Boards to be braver in selecting new Directors and I have observed this happening with positive results. Where Boards have a number of experienced Directors they should consider candidates with appropriate skills and expertise but perhaps less governance experience as a way of expanding the pool of Directors in New Zealand. But if such Directors are appointed, this might mean coaching the diverse thinker on their role. Regular Board evaluations are also important to provide feedback to Directors and identify ways in which they might contribute more effectively.”
(**Prue Flacks**)
- 468 “While it is important that the Board has governance experience, it is not necessary that each and every Director has it. Governance can be taught, but other skills cannot – so we should not sacrifice other expertise for governance skills. But we also need to ensure we don’t appoint Directors who really don’t know enough to ask the right questions.” (**Susan Paterson**)
- 469 “It is good to have a balance of experience across the Board – to have a good balance between value added by people with life experience, and the fresh blood that people with less experience bring. The trick is to avoid too little experience – or too much.” (**Tony Carter**)
- 470 “In my professional experience, I have encountered Boards who have appointed Directors that have not had previous Board experience but who brought professional experience that the Board did not have i.e. social marketing experience. This created value and added a fresh perspective to the Board.” (**Maurice Ellett**)

Executive search firms and recruitment of Directors

How recruitment of skilled Directors with diverse thinking should happen

- 471 "We need full engagement by Boards in the selection process. There needs to be clarity on what the Board is looking for, and full buy-in from the whole table. There needs to be a commitment to an environment where challenge and debate is welcomed." **(Mary-Jane Daly)**
- 472 "Long lists need building from all manner of diverse sources. The brief should focus on diversity at its core. The recruitment firms should be charged with only coming back with a diverse set of names... Amazon in their process have a standard role called the bar raiser who is trained to protect against unconscious bias and assess the cultural fit against 14 leadership principles Amazon hold dear. They also have the right of veto on any appointment."¹⁸ **(Doug McKay)**

Executive search only advises and doesn't decide

- 473 "Although Chairs and nominations committees make the ultimate decisions, executive search firms play a key role in finding a range of candidates and positioning them or helping to argue their effectiveness. We challenge ourselves to cast the net as wide as possible." **(Claire Denison)**
- 474 "External search agencies are desirable and are being used more frequently. But it depends whether the executive search agency is prepared to tell the Board what they think despite knowing that it is not what the Chair wants to hear." **(Maurice Ellett)**

Boards say one thing, but do another

- 475 "I have heard about Boards that say they want diversity and then dismiss it during the appointment process." **(Mark Verbiest)**
- 476 "There is lots of conversation in governance circles about diverse thinking. But I am not sure if much action is actually happening. Chairs are conscious that they should be thinking about "diversity", but there is still confusion about the distinction between diversity and diverse thinking." **(Carrie Hobson)**
- 477 "There can be a disconnect between what Boards say they are looking for and what sort of Director they actually want to appoint. Assignments can be quite challenging when clients don't get diverse thinking. When presented with a long list, there is a tendency to strike out people who do not fit the picture in their heads of the right candidate, i.e. someone who has had a particular set of roles or experience in particular companies. It's an unconscious bias issue really, and a fear of the unknown." **(Sarah Naudé and Matt Stanley)**
- 478 "We challenge ourselves to help clients to get over the fear and go outside their networks. We use tools such as the Hogan leadership assessment tests to help mitigate the fear of a "bad fit" which is more intense when the candidate is not known to the client. The interview process can be full of bias. Whether a person interviews well or not does not necessarily mean they will be a good or a bad choice. Diverse thinkers may not interview in the typical way expected by the Chair and other Directors and this can be off-putting for clients." **(Sarah Naudé and Matt Stanley)**
- 479 "The appointment of diverse Directors can get unstuck by "Chinese whispers" in the Director community. Someone can start out having a few comments made about them that they are a bit edgy or contrarian. As the message gets around over time, the narrative can easily become exaggerated so that they are "disruptive" or "non-collegial"." **(Mark Ashcroft)**

¹⁸ Greg Bensinger "Amazon's Current Employees Raise the Bar for New Hires" *The Wall Street Journal* (online ed., 7 January 2014).

Comfort with usual networks and the continuation of shoulder tapping

- 480 "There is bias to any selection process. Director appointments have historically been a lot about
who you know. This is changing over time with a growing expectation of completing a thorough
search and appointment process as you would for executives to ensure you get the very best
person for the job." **(Sarah Naudé and Matt Stanley)**
- 481 "With a list of candidates, there should be names you haven't heard of." **(Graeme Milne)**
- 482 "Anecdotally perhaps 85% of Board and executive-level appointments are made by word of mouth.
Chairs need to say to recruiters "we want a diverse slate of candidates, not just your mates." You
need to interview at least four people for a role and make sure there is diversity among them. The
biggest impediment to change is Board Chairs and headhunters who do not put up a diverse slate
of candidates." **(Geoff Ricketts)**
- 483 "Often, the process of Board renewal and appointments is a brutal one, driven by a minority of
powerful Directors who dictate choice and outcomes. The delicate balance between sufficient
diversity of thought/debate and clarity of future direction is sometimes held hostage to tribalism
and group think." **(anonymous interviewee)**
- 484 "Rigorous appointment processes are happening in pockets but not consistently in New Zealand
governance. There is still quite a lot of shoulder-tapping and informal processes occurring. Some
Chairs prefer the measure of control and compliance that comes from this approach. But control
and compliance does not necessarily foster diversity or lead to improved corporate decision
making and performance." **(Carrie Hobson)**
- 485 "We need to move away from concerns about "cultural fit" and move towards "cultural add."
(Peter Kerridge)

The best approach is independence – the “no prior relationship” rule

- 486 "A particular issue for New Zealand Boardrooms is Director independence. In an ideal scenario (and as discussed by Richard Leblanc), Directors should not have a prior relationship with anyone on the Board. When diverse thinkers are brought on by the Chair because of a prior relationship, for example, being friends with the Chair's son or daughter, they will find themselves reluctant to disagree with the Chair." **(Peter Kerridge, Kerridge & Partners)**
- 487 "If we applied the "no prior relationship" rule across New Zealand Boardrooms, it would empty out half of them. But that would be no bad thing – it would make space for people from the provinces, people from different industries and backgrounds – not the usual suspects you find at the Northern Club, Omaha Beach, or the Koru Lounge. Everyone, including shareholders, needs to be more informed about what is important in a Board Director." **(Peter Kerridge)**
- 488 "None of the Board members on the Spark Board knew each other and this allowed them to start on a level-playing field as equals, and to build mutual respect quickly. It's a great diverse thinking Board." **(Justine Smyth)**

Good diverse candidates will get noticed

- 489 “Even though it can be frustrating when great diverse thinkers are passed over for more typical candidates, it is never a waste of time having brought them through the process. It is incremental and we are moving slowly, but the more exposure clients have to diverse thinkers, the more open they are going to be to considering them. The governance world is small; when diverse thinkers do well, word gets out quickly and demand increases.” **(Sarah Naudé and Matt Stanley)**

Limitations of the recruitment tools

- 490 “Skills matrices are frequently used for Board appointments, however these often ignore the more abstract qualities associated with diverse thinking. There does need to be a skills balance but we should not elevate traditional competencies (i.e. accountancy, law) at the expense of diverse thinking.” **(Dr Lee Mathias)**

Current recruitment trends

- 491 “My clients are interested in appointing Directors with customer experience, digital and
transformational skills, deep industry knowledge and strategic abilities.” **(Carrie Hobson)**
- 492 “In the last 18 months, Propero has found that people are looking to age and ethnicity (Asian and
Māori) more than gender, as a way to add more diversity of thought and experience to the Board.
Six years ago, it was Directors with IT skills who could help with digital disruption. Boards are also
exploring how the experiences of individual Directors affect Board composition and conduct.”
(Sarah Naudé and Matt Stanley)

Public sector versus private sector Boards

- 493 Public and private sector Boards sometimes have different objectives but they still have valuable things to teach each other when it comes to maximising diverse thinking in decision-making.
- 494 “In my research into whether the amount of diversity on Boards influenced members’ perceptions of what made an effective Board, we found that overall, both state owned enterprises (“SOE”) and publicly listed company (“PLC”) Board members believed that the chair played a key role in driving Board effectiveness. However, SOE participants:
- (a) viewed ‘weak Director characteristics’ – such as negative attitude and lack of commitment and ‘weak Board relationships’ – such as lacking in trust and respect and personality clashes – as a cause for a Board to be less effective more so than PLC participants.
 - (b) were more likely to identify poor Boardroom practice – the failure to create an atmosphere that facilitates quality debate and effective decision making – as a further driver of an ineffective Board; and
 - (c) more often emphasised the importance of the influence of the Chair in fostering good Boardroom practice, positive group dynamics and maintaining an open and respectful atmosphere.”¹⁹ **(Janine Smith)**
- 495 “My exposure to public sector Boards has helped me think more diversely in my private sector Directorships. Many of the non-financial KPIs in my public sector Board Directorships support broader community outcomes which brings a different perspective to customer centricity. They also have helpful accountability measures to evaluate the performance of the business.” **(Mary-Jane Daly)**
- 496 “Political appointments may be made without input of the Chair and without a view to the required skills and experience needed by the Board. The Chair then has the added challenge of drawing value out of that member without an understanding of the skills or experience (beyond politics) that that member brings to the table. This may affect the amount of diverse thinking on Boards. It is important that the Treasury puts up diverse thinking candidates.” **(Traci Houpapa)**
- 497 “Treasury appointments are where many Directors get their start, and there is a question about whether they are appointing the right people or just picking the “safe” options. We may have the same problem with the Ministry for Women and the Office of Ethnic Affairs.” **(Dr Arthur Grimes)**

¹⁹ Deryl Northcott and Janine Smith "Board Diversity and Effectiveness: Implications for the Role of the Chair" (2015) 12(3) Corporate Ownership & Control 261.

- 498 “Diverse thinking has made a difference in the entities I Chair, because the voice is different, the
thought pattern is different, the networks are different. Challenges can look quite different through
the various lenses.” **(Mavis Mullins)**
- 499 “In the public sector, we’ve got the “surface level diversity” down. In other words, we have
women, brown faces, and (to some extent) Asian faces around the table. But to get really diverse
thinking takes a lot more effort. There is no easy way to assess and attract diverse thinking.”
(Vaughn Davis)

Treasury View

- 500 “Diverse thinking brings a different perspective to strategic planning for business and customers’ needs now and in the future, as well as risk mitigation. SOEs’ and Crown Entities’ strategic plans and vision statements can be a useful tool for the Treasury in determining what sort of diverse thinking the Board is looked for.” **(Gael Webster)**

Ministry for Women view

- 501 “The Ministry for Women has seven main tactics for making sure New Zealand Boards can benefit from diverse thinking women candidates. We have a database of over 1000 “Board-ready” women that can be put forward for appointment, and encourage search agencies like the Treasury and MBIE to tap into this. We set targets for gender diversity on state sector Boards and committees, monitor the gender of appointees to state sector Boards and committees and publish an annual stocktake, develop the pipeline of qualified women for appointment, raise awareness of the benefits of appointing women to Boards through case studies, and work with other agencies to enable a systems approach to change, including data collection.”
- (Renee Graham and Amanda Neemia)
- 502 “The Ministry for Women wants to challenge conceptions of what is required when it comes to Board composition. It is about offering someone different with a different background and different point of view.” (Renee Graham)

Māori Boards

- 503 "Māori Boards are a little more diverse than most. There is a spectrum of education, of financial status, of age and experience. You might have an old uncle who still remembers the battalion days and you might also have their moko who is studying IT and is hooking up the marae! In the Māori governance space there is still the challenge between best governance practice and Tikanga." **(Mavis Mullins)**
- 504 "Pākehā Boards can learn from Māori Boards when it comes to perspective and taking the big view, which I call "the 100 year plan." Māori also have a different view when it comes to our "natural capital" – for example, the relationship with Ranginui (Sky Father) and Papatūānuku (Earth Mother). When you recognise her with a face and a name, it brings in a different level of responsibility to create a pathway forward." **(Mavis Mullins)**
- 505 "Māori Boards can be a bit insular. Māori Boards need to start with "what are the aspirations of this organisation?" It is a unique challenge. Sometimes fulfilling the aspirations will require having tauwi (non family) around the table. It will require voting on capability, not whakapapa. In the Māori governance space there is still the challenge between best governance practice and Tikanga or cultural norms. I am majorly impressed at how these shark infested waters can be skilfully navigated by experienced practitioners leading to excellent outcomes." **(Mavis Mullins)**
- 506 "Māori Boards have a unique challenge. Creating an environment of free and frank discussion where no one takes offense can be difficult when everyone is related! Again, it is about how you make your point – if you're going to give them a sharp word, then ensure there is a hug afterwards as well. The Atihau-Whanganui Inc. Board has a healthy dynamic around free and frank conversation." **(Mavis Mullins)**

Assessment of Diverse Thinking Capability in NZ Boardrooms

Variable performance

- 507 "It's a range. One recent example would be a 1, quite insular and not open at all to new thinking. In fact, that Board had an allergic reaction to it. Others, and more than one, I would rate as 4s pushing into 5, Boards which are trying really hard to build this aspect and getting there over time." **(Doug McKay)**
- 508 "I rank the diverse thinking capability of New Zealand Boards as a 2.5 to 3 out of 5. In some areas, there is appetite to change and those Boards are probably about a 4.5. But others have substantial barriers and are operating around the 2.5 level." **(Dame Jenny Shipley)**
- 509 "Diverse thinking on New Zealand Boards is variable. Some people are still using a tick-box approach, others realise that diversity means diverse thinking and not just having a woman or a Director of a different ethnicity or a young person." **(Liz Coutts)**
- 510 "There are still "pockets of dinosaurs" out there." **(Joan Withers)**
- 511 "There is still significant resistance in pockets to diverse thinking." **(Carrie Hobson)**
- 512 "We are moving along the right path but not everyone is on the same track yet. Generally at the top end of town, the importance of diverse thinking, its benefits and the empirical case for diverse thinking is well understood. Mid-sized companies and private companies appear to be further behind. However, in terms of the actual statistics which ultimately evidence the outcomes I would like to see, we still have a long way to go." **(Mark Verbiest)**
- 513 "We're not at the halfway point yet – there are pockets of real awareness, but a lot of the people talking about it don't quite know how to make that happen!" **(Mavis Mullins)**
- 514 "I give New Zealand Boardrooms a 4 out of 5 for diverse thinking capability. But, generalising (as some would be better than others), they are only a 3 when it comes to extracting the value of diverse thinking from around the table – we potentially have it in some areas but it is not being fully harnessed." **(Vanessa Stoddart)**
- 515 "There is huge variation in the diverse thinking capability of New Zealand Boardrooms. Some are a 2, others are a 4. It is too difficult to generalise. But change can happen quickly. Just look at how fast ESG (Environmental, Social, Governance) reporting has come to the fore. Having more diverse thinking Directors will probably be forced on them and companies would be better to embrace the concept." **(John Hawkins)**
- 516 "Progress depends on the organisation and whether it recognises the value of diversity or whether it is simply being dragged along by others." **(Mary-Jane Daly)**
- 517 ""Boards at the big end of town have generally done well (in contrast to smaller companies who have struggled), but management has not necessarily followed." **(Tony Carter)**

Diverse thinking revolution is yet to happen in New Zealand

- 518 “The diverse thinking revolution is yet to happen. Business is simply behind, given the way the
world/New Zealand has transformed. I do not think diverse thinking on Boards has got better over
time.” **(Rob Campbell)**
- 519 “We haven’t cracked it (inclusive and diverse Boards) yet. We’ve still got so far to go. There is
phenomenal value in difference and diversity of thinking and challenge. We have not yet seen the
full benefit from that.” **(Kirsten Patterson)**
- 520 “There is still significant room for growth in diverse representation on private sector Boards. Only
19 percent of Board members in NZX’s listed companies are women. In the public sector, we

are doing much better as the Minister and Ministry are setting targets and driving change but there are still challenges. It is vital that we improve diverse representation and diverse thinking on Boards. It is about thinking diversely and working collectively for the betterment if all New Zealanders.” **(Renee Graham and Amanda Neemia)**

New Zealand vs Australian Boards

- 521 "I have noticed a difference between my New Zealand Boards and Australian Boards when
it comes to gender mix. On Steel & Tube there is always at least two women, and most
of the time three. In Australia, I am usually the only one, or one of two on non-profit Boards."
(Rosemary Warnock)
- 522 "Although New Zealand Boardrooms are not perfect, at least there is a dialogue happening here!
I had a conversation with an Australian Chair where I jokingly pointed out the lack of diversity
around the table and received a very cold response. So we are better than Australia - but that
is nothing to aspire to! We have to go further. Sporting bodies for example, really do need more
diversity round the Board tables." **(Cameron Harland)**

Is diverse thinking capability increasing?

Directors positive about progress

- 523 "My experience over the last 12 years is that there has been more thinking through of the implications of appointing diverse and challenging Directors. Challenge is welcomed more now than it was and with every new generation, change is accelerating." **(Abby Foote)**
- 524 "My experience at Steel & Tube shows the evolution of diverse thinking in New Zealand Boardrooms. When I was first appointed seven and a half years ago, the thinking was very conservative and old school. Now there is a lot of diverse thinking. On the basis of that experience I would rank the current capability of New Zealand Boardrooms a 3 – 4." **(Rosemary Warnock)**
- 525 "There is a huge awareness of the importance of diverse talent, and there is a genuine desire to get it right. But it will not happen overnight... I have seen great progress in the last 20 years that I have been a professional Director, and even more in the last 3-4 years. The establishment of SOEs and Crown entities under Dame Jenny Shipley and Helen Clark was a real driver for increasing Board diversity. The listed sector has been slower but they are making progress now." **(Liz Coutts)**
- 526 "Change will take time, but it is happening as more people see governance as a professional career, or as an adjunct to their main career." **(Prue Flacks)**
- 527 "We are doing better than other countries. The media only reports the bad Boards who have failed to prevent a deterioration of performance leading to a loss of shareholder value." **(David Pilkington)**

Directors more negative about progress

- 528 “We’re having the same debate as we had five years ago and ten years ago – the dial hasn’t moved.” **(Cecilia Robinson)**
- 529 “We haven’t really started diverse thinking on New Zealand Boards.” **(Barbara Ala’alatoa)**
- 530 “I do not think we are looking for diverse thinking consciously. We talk about it but we are not actually doing much about it. We are really only talking about gender equality, putting women on Boards, and on public Boards (SOEs, CCOs). Although I have seen some benefit from diverse thinking, I do not feel it is enough.” **(Danny Chan)**
- 531 “In my experience I can see open minded people (Chairs) who encourage different perspectives – although the “diversity” on Boards is generally fairly limited (in terms of socio economic background, age, business experience)the diversity of gender element (which is still not hugely evident) is probably stronger than many other dimensions.” **(Anne Loveridge)**

- 532 “We are in transition but we are moving way too slowly.” (Kevin Kenrick)

How do we improve diverse thinking capability on Boards?

Leadership

- 533 “More diverse thinking requires greater leadership.” **(Janine Smith)**
- 534 “New Zealanders do not like to be last – if we feel like we are losing momentum compared to other countries that will be a motivation to catch up.” **(Liz Coutts)**
- 535 “Where diverse thinking is lagging, people need to push from within - we cannot accept the status quo as optimal.” **(Mark Verbiest)**
- 536 “There is a group of Chairs who are really committed to building diverse Boards and leading them in a way that harnesses that expertise. There is still a primary focus on gender balance but this is slowly broadening out over time.” **(Sarah Naudé and Matt Stanley)**

Frank assessment of Chair and Board performance

- 537 “We are on a journey, but an increasingly frank assessment process of the contributions of
individuals is needed. This is particularly true of the Chair’s role. Feedback on their performance
around the effective use of the diversity represented by their colleagues is important.”
(Peter Griffiths)
- 538 “Board Chairs need to stand the scrutiny of their fellow Board members either through anonymous
surveys or independent review. 360 degree reviews can be helpful for all layers of the organisation.
With these tools it is important to emphasise constructive criticism and not negative bagging.”
(Mavis Mullins)

Greater support for diverse thinking Chairs and Directors

- 539 "We need to support diverse thinking Chairs and Directors. The normal competency (skills) matrix
needs to change. It is old world." **(Murray Jordan)**
- 540 "Directors and Chairs need to recognise the value of diverse thinkers, especially those that would
not necessarily be considered "Director material". We need diverse thinking Directors to support,
encourage, and elevate other diverse thinkers...Diverse thinking is not something that will simply
improve with time – action is required. We need to educate Directors and Chairs about how to
bring that diverse thinking to the table – both by appointing diverse thinkers, but also encouraging
diverse thinking from the whole Board."" **(Dr Lee Mathias)**
- 541 "Everyone needs to be advocating for diverse thinking because it is ultimately about performance.
The Shareholders Association, the Institute of Directors, the senior Directors, so that we get to
more and faster change on the diverse thinking front." **(Geoff Ricketts)**
- 542 "Boards need to make diverse appointments, and then make sure they really use those people's
diverse thinking, otherwise it's like buying a Swiss army knife and only using the knife blade."
(Vaughn Davis)
- 543 "Great Chairs like Rob Campbell who are prolific readers are always sending relevant information
out to the rest of the Board. Boards need to go on trips and broaden their experiences of future
disruption. Even if those ideas do not have an immediate fit, Directors need to be aware of them
to be future ready." **(Sue Suckling)**

More training for Chairs

- 544 “We need more training for Chairs, and we need more diverse thinkers appointed as Chairs. We need more real accountability of what Chairs do, otherwise they can squash diverse thinkers and no one can hold them to account.” **(Hon Margaret Wilson)**

Building a better pipeline of diverse thinking Directors, through broader networks

- 545 "We need to better build the pipeline by getting Directors at executive level who are still working
and engaged in the business. We also need to encourage good diverse thinking Directors who
have left New Zealand to come back." **(Julia Raue)**
- 546 "Chairs must broaden their networks. One way to do that is through the Future Directors
programme." **(Liz Coutts)**
- 547 "The Future Directors programme is an important tool for getting New Zealand Boardrooms to 10
out of 10. Mercury Energy has just appointed their third Future Director and each one has brought
significant value to the Board. Even though they do not make decisions, they do add substantially
to the discussion and debate." **(Joan Withers)**
- 548 "The Future Directors programme is a step in the right direction for getting more diverse thinking
and improved skills on Boards." **(Carrie Hobson)**
- 549 "We need a broader pool of Directors so there is a wider selection of diverse thinking available.
NZSA was involved in the development of the Future Directors programme. It has been enormously
successful, and both the Future Directors and the rest of the Board get a lot out of it. But anecdotally,
quite a few of the people that were on Future Directors have not made the breakthrough to a full
time professional Director role or even public Board appointments." **(John Hawkins)**

The role of shareholders in growing diverse thinking in New Zealand Boardrooms

What Directors think about the shareholders' role

- 550 “Boards can sometimes feel pressure to appoint a well known person and shareholders are partly responsible for this. It is important that shareholders take the time to understand what expertise particular Directors bring to a Board.” **(Prue Flacks)**
- 551 “Getting “big names” onto Boards does not necessarily increase the amount of diverse thinking.” **(Justine Smyth)**
- 552 “The New Zealand Shareholders’ Association has a useful role to play in Board refresh. They can push to ensure that not only is there diversity at the Board table but that that diversity is relevant for the Company.” **(Vanessa Stoddart)**
- 553 “Shareholders could play a more activist role in ensuring diverse thinking on Boards. Boards have a fiduciary duty to shareholders so their voices should be heard too.” **(Carrie Hobson)**

The New Zealand Shareholders Association's view

- 554 “Institutional and retail voters often don’t vote their shares in a company. Half of the investors in Fletcher Building, for example, did not vote their shares. There is a huge amount of apathy. Many shareholders do not have the time or feel they do not have enough knowledge to contribute. Proxy voting is a good tool in this respect but it is proving difficult to arrange standing proxies where trusts are involved.” **(John Hawkins)**
- 555 “New Zealand institutions are too short term in their thinking and this creates problems and pressures on Boards. Institutional investors are happy to divest their stake and then buy back in at rock bottom prices knowing that the company will build itself back up. This is frustrating for retail shareholders who usually take a longer term approach. With the dominance of institutional shareholders in some companies, it is also difficult for retail shareholders to get enough votes to make a difference.” **(John Hawkins and Michael Midgeley)**
- 556 “NZSA have been strong supporters of diverse thinking on Boards for a long time.” **(John Hawkins)**

- 557 "Directors need to be able to have the "common touch", and to have empathy across everything the business does, whether that is suppliers, staff, or customers. It is a holistic approach. It is companies who have a narrow focus on maximising financial return who get themselves into trouble. It is a "modern no-brainer" to be looking at People, Planet, and Profit, not just profit. You are doing business in a community – and to do business, you have to stay in business. You do not want to burn a lot of bridges along the way." **(John Hawkins)**
- 558 ""CEO capture" is something NZSA thinks about a lot. Wynyard is an example of the trouble this can cause. NZSA does not favour the US model of executive Chairs who are also the CEO. We also do not favour the Managing Director model. Governance and management are complementary but they are not the same and should not be treated as the same. Shareholders do have power but they often do not realise it. Many shares are held custodially, so shareholders do not even get notices of meetings." **(John Hawkins)**

Younger Directors

Impact of generational change on diverse thinking

- 559 “Generational change will inevitably deliver more diverse thinking around Boardroom practice. The older generation of Directors has less exposure to challenge around the Board table and are used to more consensus.” **(Abby Foote)**
- 560 “I am hopeful that generational change will improve the level of diverse thinking in New Zealand Boardrooms.” **(Cameron Harland)**
- 561 “Generational change is also a factor. In the past there has been some resistance (or at least unconscious bias against) to diverse thinkers. Most Directors of that generation have gone, and my generation is going. So change is happening.” **(Geoff Ricketts)**
- 562 “Generational differences are one way to achieve diversity. They’re not always the only way, but inevitably different stages of life experience will bring diverse thinking.” **(Anne Loveridge)**
- 563 “There is a new generation coming onto Boards who have confidence in their own persona and who are comfortable in their own skin, who understand that they do not need to change and do have the confidence to bring their different views to the table. There are already Directors like that on Boards, but the new generation will bring more of such Directors.” **(Bruce Hassall)**
- 564 “There are some younger Directors coming through who are independent in their thinking and have the “metal in their belly” to back it up. They are less likely to be forced into a straitjacket.” **(Steve Reindler)**
- 565 “Older dogs can learn new tricks, and do so everyday. Generational change is not the total answer.” **(Peter Griffiths)**

Why we need young Directors

- 566 “Younger Directors can bring expertise regarding technology and changing consumer demand. The Board must be able to anticipate and adapt to these changes.” **(Justine Smyth)**
- 567 “The lack of diverse thinking is going to hit Boards who do not have younger members. The generational knowledge gap is massive. The information the current set of Directors have is not going to be useful to the next generation. It is hard for Directors to say they have insight into youth when they do not even know how to use an iPad! That has to change.” **(Tania Simpson)**
- 568 “What Boards are most missing/lacking at the moment are young people, given the IT revolution, which is the future. There are an increasing number of young Directors who are bicultural and bilingual, who will be Board ready soon.” **(Danny Chan)**
- 569 “Generational change is absolutely relevant to maximising the benefits from diverse thinking on

Boards. Having sufficient generational spread is critical to ensuring that the Board understands its stakeholders, its customers, its shareholders, its members, and its New Zealand (and global) market. As an example, a Board made up of entirely baby boomers may not understand the influence that social media or apps is having on their customer base.” **(Julia Raue)**

- 570 “It is critical that we get younger voices heard at the top level. Because promotion is often based on seniority, young people’s ideas can get diluted and sanitised as they come up through the hierarchy. People say that they understand the youth perspective because they have children, or nieces and nephews, or grandchildren. But often those children they have exposure to are being brought up in the same privileged environment most Directors enjoy and are part of that “bubble.” They are not getting the value of different youth voices.” **(Kevin Kenrick)**

Barriers to young Directors

- 571 "Fees can be a barrier for recruiting younger Directors in particular. Often Directors' fees are less
than you could earn in a professional career. That can be a barrier to younger people seeking
Directorships early." **(Prue Flacks)**
- 572 "I have met resistance to appointing younger Directors. The other Directors have such a strong
perception that young Directors will be inexperienced and disruptive, that they are not even willing
to entertain a theoretical conversation about appointing these people." **(Sue Suckling)**
- 573 "Marita Cheng, the 2012 Young Australian of the Year, who started her own robotics company
at 25, has an 82 year old mentor. So she is embracing age diversity in her business. Talking to
Marita has broadened my own experience as a Chair and Director about what the future holds."
(Sue Suckling)

Directors are starting governance career earlier

- 574 “People are now embracing governance as a career at an earlier career stage than in the past. They are starting younger and spending more time training and learning. This makes them more receptive to the idea of working to develop governance expertise and open to change.”
(Abby Foote)

Importance of diverse thinking CEOs and management

The value of diverse thinking for management

- 575 "If diversity at the Board is a source of advantage, then it must be materially more important within the business, so CEOs must play their role in maximising the leverage from diverse thinking." **(Peter Griffiths)**
- 576 "An open mind-set must extend to the management team. The Board can say what it wants but it is the executive that implements it, or not. They can kill diverse thinking by simply ensuring it is not implemented. The Board needs to have a focus on making things happen and not be captured by the DNA of the organisation. So the Board needs to take active steps to get results. Standing agenda items are a good strategy to achieve this end." **(Sue Suckling)**
- 577 "It is not just the Board who need to be receptive to diversity, it is management as well. If management do not respect a Director, it is very difficult for them to get traction. You do have to earn that respect though; you do not get it just by virtue of your position as a Director. Management need to want to be at the meetings and to see it as an opportunity to work together to get a good result. An inclusive culture requires management to value the Board's role." **(Tony Carter)**
- 578 "We are doing a reasonable job at the Board level at getting diversity, but executive teams have not followed. Generally, there is a female HR Director but the rest are male. But Boards need to set a good example before they bring management teams along with them." **(Tony Carter)**

- 579 “The culture of valuing diversity needs to be broader than the Board table – it must extend into the management team as well. If the management do not respect diversity and the diverse thinker, the diverse thinker will not be able to be effective.” **(Mary-Jane Daly)**
- 580 “CEOs also need to adopt a “growth mind-set” and be curious rather than dismissive of different ideas.” **(Anne Loveridge)**

Governance/management split

- 581 “There is paranoia around the governance/management divide that gets in the way of Directors understanding the business. But in fact, the International Institute for Management Development in Lausanne teaches that half of the information Boards receive should come from outside management.” **(Peter Kerridge)**
- 582 “I question the differences between the roles of management and the Board and where the line is drawn. Diverse thinking should extend to thinking about the demarcation and challenging it.” **(Murray Jordan)**
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Abby Foote



Quotes

- “Sometimes a Director with a reputation for being a challenger is appointed because the market/shareholders demand it. It is part of the trend. But the Board has not necessarily thought through the implications of that challenger coming on Board. The result can be that challenges are not picked up. You challenge and then there is silence. “
- “The response to the challenge may be to dismiss it on the basis that you do not understand the business. It does renew your determination to challenge. Challenge is one of the key roles of the Board.”
- “People are now embracing governance as a career at an earlier career stage than in the past. They are starting younger and spending more time training and learning. This makes them more receptive to the idea of working to develop governance expertise and open to change.”
- “I think it is easier to work through diversity of thought when there are shared values that underlie the Board.”
- “Other Board Directors are often receptive to new challenge. They take you aside and say “great that you’re raising these issues. If you continue to do so, I will support you.”
- “Generational change will inevitably deliver more diverse thinking around Boardroom practice.”

Background

Abby Foote is an experienced professional Director with an extensive legal and accounting background. Based in Christchurch, she has more than 20 years experience in a range of senior management, treasury and legal roles. Her extensive governance experience of both NZX listed and Crown owned companies includes current roles as a Director and Chair of the Audit and Risk committees of The Museum of New Zealand Te Papa Tongarewa, TVNZ and Livestock Improvement Corporation Limited. Abby is also a Director of Sanford Limited, Freightways Limited and Z Energy where she chairs the Health, Safety, Security & Environment Committee. Her past Director appointments have included significant organisations like Transpower NZ Limited, Diligent Corporation, BNZ Life Insurance Limited and NZ Local Government Funding Agency Limited.

Diverse Thinking Capability Audit

3.5 / 5

"Challenge is welcomed more now than it was, and with every new generation, change is accelerating."

Abby's views

Abby was the first woman on the Z Energy Board along with Justine Munro. For the first 6 months, she had the impression that the questions she was raising represented a perspective that had not

been represented on the Board previously. Peter Griffiths, the Chair, was very open. Julia Raue joined as another woman Director later. There was only one occasion when they had to vote formally at the Z Energy Board. There is usually a lot of consensus without everyone needing to agree. The CEO also plays a valuable role.

As a younger Board Director, Abby embraced being a professional Director as a full time career option. She had her first Director role at 32. She sees a Director's duty as being first and foremost to the company and that may mean that you do not make friends with everyone. Her focus was on the best interests of the company.

The older generation of Directors has less exposure to challenge around the Board table and are used to more consensus. Sometimes a Director with a reputation for being a challenger is appointed because the market/shareholders demand it or Boards recognise that it is an area they need to do better at. But the Board has not necessarily thought through the implications of that challenger coming on Board. The result can be that challenges are not picked up. You challenge and then there is silence. Often you find people trying to be polite but they do not know how to deal with the challenge. The response can be to dismiss the challenge on the basis that the challenging Director does not understand the business. It does renew your determination to challenge and challenge is one of the key roles of the Board.

Abby's experience over the last 12 years is that there has been more thinking through of the implications of appointing diverse and challenging Directors. Inclusion is probably the more important element to emphasise over diversity in itself.

The other Board Directors are often receptive to new challenge. Abby has experienced other Directors taking her aside and saying “great that you’re raising these issues. If you continue to do so, I will support you.”

Some people try and get their point or challenge across outside of the Boardroom, to prevent being snubbed or creating awkwardness or disruption. Abby is of the view that the challenge should come out at the Board table during Board meetings. She is reluctant to create the consensus offline. The hard discussions tend to be strategic. The Board contribution is to test the ideas. It is about how the Board brings the challenge.

Abby thinks that is because people are now embracing governance as a career at an earlier career stage than in the past. They are starting younger and spending more time training and learning. This makes them more receptive to the idea of working to develop governance expertise and open to change.

As people see more of the disruptive forces with technological innovation and digital revolution, Directors are more open to thinking about issues in non-traditional ways because there are more non-traditional challenges. They're doing more to upskill themselves and there are more challenges around how to recruit the best Directors. For example, some of the risk challenges require you to think differently. If you see governance as more of a career then you are on a continual learning path and you know you do not have all of the answers so you are always trying to improve and learn more.

In response to how diverse candidates become influential on Boards, Abby's advice is the challenge always has to be commercial. You have to have absolute clarity about the goals you are trying to achieve by challenging.

Generational change will inevitably help to deliver more diverse thinking changes around Boardroom practice. Age diversity brings more diverse thinking. Abby's experience is that challenge is welcomed more now than it was, and with every new generation, change is accelerating.

Angela Mentis



Quotes

- “Compliance, governance and diversity of thought are not always considered natural partners but selecting Board members with a track record of delivering will help ensure that as well a broad perspective, they also have the collaboration and partnership skills required for being a successful Board member.”
- “The Board needs to foster and role model an inclusive culture.”

Background

Angela Mentis was appointed CEO and Managing Director of Bank of New Zealand (BNZ) in January 2018. She has been a Director on the BNZ Board since December 2016. She has extensive business, retail and institutional banking and wealth management experience, spanning more than 29 years. Angela was previously Chief Customer Officer – Business and Private Banking with BNZ’s parent company, National Australia Bank (NAB), a position she held from August 2016. Beginning her career at Macquarie Bank, Angela has held senior management positions at BT Financial Group, Westpac and Citibank Limited. She is a graduate of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia (FINSIA) and a member of Chief Executive Women.

Angela's views

Angela thinks that the prize is in the Chair and Board understanding their unconscious biases first and foremost and also being prepared to acknowledge them to the Board peers.

She thinks having a Board with the right skills, diverse thinking, experience, gender, ethnicity, CQ and EQ is critically important, especially for businesses facing periods of disruption and change.

The Chair plays a critical role in ensuring all voices are heard as well as how challenges are considered around the Board table. For diversity of thought to truly be valued, all voices and perspectives need to be treated equally and this is sometimes a challenge for more traditional Boards when experienced subject matter experts have been recruited and their market or industry shifts considerably and other skills and experiences need to be called upon.

Angela notes that gender contributes significantly to diversity and more women CEOs and on Boards bring new strengths. But it is not enough to simply be a woman to bring diversity of thought. It's an important step in the right direction for Boards but we need to keep pushing further to really drive diversity of thought into a multitude of others areas including of culture, ethnicity, work and life experiences, language, family etc.

She says that compliance, governance and diversity of thought are not always considered natural partners but selecting Board members with a track record of delivering will help ensure that as well a broad perspective, they have the collaboration and partnership skills required for being a successful Board member.

Angela says that the collective wisdom of a Board with embedded diverse thinking can often mean avoiding 'group think' when the same group of people act together to minimise conflict and/or a wish to move forward at pace missing out the steps a more diverse Board might take, simply because their broader perspective drive a broader range of questions from the outset.

Overall, she believes that embracing and encouraging diversity of thought does not mean Boards have to compromise on skills, qualifications and experience. Purposefully adding diversity of thought as a consideration when appointing members, and selecting new Board members who bring diversity of thought, perspective and experience who can collaborate and challenge, will enable better decision making.

Angela has considered some of these issues in an interview with Russell Reynolds Associates. The article "Q&A with Angie Mentis – "Leading Diversity & Inclusion"" can be found on Russell Reynolds' website.²³

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²⁰ Mina Ames, "Q&A with Angie Mentis – "Leading Diversity & Inclusion"" *Russell Reynolds Associates* (online ed, Auckland).

Anne Loveridge



Quotes

- “Director and Board assessments and self-assessments should include a question on diverse thinking to make sure everyone is thinking about this.”
- “Board Chairs openly commenting that they are interested in a person’s ideas because they think differently or have a different perspective encourages and empowers diverse thinking Directors to speak up, and puts others on notice that they should be interested in a different perspective, rather than dismissing an answer as being off point or irrelevant. “
- “It is very important to have more than one diverse thinker, so that the challenge to “mainstream” ideas is not seen to be a personal “hobby horse” of one individual.”
- “Chairs/Boards that have not got diverse thinkers or women will usually go to the “usual sources of candidates (lawyers, investment bankers and accountants) to find a “low risk” woman – when in many ways women from these more traditional professions have actually had quite similar training, experience and networks as the men who are already on the Board.”
- “The diverse thinker needs to demonstrate that they also have a “growth mind-set” and are curious about others’ perspectives as well as their own.”

Background

Anne is a highly experienced Non-Executive Director with extensive knowledge of financial and regulatory reporting, risk management and people leadership and development. She is currently a Director of nib NZ Limited, nib holdings Limited, Platinum Asset Management, National Australia Bank Limited and Chairman of Bell Shakespeare Theatre Company. Anne was Deputy Chairman of Pricewaterhouse Coopers in Australia and has held senior positions with the firm for almost two decades. Anne is also a Fellow of the Chartered Accountants Australia and New Zealand (FCA).

Diverse Thinking Capability Audit

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"In my experience I can see open minded people (Chairs) who encourage different perspectives – although the "diversity" on Boards is generally fairly limited (in terms of socio economic background, age, business experience... the diversity of gender element (which is still not hugely evident) is probably stronger than many other dimensions."

Anne's views

Anne has seen a Board Chair openly comment that they are interested in a person's ideas because they think differently or have a different perspective. This encourages and empowers the diverse thinking Director to speak up, and puts others on notice that they should be interested in a different perspective, rather than dismissing an answer as being off point or irrelevant. Director and Board assessments and

Dr Arthur Grimes



Quotes

- “Those who dare to be different don’t tend to get appointed to Boards.”
- “We don’t see many people from South Auckland around the Board table.”
- “Gender has not added much diverse thinking on Boards. We don’t appoint the brave women.”
- “Diverse thinking Directors have to have something to add and be prepared to put it forward. They have to be brave and have confidence.”
- “If you are not going to conform in your thinking, it is even more important that you conform in your behaviour.”

Background

Arthur is a Senior Fellow at Motu Research, Professor in the Chair of Wellbeing and Public Policy at Victoria University of Wellington's School of Government, and Chair of the Hugo Group. He was Reserve Bank of New Zealand Chair from 2003–2013 and a Board Member of the Financial Markets Authority from 2011–2017. Prior to joining Motu, Arthur was Director of the Institute of Policy Studies (Victoria University of Wellington), Chief Executive of Southpac, and Chief Economist at both the Reserve Bank of New Zealand and the National Bank of New Zealand. In 2005, Arthur was awarded the NZIER Economics Award recognising excellence in economics related to New Zealand's economic welfare. Earlier in his career, he took a break to attend the Wellington Conservatorium as a full-time music student, and currently he plays saxophone and harmonica in two jazz bands.

Diverse Thinking Capability Audit

2.5 / 5

"It's difficult to identify because you just don't see it round the Board table."

Arthur's views

Arthur says diverse thinkers are those who add a different perspective from others around the Board table. They are people who have something to add **and** who are prepared to put it forward. They have to be brave and have confidence.

In terms of characteristics, they tend to have spent some time overseas (rather than spending most of their career in New Zealand). Culture is hugely important as is their socio-economic background. Most people around the Board table tend to have been university educated but the type of degree they hold is hugely important to whether they are diverse thinkers. A degree tends to inculcate you into a way of thinking and some degrees such as law and accounting are very common around the Board table. A tertiary background that trains you to question, such as economics, can be useful.

Arthur doesn't think that gender adds much to diverse thinking on Boards. He says that many women he

has encountered on Boards are lawyers and accountants who've been to private school and to university. They tend to come from privileged backgrounds. They know how to play the game the way it's played, and they don't tend to be the challengers. In fact, they can tend to be ultra orthodox. "We don't appoint the brave women."

Arthur says “those who dare to be different don’t tend to get appointed to Boards.” This is a problem for men as well as for women. It’s possible that the focus on gender has actually reduced diverse thinking. If the focus is to appoint a woman, you’re more likely to pick a “safe” woman. If your focus is to appoint diverse thinkers, you could appoint a diverse thinking woman or a man who may actually bring more diverse thinking as a result of his background.

Arthur says you need to have people who can add value from their diverse thinking but who can also “live with the consensus” at the end if their idea isn’t the one carried forward. This can be tricky. When you’re making appointments, you have to be wary of people who aren’t going to end up being a team player.

Arthur says that it's difficult to identify diverse thinking, and part of that is because you just don't see it round the Board table – “we don't see many people from South Auckland around the Board table.” There are a number of Directors too who think that governance is a good retirement role, when what we need is people who want to work hard.

Arthur says apprentice Director programmes are really important for getting more diverse thinkers on Board. This is because these programmes “help them conform in behaviour” so that their non-conformist views can be better communicated in a more influential way. As a football coach, Arthur has seen “some great players who are better on the bench”, because they’re not able to work in a team. If you are not going to conform in your thinking, it is even more important that you conform in your behaviour.

Arthur raised the issue of Treasury appointments. He says this is where many Directors get their start, and there is a question about whether they are appointing the right people or just picking the “safe” options. He questions whether we have the same problem with the Ministry for Women and the Office of Ethnic Communities.

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Barbara Ala'alatoa



Quotes

- “The teaching profession is full of women and as a result that environment is often lacking in diverse thinking. It should mean the same in reverse that all male environments are also lacking in diverse thinking.”
- “As the Pasifika woman on the Board, I can be underestimated as the “brown tick”. “The other Board Directors don’t expect me to make any other contribution and expect me to be the rubber stamp of the business that the Board wants to get done.”
- “The Board Chair needs to intimately know the Directors so that they can approach each in a bespoke fashion. The difficulty though is that the world hasn’t moved on and we continue to have Chairs following the old prototype of having full power and terrorising everybody else who has a different viewpoint.”

Background

Barbara Ala'alatoa is a New Zealand Samoan born and raised in Auckland. She has over 30 years' experience in teaching, and working across the education sector. Her experience includes lecturing at Auckland College of Education and co-ordinating schooling improvement at the Ministry of Education. Barbara is Principal at Sylvia Park Primary School – a job she describes as the best job ever by miles! Amongst other achievements in this role she and her team have designed a unique home school partnership based on the sharing of data in a comprehensive and methodical way with whanau – Mutukaroa. This work has resulted in significant shifts in student achievement and is currently being rolled out in clusters of schools across Aotearoa. In 2015 she was appointed as inaugural Chair of the Education Council of Aotearoa NZ, and her appointment was extended in 2018.

Diverse Thinking Capability Audit

1 / 5

"We haven't really started diverse thinking on Boards."

Barbara's views

Barbara is different from the other interviewees because she has only sat on public Boards, including chairing the Education Council of Aotearoa NZ and sitting on school Boards of Trustees.

Barbara agrees that there is a distinction between gender equality, pay equity and diverse thinking - they're not the same thing. She certainly knows that as a woman in teaching because, she says, the teaching profession is full of women and as a result that environment is often lacking in diverse thinking.

As the Pasifika woman on the Board, she explained the problem of being seen as the “brown tick”. “The other Board Directors viewed that as the sum total of the contribution I could make.” That results in her being seen to be the rubber stamp of the business that the Board wants to get done, where there is a strong compliance focus.

In the past when she has been brought in for the purpose of diversity, other Board Directors don't have a sense of respect or expectation that she will be contributing other thinking. Another problem as a diverse thinker is that sometimes in the past because she is the brown person on the school Board of Trustees, she gets the hospital pass of dealing with suspensions or dismissals - because it's mostly the brown kids who are getting kicked out of school.

Barbara said that diverse thinkers will only say what they truly think if the Board Chair has the skills to ensure that people can say what they really think. This requires the Board Chair to intimately know the Directors so that they can approach each in a bespoke fashion. The difficulty though is that the world hasn't moved on and we continue to have Chairs following the old prototype of having full power and terrorising everybody else.

Barbara says it is important that everyone on the Board feels comfortable in their own skin and feels able to say whatever they need to say. Finally, she raised the point about the danger of “just getting a woman” or a Maori or a Pasifika. It is important that you don’t end up with low level capability as a consequence of that approach. You need people with talent and skills but optics matter as well. The two are not mutually exclusive and the aim is to get both.

Barbara thinks that we haven't really started diverse thinking on Boards.

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Bruce Hassall



Quotes

- “Increasingly the problem is not getting diverse thinking Directors onto Boards but helping them to be brave enough and confident enough to put forward a view which is different from others”
- “We need to have Directors on the Board that do not think like each other.”
- “Diverse thinking is increasingly important for Boards. The silly ideas of yesterday are the gold of tomorrow. The things that made an organisation successful yesterday will not make that same organisation successful tomorrow. We need people who can help us succeed tomorrow by having thoughts no one else has had. The world has unlimited challenges but it also has unlimited opportunities.”
- “It is not what you say, but how you say it and sometimes diverse thinking Directors need to practice more of the latter to be more influential.”

Background

Bruce was the CEO and a Senior Partner of PwC New Zealand until mid-2016 when he ended his 30 year career with the company. Bruce has extensive experience with both major public and private companies and in a range of industries including retail, travel, communications, technology, forestry and entertainment sectors. He is an Independent Non-Executive Director of the Bank of New Zealand and of the Fonterra Cooperative. He is Chairman of The Farmers Trading Company and Chairman of Prolife Foods. He is a Director of Fletcher Building Limited and will become Chair effective 1 September 2018.. He serves as a member of the Advisory Board at the University of Auckland Business School and was a founding Board member of the New Zealand China Council. He is a Chartered Accountant and Fellow of CAANZ.

Diverse Thinking Capability Audit

2 / 5

"We have the potential to get to 3.5 out of 5 – we are just not maximising that potential at present."

Bruce's views

Board Chairs need to be very conscious of what skillsets are on the Board and encourage those different perspectives or experiences to speak to particular issues to enrich the discussion.

Bruce said Chairs need to have a nice style in encouraging diverse thinking. They should not dominate meetings, but rather encourage any contributions regardless of whether they are left field. There should be no such thing as a silly contribution.

Building on this theme, Bruce said that diverse thinking was increasingly important for Boards. "The silly ideas of yesterday are the gold of tomorrow. The things that made an organisation successful yesterday will not make that same organisation successful tomorrow. We need people who can help us succeed

tomorrow by having thoughts no one else has had. The world has unlimited challenges but it also has unlimited opportunities."

Bruce said that Chairs had to facilitate and blend the diverse thinking with the rest of the Board, and shape it – to bridge (from the diverse thinking Director's thoughts to the rest of the Board) and to pull together these thoughts. The Chair's role is to pull the best out of each Director, and to unlock their diverse thoughts.

The rest of the Board needs to respect other people's perspectives and see that different perspectives are helping to solve the problem. Bruce said "it feeds on itself. Over time, the confidence and bravery of diverse thinking Directors grows as they succeed in helping the Board to higher quality discussions and decisions."

The research said that, in theory, if you cracked gender diversity then you would unlock the matrix of all diversity. Bruce said he did not know if that had been the case. Women Directors don't need to show they are tougher than the male Directors.

There is more potential diverse thinking ability amongst Board Directors then actually happens so the challenge will be how to ensure that we do harvest that potential.

Bruce thinks there is a new generation coming onto Boards who have confidence in their own persona and who are comfortable in their own skin, who understand that they do not need to change and do have the confidence to bring their different views to the table. There are already Directors like that on Boards, but the new generation will bring more of such Directors.

Finally diverse thinking Directors need to ensure that they have financial literacy to assist for-profit businesses. If not, they need to learn.

Bruce said that it is important that diverse thinking Directors do not make their challenge in a way that has the executive nervous that you are going to go for them.

"It is not what you say, but how you say it and sometimes diverse thinking Directors need to practice more of the latter to be more influential."

Cameron Harland



Quotes

- “We really need to understand what is meant by diverse thinking beyond stereotypical concerns about gender and ethnicity. The word “diversity” is very often used but little understood.”
- “You need people around the table who are able to understand not the business as it was, but the business as it will be. This necessarily requires diverse thinking and people who can embrace where the world is going.”
- “The level of engagement on diversity and diverse thinking in New Zealand gives us reason to be optimistic in comparison with Australia, for example.”

Background

Cameron is Chief Executive of CricHQ, a fan engagement platform established for cricket and used throughout the world. Prior to this he ran a number of businesses within the broader Weta creative group including Park Road Post Production, a high-end post production facility, Portsmouth Rentals, a lighting and camera rental business and Camperdown Limited, which owns the Stone Street Studios operation. Cameron is the Chair of the New Zealand Story Group, a Director of Weta Workshop, and a Director at TVNZ. He has a strong advertising and media background having held roles at Saatchi & Saatchi Wellington and London, and sports management at New Zealand Rugby. Cameron was educated at Victoria University of Wellington where he graduated with an LLB and BA.

Diverse Thinking Capability Audit

4 / 5

"My Boards are a 4 for diverse thinking, but I've been lucky! Most New Zealand Boards would probably sit nearer a 3."

Cameron's views

Cameron says we need to reframe what diversity means. If diversity means ticking boxes for gender, then New Zealand Boardrooms are pretty much there. You often have a Director present at the table who represents the Māori perspective and generally there is a 50:50 gender split. But is that all there is it to diversity? Cameron says that approach is too reductive. If you look at the TVNZ Board, it is certainly diverse in that sense. But Cameron says the value of each Director is much broader than that. They bring a range of skills and backgrounds that are not linked to that traditional definition of “diversity”. It is the diverse and rigorous debate that makes TVNZ a diverse thinking Board, not the fact that they “tick the boxes”. That said, the TVNZ Board does have a 50%/50% gender split and a Maori Director.

Cameron says he does not think his background makes him especially diverse. He grew up middle class in Tawa with a dad who was a builder and a mum who was a secretary. His best friend lived in a state house and he spent a lot of time with him and his family, but he says that would be quite normal for most people, "wouldn't it?". He says the most obvious diversity he brings to the Board is age. He has regularly

been the youngest Board member – this was the case with the NZ Film Commission, NZ Story, TVNZ, and Downstage Theatre Trust.

Cameron stresses that although having gender and ethnic diversity on the Board does not mean that Board has diverse thinking, it is still important to have that representation. A Board stacked full of the most diverse thinking white males will still be lacking.

Cameron says he has been really fortunate to have Board Chairs who have embodied diverse thinking. Both Dame Therese Walsh and Dame Patsy Reddy created excellent environments for diverse thinking at TVNZ and NZ Film Commission respectively. They brought quality listening, great EQ, and an encouragement of healthy debate to the Board table. They were both able to summarise diverse discussions and encourage the Board towards a resolution. Cameron says he hadn't thought that their being women had anything to do with their diverse thinking but perhaps it does.

Cameron says most businesses right now are dealing with massive and monumental change – just look at television (Cameron sits on the TVNZ Board). So you need people around the table who are able to understand not the business as it was, but the business as it will be. This necessarily requires diverse thinking and people who can “embrace where the world is going.” Cameron says his diverse thinking might come from his professional background. He has been involved in creatively driven commercial businesses (Park Road and the Weta creative group, and before that, advertising at Saatchi & Saatchi), that required an ability to engage (listen, manage, motivate and drive) with very different types of people with different value sets and motivations. He says, “a creative person is not driven by the 6 minute unit of profitability, they are driven by setting high standards and delivering.”

Cameron says he would rank the Boards he has been on as a 4 for diverse thinking. But he recognises that he has been lucky – most New Zealand Boards would probably sit nearer a 3. In any case it would be interesting to see how we compare to Australia. Cameron says that although New Zealand Boardrooms are not perfect, “at least there is a dialogue happening here!”. Cameron mentioned a conversation with an Australian Chair where he jokingly pointed out the lack of diversity around the table and received a very cold response. So we are better than Australia - “but that is nothing to aspire to!” We have to go further. Sporting bodies for example, really do need more diversity round the Board tables.

Cameron says that to get to 5 out of 5, we really need to understand what is meant by diverse thinking beyond stereotypical concerns about gender and ethnicity. The word “diversity” is very often used but little understood. Cameron is hopeful that generational change will improve the level of diverse thinking in New Zealand Boardrooms.

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Caren Rangi



Quotes

- “The reality is that in order to make the most of this new diversity of “ingredients” around the Board table, you need new recipes (i.e. new governance practices) and new head chefs (Chairs) who understand, value and can whip up new and interesting culinary delights!”
- “Instead of attempting to find a consensus view on organisational vision and mission, diverse governance should start the process with examining and articulating what strategic success looks like from each of the diverse perspectives, and have the confidence to present a multi-faceted strategy.”
- “Those who present a view different to the “main view” can be seen as disruptive, disrespectful and not team players. So this is a disincentive to diversity of views.”
- “The Chair, other Directors and shareholders need to see how having this combination of diverse views is of strategic significance to the organisation.”

Background

Caren is a proud Cook Islands Maori, whose family hails from the islands of Rakahanga, Manihiki, Rarotonga and Aitutaki. Caren is an experienced governance practitioner, having chosen to apply her professional, community and cultural skills and experience to a range of governance roles to ensure that a Pacific voice is heard at decision-making tables. She is currently the Deputy Chair of the Arts Council of New Zealand, and a member of the Boards of Pacific Homecare Services and Pacific Inc (trading as Le Va). During 2015, she was appointed as a Director of the Cook Islands Investment Corporation in Rarotonga, a position which allows her to contribute to the professional development of Cook Islands Directors in the state-owned enterprise sector. Previous governance roles include memberships on the Boards of the Broadcasting Commission (New Zealand on Air), the Charities Registration Board and the Eastern and Central Community Trust. She is also a previous National President of P.A.C.I.F.I.C.A. Inc, a forty-year old organisation established to provide opportunities for Pacific Island women to contribute effectively to the cultural, social, economic and political development of Aotearoa New Zealand and its people. She was made an Officer of the New Zealand Order of Merit for services to the Pacific community and governance in the Queen's Birthday 2018 Honour's List.

Diverse Thinking Capability Audit

2 / 5

“Governance practices need to be reset to maximise the benefits of having diverse thought around the Board table.”

Caren's views

Caren says that real diverse thinking occurs when there is a strategically significant combination and range of views around the Board table. By strategically significant, she means an optimal combination of different but all strategically relevant views that maximise the likelihood of strategic success for a Board

and the organisation it governs.

In Caren's view, governance practices do need to be reset to maximise the benefits of having diverse thought around the Board table.

Current governance practices are based on the premise that consensus decision-making is the aim of good governance i.e. that there should be consensus both around the process and the eventual decision. Success is defined as everyone agreeing. Consensus around the decision-making process assumes that all Board members will aim to “line up together” and this immediately assumes a sameness of thought; conversely, those who present a view different to the “main view” can be seen as disruptive, disrespectful and not team players. So this is a disincentive to diversity of views.

Caren says that effective governance in a diverse environment relies on each Board member's diverse contribution being understood by all, and valued by all of the Board. In other words, people can see how having this combination of diverse views is of strategic significance to the organisation.

Transformation of governance practice is needed. Governance practice needs to adapt for diverse thinking. Caren has a couple of ideas for effective governance practices in a diverse environment, and is testing them out herself. One idea is broadening Board induction processes so that the focus is not just about familiarising the new Board member with current governance practices, but also includes an introduction of the current Board membership to the diverse views and practices of the new Board member. This would then be followed by conscious consideration by the Board of how their decision-making process might be adapted to best utilise this diversity.

Caren believes that in order to have effective chairing that maximises the benefits of having diverse governors, a good Chair needs not only to be clear on the nature of the diverse contribution each governor brings, but needs also to consciously put in place a decision-making process that recognises how each member best brings their diversity to the table. A great Chair needs to provide opportunities for each member to lead decision-making processes in order for all members to better understand the range of approaches that members bring. Additionally, Caren thinks that diverse governance requires more of a collective leadership approach than the traditional practice of having the Chair as the Board leader.

Regarding strategic planning, Caren believes that instead of attempting to find a consensus view on organisational vision and mission, diverse governance should start the process with examining and articulating what strategic success looks like from each of the diverse perspectives, and have the confidence to present a multi-faceted strategy.

Caren offers the following cooking analogy which speaks to the benefits of diverse thinking on all Boards, commercial and not-for-profit alike:

“Remember when they started putting chilli in chocolate? It was a daring new food trend but the reality is that no one really knew what culinary wonders were possible other than eating it as is. The current state of diversity in governance is a bit like that. Boards have headed out with their shopping lists to acquire new ingredients to add to their current supplies. They have lined them all up on the kitchen bench, then realised that actually they don’t really know what each of the ingredients can do, let alone what happens when you mix them all together. So they end up cooking the same old cake, and just sprinkle the new ingredients on the top as garnish, and proudly present this as diversity in action. The reality is that in order to make the most of this new diversity of “ingredients” around the Board table, you need new recipes (i.e. new governance practices) and new head chefs (Chairs) who understand, value and can whip up new and interesting culinary delights!”

Cecilia Robinson



Quotes

- “We’re having the same debate as we had five years ago and ten years ago – the dial hasn’t moved.”
- “We shouldn’t encourage consensus, we should encourage debate and robust conversations. There is vigorous debate around the My Food Bag table – and that’s a good thing!”
- “Few entrepreneurs are approached for mainstream Boards, despite the depth of the entrepreneurial women community.”
- “Diverse thinkers are those that demonstrate challenging thinking. They are not just “yes men”.”

Background

Those who know Cecilia call her 'superwoman'. As founder and creator of not one (but two) of New Zealand's most successful start-ups My Food Bag and Au Pair Link - Cecilia is one of NZ's most successful young female entrepreneurs. A serial entrepreneur with sass, Cecilia has won more awards than you can shake a stick at (Supreme Winner 2017 Women of Influence Awards, Next Magazine Businesswoman of the Year 2014, EY Young Entrepreneur of the Year 2013, and HER Businesswoman of the Year 2012 to name a few). Devoted mum to 5 year old Thomas and baby Leila, Cecilia is passionate about helping women in business and solving the everyday problems of working mums and dads.

Diverse Thinking Capability Audit

1 / 5

"It's not that we don't have talent, we just don't extend our view to those people."

Cecilia's views

Cecilia says we definitely need more diverse thinking in New Zealand. As a diverse thinker, she says you want Boards who get the benefits of diverse thinking. You do not want to be the minority; you want to work with people who are on the same page. Cecilia says “we’re having the same debate as we had five years ago and ten years ago – the dial hasn’t moved.”

For things to change, Cecilia says people have to be open-minded. Corporate Boards need to challenge themselves and think outside the box. Cecilia says few entrepreneurs are approached for mainstream Boards. Boards need to be more open-minded. She says “they don’t understand the level of value that can be added by diverse thinking.”

There is a perception that diverse thinkers are hard to control. Chairs and Directors might feel that they are unpredictable. But Boards need to overcome this feeling and recognise that some things are more important than consensus. They need a deeper understanding.

Cecilia says New Zealanders do have a discomfort with disagreement, but this is common to a lot

of cultures. She is Swedish and it is the same in Sweden. But she says we have to call people out when we do not agree – “we shouldn’t encourage consensus, we should encourage debate and robust conversations.” Boards should be aiming for thought leadership. Cecilia says that there is “vigorous debate” around the My Food Bag table – “and that’s a good thing!” We come up with great thinking like leading the debate on double helpings of parental leave.

Also, “companies need to be prepared to put their money where their mouth is.” If we want diverse thinking, we need to give people the space to do so. This means being flexible, whether that is start times or not having late meetings; “we as leaders need to enable our talent pool to feel successful at work and at home.” Companies who are not doing this will get left behind – “fast forward 20 years and they’ll be gone.”

Cecilia says diverse thinkers have work to do as well. They need to be willing to put themselves out there and to support themselves to contribute. On the other hand, you do find that there is still a really limited pool of people that get appointed. Cecilia says that companies need to reflect their customer base. The easiest way to do that is to encourage diversity.

Cecilia says that diverse thinkers are those that demonstrate challenging thinking. They are not just “yes men”. They are people who are willing to challenge, to think, to review, and to drive different outcomes. They need to have a track record of diverse thinking.

Entrepreneurs have a lot of value to add, as opposed to people who have just come up the company ladder. It is about different perspectives on life, gathering different types of thinkers in the same room. "It's not that we don't have talent, we just don't extend our consideration to those people," says Cecilia. There is real depth now in the entrepreneurial women community.

Cecilia would give New Zealand Boardrooms a 1 out of 5 for diverse thinking. There has to be greater transparency and accountability. We need metrics and measurement.

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Dame Jenny Shipley



Quotes

- “Diverse thinking is not a competition between men and women – it is the responsibility of leaders to be effective for the future.”
- “Even the most willing Directors face the challenges of unlearning the old ways of doing things. But it is “hard to unlearn” the old ways of doing things, where what was most important was to get the work done. It is new territory for us all and it will take getting used to.”
- “Busyness is a barrier to diverse thinking. Chairs know that they need diverse thinking, but being busy overwhelms effectiveness.”
- “Diverse thinkers can take the role of the “disruptive activist” at the Board table. This has its place and can be effective. But what can be more effective is the more subtle style, where the diverse thinker draws the rest of the Board table to them without being patronising or frustrating the other Directors.”

Background

Dame Jenny Shipley was New Zealand's first female Prime Minister and today is a Director, Advisor and Keynote Speaker with a special interest in mega trends in business, economic and social development opportunities globally. Dame Jenny retired from New Zealand politics in 2002 and returned to the private sector while still retaining her intense interest in the development of leaders here in New Zealand and globally.

She is Chair of Genesis Energy, Oravida NZ Limited, and China Construction Bank. She is Co Chairman of Champions for Change, a member of the World Women's Leadership Council and Global Leaders Council for Reproductive Health. She is an International Advisory Board Member of the International Financial Forum in Beijing and was an Initiator for the Education Forum for East Asia.

Dame Jenny is a Patron and a Trustee of a number of major charitable and other organizations in New Zealand and off shore.

Diverse Thinking Capability Audit

2.5 / 5

"In some areas, the appetite in large organisations for diverse thinking is 4.5/5. However, the appetite does not translate to results. Diverse thinking capability in terms of delivering results is only a 2.5/5."

Jenny's views

Dame Jenny says that Chairs and Directors must ensure that the Board is “highly functional” in a diverse setting, not just transactional. She draws the distinction between a “classical” Chair role which has one skillset – which is about setting the agenda, supporting the Chief Executive, and getting the work done – and the new Chair role, which is about capturing the dividends from diverse thinking including identifying risks and unintended consequences. This requires a new skillset, the art of optimising the diverse talent

on the Board, which to date has tended to be “undercooked.” Classical Directors still expect to listen to the conversation and then put their view which they expect will be accepted without dissent.

Chairs are committing to diverse thinking as opposed to “same thinking”. They are interested in honest feedback and genuinely value others’ insights into the efficacy of their Chairmanship. They know they need to be self aware and mindful of the way their behaviour shapes the discussion. But it is “hard to unlearn” the old ways of doing things, where what was most important was to get the work done. Dame Jenny says “it is new territory for us all” and it will take getting used to. She notes that for some it will be a frustrating journey. Diverse thinking Board discussions take longer and require patience. But true commitment to diverse thinking will deliver real dividends.

Dame Jenny says that diverse thinkers can take the role of the “disruptive activist” at the Board table. This has its place and can be effective. But what can be more effective is the more subtle style, where the diverse thinker draws the rest of the Board table to them without being patronising or frustrating the other Directors. It is about highlighting important issues, recognising that they may be outside the frame of reference of the other Directors and packaging them in a way they can understand. Dame Jenny says there is an obligation on the Director articulating the diverse view, to develop the skills to make that view appealing rather than confrontational. Dame Jenny says she “learned this the hard way” and that she is still learning all the time how to be more effective as a diverse thinker. Dame Jenny says it is much more challenging to Chair a diverse thinking Board than it is a compliant Board.

Dame Jenny ranks the diverse thinking capability of New Zealand Boards as a 2.5 to 3 out of 5. She says that in some areas, there is appetite to change and those Boards are probably about a 4.5. But others have substantial barriers and are operating around the 2.5 level.

Dame Jenny says busyness is a barrier to diverse thinking. Chairs know that they need diverse thinking, but being busy “overwhelms effectiveness”. Chairs need complete and utter personal discipline. They need to ask themselves if they really are committed to diverse thinking, and if they are, they need to reflect this in their KPIs.

Dame Jenny suggests that Boards make time to talk about diverse thinking. This could mean reserving time at the end of Board meetings to evaluate difficult meetings - "was it difficult for the right reasons or for the wrong reasons?" This is not an opportunity to re-litigate the issues, but is about assessing the style and form of the meeting. It is about questioning what the Board could do differently and how they could improve the level of diverse thinking around the table. Chairs also need to reality check perceptions of Directors as "disruptive". Are they disruptive or "are they just not like us?" It is about behaviour, mindset, and taking the time to create a constructive, progressive environment. It is not always straightforward.

Dame Jenny says there are particular diverse experiences and skills that are important in a New Zealand context. Cultural nuances are important to the substance of diversity. She says it is essential to have Directors who are empathetic to Māori and have Māori cultural capability. They do not have to be Māori themselves if they have well-developed experience working with Māori. Having cultural empathy as a result of global experience is also important. And having experiences of different corporate structures i.e. whether the dominant shareholder is private sector or public sector is useful too. These are diverse reference points that are worth having around the table.

Dame Jenny says that “diverse thinking is not a competition between men and women – it is the responsibility of leaders to be effective for the future.”

Dame Naida Glavish



Quotes

- “No problem can be solved from the same level of consciousness that created it. Diverse thinking can help elevate good solutions to great ones.”
- “I chair with an open mind. I prefer constructive criticism to silence.”
- “Having the right attitude is essential. If you feel that you are privileged to serve on the Board, that is a predictor and enabler of diverse thinking.”

Background

Dame Naida Glavish is currently employed as the Chief Advisor Tikanga Māori with the He Kāhaka Waiora, Māori Health, for the Waitemata and Auckland District Health Boards. She is Chair of Te Runanga o Ngati Whatua, Māori Advisor to the New Zealand Police Commissioner, Deputy Chair of the Māori Heritage Council which assists Heritage New Zealand Pouhere Taonga, and is involved with a range of other iwi, government and community organisations as an active member or advisor. She currently represents the Auckland and Waitemata District Health Boards on the Tāmaki Makaurau Regional Leadership for Whānau Ora. Dame Naida was President of the Māori Party from 2013 until 2016.

Dame Naida's views

Darne Naida says being a diverse thinking Chair is “easy”. It is just about having clarity about the issues before you. She says that diverse thinking cannot be for its own sake. She says it does not matter how good the idea is if it is not relevant to the collective interests of the people the Board is representing. She says “I am not interested in Directors giving individual thoughts for individual interests”. It has to be about the shareholders, customers, and the other parties the Board represents.

Dame Naida says having the right attitude is essential. She says that if you feel that you are privileged to serve on the Board, that is a predictor and enabler of diverse thinking. If people around the Board table do not share that attitude, it can be a struggle.

Dame Naida says diverse thinkers can help themselves influence by being prepared. She says “if you have a picture in your mind before you sit there, if you have read your papers and go to the table with clarity, you will be best placed to help the collective achieve the best outcome.” Dame Naida says she chairs with an open mind. She is open to feedback. In fact, she says, “I prefer constructive criticism to silence.” Sometimes silence means others do not know what she is talking about – and if that is the case, it is better to get that out in the open.

Dame Naida quotes Albert Einstein: "No problem can be solved from the same level of consciousness that created it." Diverse thinking can help elevate good solutions to great ones. Dame Naida cites her work as Advisor to the Auckland District Health Board – "when we built Auckland Hospital we proved that taking the Māori world view into account has benefits for everyone, not just Māori." Dame Naida's experience in te ao Māori is part of what makes her a diverse thinker, and is the lens she brings to bear in most of her governance work.

Dame Therese Walsh



Quotes

- “The value of diverse thinking is not always the point that the diverse thinker makes. Sometimes a left field point can force the conversation to change and to take a few more layers off the onion exposing something else entirely.”
- “A Board paper might make a point logically and rationally and the decision will seem obvious. But there is always a risk of superficial thinking that the diverse thinker is well placed to unravel.”
- “I have sat on a Board where a diverse thinking Director’s contribution often elicited a response which caused other Directors to restate their points in a different way. That restatement often added significant value to the discussion. It may unlock a conversation which should happen, but wouldn’t otherwise do so. “
- “There is a role for Chairs to actively seek contributions from diverse thinkers. If we put people from diverse backgrounds on Boards and do not support them, they might not feel able to contribute. This creates a self-fulfilling prophecy and inhibits diverse thinking.”
- “Diverse thinkers also need to put time into influencing and understanding the Boardroom environment so that they can be heard and included.”

Background

Dame Therese Walsh is an Independent Director and is currently Chairman of TVNZ. She is currently a Director of Air New Zealand and will take the Chair in September. She is also a Director of Contact Energy, Antarctica NZ, and ASB Bank. She is also a Trustee of Wellington Regional Stadium, and Pro Chancellor of Victoria University of Wellington. Previously she was the Head of New Zealand for the ICC Cricket World Cup 2015, and the Chief Operating Officer for Rugby New Zealand 2011 Limited, the company established to deliver the Rugby World Cup Tournament in 2011. She has also been a Director of NZ Cricket, the NZX and Save the Children NZ, was the CFO at the New Zealand Rugby Union and part of the team that worked on the winning bid to host RWC 2011 in NZ. Her career started as an auditor at KPMG. Therese is a Fellow of the Institute of Chartered Accountants and a commerce graduate from Victoria University. In 2013, she was named the inaugural supreme winner of the Women of Influence Awards and was awarded a Sir Peter Blake Trust Leadership Award in 2014. She became a Dame Companion of the New Zealand Order of Merit in June 2015.

Diverse Thinking Capability Audit

5 / 10

"We are seeing diverse thinking come through, but not enough. We haven't nailed it yet. Chairs need to keep pushing. Every time they are making a decision, they need to look for diverse thinking."

Therese's views

Therese says she comes from a slightly different background compared to most Directors having had a mixture of sports leadership and finance/auditing roles. She is often the youngest around the table, she is a woman, and she is a Wellingtonian which is becoming rare on corporate Boards! Therese says she is very aware that her career path has given her numerous opportunities and she has met lots of different people along the way. She says, she has been in “many contrasting and different environments” and this has given her a breadth of experience which has been a real advantage for her in her diverse thinking journey. “I find it easy enough to find my voice in the Boardroom because of my personality type but not all people are the same and we need everyone to have a voice.”

Therese says in her view Directors who are appointed for their diverse skills, thinking or background are often people who do not fit the “thirty year C-suite career” stereotype. They are people who come from different perspectives and see different angles. Sometimes this will include women and people from different ethnic backgrounds, but not always. Similarly you cannot always say “pale, stale males” or C-suite executives are not diverse thinkers. Therese says that while we still need to talk about gender diversity, increasingly ethnicity and age diversity are also important and often overlooked. Therese thinks Boards are struggling to know how to appoint younger Directors and to leverage their diversity.

Therese also believes that on any Board you need a balance of skills and experience which means diverse thinkers and Directors from more traditional governance/executive backgrounds, noting these groups are not mutually exclusive. While diverse thinking is important, you also need to ensure there are the right skills to ensure the Governance role is fulfilled appropriately. For an Audit and Risk Committee for example it is important to have accountants around the table.

Therese says, “we are doing well at getting diversity on Boards, but we are not doing as well at getting diversity out of Boards which may be a function of having some but not enough diversity around the table.” Ensuring even experienced Directors receive professional development and continue to upskill themselves is also important for increasing diverse thinking.

Therese says having diverse thinkers around the table means having more debate and “healthy tension” around an issue. This leads to fuller discussion. Therese notes that for people who do not fit the traditional governance mould, the process may seem strange. There is a lot of business-oriented terminology and so it is important to provide the necessary support and training to ensure this does not become an inhibitor to a Board member’s contribution.

If Chairs are bringing diverse thinkers onto the Board, they need to make a concerted effort to get the best out of them especially when Boards are still operating largely in the same way. Directors from C-suite backgrounds are able to slip very naturally into Board process. We need to recognise that it may be harder for Directors from other more diverse backgrounds and support them to contribute. Buddying and mentorship from more experienced Directors can be a useful tool.

Therese says the value of diverse thinking is not always the point that the diverse thinker makes. Sometimes a left field point can force the conversation to change and to “take a few more layers off the onion exposing something else entirely.” A Board paper might make a point logically and rationally and the decision will seem obvious. But there is always a risk of superficial thinking that the diverse thinker is well placed to unravel. Therese says she sat on a Board with a Director whose contribution often elicited a response which caused other Directors to restate their points in a different way. That restatement often added significant value to the discussion. It may unlock a conversation which should happen, but wouldn't otherwise do so.

Diverse thinkers also need to put time into influencing and understanding the Boardroom environment so that they can be heard and included.

Therese rates the diverse thinking capability of New Zealand Boardrooms a 5 or 6 out of 10. She says “we are seeing diverse thinking come through, but not enough. We haven’t nailed it yet.” Chairs need to keep pushing for diverse Boards. Every time a Board makes a decision, they need to look for diverse thinking.

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Danny Chan



Quotes

- “You always have to start with the skills - what does the Board need? Then it is a bonus if the new Director is also a woman or Pasifika or Māori or young.”
- “New Zealand’s growing connection with Asia does really mean that we should be seeing more Asian Directors on Boards like Zespri and Fonterra.”
- “The two Chinese listed company Boards I sit on have all male Directors and we find the Chinese owners much more willing to accept our advice. I speak to the owners in Mandarin.”
- “I take the personalities into account in appointing new Directors. If I think a prospective Director will not fit with the current Directors, I will not recommend the appointment of that person.”

Background

A third generation New Zealand Chinese, Danny holds a number of Directorships in New Zealand. He is a Director of Academic Colleges Group Limited, the largest private education group in New Zealand. He is also an independent Director of Abano Healthcare Limited, an NZX listed healthcare provider and his other Directorships include Flowerzone International Limited, Auckland Tourism, Events and Economic Development Limited, Farmers Mutual Group and Marlborough Wine Estates Limited. He is a member of the Institute of Chartered Accountants of New Zealand and a member of the Cost and Management Association. He is also a Fellow of the CFA Society of NZ and a member of the Institute of Directors. Danny also sits on the NZX Markets Disciplinary Committee, the NZ-China Council and the Asia New Zealand Foundation.

Danny has a very interesting background. He came to New Zealand at 11 years of age. His mother was actually born in New Zealand but she ended up back in China for 16 years, and then another 6 years in Hong Kong. His father was about 40 when he came to New Zealand but they were fortunate because they went to Wellington where there were a lot of people from their home region.

Dannys views

Danny thinks that diverse thinking is a completely different topic from diversity and inclusion. Gender equality is one matter, diverse thinking is another matter.

You still have to start with the skills matrix and ensure that you get people who have the skills to be on the Board. If however you get two candidates who are both equally skilled, and one of the candidates is a woman or is a young person or is an ethnic and the business is doing a lot of business in China, for example, then it is good to choose the person who is either the woman or is young or has the right ethnicity to assist with the market of relevance to the company. This is a “plus” factor.

He thinks that what Boards are most missing/lacking at the moment are young people, given the IT revolution, which is the future. He also thinks that women do look at things differently - they have better intuition, they have a better eye for details and that's just the way they think as opposed to men. He has seen some real benefits to Boards from having women Directors. "They're exceptionally good at due diligence and risk audit assurance." Danny does not think we are looking for diverse thinking consciously. We talk about it but we are not actually doing much about it. We are really only talking about gender

equality, putting women on Boards, and on public Boards (SOEs, CCOs) Although he has seen some benefit from diverse thinking, he does not feel it is enough.

But you always have to start with the skills - what does the Board need? Then it is a bonus if the new Director is also a woman or Pasifika or Māori or young. The skillsets needed in all commercial companies are that you have business experience, entrepreneurship and a finance/investment background. The key remains these skills sets, and the skills matrix. Danny cannot stress enough that the most important things are the skills. We can't afford to have too many "learner drivers" on Boards. He thinks listed Boards are better run and often have better gender equality.

As the Chair, you have to be a good listener. You have to keep the Board focused on issues. You have to guide the Board to decisions, and it's best if it's unanimous. He says the Chairs should be the last to speak otherwise the other Directors may try to agree with the Chair.

He has seen people come onto Boards that do not fit. One particular Director disagreed with just about everything. He wanted to be the devil's advocate and what he was challenging was often irrelevant. Danny says that he does take personalities into account in appointing new Directors. So if he thinks a prospective Director will not fit with the current Directors, he will not recommend the appointment of that person.

With respect to different ethnicities, you need to choose a person who really has a very good understanding of their particular countries of origin. It isn't enough that they're just Pasifika or Asian. You get Directors with skills but they also have this added component of ethnicity or gender or youth.

He said that there are an increasing number of young professionals who are bicultural and bilingual. They are not quite ready to come onto a Board but they will be in time. New Zealand's growing connection with Asia does really mean that we should be seeing more Asian Directors on Boards especially the like of Zespri and Fonterra that have significant business in China and South East Asia.

Danny also sits on two predominantly Chinese companies which are both NZX listed, Marlborough Wine Estates and QEX Logistics. Both companies have young management teams. In the latter, QEX Logistics, the two majority owners are husband and wife, both work in the company, and the husband is on the Board. Danny's experience with these companies so far is that they are much more receptive to advice. The owners and the management teams are talented and young. Despite that they were well educated here and in Australia, they are eager to learn and they basically follow everything that the Board recommends.

David Pilkington



Quotes

- “Unless a person has different experiences, gender alone will not guarantee diverse thinking”.
- “Diverse thinking is important for Board and company performance, especially as Boards that have been together for a long time tend to replicate the same perspectives and ways of thinking about the business.”
- “New Zealanders have a cultural advantage as New Zealanders tend to speak up and share their views whereas my experience on international Boards is that you need to draw the Asian Directors out.”
- “In terms of measuring diverse thinking, David says that we should move away from quota requirements and focus on Board performance, specifically whether companies are performing consistently over time and whether they are keeping pace with change in the sector.”

Background

David spent nearly 30 years in the dairy sector, holding senior executive positions with Fonterra and the NZ Dairy Board. David has a BSc and a BEng (Chemical) from the University of Canterbury, and a Postgraduate Diploma in Dairy Science and Technology from Massey University. He is Chair of Port of Tauranga, and a Director of Douglas Pharmaceuticals. He was a Director for Restaurant Brands, Zespri, and Balance Agri-Nutrients. David has been a Director of Rangatira since 2006 and Chair since September 2013. He sits on the Remuneration Committee and on the Board of portfolio company Hellers (Chair).

Diverse Thinking Capability Audit

4 / 5

"The willingness of the Directors and Chair to adapt and change is vital."

David's views

David says that diverse thinking stems from the perspectives of people from different professions, experiences and backgrounds. By having diverse thinkers we are able to view problems and opportunities from different perspectives.

In appointing new Directors, David looks for people who demonstrate a strong ability to communicate and translate their own professional experiences and different thoughts to relevant discussion before the Board. An inability to translate diverse thoughts and to put it in the context of that particular Board and business leaves the diverse thinker out in left field and seemingly making irrelevant comments.

In David's experience, the Chair plays an essential role in integrating new Directors. He says a successful Chair should be open, and be able to facilitate open dialogue. The Chair should not detract from the contribution of others. David says it is important to touch base with new diverse thinkers prior to the meeting. This way the Chair understands their point of view and can encourage the Director to share their view in a way that effectively engages others. The role of the Chair is to observe whether the Director's thinking has been

articulated adequately, and is aligned with what they had previously discussed. This also allows the Chair to prompt the Director to bring out perspectives they may hold which are relevant to the discussion.

To encourage diverse thinking, David says Directors must have an open mind-set to new and different perspectives. Otherwise human nature means that they won't make further comments and just shut up. Chairs must take an active role in encouraging Directors with dogmatic viewpoints to engage with other perspectives. One of David's strategies is to go around the table and ask for all Directors' perspectives on an issue. He says this encourages Directors to listen and engage with diverse thinkers, and prevents them from saying their piece and then checking out.

David says diverse thinking is important for Board and company performance. Boards that have been together for a long time tend to replicate the same perspectives and methods of thinking. Diverse thinking allows us to challenge the status quo, and to ask ourselves why we are dismissing a certain sector or viewpoint which may be otherwise profitable and rewarding.

David says New Zealand Boardrooms are doing well with diverse thinking. He considers that New Zealanders have a cultural advantage as New Zealanders tend to speak up and share their views. In David's experience on international Boards, a common issue is getting particular Directors to contribute. In his opinion this may stem from a cultural background of being more reserved, rather than outspoken.

Diverse thinking is often translated into debate on gender quotas. David says this has ‘hijacked’ the debate surrounding diverse thinking. He says that “unless a person has different experiences, gender is only one component and alone does not guarantee diverse thinking”. David says that quota requirements miss the point. They will not automatically improve the performance of Boards.

To increase diverse thinking on Boards, David says we should question and challenge what makes a good Director. He says feedback about the performance of the Directors and the Chair is essential to this. He understands there is a general reluctance to undertake one-on-one performance reviews of Directors, but it is really important. David says it is imperative that we do not have stagnant Directors who do not contribute. Any Director standing for reappointment should require majority support, and those going for a second re-appointment must have almost unanimous support from his/her fellow Directors. This is an accountability measure to ensure engagement and contribution.

Particular strategies to appoint diverse thinking may include broadening the pool of suitable candidates. David reflects that the suitable pool of candidates has increasingly grown in his time serving on Boards, and methods of appointment have gradually become more professional. He considers it desirable to have a search firm involved in the recruitment process and suggests that considerable time should be spent developing the Director brief. The shoulder-tapping days are gone. He says the Board should work together to specify what they are looking for in terms of experience, background and what is missing in the current composition of their Board.

In terms of measuring diverse thinking, David says that we should move away from quota requirements and focus on Board performance, specifically whether companies are performing consistently over time and “whether they are keeping pace with change in the sector”. Companies must appreciate the impact of changing technology, and adapt accordingly. David draws the analogy of how our political agenda has shifted over time to an emphasis on environmental protection and sustainability. Similarly, he says a Board must be able to adapt and pre-empt these changes to stay relevant and remain well-positioned. David considers that diverse thinking should be measured by observing whether a company is performing consistently at a high level over time, within changing environments and business cycles.

David would rate the diverse thinking capability of New Zealand Boardrooms a 4. He thinks we are doing better than other countries. In his experience he has not been subject to groupthink, and says that the willingness of the Directors and Chair to adapt and change is vital to this. You only hear in the media about the bad Boards who have failed to prevent a deterioration in performance leading to a loss in shareholder value.

Doug McKay



Quotes

- “I know 60 year old males who work hard to keep ahead and informed on latest trends and similarly I know 35 year old females who are cruising and not really curious at all. We need to be careful how we frame the diversity discussion.”
- “Long lists need building from all manner of diverse sources. The brief should focus on diversity at its core. The recruitment firms should be charged with only coming back with a diverse set of names.”
- “Chairs need to create a collegial and supportive environment, and diverse members need to feel welcomed, not just invited.”
- “The interview panel should include a diverse range of Directors also and occasionally someone external if particular expertise in the assessment is required. Amazon in their process have a standard role called the bar raiser who is trained to protect against unconscious bias and assess the cultural fit against 14 leadership principles Amazon hold dear. They also have the right of veto on any appointment.”

Background

Doug McKay has been the Chairman of BNZ since August 2015. He is also a non-executive Director of National Australia Bank (NAB) and Fletcher Building Ltd. Doug brings considerable commercial experience to the BNZ Board of Directors. His previous roles include senior positions with Auckland Council, Carter Holt Harvey Limited, Goodman Fielder New Zealand Limited, Independent Liquor (NZ) Limited, Lion Nathan Limited, Procter & Gamble Limited, and Sealord Group Limited. Doug is a Director of Genesis Energy Limited, IAG New Zealand Limited, IAG (NZ) Holdings Limited, Tourism Transport Limited, and Wymac Consulting Limited. Doug is Chairman of the Eden Park Trust Board and a member of the Institute of Directors in New Zealand.

Diverse Thinking Capability Audit

"It's a range. One recent example would be a 1, quite insular and not open at all to new thinking. In fact, that Board had an allergic reaction to it. Others, and more than one, I would rate as 4s pushing into 5 – they are trying really hard to build this aspect and getting there over time."

Doug's views

Doug says the Chair's role is to build a Board that has the skills to determine and support the business strategy. Good Board recruitment plays out over time and Director candidates are sourced both formally and informally. Doug says he finds good insights into talent comes from the Director network who are working alongside other Directors and who can form views as to whether or not they are any good. This is not an old boys network. It is savvy and purposeful connectedness knowing what talent is out there in the existing Director and emerging Director space.

Doug says that appointing a quality recruiting firm to be on the lookout is also another excellent source of talent. The Chair's role is to play a long game on recruitment and be continually scanning the market

and reaching out to candidates who may be ready now, in a year or in a few years. Doug has seen that done really well by the best Chairs.

Good recruitment starts with a skills matrix against the business strategy that highlights the skill gaps that should be recruited for. Long lists need building from all manner of diverse sources. The Board should be engaged in early conversation about these names or names they may know too. The brief should focus on diversity at its core. The recruitment firms should be charged with only coming back with a diverse set of names. Doug says he has even used quotas to guide this work. The interview panel should include a diverse range of Directors also and occasionally someone external if particular expertise in the assessment is required. Amazon in their process have a standard role called the bar raiser who is trained to protect against unconscious bias and assess the cultural fit against 14 leadership principles Amazon hold dear. They also have the right of veto on any appointment.²⁴

Doug says “if a Director candidate does not have the skill set required then go no further.” This is the number one priority. Diversity and other issues are a consideration after that.

For Doug, diversity is about diversity of thinking, experience and background. It is not in his view as much about age, and gender which is how the conversation tends to be narrowly defined. Doug says “I know 60 year old males who work hard to keep ahead and informed on latest trends and similarly I know 35 year old females who are cruising and not really curious at all. We need to be careful how we frame the diversity discussion.” Doug defines diversity as it turns up in terms of different perspectives, openness, flexibility, different and innovative thinking. Having said that he does think at Board and Executive team level right now a 50:50 gender mix is powerfully symbolic and at this time in the conversation needs to be a short term goal.

Doug says that Chairs need to be alive to the opportunities for diversity and looking to execute on it; they should cultivate a Board environment where it flourishes and delivers a dividend to the company performance. If the diversity does not correlate with improved performance then probably the Board is not working hard enough at it. Chairs need to create a collegial and supportive environment, and diverse members need to feel welcomed, not just invited. The best Chairs Doug has observed do not say very much. They listen and pick up on the conversation looking to build on the diverse and innovative ideas. They nurture and explore them, looking to get a consensus if at all possible. If consensus is not possible, then the Chair needs to frame the disagreements. Once everyone feels they have had their say, the Chair can then ask and get commitment to a course of action. Doug calls this “disagree but commit”. At some point a decision has to be made. Diversity puts more of a premium on these techniques and behaviours.

Of the diverse thinking capability of New Zealand Boardrooms, Doug says, "It's a range. One recent example would be a 1, quite insular and not open at all to new thinking. In fact, that Board had an allergic reaction to it. Others, and more than one, I would rate as 4s pushing into 5, Boards which are trying really hard to build this aspect and getting there over time." Doug says there is no correlation to performance in his experience across this range, however it is a very small sample though!

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²⁴ Greg Bensinger "Amazon's Current Employees Raise the Bar for New Hires" *The Wall Street Journal* (online ed., 7 January 2014).

Dr Andrew Wong



Quotes

- “I never intended to be a Director – I do not have an MBA, I am not a lawyer or an accountant – but what I bring to the table is experience as a medical professional as well as my experience building businesses.”
- “Boards and management need to be aware of how age and ethnicity profiles across the customer base will change, because this will have a massive impact on businesses’ bottom lines. We need diverse thinkers on the Board to be able to roll with these changes. There are many companies in New Zealand where a lack of diversity is a great risk. If you do not understand the customer’s needs, you are going to struggle.”
- “I have benefitted from my medical career, as I am used to dealing with professionals with strong views and know that to succeed in that environment, I need to absorb a range of views and work out what to do. That approach is well suited to a governance context.”

Background

Dr. Andrew Wong is currently Managing Director of MercyAscot Hospital Group and Healthcare Holdings Limited and is a Director of a number of medical organisations. These organisations cover a diverse range of areas such as surgical hospitals, day surgeries, diagnostic radiology and cancer care. He has worked in both the private sector and in the public sector, as part of the management team at South Auckland Health. He is currently a non-executive independent Director of Summerset Group Holdings Limited.

Andrew's views

Andrew says that diverse thinking, like a lot of phrases in the English language, can mean different things to different people. But he says, for example, when you look at the other members of the Summerset Board that he sits on and the paths they have taken to become a Director, he has definitely taken a different path. Having trained as a doctor and being involved in various business ventures, he has been exposed to things that others haven't. He has worked at the coal face in South Auckland, and that is something that not a lot of other people around many Board tables have had exposure to.

He also never intended to be a Director – he does not have an MBA, he is not a lawyer or an accountant – but what he brings to the table is his experience as a medical professional as well as his experience building businesses. He says, “I bring that history with me” to the Summerset Board table. He has also benefited from exposure to thinkers like Lester Levy and Rob Campbell.

Reflecting on the role of the Chair, Andrew says the key to the Summerset Board is that Rob and the other Directors have spent a lot of time putting together that Board – a lot of thought has gone into it. The Board has been hand-picked to contribute in their particular area of expertise, and everyone's views are valued.

Andrew says he has not had to adapt the way he presents his views to a governance context. From his medical career, he is used to dealing with professionals with strong views and that to succeed in that environment you need to absorb a range of views and work out what to do. That approach is well suited to a governance context.

For Andrew, having a genuine connection with the company's mission was important. He says "I wasn't looking to become a Director of a publicly listed company... I wanted to know that management and Directors were genuinely committed to becoming a "care" company."

Andrew says he does not believe New Zealand is any worse than Australia when it comes to diverse thinking capability. Plus, we should have an ability to adapt quicker because we are smaller.

Andrew says we should not have diversity for diversity's sake; it has got to be about strategy the company trying to achieve. You also need Directors who can do a good job.

There are many companies in New Zealand where a lack of diversity is a great risk. If you do not understand the customer's needs, you are going to struggle. The customer is a current and future proposition. In Summerset's villages, maybe 5-10% of the current residents are non-European. But this is something that will massively increase. The future composition will be substantially different. Boards and management need to be aware of how age and ethnicity profiles across the customer base will change, because this will have a massive impact on businesses' bottom lines. We need diverse thinkers to be able to roll with these changes.

Andrew thinks we will start to see a shift to more Directors who have deep industry specific knowledge.

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Dr Lee Mathias



Quotes

- “Diverse thinking is about perspectives, not attributes “
- “The stereotypically “diverse” may not be a diverse thinker, and the stereotypically “non-diverse” may bring diverse thinking to the table.”
- “Skills matrices are frequently used for Board appointments, however these often ignore the more abstract qualities associated with diverse thinking. There does need to be a skills balance but we should not elevate traditional competencies (i.e. accountancy, law) at the expense of diverse thinking.”
- “Diverse thinking is not something that will simply improve with time – action is required. We need to educate Directors and Chairs about how to bring that diverse thinking to the table – both by appointing diverse thinkers, but also encouraging diverse thinking from the whole Board.”

Background

Dr Lee Mathias has a wealth of private and public healthcare experience. She has worked in the health services sector for over forty years, as a clinician, a business owner, a consultant, an educator, and as a Board Director. She has made an invaluable contribution to midwifery and maternity care in New Zealand, and utilized her considerable entrepreneurial skills to build successful businesses and enhance the governance of many leading organizations. Dr Lee Mathias was made an Officer of the New Zealand Order of Merit, and is a Chartered Fellow Institute of Directors in New Zealand. Lee currently Chairs the Health Promotion Agency and is a Director of Pictor Limited, Health Alliance NZ Ltd, the Health Innovation Hub and a Board member of ADHB.

Diverse Thinking Capability Audit

2 / 5

"Diverse thinking is not something that will simply improve with time – action is required."

Lee's views

Lee explained that diverse thinking is about perspectives, not attributes (i.e. not about simply being of a particular gender or ethnicity). Drawing on Baroness Onora O'Neill's work on normative theory,²⁷ Lee said that diverse thinking is the inclusion of perspectives from people who have different lived experiences. All such experiences are valid and relevant and are legitimately included in the decision-making process at the Board table. Because we use normative assumptions (i.e. consider the governance decision from the traditional perspective), diverse perspectives will always be considered as "diverse" and not the norm.

²⁷ For example, Onora O'Neill "Normativity and practical judgement" (2007) 4:3 *Journal of Moral Philosophy* 393.

She explained that skills matrices are frequently used for Board appointments, however these often ignore the more abstract qualities associated with diverse thinking. There does need to be a skills balance but we should not elevate traditional competencies (i.e. accountancy, law) at the expense of diverse thinking.

Lee thought that the most important thing for diverse thinkers in being effective at the Board table is a sense of maturity and confidence in their place in the world. She noted that in complex environments, it is helpful to understand how the sector works.

Diverse thinkers need to be willing to work hard and be the best prepared. It could be helpful to have more than one diverse thinker to avoid a sense of isolation as the person challenging the status quo.

The Chair of the Board needs to value diversity of thought and needs to be a “conductor”. They need to help their diverse thinkers have the confidence to put forward their view in an unencumbered manner. Chairs need to be “professionally mature” – they need to know that there are things they don’t know, and be willing to be open about that

They have to be a coach, both of the diverse thinker and others around the table (getting the best out of the diverse thinker, and helping the Board recognise the value of the diverse thinker's voice). It may take a year for a Director to perform. Chairs also need to know how to manage strong personalities to get the best decisions from the Board.

Diverse thinking is not something that will simply improve with time – action is required. She thinks we need to educate Directors and Chairs about how to bring that diverse thinking to the table – both by appointing diverse thinkers, but also encouraging diverse thinking from the whole Board. As Chair, you have to proactively recruit and appoint diverse thinking Directors.

Lee thinks we need a more sophisticated way of looking at diversity and diverse thinking – it is not about tokenism, tick-boxes, or stereotypes.

We need to recognise that the stereotypically “diverse” may not be a diverse thinker, and that the stereotypically “non-diverse” may bring diverse thinking to the table. Lee thinks we also need to further understand (including from an academic perspective) what makes diverse thinkers think the way they think. Lee completed her doctoral thesis on “The Shaping of Decision-making in Governance in the New Zealand Public Healthcare Services,”²⁸ which focused on ascertaining the characteristics of decision-makers both as individuals and as members of groups, their skills, preparation and the experience required to make governance decisions in healthcare services in New Zealand.

Lee thinks Directors and Chairs need to recognise the value of diverse thinkers, especially those that would not necessarily be considered "Director material". We need diverse thinking Directors to support, encourage, and elevate other diverse thinkers.

Lee is a big fan of Richard Leblanc's books on what makes Directors think differently around the Board table – in particular, she suggests *Inside the Boardroom*²⁹ and *The Handbook of Board Governance*³⁰.

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²⁸ Wanda Lee Mathias "The Shaping of Decision-making in Governance in the New Zealand Public Healthcare Services" (thesis in partial fulfilment of requirements for degree of Doctor of Health Sciences, Auckland University of Technology, 30 January 2009).

²⁹ Richard Leblanc and James Gillies *Inside the Boardroom* (Wiley, Toronto, 2005).

³⁰ Richard Leblanc *The Handbook of Board Governance* (Wiley, New Jersey, 2016).

Geoff Ricketts



Quotes

- “Chairs need to say to recruiters “we want a diverse slate of candidates, not just your mates.”
- “The biggest impediment to change is Board Chairs and headhunters who do not put up a diverse slate of candidates.”
- “Everyone needs to be advocating for diverse thinking, including the IOD and the Shareholders’ Association.”

Background

Geoff is a company Director and investor with wide experience in the New Zealand and Australian business environments. He holds a number of Directorships, including Chair of Todd Corporation Limited, Chair of Heartland Bank, Chair of Suncorp Group (NZ) Limited and Vero New Zealand Limited. Geoff chairs The University of Auckland Foundation and is a strong supporter of community and philanthropic activities, particularly in relation to the arts and education in New Zealand.

Diverse Thinking Capability Audit

2.5 / 5

"We're halfway on the journey."

Geoff's views

Geoff says New Zealand's diverse thinking capability in Boardrooms is currently a 2.5.

He says diverse thinking is about getting top talent and the best people for the job. But most importantly, it is about making corporate Boards more effective. It is about having people with merit and intelligence.

Geoff says he has seen diverse thinking over the course of his career. He says that whereas in the early days there was a lot shoulder-tapping and an “enclave” environment as discussed by the Royal Commission on Banking in Australia, in the last 20 years most firms are opting to use executive search firms to assist them in making appointments.

That is not to say that shoulder-tapping does not still go on. In fact, Geoff says, anecdotally perhaps 85% of Board and executive-level appointments are made by word of mouth. Geoff says Chairs need to say to recruiters “we want a diverse slate of candidates, not just your mates.” Geoff suggests that you need to interview at least four people for a role and make sure there is diversity among them. The biggest impediment to change is Board Chairs and headhunters who do not put up a diverse slate of candidates.

But, he says, it is easier to get diverse thinkers now because the talent pool is much more diverse. Generational change is also a factor. He says in the past there has been some resistance (or at least unconscious bias against) to diverse thinkers. Geoff says "most Directors of that generation have gone, and my generation is going." So change is happening.

Geoff gave the example of the independent Directors on one of his Boards as “a very diverse trio.”

He says they have a diversity of skills and background and “the value they add to us is just terrific.” On Suncorp Group, Geoff singled out Audette Exel who was a very diverse thinker, but also came with all of the experience in funds management, reinsurance, running a bank in Bermuda and working at Linklater’s.

It is also important that diverse thinking Directors have the right chemistry with the rest of the Board. Geoff says if a diverse thinking candidate is identified but the rest of the Board is unsure about fit, just ask them to sit in for a few meetings as an observer and see how they go.

Geoff says that we need to educate our representative organisations and shareholders about the value of diverse thinking, so that they can lead the charge. But we all have a role to play.

Everyone needs to be advocating for diverse thinking because it is ultimately about performance: the Shareholders' Association, the Institute of Directors, the senior Directors, so that we get to more and faster change on the diverse thinking front.

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Graeme Milne



Quotes

- “Diversity is not necessarily in the face that you’re looking at.”
- “Diverse thinking is easy in theory and hard in practice to get.”
- With a list of candidates for a new Director, “there should be names you haven’t heard of.”
- “Whether you are the Chair or not, you need to support the diverse thinkers in the room.”

Background

Graeme joined the Synlait Group as a Director in 2006. With extensive experience, his career in the dairy industry has seen him working in New Zealand, Australia and Europe. He is the Chairman of Synlait Milk Limited and Synlait Milk Finance Limited. Graeme was appointed CEO of Bay Milk Products in 1992, and has held several leadership roles since then. This included CEO of the New Zealand Dairy Group, prior to the formation of Fonterra, and interim CEO of Richmond Limited and Bonlac Limited in Australia. Graeme holds several other governance roles with a range of organisations. He is the Chairman of Terracare Fertilisers Ltd, Pacific T and R Ltd, Nyriad Ltd and he chairs Advisory Boards for Pro-Form Ltd and Rimanui Farms Ltd. He is also a Director of FMG, Alliance Group Ltd and Genesis Energy Ltd.

Diverse Thinking Capability Audit

3.5 / 5

"We've changed a lot, and we should get credit for that, but we don't think about diversity broadly enough. It is not just about gender."

Graeme's views

Graeme says there is a distinction between “true” diversity and “apparent” diversity, and he is a very good example of that. Graeme says that when people look at him, they see a white middle-aged male. But he came from a low income background, he is the first person in his family and extended family to go to university, he is an engineer who spent 6 years working in London and Germany with market responsibility for Russia, the Middle East and North Africa. He speaks fluent German, is a private pilot, and has a black belt in Aikido. These are the “concentric overlapping circles” that make up his diversity and make him a diverse thinker.

He says the objective of diverse thinking is to have people who think differently who can bring that to the table in a productive way. He mentioned Sam Knowles as one of the most diverse thinkers he knows; Sam is a real thinker and brought a surprising perspective to the table in a productive way, perhaps because of his experience setting up Kiwibank as a new entity and stewarding it through its early years.

Graeme has been fortunate to be able to put Boards together from scratch. He says "a tick-box compliance with gender targets doesn't get you there", but you should always aim to pick the best people for the job and to fill gaps in skill and sector experience. He says that years ago the approach was to sit around the table and pick someone that people knew. There was not much more to it than that. It is better now that

recruiters are used more frequently, but you still need to push recruiters into the space you want to be in. With a list of candidates, "there should be names you haven't heard of."

Graeme also knows what he does not want when it comes to new Directors. He says when it comes to age diversity, you need to get the "sweet spot" - people who are young enough to bring that perspective, but not so young that they have not had a chance to get their own professional experience. You don't want wannabes. Entrepreneurs can be tricky because they want to get stuck in and do it themselves. You need people who are willing to really be advisors, not doers. This can be a difficult transition. You might need to coach Directors to get to that point. They need to leave feeling they have made a contribution.

This is not just the Chair's role either – “whether you are the Chair or not, you need to support the diverse thinkers in the room.” Graeme says he does that, regardless of whether he is the Chair of the Board. The Chair and Directors need to lead on this issue.

Graeme says New Zealand Boardrooms are about a 3 to 3.5 for diverse thinking capability.

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Hon Margaret Wilson



Quotes

- “It is hard to make any real progress with diverse thinking when sexism remains alive and well.”
- “If Chairs do not want to change because they have come up through the system and it does not suit them to change, and they want to protect what they have got, then nothing is going to change on Boards.”
- “Having women on Boards and decision making roles does affect the priorities - it raises issues often overlooked.”
- “Diversity of thought is about getting better decisions.”

Background

The Hon Margaret Wilson has worked in private practice and has had an extensive career in public service, including as the founding Dean of Waikato Law School. She has been Director of the Reserve Bank of New Zealand, a New Zealand Law Commissioner, President of the New Zealand Labour Party, Chief Adviser and Head of Prime Minister's Office, Minister of the Crown with positions including Attorney-General, Minister of Labour, Minister Responsible for Treaty of Waitangi Negotiations, Minister of Commerce, Minister for Courts and Associate Minister of Justice, and Speaker of Parliament. Margaret was appointed to be Distinguished Companion of the New Zealand Order of Merit in 2009.

Diverse Thinking Capability Audit

2 / 5

"So many people do not really understand what diversity of thought means apart from different looking faces. It is about getting better decisions."

Margaret's views

Margaret Wilson was the first woman on the Reserve Bank of New Zealand Board.

Margaret thinks we need more training of Chairs. If Chairs do not want to change because they have come up through the system and it does not suit them to change, and they want to protect what they have got, then nothing is going to change on Boards. Without these skills, Chairs can also get bullied by other Directors. Margaret has seen that happen. We need diverse thinkers as Chairs.

She thinks the Chair is critical to diverse thinking, and there needs to be real accountability and transparency regarding what they do. Otherwise, if they do not carry out their role properly and squash diverse thinkers, nobody can hold them to account.

So the question really is whether diverse thinking is really making a difference? If it is not, then why not? There are now more women than ever on Crown Boards but the real question is whether it is making a difference.

Hon Ruth Richardson



Quotes

- “It’s all about the why. Why is diverse thinking so important and what difference does it make at the Board table.”
- “Diverse thinking is about understanding what is ahead of the curve, understanding international trends, being agile and being eclectic. You need head, heart, and backbone to be a modern Director.”
- “Diverse thinking is about enhancing our overall wellbeing as a country and we have a lot of catching up to do.”
- “It is about replacing the episodic attention to the number of women in power with a systematic examination of why it is important to have those women and other diverse thinkers operating at a high level. We have a huge amount of catching up to do.”
- “The day of the hierarchy is over – it is consumers and citizens who are driving change in business and in politics.”
- “Diverse thinking needs to be a performance issue, not a conformance issue.”

Background

Ruth Richardson has made significant contributions to the political and business communities of New Zealand, both nationally and internationally. Ruth was the Member of Parliament for Selwyn from 1981 – 1984 and later New Zealand's Minister of Finance from 1990 to 1993. Following her political career, Ruth established herself as a public policy consultant and accepted a range of corporate governance roles. Her Directorships have involved her in a wide spectrum of business activity and her Board work is not exclusively concentrated in New Zealand – her work has taken her regularly overseas to Europe, the United Kingdom, the United States, Latin America as well as Australia. Ruth is currently Chair SYFT Technologies Limited, Kiwi Innovation Network Limited (Kiwinet), the New Zealand Merino Company and the Kula Fund Advisory Committee. She is a Director of Synlait Milk Limited, Synlait Milk Finance Limited and the Bank of China (NZ). Previous governance roles include Dairy Brands, the Reserve Bank of New Zealand and Wrightson Limited. Ruth holds a Bachelor of Laws (with honours) from the University of Canterbury.

Diverse Thinking Capability Audit

"I won't be trapped by the status quo!"

Ruth's views

Ruth says the importance of diverse thinking is more than just to the company, it's about "enhancing our overall wellbeing as a country." We need all the talent at the table, and we need a culture that genuinely embraces new thinking and seeks fresh ideas. Ruth says companies need to be ambitious and seek to anticipate what is coming next. Ruth gave the example of the Synlait Board *modus operandi* as a template of how she sees the new governance dynamic – a very diverse team with Directors and senior

management all on a mission together exploring new food trends and sustainability imperatives. “We are a learning organisation. Diversity is already a hallmark of our Board. Of the eight Directors, three are Chinese nationals and two are women.”

Ruth says for companies, "it's all about the why." When we are talking about diverse thinking, we need to focus on the why of the business, and a lot of the time that is missing. We need purpose-driven organisations and a purpose-driven country. It is about replacing the episodic attention to the number of women in power with a systematic examination of why it is important to have those women and other diverse thinkers operating at a high level. Ruth says "we have a huge amount of catching up to do."

Ruth talked about the concept of “the square and the tower” – the subject of a recent book by historian Niall Ferguson. The book argues that throughout history, “hierarchies in high towers” have claimed to rule, but the real power comes from the “networks in the town square below.” It is the networks in the square that innovate, and through which revolutionary ideas spread. Ruth says “the day of the hierarchy is over” – in particular, it is consumers and citizens who are driving change in business and in politics.

Ruth draws a comparison between diverse thinking and sustainability. She says that “our clients won’t do business with us unless we demonstrate tangible sustainability goals.” Businesses are realising that they need to demonstrate performance at all levels - People, the Planet, and Profit.

Ruth says there is a real dynamic at work, both at home and abroad. Ruth mentioned Danone's Annual Report, Tetra Pak's Sustainability Report, and the Royal DSM Integrated Annual Report as reflecting customers', companies', and shareholders' changing priorities in this changing world. Danone's report showcases how it is responding to what it terms "this increasingly complex world," highlighting sustainable agriculture and their investment in businesses "who share our vision of a healthy and sustainable future for food, and inspire us to embrace disruptive approaches".²⁰ Tetra Pak too recognises the increasing complexity, noting "success in today's global business requires employees with a diverse mix of backgrounds, perspectives and cultural understandings."²¹ Royal DSM's report demonstrates a commitment to diverse thinking – it has trained all its executives on creative thinking, and its Board evaluation found that the Board encouraged diverse thinking and had a willingness to engage and challenge.²²

She described witnessing a real “a-ha” moment, when a senior executive with an all-male reporting line encountered a very impressive woman executive as his counterpart. Ruth says everyday examples of non-stereotypical executives doing well can have an “incredible halo effect” and change people’s minds in a way that rhetoric cannot.

Ruth says diverse thinking needs to be a performance issue, not a conformance issue. We need to be appointing people who advance the company's purpose and drive value. Directors need to be appointed on talent and whether they match and advance the Board's purpose. Boards need to be proactive in the cause of fostering diversity and inclusion when they are making appointments and this needs to be communicated properly to the recruiter.

Ruth said that we need to reframe the issue. We need to start with the question “What does it take for this Board to secure quality performance?”, “What are the characteristics of a quality Director?”, “How can a Director add value?” This is a question that applies regardless of gender or ethnicity or any other difference. We then need to ask ourselves whether the candidates we are appointing meet those quality criteria.

We should not fall into the stereotypical concern that when we get diverse candidates on Boards they

²⁰ Danone Annual Report 2017, at 42 and 47.

²¹ Tetra Pak 2017 Sustainability Report, at 2.

²² Royal DSM Integrated Annual Report 2017, at 9 and 122.

risk being labelled as too different, not a good fit (which is another way of saying she doesn't look like one of us) and what may degenerate into a toxic environment where the Chair and other members of the Board try to shut the person down or marginalise their contribution.

Ruth says diverse thinking is about understanding what is ahead of the curve, understanding international trends, being agile and being eclectic. She says “you need to bring head (learning all the time), heart (passion), and backbone (stating your position, standing your ground, and not being deterred by naysayers) to the Board table. These are critical characteristics for modern Directors.”

Ruth says in general Boards do have a wide contestability of views. That is crucial for quality decision-making. This takes place not in toxic and dysfunctional cultures but in well functioning Boards.

If, however, a person is brought on Board because they are a challenger, then it does become important that the rest of the Board and the Chair understand what that means for their *modus operandi* around the Board table.

Ruth said that in her own experience, there had always been full contestability of views, whether that was Synlait, NZ Merino or the Bank of China. She does know of specific instances where women Directors have felt shut down and unable to speak out. But she says that she has never felt the need to button her lip.

When asked to provide a ranking for the diverse capability audit, Ruth refuses – “I won’t be trapped by the status quo!”

Janine Smith



Quotes

- “Board diversity requires stronger leadership from Chairs for diversity in the Boardroom to be effective and support better decision making.”
- “If the Chair is not supportive of a diverse thinking Director, it doesn’t matter how good you are. It is not going to work.”
- “Board Directors have to work harder if you are going to have Diversity around the Board table and to leverage that for the benefit of the company. “
- “More diverse thinking requires greater leadership.”

Background

Janine has been a company Director for over 20 years. She is a founding Principal of The Boardroom Practice Limited, a Council Member of AUT, the only independent member of Fonterra's Governance Development Committee, President of the London Business School alumni Auckland chapter and a well-known judge of business awards. She has held a number of other non-executive independent Board positions as Director and Chair in Public Listed Companies, State-Owned Enterprises, Professional Services and with companies in the arts and education sectors. She completed a MPhil (Hons 1st class) in 2010 on Effective Boards and was acknowledged in the 2015 New Year's Honours List receiving an MNZM for services to corporate governance. Her corporate career was in food and related companies in the Fast Moving Consumer Goods sector and in telecommunications and media. She held executive Director roles in Telecom Yellow Pages and Arnott's Biscuits (part of Campbell US).

Diverse Thinking Capability Audit

2.5 / 5

"In using the full diversity of thought to have robust conversations and aid good decision making, we're about a 2.5 or less."

Janine's views

In Janine and Deryl Nothcott's article "Board diversity and effectiveness: implications for the role of the Chair",²⁶ Janine examined how social (ethnic and gender) diversity impacts Board effectiveness and the role of the Chair through interviews with 35 New Zealand Board members. She looks at whether the difference in diversity between state-owned enterprise (SOE) Boards, where there is greater gender and cultural diversity, and public listed company (PLC) Boards, where there is less diversity, influenced members' perceptions of what made an effective Board. Interviewees were asked what they saw as the functions of an effective Board, the characteristics and factors leading to effective and ineffective

²⁶ Deryl Northcott and Janine Smith "Board Diversity and Effectiveness: Implications for the Role of the Chair" (2015) 12(3) Corporate Ownership & Control 261.

Joan Withers



Quotes

- “Directors should disabuse themselves of the idea that only one part of their identity (gender/ethnicity) is all that is wanted from them – they should bring all their strengths to the table.”
- “High performance comes down to removing barriers that exist between individuals.”
- “‘Attitudinal diversity’ is important in the Boardroom. Chairs and Directors should make a conscious effort to seek out other views. Directors should have the confidence to critically challenge and feel that they are in a safe enough environment to say, ‘Why should I agree with you?’ Board culture is of paramount importance.”
- “The Future Directors programme is an important tool for getting New Zealand Boardrooms to 10 out of 10 for diverse thinking.”
- “The governance paradigm has changed materially. Now Directors need to have a sound knowledge and understanding of what will surprise and delight their customers, and be empathetic towards them. A customer-centric mind-set is now essential for Directors.”
- “There are still ‘pockets of dinosaurs’ out there.”

Background

Joan has been a professional Director for 18 years and spent over 25 years working in the media industry previously holding CEO positions at The Radio Network and Fairfax Media. Her current governance roles are Chair of Mercury NZ Limited and The Warehouse Group Limited and Director of ANZ NZ.

Joan is also a Trustee of the Sweet Louise Foundation, and is Chair of a steering committee working to increase the percentage of South Auckland Maori and Pacific Island students taking up roles in the health sector. She holds a Masters Degree in Business Administration from The University of Auckland and is a University of Auckland Distinguished Alumni (2015). Joan is the author of *A Girl's Guide to Business* which was published by Penguin Books in 1998 and *A Woman's Place* which was published by Penguin Books in 2017. She was awarded the New Zealand Shareholders Beacon Award in 2014. In 2015, Joan was named Supreme Winner in the Women of Influence Awards and was named as Chairperson of the Year at the Deloitte Top 200 Management Awards.

Diverse Thinking Capability Audit

7 / 10

"It is broader than out of five so I will score out of ten. The governance paradigm has changed materially. A customer-centric mind-set is now essential for Directors."

Joan's views

Joan says that diverse thinking in the Boardroom is about having a set of skills, experiences, and background that are complementary, and about coming at issues from a variety of perspectives. The

classic predictors of diverse thinking are being from a different gender, ethnicity, sexual orientation or age. But diverse thinking is really about behaviour. You need a dynamic in the Boardroom that encourages Directors to draw on their broad experience and wisdom.

Board culture is of paramount importance. The Board has to see the value not just of classical skills and experience but also of behaviour, culture, and debate. Joan says this comes from strategizing and socialising outside the Boardroom which helps develop that essential trust and respect. Joan mentioned Patrick Lencioni's books about high performing teams. What he says is that high performance comes down to removing barriers that exist between individuals.

Joan says that a problem Boards frequently encounter is that Directors feel compelled to offer an opinion, even if they do not have anything to add. Directors should consider the acronym W.A.I.T. – “Why Am I Talking?!” In other words, Directors should think more and make sure that they offer the highest order comment they can in order to maximise the value of everyone around the table. Directors should also be reluctant to position themselves with expertise over and above what they actually have. It undermines credibility and makes it harder to offer diverse ideas when they do have merit.

Chairs need skill to elicit more from diverse thinkers. Board performance reviews can assist too – particularly the measure of the percentage of airtime each Director has in each meeting. You have an idea in your mind but seeing the empirical evidence can surprise you about who does and does not talk.

Joan says that some executive search firms still have a way to go when it comes to diverse thinking. She was once recruiting for a Director with marketing experience and was given a longlist without a single woman on it. She says “there are still pockets of dinosaurs” out there. She was surprised that a Global Women initiative to help companies who had no woman Directors, although met with a positive response from many companies, garnered quite a defensive response from others.

Joan hesitated to rate New Zealand Boardrooms on a measure out of 5 – “it’s broader than that.” Instead, she rated it a 7 out of 10.

She suggests that the Future Directors programme is an important tool for getting New Zealand Boardrooms to 10 out of 10. Mercury Energy has just appointed their third Future Director and each one has brought significant value to the Board. Even though they do not make decisions, they do add substantially to the discussion and debate. In particular, Joan mentioned Vena Crawley, a Future Director on The Warehouse Group Board, as having made a great impact on Board discussion.

Joan says that the governance paradigm has changed materially. Now Directors need to have a sound knowledge and understanding of what will surprise and delight their customers, and be empathetic towards them. A customer-centric mindset is now essential for Directors. This makes Directors that represent and understand the customer base more important.

Joan thinks Directors who are appointed to a Board to fulfil a requirement, such as ethnic representation, are liable to restrict themselves to offering only that viewpoint. Boards cannot afford to let them sit in specialist silos. The other Directors should disabuse them of the idea that that part of their identity is all that is wanted from them – they should bring all their strengths to the table. Joan says Boards are getting a lot better at this. Most Directors recognise the need to have a view, even if this is not their expertise or experience.

She also says that diverse thinking Directors need to continue to develop their skills. This means openly discussing how Directors can develop their secondary competencies into primary competencies. All Directors need to continue to develop themselves, over their usually 6 to 9 year tenure on a Board.

Joan called out Sir Tipene O'Regan, as bringing diverse thinking to the Board. When Sir Tipene was appointed to the Meridian Board, he opened Joan's eyes to new concepts such as kaitiakitanga. He has a very respectful style and is good at listening, which makes his diverse thinking contributions very effective.

Joan also called out Tania Simpson. During her time on the Mighty River Power Board, Tania had a quiet leadership style, superb judgement and the ability to really understand the psyche of people and sum them up in a real way. Tania's work with early childhood education initiative Moko Club New Zealand gives her a real insight into customers' lives which was a useful perspective to bring to the Boardroom.

Joan also said that Andy Lark brings a unique perspective to Mercury Energy, because of his background and success in entrepreneurship, marketing and digital technology. "He is willing to wholeheartedly commit to new initiatives, saying 'we need to put all the wood behind one arrow.'"

Joan does not think too much time is spent by Boards on compliance. She referenced John Peebles' doctoral thesis "Power and influences on the Board's agenda: Who determines what corporate Directors discuss?"³³ Peebles' study found that the Chief Executive is the prime influence on the agenda. Joan says it is important that the Chair of the Board also has a role. She says that as soon as she became Chair at Mercury and at Auckland International Airport, she arranged for the agenda to be set by her and the Chief Executive together.

Joan referred to Alex Davis's comment piece in the New Zealand Herald about women on Boards.³⁴ She says, contrary to his view, women are making a huge difference.

Referring to Kevin Roberts' "incrementalist / transformationalist / disruptor" concept, Joan says those are not fixed roles for each Director. Directors take on different roles at different times and as they are required. Sometimes making decisions in the best interests of the company will require a more conservative view. If you are making a massive financial decision, you need to exercise your best judgment. This may mean not taking the risk on a disruptive approach.

Joan says “attitudinal diversity” is important in the Boardroom. Chairs and Directors should make a conscious effort to seek out other views. Directors should have the confidence to critically challenge and feel that they are in a safe enough environment to say, “Why should I agree with you?” Joan says things have changed. When she first started her governance career, she did experience making a point which was let drop, but was picked up when someone else said it. It was a case of having to earn your stripes. Joan says this never happens now.

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³³ John Peebles "Power and influences on the Board's agenda: Who determines what corporate Directors discuss?" (thesis presented in partial fulfilment of requirements for degree of Doctor of Business and administration, Massey University) 2010.

³⁴ Alex Davis "Push for women on Boards flawed" *New Zealand Herald* 10 July 2018.

Julia Raue



Quotes

- “Mutual respect for my view, even if it is not the view of the many works better than the “we tried that in 1970 and it didn’t work” approach. Inclusion can’t be emphasised enough.”
- “I have experienced making a contribution in a Board meeting and someone laughing. My approach is to say “it’s really interesting that you’d laugh at that – let’s work out why you had that reaction.” Using it as a jumping off point for discussion can yield really valuable results.”
- “Do not just ask a question and leave management guessing - ask the question in a way that clearly frames the governance concern you are raising, and give examples. You need to bring people on the journey, and make it relevant. The more you do this, the more people expect you to bring a different view, and seek it out.”
- “What makes me is “diversity through adversity” or resilience. Sometimes this lack of privilege can be a real strength. It is essential in certain parts of the life cycle of a company particularly when it experiences negative shocks or unforeseen critical opportunities.”
- “We can’t afford to sit back and become the Kodak country, so our Boards have to grow our diverse thinking”.

Background

Julia is an Independent Director for Z Energy Limited, The Warehouse Group Limited, TVNZ, Southern Cross Health Care Society and Jade Software Corporation. She is also a Member of the Risk & Audit Committee for the Treasury. Previously, Julia was the Chief Information Officer at Air New Zealand (2007–2015) and she was awarded the New Zealand CIO of the Year award in 2009. She is a member of the NZ Institute of Directors, a graduate of the Australian Institute of Company Directors, and a member of Global Women New Zealand.

Diverse Thinking Capability Audit

1 / 5

"We are fairly low, and it is not good enough."

Julia's views

Julia says that for Board Chairs to get the most out of diverse thinking Directors, they need excellent leadership skills, strong communication, and a collaborative approach. They also need to be encouraging of participation, able to give feedback (particularly in cases of poor Director performance), and have the respect and trust of Board and Management. They need industry or sector experience, patience (at times), and the foresight to know when to move a subject on and when to spend more time on it. A good sense of humour will help too!

Julia feels incredibly privileged to work with some excellent Chairs. Each have their own styles which are

quite different. Where they are aligned is their focus on the critical strategic and operational elements; ensuring good governance practices across the Board (including relationships and communications with CEO and Shareholders); the respect and trust they have, and the regard they are held in. Each also encourages full participation in critical strategic areas to ensure diverse thought and viewpoints are shared and understood. Most use an “around the table” technique to ensure this at the end of a session or subject discussion. Most also use Director and management reflection post a Board meeting to support and measure meeting effectiveness i.e. quality of papers; quality of discussion; right topics discussed; and the right time spent.

Julia says most also use Board reviews to ensure effective governance (or to continue to drive best practice) and support other areas including Board development or Director retention and recruitment. This supports ensuring the addition and extraction of benefits of diversity, as does elements such as diversity and inclusion (D&I) monitoring and reporting. Having a D&I policy, and KPIs or measures to drive a strong D&I culture is another. Julia says we need to be very deliberate about what we want to focus on, and how we will deliver and measure it.

Julia says we talk a lot about diversity, but inclusion is just as important. It's one thing for organisations to have a diverse workforce – it is quite a different matter to ensure that people feel they can bring that diversity to work, and be themselves (their culture, their gender, their ethnicity, their religion, their colour) and be part of a community that supports that and includes that. She says she often reflects on whether (as a country, as a people, as an “NZ”) we are very diverse, but not very inclusive. How does that show up in each of our organisations, in our schools, in our communities? How can companies assist to change the community impact to change the overall impact? What is our social responsibility to ensure that NZ Inc. and New Zealand as a whole is diverse and inclusive?

Julia thinks consensus at the Board table is a good thing – but not necessarily 100% consensus, and it may (or likely will) take some questioning, challenge and debate to arrive there. Ultimately, the outcome should be constructive. No one should be left feeling battered or bruised, and the rationale for the decision should be clear.

She cannot immediately think of any governance practices that need changing, however there may be some governance styles that need adapting. She has seen a variety of styles, and knows personally that she works best where there is a mutual respect for her view, even if it is not the view of the many. That works better for her than the “we tried that in 1970 and it didn’t work” approach as an example. Julia says we need Directors to have a positive attitude and open mind to all contributions. And to have the courage to speak up, and the courage to say they disagree.

Julia says all Directors have a role to play in encouraging diverse thinking – this is vital. It should be regularly discussed organisation-wide, not just at the Board level. Directors need to ask questions, and ensure the policy and process and metrics are there to support diverse thinking. All Directors need to encourage diversity of views. Julia has had experiences where she contributes in a Board meeting and someone laughs. Her approach is to say “it’s really interesting that you’d laugh at that – let’s work out why you had that reaction.” Using it as a jumping off point for discussion can yield really valuable results.

Julia says that she has seen diverse thinking done well when they pose a “governance concern” rather than a general concern or question. In other words – do not just ask a question and leave management guessing - ask the question in a way that clearly frames the governance concern you are raising, and give examples. You need to bring people on the journey, and make it relevant. The more you do this, the more people expect you to bring a different view, and seek it out.

She believes she plays a strong role as a diverse thinker on many of her Boards. She has learnt that she needs to clearly articulate not just the governance concern, but also give clear examples (to bring some Directors and management) on the journey with her.

She does not think you necessarily need a critical mass of diverse thinkers, however you need people

to be open enough (as a group) to entertain diverse thinkers, and not just be too quick to shut down a diverse thinker because their view is misunderstood or deemed a distraction or unnecessary. Julia says as a diverse thinker you can feel compelled to prove your credentials and your right to be there, which you should not have to do.

In Julia's experience, Chairs and Boards have thought through the implications of bringing diverse thinkers on Boards and how to leverage their challenge and different viewpoints. Part of the Director Recruitment process looks initially at the skills and experience required immediately and for the future; then at the current Board profile to support that. The recruitment process then seeks to ensure that the ongoing balance is appropriate to support the organisational strategic and operational goals. Diversity and diverse thinking is also a consideration as part of this process. Julia has seen this work at four of her current Boards (a state-owned enterprise, a not for profit, and two publicly listed companies). Each of these Boards has also had the support of a review process to ensure that the skills, experience, tenure, independence and diversity of the Board is appropriate – typically run through an external governance consultancy.

Julia says generational change is absolutely relevant to maximising the benefits from diverse thinking on Boards. Having sufficient generational spread is critical to ensuring that the Board understands its stakeholders, its customers, its shareholders, its members, and its New Zealand (and global) market. As an example, a Board made up of entirely baby boomers may not understand the influence that social media or apps are having on their customer base.

Julia does not think a compliance mindset around women on Boards is getting in the way of leveraging the most from diverse thinkers on Boards, unless the women are the more dominant in terms of their share of the conversation. But again that is something that a Chair can constructively navigate away from, and worst case have a conversation with the members to ensure that full diversity is leveraged.

To Julia's mind, diverse thinking is much more than just gender or ethnicity. She says we become diverse through our experiences, our backgrounds, our education, our upbringing. What makes us unique is what we have each lived through both personally and professionally. In some cases gender or ethnicity will add another lense to that, but we should not assume that there is not diverse thinking without it.

When Julia reflects on what makes her unique, she says it is “diversity through adversity” or resilience. She says, whatever label you put on it, it is essential in certain parts of the life cycle of a company particularly when it experiences negative shocks or unforeseen critical opportunities. Many Directors seem to have come from personal or commercial environments where their resilience has not necessarily been heavily tested. In other words, it is the distinction between book smart, and street smart which comes from your experience of challenging situations. Julia says the more challenging situations you’ve dealt with in your life, the more accepting of diversity you become, and the less judgmental and more inclusive you become.

One of Julia's Boards recently took a privilege questionnaire which asked a number of questions including "did you attend a private school, did you travel overseas as a child, did your family have a bach". The outcome highlighted the difference in scale of privilege across the group. For her personally it highlighted that her real lack of privilege growing up has helped shape her diversity of thought.

She notes however that it also depends on the perceptions and realities of the people you surround yourself with. Even someone with a very different background can start to think conservatively if conservative people form the bulk of their professional relationships. It is something you need to be conscious of; otherwise it is easy to adapt and conform without realising it.

Julia says CEOs absolutely have a role in maximising the leverage from diverse thinkers - although some CEOs may not want to hear an opinion that is very different to a view they have already formed. A good CEO will, like a good Chair, and a good Director, listen to the diverse views and assess them (where appropriate). The tricky balance for CEOs (and executives) is to not have strong Director viewpoints

become a distraction where they are not appropriate.

Julia says diverse thinking definitely has made a difference to Board effectiveness. However it is far from the only element to an effective Board. There are many. Respect, trust, a strong Chair with excellent leadership skills, constructive challenge and debate, encouraged participation from all Directors, diverse viewpoints, diverse skills and experience, strong Director and CEO/Exec relationships, clear strategy (and strategic planning), strong people culture and process ... the list goes on and on.

If Julia had to rank where New Zealand Boards are at, she would say we were fairly low, and it is not good enough. This is something Julia feels really strongly about. The New Zealand market, customer base, products, services require us to deal with diversity. We have been protected as a country for so long, but “we can’t afford to sit back and become the Kodak country”. We owe it to our grandchildren to ensure that New Zealand is sustainable.

Julia thinks that to really get diverse thinking on New Zealand Boards, we need to better build the pipeline. This means getting Directors at executive level who are still working and engaged in the business. This brings a level of diversity and helps people gain those skills while they're still gaining relevant industry experience. We also need to encourage good people who have left New Zealand to come back.

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Justine Smyth



Quotes

- “If you want better thinking and performance on your Board, you need diverse thinking. Diverse thinking is the antidote to groupthink.”
- “The biggest issue facing the uptake of diverse thinking is the groupthink and stagnation of ideas which can happen where Boards have sat together over a long period of time without variation or change. Now more than ever, it is clear that stagnant and homogenous candidates can do damage.”
- “I have taken massive professional risks in refusing to sit as the sole woman on Boards to fulfil a quota and tick a box. Getting more diverse thinkers on Boards makes it less likely that others can single you out as difficult. “
- “None of the Board members on the Spark Board knew each other and this allowed them to start on a level-playing field as equals, and to build mutual respect quickly. It’s a great diverse thinking Board.”
- “Getting “big names” onto Boards does not necessarily increase the amount of diverse thinking.”

Background

Justine joined the Spark Board in December 2011. Her background is in finance and business management (with Deloitte and Lion Nathan). She is currently a Director of Auckland International Airport Limited and Chair of Breast Cancer Foundation NZ. Former governance roles include being a Board member of the Financial Markets Authority and Deputy Chair of New Zealand Post Limited. Justine’s experience in governance, mergers and acquisitions, taxation and financial performance of large corporate enterprises, as well as actively investing in small and medium enterprises underpins her contribution as a Director. Justine has a Bachelor of Commerce from Auckland University and is a fellow of the New Zealand Institute of Chartered Accountants.

Diverse Thinking Capability Audit

2.5 / 5

“Diverse thinking can come in many forms.”

Justine’s views

Justine defines diverse thinking as anything that is not the norm or homogenous: “Diverse thinking can come in many forms.” Justine champions diverse thinking and considers that “if you want better thinking and performance on your Board, you need diverse thinking.”

Justine says the biggest issue facing the uptake of diverse thinking is the groupthink and stagnation of ideas which can happen where Boards have sat together over a long period of time without variation or change. Justine mitigates this risk by having rigorous Board succession plans in place, advocating

for Board refreshment and limited Board tenures. She notes that McKinsey & Co. have found that high-performing Boards spent twice as much time on strategy, performance and talent management than lesser-performing Boards. Justine speculated whether there was a diverse thinking element to this finding, and whether this additional time was spent drawing out diverse thinkers resulting in better decision-making.

Justine speaks about her time on the Spark Board as illuminating and like nothing she has experienced before. She says that when she began her tenure as a Director, none of the Board members knew each other and this allowed them to start on a level-playing field as equals, and to build mutual respect quickly. She says that the Board has great variation in skills, an international mix of people and strong diverse thinkers across the Board. Justine speaks highly of the camaraderie among the Board which ensures that everyone's view is taken into account and provides the foundation for robust and healthy debate. Getting "big names" onto Boards does not necessarily increase the amount of diverse thinking.

Justine says to successfully manage a diverse thinking Board; the Chair must be a believer and enjoy challenge. It is important to have a Chair who is not threatened by vigorous debate and who does not aim for an easy “across the Board” consensus. Justine says that “the old ways that Boards have been run will not cut it anymore”. Chairs must be champions and facilitators of diverse thought. Justine suggests that ‘named personalities’ on Boards should not be a priority as this just encourages “the old boy’s club mentality.” The focus should instead be on individual skills and expertise.

Recruitment must go beyond demographics. Justine considers that skills should be prioritised and identified through a comprehensive skills-matrix. Only after that should demographics be overlaid to reap the double dividend of what this can offer. Justine says it is imperative that Boards match the skills of the company when it comes to industry expertise.

Justine says she took a massive professional risk when she refused to sit as the sole woman on any Board to fulfil a quota and tick a box. Diversity should not be analogous with being difficult, and Justine considers when you are asked to be the only person to represent a different perspective, you can easily be labelled difficult. She says the first step is to get more diverse thinkers on Boards – the more you have, the less likely others are to single you out as difficult. She reflected that this is difficult when Board members are recruited only to replace retiring Board members. Without continual refreshment, there can be an “underlying superiority complex between the oldies and newcomers.”

Justine says she is in a unique position, and now has the power and position to influence who is being recruited. Justine says she became a Board member in her early 40s, and considered owning her own business as invaluable experience which has made her successful as a Director.

Justine says it has always been challenging to hold Boards to account, and this holds true for measuring commitments to diverse thinking. Transparency would be the best method, but due to the nature of commercial business this is not always an option. Justine considers Director-feedback reviews a useful accountability mechanism, which allows for reflection of the dynamics of the Board. Justine says that Chairs must be believers in diverse thinking, and must witness its benefits. She admits that this will inevitably take time. Boards must emerge as leaders and be known for their diverse thinking.

Justine considers generational change will have a definite impact. Younger Directors can bring expertise regarding technology and changing consumer demand. The Board must be able to anticipate and adapt to these changes.

Justine says to have a diverse thinking Board, you do not need everyone to be a challenger. Rather a diverse thinking Board must have respect for Directors' contributions. The problem is not for progressive Boards, but for those who may be close-minded and confined to their own views.

Justine says it is important to always ask “do candidates have the relevant experience, are they open-minded, able to listen and do they contribute and enable others to as well?” Experience has always

been a relevant and important consideration. However, now more than ever, it is clear that stagnant and homogenous candidates can do damage.

Justine rates the current diverse thinking capability of New Zealand Boardrooms generally between 2 and 3.

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Kevin Kenrick



Quotes

- “If people don’t get why we need diverse thinking, they’re probably not qualified for the job. People who don’t get it adopt a tokenistic focus on gender representation to fend off criticism and challenge.”
- “I don’t think you can embrace diverse thinking with a fixed mindset. Diverse thinkers have a growth mindset.”
- “What is really important is the culture of the Board – the behaviours that are accepted within the group.”
- “Gender representation has a role to play but has been elevated above the main game which is diverse thinking in the best interests of the company.”
- “We need to stop looking at it in such a linear fashion and thinking we need a person to represent each gender, ethnicity, or skill. We need to take a more holistic approach as you could get one person that represents many of those things.”
- “Diverse thinkers can challenge by highlighting discrepancies between the organisation’s values and its behaviour. Looking into this mirror helps create a mandate for change.”

Background

Kevin Kenrick was appointed as an independent non-executive Director of BNZ in July 2016. Kevin is currently CEO of TVNZ and has led the state broadcaster through a significant period of digital evolution, managing its transition from a free-to-air offering, to its highly successful, multi-platform offering including TVNZ OnDemand. Kevin held the role of CEO of House of Travel from 2008 to 2011. He is a Director of Freeview Television Limited, NZOOM Limited, TVNZ International Limited and TVNZ Investments Limited, and is Chair of the Good George Brewing Advisory Board.

Diverse Thinking Capability Audit

2.5 / 5

"If you are putting the time and effort in, why would you aspire to anything less than 5?"

Kevin's views

Kevin says the Diverse Thinking Capability Audit is timely. There is increased conversation, and awareness regarding diverse thinking but too many people treat it as a tick-box exercise. The early stages of thinking focussed on having a woman on the Board, but what we need is diverse thinking maturity. We need a critical mass of diverse thinking people to shift the conversation, tone and topics on the table.

Diversity of representation is one thing. Diverse thinking is another.

Unless we address the Board table environment, diverse thinkers will not be attracted or retained. We need an environment where people do not feel “other”. As long as people feel marginalised, it will be

hard to draw diverse thinking out of them. It takes bold, courageous people.

Kevin says that what is really important is the culture of the Board – which he defines as the behaviours that are accepted within the group. The Chair has a big role to play in establishing that culture and creating an environment where people do not feel they are the “other”. Part of this is informal time outside of the Boardroom which should be used by Directors to build their relationships with one another. It is about welcoming individuals to bring their whole self to the table. In this way, the Board is an important role model for management.

The Chair also needs to be a diverse thinker as they set the agenda and thus how much time and priority are given to issues. The agenda should not be dominated by management. That gives the Chair a lot of power to impact the focus of the Board.

A Board Kevin is involved with had a dinner where the Chair started off by saying “I would like to hear what is happening in your life, except for anything to do with this organisation.” Kevin says that prompted “rich, powerful” conversation about people’s families, interests, social concerns, hopes and aspirations. It meant that each Director had a powerful insight into their peers that they otherwise would not have, and can take that into the Boardroom with them. It also assisted Directors to bring all of themselves to the Board.

Kevin says that the diverse thinking capability of New Zealand Boardrooms is a 2.5 out of 5, when compared to our potential. It is not a pass/fail exercise - "if you are putting the time and effort in, why would you aspire to do anything less than 5?" We are in transition but we are moving way too slowly.

Kevin says there are thought leaders driving diverse thinking. He says there is a new breed of Chairs and Directors making a difference, and a new generation of CEOs who are bringing fresh thinking.

Kevin says gender representation has a role to play but has been elevated above the main game which is diverse thinking in the best interests of the company. We should not shy away from the ongoing need for diversity. But we need to stop looking at it in such a linear fashion and thinking we need a person to represent each gender, ethnicity, or skill. We need to take a more holistic approach of lining it all up together – you could get one person that represents many of those things.

Kevin says the predictors of diverse thinking include listening, curiosity, and a future focus. He says that listening is not just about hearing, it is about willingness and openness to entertaining viewpoints other than your own. Curiosity is about “being a hungry, voracious learner.” And the future focus recognises that the skills we need to win in the future will be very different from those that are important today.

For Kevin it really comes down to Carol Dweck's growth mindset versus fixed mindset. Diverse thinkers have a growth mindset – an underlying belief that they can get smarter – which places a high value on learning, developing and growing. People with a fixed mindset believe that you are born with particular traits, skills and capabilities. The difference between a growth mindset and fixed mindset is fundamental and drives how you approach others. He says “I don't think you can embrace diverse thinking with a fixed mindset.”

Of Kevin Roberts' point about having incrementalists, transformationalists, and disruptors around the Board table, Kevin says it is important to have good facilitation to bring the best out of all three types and to ensure they are adding value at the right times. He says, "if they are all specialist players, you need a conductor who knows when to bring each instrument to the fore, and when to bring them all together to create a beautiful sound."

Kevin says that it is critical that we get younger voices heard at the top level. He says that because promotion is often based on seniority, young people's ideas can get diluted and sanitised as they come up through the hierarchy. People say that they understand the youth perspective because they have children, or nieces and nephews, or grandchildren. But often those children they have exposure to are being brought up in the same privileged environment most Directors enjoy and are part of that "bubble."

They are not getting the value of different youth voices.

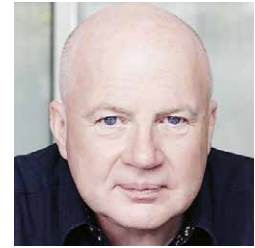
Kevin says that all Directors should have to buy services the same way their customers do, to get a real insight into how the business delivers for its customers. He says that some professional services firms are also doing more to broaden their experiences, by embracing pro bono work, which brings them in touch with clients and communities they otherwise would not engage with. Kevin says there is no substitute for the learning people gain by coming face to face with situations that make them feel “other.”

Kevin says that for New Zealand, being small is no excuse. Being smaller should make it easier to capture diverse thinking. We can ill afford to waste time debating “why.” Kevin says, “for those who understand it, the why feels like a step we should have passed. If people don’t get the why, they’re probably not qualified for the job.” Kevin also says it is those people who do not get it who are adopting a tokenistic focus on gender representation to fend off criticism and challenge.

Kevin thinks that one way diverse thinkers can get their point of view across in a “Board-friendly” way is to contextualise their comments by reference to the organisation’s values. Kevin says “most organisations have laudable values which are a great articulation of who they want to be... diverse thinkers can challenge by highlighting discrepancies between the organisation’s values and its behaviour.” Looking into this mirror helps create a mandate for change.

Kevin also rated the Board performance review as a useful tool for Directors. An insight he had from a recent review was that while it is important to understand the industry the Board is working in, Directors should not forget that they are there to bring other perspectives. Directors can think that they “need to earn the right to be there” by being like everyone else. But actually, their role is to complement others, not to duplicate them.

Kevin Roberts



Quotes

- “Many people join Boards for “survival, power, wealth, and fame”, not to make an impact.”
- “As Marx (Groucho not Karl) alluded, “I don’t care to belong to any Board that will have me as a member”... I want six meetings a year where all we discuss is ideas. The compliance aspect should be handled by the right people outside of the meeting format.”
- “Directors need to understand the full spectrum of change: incremental, transformational, and disruptive. If you get people from across this spectrum on the Board, you will make tremendous progress and have a lot of fun doing it.
- “We live in a VUCA (volatile, uncertain, complex, and ambiguous) world and in that kind of world, if you do not change yourself, you will be changed.”
- “We need to make it more appealing, attractive, and aspirational to go on a Board.”
- “We need to have the fastest, sharpest, most diverse and smallest Boards in the world.”

Background

Kevin Roberts is an international business leader, founder, and educator. His company Red Rose Consulting counsels business leaders and employees on creative thinking, marketing, and leadership. A CEO for 22 years, Kevin has an uncompromisingly positive and inspirational leadership style, with an ability to generate ideas and emotional connections that accelerate extraordinary value. Kevin's latest book *64 Shots: Leadership in a Crazy World* (2016) offers frameworks and solutions for winning in a business world that has become volatile, complex, uncertain, and ambiguous. He is Chair of *Unfiltered* and *My Food Bag*. He is a former Chair of the USA Rugby Board, and a former Director of Telecom New Zealand.

Diverse Thinking Capability Audit

1.5 / 5

"This needs leadership or else New Zealand will stay at a 1-2 out of 5."

Kevin's views

Kevin says diverse thinking is about looking at the world differently. He says the right formula for Board Directors is **IQ** (Intelligence Quotient) + **EQ** (Emotional Quotient) + **TQ** (Technology Quotient) + **BQ** (Bloody Quick), all powered by **CQ** (Creativity Quotient). That is what drives business performance. He says he is a big believer in diverse thinking.

Kevin says gender diversity does not necessarily have anything to do with diverse thinking. Compliance and quotas are anti-diversity and in fact they can be quite demeaning. Diversity for the sake of it is just “packaging”. True diversity is about having a balance of creativity and innovation, rationality and emotion, management and leadership, experience and naivety, knowledge and curiosity.

You need to start with the answer and work back - "what is the point of the Board? Why is it there?"

For Kevin, the fundamental role of the Board is to ensure that the company delivers in making the world a better place for everyone. That is the role of business now. Shareholder value is an outcome, it is not the purpose of the enterprise. Kevin says that My Food Bag and Unfiltered are good examples of this.

The real problem is that we pick the wrong sorts of people to sit on Boards. He says many people join Boards for Darwinian reasons, “survival, power, wealth, and fame”, not to make an impact. We need to revamp Board operations to incentivise performance. Too many people joining Boards are only good at incremental operational change and checking that the boxes are ticked. We don’t have enough transformational and disruptive thinkers at the Board table.

Kevin says Directors need to understand the full spectrum of change needed on a Board: incremental, transformational, and disruptive. If you get Directors from across this spectrum on the Board, you will make tremendous progress and have a lot of fun doing it. You need all three of these types of change agents working simultaneously on the Board.

Kevin says we live in a VUCA (volatile, uncertain, complex, and ambiguous) world and in that kind of world, "if you do not change yourself, you will be changed." If you are going to win, you need someone who can bring around the right sort of change. We live in a world where 75% of the top 500 companies will disappear in the next 10 years.

Kevin says there are structural factors preventing us from getting true diverse thinking on Boards. It is extremely unattractive these days to be a Director. There is too much liability – you are vulnerable to too much outdated legislation. Legislation needs to get out of the way. And Boards have not yet responded to the 24/7 world.

We need to restructure the rhythm of the Board. Directors can no longer afford to read 300 pages of Board papers (which takes days to read) and attend 12 meetings a year. We need to make these fundamental changes. Otherwise we will not see any progress. Directorship is deeply unappealing to many diverse thinkers.

Putting his own twist on Groucho Marx, Kevin says “I don’t care to belong to any Board that will have me as a member... I want six meetings a year, no more than four hours, where all we discuss is ideas.” The compliance aspect should be handled by the right people outside of the meeting format.

Kevin says advisory Boards are the way of the future. He says at his advisory Boards, they only talk about the stuff that matters – “it’s a much better way of making a contribution.”

Kevin says start-ups have a small operating Board and a large advisory Board. The Boards are compensated differently – the advisory Board is compensated in equity. Therefore what matters for the advisory Board is the success of the company, not their own prestige. Compensation on Boards should be linked to performance and not just showing up. But turkeys don't vote for an early Christmas.

Kevin would rank New Zealand Boards in the “murky middle to bottom”: in other words a 1.5 out of five. He says we need to make it more appealing, attractive, and aspirational to go on a Board. He said we needed more role models to encourage talented millennials to contribute, citing Jake Millar of Unfiltered Media, Cecilia and James Robinson of My Food Bag, and Prime Minister Jacinda Ardern as people who have the energy and the commitment to change that is necessary for a modern day Director. On the Unfiltered Board, they have 3 Directors under 30.

Kevin says that New Zealand can only survive if it is faster than the rest. We need to be agile – to have smaller teams and structures adding incremental value at speed. “We need to have the fastest, sharpest, most diverse and smallest Boards in the world.” He says ideally a Board should have no more than six people.

Kirsten Patterson



Quotes

- “The complexities of leveraging and getting the best out of diverse thinking is a growing area of interest in Board reviews.”
- “We also need to prevent Chair/CEO capture where everything is decided offline and the decision is already made before the Board has even met.”
- “Chairs need to actively encourage and value diverse thinking around the table to enable the value of diverse thinking to be realised.”

Background

Kirsten Patterson is the Institute of Directors Chief Executive. She is a qualified lawyer, Chartered Fellow of the Human Resources Institute of New Zealand, and has extensive governance and leadership experience. She is a strong advocate on diversity issues. Kirsten (known as KP) is Chair of the Community Facilities Trust (a Lower Hutt Council Controlled Organisation), Chair of the Wellington Homeless Women's Trust, a Trustee and Director of the NZ Rugby Foundation, and a member of the Audit and Risk Committee for Te Tumu Paeroa.

Diverse Thinking Capability Audit

2.5 / 5

"We haven't cracked it yet. We've still got so far to go."

Kirsten's views

Boards are at their best when they are distinguished by diversity of thought and capability and the Institute of Directors recognised the importance of diversity with our 2016 guide for Board Chairs – “Getting on Board with diversity”.

There are five steps for getting diverse thinking on Boards are as follows:

1. Create an inclusive culture
2. Recognise and address unconscious bias
3. Review Board composition
4. Identify and appoint diverse talent
5. Set targets and measure progress

Despite the first step being creating an inclusive culture, there is much work to be done in this area. Attention has instead gone to Step 3 (Board composition) and Step 4 (appointing diverse talent), or debates on Step 5 (Targets). To get the real and significant value from diversity, we need to ensure we

Liz Coutts



Quotes

- “It is more of a matrix approach rather than a one-dimensional box-ticking exercise. We should not over simplify what it means to bring diversity on to a Board.”
- “The Chair is the one ‘conducting the orchestra’ and the skill lies in getting all the different people working well together. It is important that the Chair also has diversity of thinking.”
- “Directors who are diverse thinking ex-CEOs can struggle. When you do not have “being the boss” to rely on, you need to be much more skilful at making your case (to be persuasive).”
- “Where the main customer base of the company is women, it is really important to have women on the Board.”
- “Diverse thinking gives you better intuition on the Board.”
- “There is a huge awareness of the importance of diverse talent, and there is a genuine desire to get it right. But it will not happen overnight.”

Background

Having worked in nearly all aspects of the forestry sector, and having experienced her first listed public company Directorship of Trust Bank New Zealand at 34, it was the desire for diversity of experience that attracted Liz to becoming a professional Director. With now over 20 years in governance roles, she has a portfolio of positions in a wide range of industries and sectors. She is Chair of Oceania Healthcare Limited, Ports of Auckland Limited, Skellerup Holdings Limited, Urwin & Co Limited, and a Director of EBOS Group Limited, Yellow Pages Group of Companies, and Tennis Auckland Region Inc. She is a Chartered Fellow of Chartered Accountants Australia and New Zealand and a Chartered Fellow and President of the Institute of Directors.

Liz's views

Liz says the level of understanding around diverse thinking in New Zealand Boardrooms is variable. Some people are still using a tick-box approach, others realise that diversity means diverse-thinking, not just having a woman, or a Director of different ethnicity, or a young person.

She says that when we are looking at succession or skills planning, we need to start with the challenges faced by that particular company, industry or sector and identify what skills or qualities we need to meet those challenges. Once we've found the skills, we need to look at bringing in diverse thinking, especially through a diversity of career paths. It is more of a matrix approach rather than a one-dimensional box-ticking exercise. We should not over simplify what it means to bring diversity on to a Board.

Liz says that the Chair is the one “conducting the orchestra” and the skill lies in getting all the different people working well together. It is about bringing the best out of people at the right time.

She says that there is significant benefit in having diverse thinking on the Board. With greater diversity you have fewer blind spots. The better the Board reflects the customer base, the more intuitive the analysis and decision-making will be.

Liz defines diverse thinking as diversity of experience, thinking and career paths. It is about making sure you have the skills and intuition that leads to a better understanding of your customer base. It

is important too that the Chair, not just the Board, has diversity of thinking. Having a diverse Board is important for attracting and motivating staff. There is a future for them in this organisation.

Liz cited research that you need 30% of the Board to be diverse thinkers for those people to actually be able to influence.³¹ It is very difficult for one person across a Board of seven to make a difference. She reiterates that it is about diversity of experience – if you have been a tax partner or a CA, it does not matter if you are a woman, as you have probably had the exact same experience as your male counterpart.

In thinking about what sort of diversity is missing from New Zealand Boardrooms, Liz says it is too hard to generalise. It really depends on the particular business and the broader industry or sector.

Liz says for a Chair to ensure they are maximising the benefit of diversity around the table, they need to be open-minded and self aware. In particular, they need to be able to recognise that unconscious bias is a factor for themselves and for others around the table. They also need to recognise and accept that the diverse thinkers around the table are there because they are genuinely competent, not just because they are ticking a box. Chairs need to be passionate about having diverse thinking at the table, and to recognise that having diverse thinkers at the table is essential, both from a fairness perspective and for the success of the company.

Liz says we have seen great progress in the last 20 years that she has been a professional Director, and even more in the last 3 – 4 years. In particular she says that the establishment of SOEs and Crown entities under Dame Jenny Shipley and Helen Clark was a real driver for increasing Board diversity. The listed sector has been slower but they are making progress now. This is partly because demographic changes means there is a wider talent pool. More women are putting their names forward. Search consultants are also putting forward more diverse candidates. Their role in getting diverse Directors must not be underestimated.

Chairs must also broaden their networks.

Networking is really important for diverse thinkers to get themselves noticed. They need to make themselves known to search consultants, the business community, and Director networks. Doing courses is also another way to network and can be a good way of strengthening relationships.

Additionally Liz says that diverse thinkers need to tick more than one box. It is not about just being a different ethnicity or having IT skills, you need to be adding value to the table in a multi-dimensional way.

Liz says it is also about what you do once you have been appointed – the way you conduct yourself in the Boardroom impacts your ability to influence and to be heard. In particular she notes ex-CEOs can struggle with this. When you do not have “being the boss” to rely on, you need to be much more skilful at making your case.

Liz says it is important to be strategic when bringing diverse thinkers on. It is important not to change the Board composition too much all in one go as this impacts Board cohesion. You want everyone to feel satisfied and that they are achieving and contributing.

Avoiding stereotypes is important. Though young people can change the dynamic around the table, and can be more open to actively learning than those who start late, some older Directors can surprise you. We should not stereotype the 70+ men. Often you do not realise how much they are reading, traveling and keeping up to date.

³¹ Institute of Directors Governance Leadership Centre, "Getting on Board with diversity: A guide to getting diverse talent on Boards", available at iod.org.nz, accessed 11 June 2018. See also: McKinsey & Company "Women matter: gender diversity, a corporate performance driver" (2007), and Deborah Dalen Zelechowski and Diana Bilimoria "Characteristics of Women and Men Corporate Inside Directors in the US" (2004) 12:3 Corporate Governance: An International Review at 337.

Liz says in the New Zealand governance community there is a huge awareness of the importance of diverse talent, and there is a genuine desire to get it right. But it will not happen overnight. Opportunities only come up every couple of years, and most Directors expect to stay in a role for six to seven years. We should not criticise ourselves too much as Board rotations take time. In any case, New Zealanders do not like to be last – if we feel like we are losing momentum compared to other countries that will be a motivation to catch up.

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Louis Hawke



Quotes

- “In terms of “diverse thinking”, I see it as a means to an end and not necessarily the end in itself.”
- “Directors are by nature mostly very successful and privileged people.....but do we question our own views enough...?”
- “If a Board or organization really wants to embrace diverse thinking then the environment needs to be open and safe. Accepting change can be hard as all biological systems instinctively reject foreign antibodies – so it’s important to gain credibility first, be empathetic to “what is” and then use that goodwill to push the boundaries.”
- “If individual Directors are not willing to engage or become dysfunctional then they should leave. This is not about achieving harmony for its own sake but rather about being effective; and effectiveness needs mutual respect and understanding of different views.”
- “Talk of diversity can be uncomfortable and stressful as it often means challenging group beliefs that have been erroneously elevated to the status of facts.”
- “The increasing complexity of business and speed of environmental change argues that the days of taking a narrow linear view of issues is unlikely to lead to good, let alone great, outcomes.”

Background

Louis Hawke was appointed to the Board of BNZ as an independent non-executive Director in February 2017. Louis has had significant experience in consulting, private equity, and financial services. Louis has also held Managing Director roles in retail banking at ANZ, and General Manager roles at Westpac and Advance Bank in retail and commercial banking. Prior to his work in financial services, Louis was with McKinsey & Company, where he specialised in strategic evaluations and takeovers, and was an economist with the Australian Government Department of Prime Minister and Cabinet in Canberra, providing advice on economic issues and policy. Louis has a strong interest in how customer behaviour and technological advances are impacting traditional business models and has been involved in a number of innovations and start-up ventures. Louis is currently a Director of VendorPanel Pty Ltd.

Diverse Thinking Capability Audit

0 - 5/5

"I'm willing to bet the score is zero for some and 5 for others. Whatever the score, it is chosen by the action of the Board and is not pre-ordained. All Directors are capable of diverse thinking, it's a question of whether the environment and willingness exists to unleash the potential."

Louis' views

Throughout his career Louis has been labelled as “quirky”:

"I suppose that I do a lot of things differently to the "norm" – in business I'm an inveterate note taker, cartoonist and want to understand the why, the what and how of any situation – as well as having an off-beat sense of humour (which is sometimes best kept to myself). Being dyslexic I find it hard to read and spell. Despite that I spend 2-3 hours every day looking at articles from a range of disciplines. All of this helps to make it easier to see patterns in data and linkages across a range of sciences.

As a Director, this can make life harder as my natural preferences don't always "fit" and it's easy to be misunderstood. As an observation the main stream is focussed on the specific of situations as opposed to deducing the general. For example, if there is a governance breakdown the breakdown may be seen as the specific problem whereas it might simply be the symptom of a more general issue such as a lack of investment in control systems, which in turn might have been driven by conscious or unconscious choices about where to invest or the prioritization of profit.

In terms of “diverse thinking” or diversity in general, I see it as a means to an end and not necessarily the end in itself. Defining the issue or problem is the most critical thing to do – solving by implementing the means comes next. So depending on the context or problem that needs to be addressed, there may well be a number of means to achieve the sought after end.

Nobel Prize winner Herbert Simon's concept of "bounded rationality" helped me understand that each of us can look through the same window but see very different things as a result of real or imagined boundaries. These boundaries relate to perceptions of time constraints, information availability (and interpretation) and our own cognitive capabilities.

We still have a muddled view of what diverse thinking means. True diverse thinking has less to do with gender and ethnicity and more to do with how and what people think. A whole range of psychological factors impact thinking: where people sit on the continuums of extroversion/introversion; their time preferences (whether oriented to the past, present or future) and how they acquire information and make judgements. Clearly such factors help shape Board culture, and at Board level the role of the Chair is pivotal in helping to bring out the best in people. There will be some Boards and Directors who are not interested in thinking about such things as they may not see organizational value, or are threatened by such diversity. It comes down to whether this form of diversity is welcome and if it is, then the Chair is material in creating an environment where alternative views are encouraged.

Company Director level people are generally overwhelmingly successful and effective people. Sharing their accumulated wisdom and collectively building on that is a real advantage relative to a group of individuals who don't engage in behaviours that create knowledge and insight. Over the long haul a learning mindset and better insights leads to better outcomes.

We all have biases and there are enough examples of corporate under-achievement for us to recognize that there is a continual need to question whether our own beliefs and experiences are relevant or right. The Australian Royal Commission into banking misconduct is a salient reminder that an “enclave” of beliefs can be perpetuated without there being a conscious recognition that such an enclave exists.

If a Board or organization really wants to embrace diverse thinking then the environment needs to be open and safe. Accepting change can be hard as all biological systems instinctively reject foreign antibodies – so it's important to gain credibility first, be empathetic to “what is” and then use that goodwill to push the boundaries. All of this can be uncomfortable and stressful as it often means challenging group beliefs that have been erroneously elevated to the status of facts. For example an organization might claim as an article of faith that “we have a great culture”, or “we have great customer service”, or “the risks in a small division are well managed” – but is that true? An interesting recent example concerns the “fact” (i.e. belief) that open plan offices increase collaboration – yet rigorous research now shows that the best way to decrease collaboration is to implement open plan. Far more egregious to an organization's future is where the beliefs equal facts paradigm blindsides Boards and executives to emerging threats and opportunities.

So what might need to change at Board level? Perhaps there should be greater expectations of insight from management as opposed to proforma reporting; more clarity and relevance in Board papers; more time for discussion and questioning and possibly smaller groups (as it's difficult to have deep discussions with 10-20 people in the room). Perhaps these are luxuries, and trade-offs need to be made, but at the end of the day, how the means are structured depends on the sought after ends. And the end has to be seen in tangible organization achievement.

Equally if individual Directors are not willing to engage or become dysfunctional then they should either leave or be asked to leave. This is not about achieving harmony for its own sake but rather about being effective; and effectiveness needs mutual respect and understanding of different views. Similarly Directors are there to act in the collective interest of the organization and not just in the service of a sectoral interest or idea.

The increasing complexity of business and speed of environmental change argues that the days of taking a narrow linear view of issues is unlikely to lead to good, let alone great outcomes.”

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Lyn Lim



Quotes

- “There is no excuse for the lack of Asians on New Zealand Boards. The line that gets trotted out is “we don’t know any good Asians”. It is not that there are no good Asian Directors, it is just that they are not perceived as being good enough.”
- “Sometimes others respond to you as if you are a different species. It is an unconscious bias issue – they do not know how to deal with someone from a different culture.”
- “I am often seen as the Asian woman stereotype. This means I have to prove I am able to lead and am not submissive. I often get pigeon holed. Directors expect me to conform and it can be confusing for them when I do not!”
- “People do not have to fear diversity. You only have to walk down Queen Street to see that diversity makes New Zealand more vibrant, more accepting, and ultimately a better place. We want to make this a better country too – there is nothing to fear from us.”
- “Diversity is not for its own sake, you have to have the skills.”

Background

Lyn is the Chair of Foundation North. She is on the Boards of Auckland University of Technology (AUT), Auckland Regional Amenities Funding Board and Asia New Zealand Foundation. Lyn has also served on the Boards of Public Trust, Centre for Social Impact Limited, the New Zealand Shareholders' Association, the New Zealand China Trade Association and the Hong Kong New Zealand Business Association. She was a member of ANZ Private Bank External Advisory Board and served as a council member of the Auckland District Law Society. Lyn is a founding partner of Forest Harrison which she started in 2006 after being a partner of a national legal firm for eight years. Lyn commenced her legal career in 1990, after graduating from the University of Canterbury. In her legal practice she specialises in commercial, corporate and governance issues and dispute resolution. In 2017, Lyn received a Member of the New Zealand Order of Merit for her services to New Zealand-Asia relations and governance.

Diverse Thinking Capability Audit

3 / 5

"Everyone is trying very hard. But as an ethnic woman, the Boardroom can still be a difficult place to be."

Lyn's views

Lyn says that “diverse thinking in action is when someone says something I’m not expecting – when you think, “where did that come from?”. She says the main predictors of diverse thinking are different backgrounds and upbringings. These give you a different outlook on life.

As an ethnic woman lawyer on a Board, Lyn says “I’m 3 in 1” – governance skills with legal background, female and Asian. She has a very different background from a lot of other Directors. Although she is a lawyer and grew up middle-class, she was born in Malaysia and is fluent in Mandarin, Cantonese, Fujian

and Bahasa Malaysia, as well as English.

She says she is often seen as the “Asian woman stereotype.” This means that she has to prove she is able to lead and is not “submissive.” But she does say that because she is different, she feels less pressure to conform to “the norm”. Lyn says that Directors expect her to conform and it can be confusing for them when she does not! Lyn says she often gets pigeon holed.

Lyn says that it is not uncommon that for her first 6 months or so on Boards, other Directors are not quite sure what to make of her. "Sometimes others respond to you as if you are a different species. It is an unconscious bias issue – they do not know how to deal with someone from a different culture." They think she is quiet. But, she says, "I'm not – I just do not feel the need to fill the silence and take up time saying the same thing as others." Lyn says where she differs from many others in the Boardroom is she does not feel the need to repeat what others have said (mutual reinforcement) by way of contribution at the Board table. She would rather use her voice to add ideas.

Lyn says an important skill for diverse thinking Directors is to be able to articulate and persuade others that your idea is the right one or worth considering. She does say it can be more challenging for her depending on her audience.

Some older white males take a paternalistic approach. Some women can be more aggressive or more unhelpful than a male Director. Lyn says, in response to continual inappropriate remarks, “The approach I always take, when I am tired of the gratuitous or inappropriate comments, is to bat it back – Yeah, right, and you are an old white male and you feel threatened, because times are changing and we’re here whether you like it or not ! If you say it to them with a ‘sweet, Chinese smile’, I generally find that they don’t know what to think or how to respond – it stops them in their tracks.”

Lyn would give New Zealand Boardrooms she is involved in a 3 out of 5 for diverse thinking. She says everyone is trying very hard. But as an ethnic woman, the Boardroom can still be a difficult place to be, even one that has a good gender balance. There is still a tendency to stereotype. Lyn says that because she is Asian, people think that she is hardnosed or commercial or materialistic, when in fact she has always had a pragmatic approach and strong community focus.

Lyn says that current awareness around diversity will drive change. But it is important that we still focus on what skill Directors bring to the Boardroom. Lyn says "diversity is not for its own sake, you have to have the skills."

Lyn says that as a diverse thinking Chair it is really important to surround yourself with people to support you. As Chair, she delegates and devolves functions to the rest of the Board. She says it is more democratic (but not a “free for all”) and it gets good results. The Foundation North Board is extremely diverse, and Lyn says “to get them all to agree is not easy!” As a diverse thinking Chair with a diverse thinking Board, she says reframing is an essential tool. It is about clarifying the issue without turning them off. Lyn says for New Zealand Boardrooms to get to 5 out of 5, you need enough people around Board tables that think differently, but are not disruptive. This requires a strong Chair who is able to extract and present the best of everyone’s viewpoints.

Lyn says there is no excuse for the lack of Asians on New Zealand Boards. The line that gets trotted out is “we don’t know any good Asians.” Lyn says, it is not that there are no good Asian Directors, it is just that they are not perceived as being good enough. She says sometimes others respond to you as if you are a different species. It is an unconscious bias issue – they do not know how to deal with someone from a different culture. It is frustrating. Echoing Tania Simpson’s comments, Lyn says she has to do the work. She always has to be the one to approach other Directors. They do not see the need to network with Asian Directors.

Lyn says there is more shared experience between Asian Directors born overseas and those in New Zealand than one might expect. People who see themselves as Kiwis are still culturally different.

They have experienced racism and Lyn says “it is not right”. But she says that it means Asian leaders need to step up “and step out. It is our responsibility to show we are capable. We should all be cognizant of our position and be role models.”

Lyn says people do not have to fear diversity. "You only have to walk down Queen Street to see that diversity makes New Zealand more vibrant, more accepting, and ultimately a better place. We want to make this a better country too – there is nothing to fear from us."

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Mark Verbiest



Quotes

- “I am a massive fan and proponent of diverse thinking because I’ve seen the benefits.”
- “Where diverse thinking is lagging, people need to push from within – we cannot accept the status quo as optimal.”
- “I don’t think that where people have ended up is indicative of where people come from, especially in New Zealand.”
- “The Boards I want to be involved with are those who are sold on the idea of diversity thinking.”
- “A “command and control” type Chair will struggle to get the value of diverse thinking out of the Board, even if diverse thinkers are present.”

Background

Mark is an experienced company Director, currently serving on the Boards of several major companies and organisations - Meridian Energy, ANZ Bank New Zealand Limited, Freightways Limited, Willis Bond Capital Partners Limited (Chairman) and Willis Bond General Partner Limited (Chairman), and the New Zealand Treasury Advisory Board (Member). He is also a former Board member of the Financial Markets Authority and until recently he held the position of Chairman of the Board at Spark New Zealand and Transpower New Zealand Limited.

Diverse Thinking Capability Audit

3 / 5

“We’re moving along the right path but not everyone is on the same track yet. We still have a long way to go.”

Mark’s views

Mark says that diverse thinking is about bringing a number of different perspectives and thinking to a range of issues. Making appointments from a range of perspectives is fundamentally where it starts. It is not just about gender equality or pay equity (“that’s just the right thing to do”). He says “I don’t think that where people have ended up in their careers is indicative of where people come from, especially in New Zealand.” Mark came from an immigrant background. In his case, since leaving the law, he has worked for a woman boss (CEO) who drew the best out of a whole diverse team.

Mark says that all the Boards he has been involved with have actively looked to recruit those different perspectives. It is very much related to the conversations that Boards and advisers have before appointment and to the instructions given to recruiters. The quality of the recruiter is also very important.

Mark has heard about Boards that say they want diversity and then dismiss it during the appointment process. But he says, the Boards he has been on and “the Boards [he wants] to be involved with are

those who are sold on the idea of diversity.” He says that in the past he has purposely been involved in supporting people who had been dismissed by others as being disruptive, but it was clear to him the quality of their thinking was first rate. Mark says, “with active coaching, apparent disruptive tendencies (if they existed at all) have disappeared quite quickly.”

Mark says it all comes down to trust and respect – particularly, building trust between Board members as a group, and with the management team. Directors’ approach and style is crucial to building that trust, so it is important for diverse thinking Directors to think about how they come across to the rest of the Board and to management. He says it is very important that everyone is aware of the expectations about how the Board engages with each other. Similarly, that trust comes through in hard-won decisions. In Mark’s experience, there have been situations where not all Directors might have agreed with a course, but ultimately were willing to go along and hold an agreed line because of mutual respect they have for each other and an acknowledgement there were genuine choices from which a decision had to be made. And once a decision has been made, there can be no hesitation, no re-litigation, no “I told you so.”

Mark says the role of the Chair is very much about clarifying style and expectations. Mark says that during his time on the Board of Spark, a very diverse group of people with a high degree of trust and respect for each other was created. No one ever felt afraid to say anything, and whatever the outcome, everyone felt that they had been heard and continued to be respected. The Chair needs to make sure that everyone's views are heard, and this might mean specifically seeking them out if a Director has not contributed. Particularly if a Board is making a major decision that has been the subject of rigorous debate, it is important to end the discussion with "is there anything else anyone would like to raise." You do not want to leave people hanging and that is a good way to prevent it.

He says that a “command and control” type Chair will struggle to get the value of diverse thinking out of the Board, even if diverse thinkers are present. A good Chair has to be engaging, collaborative, self-effacing, and be willing to ask for genuine feedback on their performance and to follow through on that feedback. It is fundamental that the Chair has individual conversations with each Director – this allows trust and respect to develop between Chairs and Directors so that free, frank, and valuable views can be shared. He says that some less experienced Directors sit back out of respect, and are not sure of the expectations. Their views should be sought out and their confidence bolstered, acknowledging they were chosen to be there for a reason. It is really important that everyone contributes.

Mark says that when interviewing for new appointments, he wants to see that a person has views and experience outside their technical skillset that they are willing to bring to the table. He says that a good Board evaluation with peer feedback as well as from the Chair is a useful tool to support this.

Mark would give New Zealand Boardrooms a three out of five at the moment in terms of accepting diversity should be a priority. He says we're "moving along the right path" but not everyone is on the same track yet. Generally at the top end of town, "the importance of diverse thinking, its benefits and the empirical case for diverse thinking is well understood." Mid sized companies and private companies often appear to be further behind. However in terms of the actual statistics which ultimately evidence the outcomes that Mark would like to see he acknowledges we still have a long way to go.

Mark himself is a massive fan and proponent of diverse thinking – “I’ve seen the benefits.” He says of the organisations he has been involved with, “I don’t think they would have achieved that same positive state of performance if they hadn’t instilled diverse thinking in their appointments, skills matrix, and manner of operation.” Mark says where diverse thinking is lagging, people need to push from within – “we cannot accept the status quo as optimal.”

Mary-Jane Daly



Quotes

- “I have no problem with gender quotas – the talent is available and how you get them there doesn’t matter. What matters is taking steps towards truer diversity.”
- “Many of the non-financial KPIs in my public sector Board Directorships support broader community outcomes which brings a different perspective to customer centricity. They also have helpful accountability measures to evaluate the performance of the business”
- “A Board needs rotation to introduce fresh-thinking. A Director retiring every one to two years strikes the right balance between freshness and maintaining the level of trust and respect that comes from an established Board table.”
- “I have worked on three Boards with an equal or near-equal gender split, and have nothing but positive, collaborative experiences of women in the Boardroom.”

Background

Mary-Jane Daly is an Auckland-based professional Director with a strong background in banking and finance. She was formerly Executive General Manager at State Insurance and, prior to this, she held the roles of Chief Financial Officer for IAG New Zealand, Group Treasurer and Risk Manager at Fonterra, and held positions at the Bank of New Zealand, National Australia Bank and Toronto-Dominion Bank in London. Mary-Jane is Director of Auckland Transport, Cigna Insurance New Zealand Limited, a Director of Kiwi Property Group Limited, Chair of the New Zealand Green Building Council, Deputy Chair of Airways Corporation and Deputy Chair of EQC.

Diverse Thinking Capability Audit

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"We have degrees of diverse thinking around the table at the moment, but it remains a continual challenge."

Mary-Jane's views

Mary-Jane thinks diverse thinking means bringing a different perspective and different experiences to the issues you're considering. She notes that the world is changing – new technology is rapidly emerging and community perspectives are becoming more important. As a result, she says, "diversity in all its senses is critical."

She notes that diverse thinkers bring a number of critical lenses that would have helped mitigate some of the issues we have seen with the Royal Commission on banking in Australia. She says that diversity and diverse thinking are more important than ever, given what has happened in the banking sector in Australia.

Mary-Jane reflected on the article “Board diversity and effectiveness: implications for the role of the Chair”, and agreed that the Chair has a role in enabling diverse thinkers to be heard. She noted however

that each individual Director also has a role to play, and needs to be open to the fact that with diverse thinkers on Board, we won't always go directly from A to B. We need more time to consider different perspectives. She noted two different female Chairs she had worked with who, despite having very different styles, were committed to diversity and were able equally well to bring this out around the table.

Mary-Jane also made the point, not made in the article, that turnover around the table is important. A Board needs rotation to introduce fresh-thinking. A Director retiring every one to two years strikes the right balance between freshness and maintaining the level of trust and respect that comes from an established Board table. She noted that it takes time to build relationships and to work out how to draw on each Director's diversity of thought and experience. For this reason a strategic approach to succession planning is necessary. She has experienced three new Directors (including one that took the chair) at once and it took a while for the Board to adjust to that much change.

She noted that the culture of valuing diversity needs to be broader than the Board table – it must extend into the management team as well. If the management do not respect diversity and the diverse thinker, the diverse thinker will not be able to be effective.

She pointed out that not being embraced by one organisation can tarnish a diverse thinking Director's ability to take on other Directorships. It can affect their brand as a Director.

Considering the focus on gender balance in Boardrooms, Mary-Jane says this is tipping the scale towards more diversity overall. She does not have a problem with gender quotas – “the talent is available and how you get them there doesn’t matter. What matters is taking steps towards truer diversity.”

Mary-Jane has worked on three Boards with an equal or near-equal gender split, and from those Boards in particular she has had “nothing but positive experiences of women in the Boardroom.” In her experience the women around the table have been very collaborative, and bring a positive social aspect too.

Mary-Jane thinks we have degrees of diverse thinking around the table at the moment, but that it remains a continual challenge. She thinks her more recent exposure to public sector Boards has helped her think more diversely in her private sector Directorships. She thinks the non-financial KPIs in the public sector support a more community centric viewpoint which brings different perspectives with it. They also have helpful accountability measures to evaluate the performance of the business.

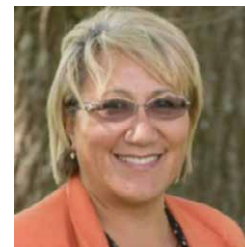
She thinks diverse thinking is not necessarily a generational change issue. Some days, she says, it is giant leaps but other days, it is back to square one. It depends on the organisation, whether it recognises the value of diversity or whether it's simply being dragged along by others. Overall, she is optimistic, and she thinks it's critical for the world we live in that we do have this diverse thinking. More rigour in the selection process, to ensure diverse thinking is considered, is necessary. Boards need to want to be challenged.

To really get the benefits of diverse thinking, firstly, Mary-Jane thinks we need full engagement by Boards in the selection process. There needs to be clarity on what the Board is looking for, and full buy-in from the whole table. There needs to be a commitment to an environment where challenge and debate is welcomed.

Secondly, we need the right amount of turnover to get well-managed injections of diverse thinking.

Thirdly, the diverse thinker needs to take ownership and accountability of their role. While the Board needs to make space for the diverse thinker to be heard, the diverse thinker also needs to be smart and think about how to effectively challenge the people around the table.

Mavis Mullins



Quotes

- “Māori Boards are a little more diverse than most. There is a spectrum of education, of financial status, of age and experience. You might have an old uncle who still remembers the battalion days and you might also have their moko who is studying IT and is hooking up the marae! In the Māori governance space there is still the challenge between best governance practice and Tikanga.”
- “Pākehā Boards can learn from Māori Boards when it comes to perspective and taking the big view, “the 100 year plan.” With that, Māori also have a different view when it comes to our “natural capital” – for example, our relationship with Ranginui (Sky Father) and Papatūānuku (Earth Mother). When you recognise her with a face and a name, it brings in a different level of responsibility to create a pathway forward.”
- “Diverse thinking has made a difference in the entities I Chair, because the voice is different, the thought pattern is different, the networks are different. Challenges can look quite different through the various lenses.”
- “These different lenses can require more time for Boards to fully understand the issues. This can and will take time.”
- “Cultural diversity is really important for diverse thinking – we need to reflect the demographics of those who we are trying to benefit.”

Background

In 2002, Mavis was made a Member of the New Zealand Order of Merit. In 2016, she won the Rural category at the Westpac Women of Influence Awards, and was inducted into the New Zealand Business Hall of Fame in 2017. The extensive list of achievements goes on. With many notable achievements in her career and over twenty years' experience in governance in public and private enterprises she has become a well-known and respected leader within the wool and agribusiness sectors and on the international business stage. In the late 1990s Mavis was appointed to the Board of Landcorp, where she held the role for seven years. Since then she has been a member of the Mid-Central and Wairarapa District Health Boards and the Massey University Council. Her past governance roles have included 2degrees Mobile and Aohanga Incorporation, and she currently chairs Atihau Whanganui Incorporation, Poutama Trust, Rangitane Tu Mai Ra, AWDT and Taratahi Agricultural Institute.

Diverse Thinking Capability Audit

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"We're not at the halfway point yet."

Mavis's views

Mavis would rate the diverse thinking capability of New Zealand Boardrooms a 2. She says, "we're not

at the halfway point yet – there are pockets of real awareness, but a lot of the people talking about it don't quite know how to make that happen!" The intention is there, but the execution can be difficult. Mavis says that it appears through the research that diversity on Boards is lagging. The issue of diverse thinking capability is something else. We currently are living in a time when racial tensions are being debated very publicly and sometimes in a polarising manner. This indicates to Mavis that New Zealand's "diverse thinking capability" is still quite immature or under developed.

Mavis says diverse thinking is something that is reflective of the community you are serving. But it is more than that. She says, “we’ve really started to understand that the weird and the annoying can be damn helpful. There are times when someone makes an offbeat comment and it’s like, really! But you need people who have the capacity to put that kōrero to the table, to challenge the thinking.”

Mavis says people want a nice culture where everyone agrees, but that will not happen with diverse thinking around the table. Diverse thinking is hard work. It requires more tolerance, more guidance from the Chair, and papers from management need to be more focused with more clarity. Mavis says that diverse thinking has made a difference in the entities she Chairs, because the voice is different, the thought pattern is different, the networks are different. Challenges can look quite different through a variety of lenses. Harsh judgements can be logically explained, gaps in strategy or understanding can be bridged. But there does need for the full Board to want to listen and to try not to defend or answer, just listen and process, then discuss.

Mavis says she has been involved with Boards where diversity has been discussed and debated. The implications are often around having a different lens to bring alternative perspectives and networks. There is often little discussion around the perceived challenges. There are times when the discussion is not realised nor plans made to achieve the objective.

Sometimes the language that comes through the papers can be foreign to the Board, if Board members come from a different background or perspective. Mavis has chaired Boards with diverse thinkers and she notes that it is really important for Chairs to be able to translate for others around the table, to give context for people's different experience, or to seek that clarity.

Mavis says that an effective Board Chair needs to understand the skills and in many ways the personalities of the Board members to help bring together a team who respects and to a point trusts each other. Every team member has to be given the opportunity to shine and bring value. Sometimes this has to be a clear role for the Chair. When there is diversity greater Boardroom discussion and debate may be required. Different lenses can require more time for Board to understand. This can and will take time.

The Chair has a very strong role in enabling contributions to be made without fear of ridicule or embarrassment. The Chair needs to often bring fringe comments into context or seek further clarity. Appreciation of contributions need to be sincere.

The structuring of sub committees can sometimes include an opportunity to implement a tuakana teina programme or a mentor type arrangement to bring together people who do not know each other well, or to enable personal growth.

Board Chairs need to stand the scrutiny of their fellow Board members either through anonymous surveys or independent review. 360 degree reviews can be helpful for all layers of the organisation. With these tools it is important to emphasise constructive criticism and not negative bagging.

Maavis says when she first started her governance journey, there was a “level of underestimation” from others about her. She says she found that initially she could sit quietly and assess the lay of the land, particularly when it came to the dynamics of the Board. This meant that when she did engage, she could come from a deeper level of understanding which meant that her contributions were more valuable.

Mavis says “Board dynamics run deep.” It is crucial to have an understanding of who is “on the other side of the chasm”, people who think differently to you, intellectually and in other aspects of their life.

Being in that position can be isolating, but it is really important to back yourself and to not lose confidence. Often the diverse Board member can be intimidated and ill prepared for the lack of confidence in them of fellow Board members. Other Directors also have an important role to play as mentors, supporters or exemplars.

Mavis says she has taken the path less travelled. That is valuable on Boards. Cultural diversity is really important for diverse thinking – we need to reflect the demographics of those who we are trying to benefit. People make huge assumptions about others and that is why we need to make sure they are present at the table. Mavis says true diversity of thinking goes well beyond gender. In fact, she says, “I’ve stopped talking about gender because it’s exacerbating the problem.” We need to really focus on the question of why we want diversity on Boards because we will not get meaningful diversity without it.

There are probably Chairs who do not know their Board as well as they should. Mavis says a lot of Chairs do “desktop research” on their Boards, but what is more important is to have informal time with them, so that you can get to know them and make sure you are bringing the best out of them.

Mavis says Māori Boards are a little more diverse than most. There is a spectrum of education, of financial status, of age and experience. Mavis says “you might have an old uncle who still remembers the battalion days and you might also have their moko who is studying IT and is hooking up the marae!”

Mavis says Māori Boards can be a bit insular. She says Māori Boards need to start with “what are the aspirations of this organisation?” It is a unique challenge for Māori Boards. Sometimes fulfilling the aspirations will require having tauiwi (non family) around the table. It will require voting on capability, not whakapapa. In the Māori governance space there is still the challenge between best governance practice and Tikanga or cultural norms. Mavis says “I am majorly impressed at how these shark infested waters can be skilfully navigated by experienced practitioners leading to excellent outcomes.”

Mavis says Māori Boards have a unique challenge. Creating an environment of free and frank discussion where no one takes offense can be difficult when everyone is related! Again, it is about how you make your point – “if you’re going to give them a sharp word, then ensure there is a hug afterwards as well.” Mavis says the Atihau-Whanganui Inc. Board has a healthy dynamic around free and frank conversation.

Pākehā Boards can learn from Māori Boards when it comes to perspective and taking the big view, “the 100 year plan.” Mavis says there is real freedom in taking that long view and getting on to a higher plane of analysis. Mavis also says Māori tend to have a better understanding of the “triple bottom line,” recognising that decisions are made within an ecosystem that is broader than just profit and loss.

Māori also have a different view when it comes to our “natural capital” – for example, the relationship we have with Ranginui (Sky Father) and Papatūānuku (Earth Mother). Of Papatūānuku, Mavis says, “when you recognise her with a face and a name, it brings in a different level of responsibility in creating a pathway forward.” The challenge is about migrating this feeling into the day to day business.

Mavis says there is still some cynicism when it comes to the value Māori can bring to the Board table. But she says, if we really understand the Māori worldview, the long horizons, the value of culture and relationships, this will serve us well through Asia, the Pacific, and beyond. It is about recognising and being comfortable with different ways of looking at various elements of our business, our communities, our world.

Murray Jordan



Quotes

- “The problem is that Board Chairs and Board Directors can think that diverse thinkers are an impediment, that what they are saying is irrelevant, that they are frustrating. The result is that diverse thinkers think “why the hell am I here?”
- “Governance practice needs to adapt, attract and retain diverse thinkers.”
- “It’s important to make the Boardroom a more attractive place to be for diverse thinkers.”

Background

Murray Jordan is currently a Director of SKYCITY Entertainment Group Limited, Chorus Limited and Metcash Limited, an ASX listed wholesale distributor specialising in food, grocery and hardware based in Australia, a Director of Stevenson Group Limited, a family owned New Zealand business specialising in building products and quarrying, and a trustee of the Starship Foundation. Prior to embarking on a governance career in 2015, he held various senior management roles at Foodstuffs Limited. His early career was in the property sector, including as General Manager of Telecom NZ's property business and General Manager of AMP Capital Investors NZ Limited's property portfolio. Murray has a Masters degree in Property Administration from the University of Auckland.

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"We have lots of work to do."

Murray's views

Murray's diverse thinking comes from his very different experiences. He was born and raised in Te Atatu, West Auckland. He came via a different route to CEO, from property into retail, and he came from a working class family, which has given him a lot of empathy for customers and staff.

The Royal Commission into Banking in Australia at the moment has talked about the fact that a lot of the executives come from the same enclave. They don't have diversity of thought because they all have similar experiences.

Murray rates Rob Campbell as a great diverse thinker largely in his view due to his diverse experiences including his former role as a high profile Unionist. Rob is prepared to be open-minded and to think about issues from a different perspective such as taking on Board new approaches to traditional Board meetings. He can also bring diverse thinkers out.

Murray said that Board contributions can be ego-driven. It's a chemistry thing. Some people are very noisy. The result is that Murray does most of his work outside the Boardroom with the executives. The problem is whether the other Directors then think are you pulling your weight as you are not commenting that much at the Board table.

Naomi Ballantyne



Quotes

- “The best measure of diverse thinking on a Board is the success of the company. “
- “Directors should be focused on the success of the business and not just protecting themselves from liability.”
- “More time needs to be spent by the Board on strategic issues.”

Background

Naomi Ballantyne has over 30 years of experience in the New Zealand life insurance industry. She is one of the most well-known and respected executives in the market today and has unprecedented experience in starting companies from scratch and then leading them to significant long-term success. Naomi was awarded the New Zealand Order of Merit (ONZM) for services to the insurance industry. Ballantyne is the only woman in the world to have founded two life insurance companies. She has served as the chief operating officer of Sovereign, and is also the founder of Club Life.

Diverse Thinking Capability Audit

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"The best measure of diverse thinking on a Board is the success of the company. But that depends on whether the Board is held truly accountable for the performance of the company."

Naomi's views

Part of the problem in getting diverse thinking Directors onto Boards is having to recruit Directors that impress the Reserve Bank of New Zealand to get their approval of the appointment. So the focus is inevitably on the audit and risk credentials.

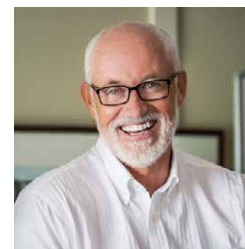
The representative Directors from venture capitalists and private equity investors want growth and so their Directors are focused on the success of the business and not just protecting themselves from liability. The two Blackstone Directors from India (Kishore Moorjani and Luv Parikh) are diverse thinking and passionate about the business. They are in their early 40s and they are driven.

Naomi is concerned that more time needs to be spent by the Board on strategic issues and not just compliance with audit and risk compliance to satisfy the Reserve Bank of New Zealand. The ethical behaviour of the management is as important an issue to discuss as the three lines of defence.

Naomi thinks it is not the size of the Board that matters but a smaller Board means you cannot have four people who have the same skills and are thus playing the same role.

The best measure of diverse thinking on a Board is the success of the company. But that depends on whether the Board is held truly accountable for the performance of the company.

Peter Griffiths



Quotes

- “The Chair must have no unconscious bias and must value diversity. If the Chair does not value diversity then you’ve got the wrong person in the Chair.”
- “Ideally, we should be seeking a meritocratic selection of our best from the total talent pool available. We are not there now so using compliance as a driver is justified in the short term.”
- “CEOs need to play a role in maximising the leverage from diverse thinkers. If diversity at the Board is a source of advantage then it must be materially more important within the business. Inclusion needs to be actively led and managed throughout an organisation for any real benefit to be realised, not just the Board.”
- “Older dogs can learn new tricks, and do so everyday. Generational change is not the total answer.”

Background

Peter is a professional Director and international oil-industry veteran. Until 2009, Peter was Managing Director of BP New Zealand. He has served on a range of Boards including public, private and Crown entities. These included New Zealand Refining, New Zealand Oil and Gas, Energy Direct, Bitumix, Marsden Maritime Holdings and the Civil Aviation Authority. Peter is currently the Chair of Z Energy, and Metro Performance Glass.

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“All my Boards have awareness of the issue and have taken active steps to increase their diversity (principally gender diversity at this point) and Board discussions are increasingly being framed in an inclusive way. We definitely have more to do and further to go before our unconscious bias is towards inclusion rather than the other way around.”

Peter’s views

Peter says that leading a Board with a broad range of views places additional requirements on the Chair. It is much harder. The Governance process will require more of their time and care to ensure the opportunities provided by access to a broader set of inputs are realised. In Peter’s personal experience, many Directors are aware of the implications of bringing diverse thinkers on Boards, but are still working through just what is actually required to leverage their challenge and different viewpoints for ongoing effectiveness. In what he has observed, decisions are often better grounded with a wider set of stakeholder interests and so it is really important for Boards to be able to get the best out of their diverse thinkers.

Chair's pivotal role

Peter's key focus is on how he as Chair maximises the value of diversity for the sake of the shareholder and in the best interests of the company. Generating an ongoing dialogue, where all can safely participate in a powerful conversation that is focused and sufficient to get the information required for quality decisions, is the purpose of the Chair.

The personal attributes required to achieve this are many. But actually having an awareness of the need to manage the Board for diverse thought, setting the expectations for an inclusive Board environment, and then actively intervening with everyone to ensure their personal contribution is delivered consistently with that framework, is essential.

Board meetings may well be longer and the preparation and interaction with individual Directors will be more involved. The Chair needs to recognise that not everyone will thrive in the typical Boardroom environment and seek ways to ensure all Directors do their share of work and make an appropriate contribution.

Consensus?

In Peter's view, Boards should be working to get a consensus. However, Chairs should recognise that there will be always a range of views and the "we must come to a consensus" approach may not be the best one. Indeed, the right thing to do may be shifting the consensus to the outlying view. Sometimes this requires pre-work on an issue. If there is likely to be a Director with an outlier view on a particular issue, he may ask if they would kick off. If a Board member is not speaking because of lack of confidence or history or culture, he as Chair may speak on their behalf. The key thing is to create a safe place for diverse thinkers to speak their minds without feeling crushed or dominated. This is imperative because no one can be a passenger and they all have to lean in.

In the rare event that consensus can't be achieved, then a majority decision can be the approach. Anything else is fraught with risk. However, there will be some occasions where a minority opinion may be a better option. Where a Chair senses this, the challenge is to return the attention of the Board to the question and reframe the conversation in an attempt to create a broader coalition of support or a better compromise position. Proceeding with the view of the majority needs to be the last solution and should be taken as a sign that there may be underlying matters that need to be addressed.

CEOs and management

CEOs also need to play a role in maximising the leverage from diverse thinkers. If diversity at the Board is a source of advantage then it must be materially more important within the business. Inclusion needs to be actively led and managed throughout an organisation for any real benefit to be realised, not just the Board.

Chairs must not have unconscious biases

Most importantly, Peter says, the Chair must have no unconscious bias and must value diversity. If the Chair does not value diversity then you've got the wrong person in the Chair. We are on the journey, but an increasingly frank assessment process of the contributions of individuals is needed. This is particularly true of the Chair's role. Feedback on their performance around the effective use of the diversity represented by their colleagues is important.

Peter has worked in Asia and in other countries where he has been in the minority. This has helped him to interrogate himself as to whether or not he has any unconscious bias and to think harder about how he can be more inclusive.

Ultimately, it will always be difficult to think through the issues about whether a Board has mis-hired in the sense that there is a Director who is a bad fit, or is it competence and capability issues, or is it simply the Board and the Chair's inability to value and get the best out of diversity of views in the best interests

of the company. That is what we should be focused on and not the narrow topic of “getting more women on Boards”.

Quotas or targets for women

Possibly, use of quotas or targets for women could diminish the standing of those individuals. Other Directors may think a person is only there because they are a woman. Peter sees gender as a proxy for what is really needed - diversity of thought. Diverse opinions and views come from different life experiences. Colour and gender are a pretty good primary indicator of the likelihood of different life experiences, but diverse thinking occurs in plenty of individuals of the either genders or all ethnicities as well. Ideally, we should be seeking a meritocratic selection of our best from the total talent pool available. We are not there now so using compliance as a driver is justified in the short term.

Generational change

Peter does not think generational change is the main driver for maximising the benefits from diverse thinking on Boards. He says he would hate to lose wisdom and experience that seems to only come with time. Older dogs can learn new tricks, and do so everyday.

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Philip Chronican



Quotes

- “Boards have to be mature enough to have different views without blowing up. Opening up a can of worms has to be acceptable.”
- “We need to normalise conflicts and different views so that Directors and the CEO understand that the consequence is not that the CEO will be sacked or have to sack senior managers.”
- “You cannot always predict where diverse thinking comes from. Sometimes it can arise from a different values set of a Director.”
- “Getting real diversity and a diverse approach to business issues on Boards is a serious problem. To be truly successful and genuinely diverse, all Directors need to engage in diverse thinking. Directors need to have a genuine growth mind-set and stop thinking narrowly and technically only. They need to think on a global scale and not be insular. That then means they will more greatly value diverse thinking.”

Background

Philip Chronican was appointed as a non-executive Director of BNZ in October 2016. He was appointed as a non-executive Director of NAB in May 2016. Philip has extensive banking experience following a 35-year career within Australia and New Zealand. In his most recent executive role, he was responsible for ANZ's Australia division, with specific responsibility for ANZ's retail and commercial business. Prior to joining ANZ, Philip had a long career at Westpac in executive roles including Group Executive Westpac Institutional Bank and Chief Financial Officer. Philip is the Chair of NSW Treasury Corporation and a Director of Banking + Finance Oath, and the Juvenile Diabetes Research Foundation.

Diverse Thinking Capability Audit

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“I’m not sure that I’m qualified to give a rating on New Zealand Boards but, if pressed, I’d give a three. Beyond a pass mark but material upside to be had.”

Philip’s views

The traditional Board culture is often one of consensus decision-making and linear discussions. But there is collective accountability for Board decisions, like joint and several liabilities between partners. Consensus decisions need to be ones that every Director can subscribe to. They need to reflect diversity of views which is a leadership challenge for the Chair. Diverse thinking Boards are harder to chair. The Chair has to be comfortable with hearing (open to receiving) divergent views and ensure the rest of the Board is comfortable too. Opening up a can of worms is acceptable. The Board has to be mature enough to have different views without blowing up.

We need to normalise conflicts and different views so that Directors and the CEO understand that the consequence is not that the Board is going to blow up nor that the CEO will be sacked or have to sack senior managers.

The CEO has to be challenged in a way that she/he does not feel the Board is forcing them to sack a person, and thus they need to mount a strong defence of staff.

The diverse thinking Director also needs to be mature. They raise a different view, it doesn't always prevail. Then they need to let it go and not keep a grudge against those who disagreed with them nor keep trying to relitigate their view to "win".

The diverse thinking Director must not be isolated on a Board. Only having one will make it impossible for them not to feel uncomfortable. There should be overlaps with other Directors on the different lenses and views they bring to the Board table. High skills and experience remain the bedrock of establishing credibility so it helps if the diverse thinking Director has that.

You cannot always predict where diverse thinking comes from. Sometimes it can arise from a different values set of a Director. The diverse thinking Director may come from different industries, but what industries they have worked in and demographic data are only predictors.

Getting real diversity and a diverse approach to business issues on Boards is a serious problem. To be truly successful and genuinely diverse, all Directors need to engage in diverse thinking. Directors need to have a genuine growth mind-set and stop thinking narrowly and technically only. They need to think on a global scale and not be insular. That then means they will more greatly value diverse thinking.

There has been a growing awareness of the value of diverse thinking in the last 10 to 15 years. The Australian Boards are slowly growing their diverse thinking capability.

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Prue Flacks



Quotes

- “While diversity is not just about gender, gender has a role to play in some aspects.”
- “Directors with specialist skill sets are most effective when they take their own experience and translate it into something meaningful for the company.”
- “There is room for Boards to be braver in selecting new Directors. Where Boards have a number of experienced Directors they should consider candidates with appropriate skills and expertise but perhaps less governance experience as a way of expanding the pool of Directors in New Zealand.”

Background

Prue Flacks is an independent non-executive Director of BNZ, Mercury NZ Limited and Chorus Limited, and is also chair of Queenstown Airport Corporation. She began her governance career in October 2009 after 20 years as a partner at Russell McVeagh, specialising in commercial law in particular banking and finance and securities law. She is a chartered member of the Institute of Directors in New Zealand and the New Zealand Shareholders' Association Inc.

Diverse Thinking Capability Audit

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"It's evolving, but change will take time."

Prue's views

Prue says diverse thinking is about coming at issues from different perspectives. Prue says that life experience, work experience, gender, and age are all relevant. Family context is also important; eldest children have different perspectives from middle and youngest children, and from only children. You will have had a different experience as a woman growing up with all brothers or with all sisters. Prue's family context was unusual. She was the second child with a sister 20 months older than her. Sadly, her sister passed away when Prue was 6 years old, making her the eldest child. Prue thinks this has influenced her experience and working style.

Prue also says that while diversity is not just about gender, gender has a role to play in some aspects – for example, Prue believes that men and women often have a different approach to assessing risk which is one reason why it is important for Boards to have some gender balance.

Prue says the state of diverse thinking in New Zealand Boardrooms is evolving. She says “some organisations are behind but others are more advanced than people think.” Diversity of thought is “not a function of how many women you have”, and that is where some organisations are getting stuck. She has served on some Boards with “men who are far more conscious of and passionate about diversity than many women.”

Prue says that at the end of the day, what is critical is having the right people around the table. This can

mean different things depending on the company and the industry. She says “there can be a natural tendency to recruit people they like and feel comfortable with.” However this does not mean that a Board will necessarily choose new Directors of the same age and gender as existing Directors, and it is not incompatible with diversity. It is recognition that to be an effective Board, Directors have to work together and with management, so compatibility is a relevant consideration.

She also noted that fees can be a barrier for recruiting younger Directors in particular. Often Directors' fees are less than you could earn in a professional career. That can be a barrier to younger people seeking Directorships early.

Directors are generally selected for the expertise and experience they bring to the Board table. In one sense that may make it more difficult for younger Directors who do not have as much of their own experience to contribute. However in other contexts the perspective of a younger person may be exactly the skill set the Board needs. So it comes back to having the right people around the table for the particular company.

Directors with specialist skill sets are most effective when they take their own experience and translate it into something meaningful for the company. Prue believes it is very counterproductive when a Director sees “disruption” as their role, rather than the role being to add value to the Board by bringing a diverse perspective. All Directors have to be capable of working with other people. Prue has observed Directors with no background in the relevant industry nonetheless making highly valuable contributions by applying the experience they have gained in other industries to the challenges the company faces.

Prue thinks there is room for Boards to be braver in selecting new Directors and she has observed this happening with positive results. Where Boards have a number of experienced Directors they should consider candidates with appropriate skills and expertise but perhaps less governance experience as a way of expanding the pool of Directors in New Zealand. She believes Boards can sometimes feel pressure to appoint a well known person and shareholders are partly responsible for this. Prue thinks it is important that shareholders take the time to understand what expertise particular Directors bring to a Board.

Prue says the role of the Chair is to get the best out of the people sitting around the table. A good Chair facilitates, but does not dominate the discussion and ensures all Directors have the opportunity to contribute effectively. This might mean coaching the diverse thinker on their role. Regular Board evaluations are also important to provide feedback to Directors and identify ways in which they might contribute more effectively.

Chairs also need to “be a bridge between the Board and management.” This is critically important. They need to ensure that both sides understand each other. In Prue’s experience, management like seeing Directors challenge each other constructively as it ensures different perspectives are well aired. Directors also need to be willing to comment outside their stated area of expertise, in other words, to give the Board the benefit of all their experience, not just their own professional experience e.g. accounting or legal. Directors need to have a blend of specialist and generalist skills.

Prue would rate the current diverse thinking capability of New Zealand Boardrooms a 3 out of 5. She says change will take time, but it is happening as more people see governance as a professional career, or as an adjunct to their main career.

Rob Campbell



Quotes

- “There have been tangible results in improving gender equality but we still do not have enough or more diverse thinking on Boards as a consequence. Gender equity and diverse thinking are very different things, and we should not elide them.”
- “The diverse thinking revolution is yet to happen. Business is simply behind, given the way the world/New Zealand has transformed. I do not think diverse thinking on Boards has got better over time.”
- “Hon Julie Anne Genter is right that white men need to get off Boards, to let women and ethnics get on.”
- “Some male Chairs had the skills to do the old job, but the job has changed.”

Background

Rob has over 30 years experience in investment management and corporate governance. He is Chair of SKYCITY Entertainment Group, Summerset Group Holdings Limited (NZ), Tourism Holdings Limited and WEL Energy/Ultrafast Fibre, and a Director of Precinct Properties. In addition he is a Director of or advisor to a number of hedge and private equity funds in a number of countries. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period. Rob started his governance career running an anarchist bookshop in Wellington called Resistance Bookshop. He was a union leader in the 1970s and 1980s and was on the national executive of the Labour Party during the Lange-Douglas Labour Government. If he wasn't a professional Director, his dream job would be as a cricket commentator!

Diverse Thinking Capability Audit

2 / 5

"In general we are suffering from lack of diversity of thought around the Board table."

Rob's views

Rob said that he now realises that there is a distinction between gender equality and pay equity, and diversity and diverse thinking. You should have gender equality in management so that women are involved in decision-making in all parts of the organisation or business. Otherwise we are denying ourselves access to the full set of skills as well as preventing women from being able to maximise their full potential. All of that is quite obvious really. Why would you exclude half the talent pool? But if you ask the question whether women bring diverse thinking to the Board, the answer would be sometimes yes and sometimes no.

Gender equity and diverse thinking are not the same thing. Rob thinks that in general we are suffering from lack of diversity of thought around the Board table. Ethnic and cultural diversity is an issue right now, and not just for the future. This is especially the case for Auckland which is why it is hard to have

a conversation at a national level. But reflecting that diversity is relevant to customers, it is relevant to suppliers, and to employing staff.

Rob thinks the other area where Board tables are lacking in diverse thinking is generational diversity. We need to be more representative of where markets are today and where markets are going. For high-tech companies it may well be perfectly appropriate to have people sitting as Directors who are in their 20s or 30s.

Rob does think we need to have ethnic diversity on Boards if we are going to properly reflect the ethnicity of the customers that we deliver to. That is if the ethnic Director brings with him/her all of the knowledge of the ethnic community from which they come and have good skills. He does think it is partly a generational issue.

Rob has always been across the gender issue but the cultural diversity issue and ethnicity has only come home to him in the last five years as a consequence of the Boards he sits on. 50% of SKYCITY's's customers are Asian, Summerset has a very diverse staff base, and Tourism Holdings Limited is significantly about catering to a culturally diverse market. There is also a lot of young ambitious ethnic wannabe Directors banging on the door to get in. Even when you look at the diversity of the candidates who stood for the Northcote by-election, it shows that politics is making progress on ethnic diversity, so business is behind. Just look at the numbers.

Rob said there are good ethnic candidates with good skills, like Carolyn Luey, CEO of MYOB, recently appointed to one of his Boards.

Rob's big takeout is that business is simply behind, given the way the world/New Zealand has transformed. Rob does not think diverse thinking on Boards has got better over time.

Hon Julie Anne Genter is right that white men need to get off Boards, to let women and ethnics get on. There are simply too many of one gender and ethnicity on Boards. The Minister probably did not focus on diversity but her view on gender is consistent with this.

It does make it harder for Chairs if you have more diverse thinkers and diversity around the table. The more diverse, the more difficult it is to operate as Chair. Rob said that he probably has not had the exposure nor does he have the skills to cope with it. He is probably not the right person to do it. You need people who are cross-culturally skilled and who are comfortable with different cultural protocols. Chairs need to be comfortable with Samoans contributing strongly to the debate, to be comfortable with the 30 year old Koreans communicating their issues and not misunderstanding their issues and then bringing all of that together in a consensus decision. He has witnessed male Chairs who have found it difficult to chair Boards with a number of women on it. He said some male Chairs had the skills to do the old job, but the job has changed.

Rob said it is also difficult for those thought to be diverse. They are often under a suspected cloud of incompetency because male members of the Board think they are only there because they are women, or they are younger Directors and they are not given any respect by older Directors who downgrade their contribution.

But he also thinks that there are Directors who need to be removed from Boards because they are there due to a sense of entitlement and best qualified for a time that really has passed. The modus operandi where “we all think the same” needs to change. Rob says there are very few business problems that only have one answer and sometimes there is no clear answer. Instead, we usually deal in probabilities and we need brains that can think about the full range of possibilities. Management responsibilities limit their ability to do Blue Sky thinking or to lift their heads up and be more strategic. It has to be Boards that bring diverse thinking to the table. And it isn't just about the numbers.

He said there have been tangible results in improving gender equity but he does not think we have enough or more diverse thinking on Boards. Gender equity and diverse thinking are very different things, and we should not elide them.

The diverse thinking revolution is yet to happen.

Rob is reserved about diverse advisors as opposed to Board Directors. The reason is simply that Advisory Boards, whether they are Youth Advisory Boards or Māori Advisory Boards, are not enough to bring on diverse thinkers. Ultimately it is Directors who make decisions. But they may be a useful first step.

It is difficult to extend that to LGBTI and disability however because we do not want to dissipate the force of the diverse thinking argument. Such groups must have a means of input.

Rob called out Murray Jordan (on the SKYCITY Board) and Andrew Wong (on the Summerset Board) as two great diverse thinkers he has enjoyed working with.

Rosemary Warnock



Quotes

- “Chairs and Directors need to “play the ball and not the man”, to have robust conversations and listen respectfully to other points of view.”
- “Sometimes the most surprising people can be diverse thinkers.”
- “We need to avoid complacency. External regular checks and audits are important to prevent this sort of culture around a Board table.
- “I have noticed a difference between my New Zealand Boards and Australian Boards when it comes to gender mix, with more women on New Zealand Boards.”

Background

Appointed a Director of Steel & Tube in 2010, Rosemary has held senior leadership positions in the BP Group including sales, marketing & distribution in Australia and New Zealand, global manufacturing and supply chain based out of London and Chief Executive Castrol Asia Pacific based out of Singapore. She was formerly Chair of the Thinc Group, global project management & consultants in major capital works. Rosemary is a Founding Partner of the Adelante Group, a partnership that provides executive leadership development services, a Director of The Buttery and a member of the Foundation Committee for The Buttery.

Diverse Thinking Capability Audit

3.5 / 5

"It has certainly evolved over the last 7.5 years."

Rosemary's views

Rosemary says she has noticed a difference between her New Zealand Boards and Australian Boards when it comes to gender mix. On Steel & Tube there is always at least two women, and most of the time three. In Australia, she is usually the only one, or one of two on non-profit Boards.

Rosemary says diverse thinking is about bringing different approaches to the table. It is not about a specific gender or cultural diversity. She says sometimes the most surprising people can be diverse thinkers and bring a different and refreshing perspective.

Rosemary says her experience at Steel & Tube shows the evolution of diverse thinking in New Zealand Boardrooms. She said when she was first appointed seven and a half years ago, the thinking was very conservative and old school. Now she says, there is a lot of diverse thinking. On the basis of that experience she would rank the current capability of New Zealand Boardrooms a 3 – 4.

Rosemary says Chairs and Directors need to be open-minded, open to challenge and to different viewpoints. Otherwise, diverse thinkers get shut down. You need Chairs who value true diversity, who encourage and ensure everyone has a say. Chairs and Directors need to “play the ball and not the man”, to have robust conversations and listen respectfully to other points of view. People need to be willing to

leave disagreements behind when they leave the room.

Rosemary says Boards need to be paying more attention to new ideas coming down the pipeline, for example, artificial intelligence. It will significantly change the way we work and operate. We need people on Boards who are aware of these trends and have the foresight to take them into account now. She is not sure that enough Boards are at that point just yet.

It is very important for Boards to be regularly assessed and audited. She referenced the Australian Prudential Regulation Authority (APRA)'s inquiry into the Commonwealth Bank of Australia, and referenced their finding of a "widespread sense of complacency, being insular, and an overly collegial and collaborative working environment". External checks are important to prevent this sort of culture around a Board table.

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Sir Ralph Norris



Quotes

- “Every Director has a responsibility and role in diverse thinking.”
- “Diverse thinking can be effective on Boards as it demonstrates the power of logic and argument.”
- “Diverse thinking is more than fulfilling quotas.”

Background

Sir Ralph has had a 40 year career in the banking sector in Australia and New Zealand, including as Chief Executive Officer of ASB Bank, and Managing Director and Chief Executive Officer of the Commonwealth Bank of Australia. He is also a former Chief Executive Officer of Air New Zealand. Sir Ralph is Chair of Contact Energy, Chair of Fletcher Building Limited, Chair of RANQX Holdings, and a member of the Juvenile Diabetes Research Foundation Advisory Board, The University of Auckland Council and trustee of Business Mentors New Zealand.

Diverse Thinking Capability Audit

2.5 / 5

"Diverse thinking is at its early stages."

Sir Ralph's views

When asked about what makes him a diverse thinker, Sir Ralph reflects on his background; he grew up 'on the wrong side of the tracks' and was raised in state housing. He did not go to university, and he took a non-conventional track to his education by completing an IBM computer aptitude test in which he did well and received paid tuition and training in computer programming. That logic underpins his training. He says that the accumulation of these experiences has affected his views and shaped his career.

Sir Ralph defines diverse thinking as diversity of thought, shaped by the different background and culture of a person. He says diverse thinking is not just demographics, but is developed by having a variety of experiences.

Sir Ralph says that the role of a Chair in diverse thinking begins with the selection process. He says this should be done by using a skills-matrix and overlaying this with diverse thinking. Sir Ralph says it is important for a Chair to draw out different ideas or views from the Directors. In the process of facilitating diverse thinkers, Sir Ralph Norris says that the Chair should extract the best ideas from the members. The Chair should also make sure to reflect on the success of meetings, by looking through past minutes and notes and focusing on what enquiries were made from the Board and Chair. The Chair should similarly ensure that the Board functions well, should test and challenge new ideas and should make sure the management team is challenged in a constructive manner.

Sir Ralph says that “every Director has a responsibility and role in diverse thinking”. He challenges Board members to consider what the opposite argument is before confining themselves to one view. He also

Steve Reindler



Quotes

- “Some Directors have a sense of caution or insecurity about bringing in left-field views. They worry they will be left out in the cold if they do not join the consensus. It is the ones who do not care about that who can withstand the pressure to conform.”
- “Chairs need to always understand the shadows they cast in the Boardroom, and the effect this can have on diverse thinking.”
- “Chairs who expressly or subtly let it be known at the start of the discussion what they are thinking are likely to find less willingness for diverse thinking on that topic.”
- “The Chair has to be comfortable with a certain degree of chaos to allow diverse thinking around the table.”
- “It is a lost opportunity if you do not create an environment that encourages diverse thinking.”
- “When Directors hold out on an issue, they also need to allow prudent compromise to allow the discussion to move forward.”

Background

Steve Reindler is a professional Director with a background in large-scale infrastructure and heavy industry manufacturing. Steve is a qualified mechanical engineer (BE, Hons) from Auckland University and has completed an advanced management programme at Harvard Business School. He was General Manager Engineering at Auckland International Airport for 11 years, and his previous employment included 22 years with New Zealand Steel and BHP Steel where he held a number of roles including General Manager Engineering and Environment. Steve's current governance roles include: Director of Steel & Tube, Meridian Energy Ltd, Broome International Airport Group, Yachting NZ, Z Energy Ltd, WorkSafe NZ, Lincoln University/AgResearch Joint Facility and Chair of Waste Disposal Services JV. He was previously a Director of the Port of Napier, Naylor Love, Stevenson Group Ltd, an advisory Director of Glidepath Ltd, a member of the Transfield Services Ltd Advisory Board, and is a former president of the Institute of Professional Engineers NZ.

Diverse Thinking Capability Audit

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"It is a matter of leadership."

Steve's views

Steve says the Chair is pivotal to diverse thinking in the Boardroom. The Chair has to be comfortable with a certain degree of chaos, has to be patient, and has to have exceptional skill at drawing the discussion back together after a diverse discussion. They cannot be overtly worried about the rate of progress or how much time is being consumed.

Sue Sheldon



Quotes

- “We are too slow turning the governance ship around, but it is a journey and we simply must keep going. Some of us have been working on diversity for many years, but likely only starting to see benefits now. However I do believe that we must keep at it, otherwise as a country we miss the bus.”
- “Chairs can completely undermine diverse thinkers by not picking up on what they say and just letting it drop.”
- “Diverse thinkers can be tarred with the brush that “there’s a fit problem.”

Background

Sue was appointed a Director of Freightways in July 2003 and appointed Chairman in October 2010. She is a Chartered Accountant and full-time professional Director, and is currently also a Director of Contact Energy Limited and Real Journeys Limited. Sue has just completed a term as Independent Chair of the Audit & Risk Management Committee of Christchurch City Council, and is Independent Chair of the Audit & Risk Management Committee of Auckland City Council and a former President of the New Zealand Institute of Chartered Accountants. In a governance career of 20 years, Sue has held roles as Chair, Deputy Chair and Director of a number of large organisations in the private, listed and public Sectors. She was the establishment Chair of Chorus.

Sue's views

Sue said that a problem for diverse thinking is a compliance mindset. Boards think you have to take a certain number of women and once you've done that, you tick the box and you move on.

Sue has been the only woman on Boards. Sometimes being the only woman can make it hard to be heard. Sue has seen diverse thinkers supported and not supported by Chairs. Chairs can completely undermine diverse thinkers by not picking up on what they say and just letting it drop.

Sue is strongly of the view that the Chair is key to delivering the diversity piece around the table.

Sue has seen instances where women's voices are not respected in the same way as men's. It's really not about gender, it's about diverse thinking. Diverse thinkers can be tarred with the brush that "there's a fit problem". But the Board must challenge to ensure management has a long term focus on performance across the business as a whole.

Chairs need capability to be able to pull a diverse team together. Otherwise, diverse thinkers will simply leave at the end of the first term. The best Directors are those who are good thinkers and have a contributing style, are well informed and supportive of management. Personal attributes are an important part of the mix.

Sue does think that women think differently about customers, about people and the culture, and about health and safety. She says that in her experience, inclusive behaviour is better in Boards with younger Directors.

Why is diverse thinking needed on Boards?

The real need for diverse thinkers is that the world and business are changing rapidly. Current/old

thinking will not lead to success. Communities are broadening, mixing and merging and business must respond for success, not just in a reactive way, but by really working out how to get ahead of the game. It is this outcome that diverse thinking on Boards is really trying to solve.

Thus, although the “standard” model of the Chair as grey haired, wise and hugely experienced still fits, it means that in order to stay in the game, a Chair needs training in how to embrace new thinking, ensure it is robustly debated, picked up by management and incorporated into strategy and practice. Chairs should gather up the key points of a discussion and ensure that leads to a decision or an action for management. Dr Francis Small and Wayne Boyd were both very good at this.

Sue said that in an overall sense, diverse thinking has yet to really make a difference to Board effectiveness, but in companies that have embraced diversity, she is sure the benefits will be happening. We are too slow turning the governance ship around, but it is a journey and we simply must keep going. Sue says, “some of us have been working on this for many years, but are likely only starting to see benefits now. I think the gender piece is reasonably well understood, even if begrudgingly by some of our male colleagues. The real issue is that incumbents are worried about their future supply of these jobs, and at the same time, they are wanting to stay into their 70s. However I do believe that we must keep at it, otherwise as a country we miss the bus.”

Skills matrix and Crown Boards

Concerning the Telecom split into Telecom and Chorus in late 2011 and the selection process for the new Boards, which Sue assisted Telecom Chairman Wayne Boyd with, Sue said as the new Chorus Chairwoman: "The pool from which Directors in New Zealand are drawn, and I think it has been pretty similar worldwide, is far too narrow. And the process in New Zealand has been typically that people sitting around the Board table found new people to come on to their Board, and they tended to be people who looked similar to themselves. And so I have been thinking for quite some time that we need to find ways to broaden and deepen this pool."

True diversity can only occur where an analysis is done of the real needs of the business in terms of experiences, background disciplines, capabilities, personal attributes, industry knowledge, etc., and Board appointments are matched to this. Sue thinks this has not always happened on public sector Boards where appointments are sometimes made for political and related reasons, as well as for genuine capability reasons.

Sue thinks that progress is being made and that now, the appointment of SOE Directors who are socially diverse is more closely aligned to true diversity through the appointment of suitably skilled people.

How can diverse thinking Directors become influential?

Sue says “I have been reflecting on how to better equip ethnically diverse people both male and female for Board appointments. We know that for some years women have had to go the extra mile to prove their capability. Recent work with Propero has demonstrated that there are available women with very experienced backgrounds even in difficult industries that have traditionally been male dominated, the point being that the old argument of “we would appoint but there aren’t any women” can now be proven to be a nonsense. But it is clear to me that there is also more focus on a successful executive career for those in the appointment queue. Existing Directors often think that is the only route, which would mean that someone with my background would not even get a look in.”

She says, “I don’t know the pool of capable ethnically diverse but non-Māori or Pacific people at all well, but I suspect there may be an issue in either backgrounds being in small business, or privately owned business, or simply in companies whose names are not known in New Zealand. How can/do they promote their capabilities as a match for the needs of various large business Boards? Because while there is some recognition of the benefits of ethnic diversity, that alone does not justify a seat at the table.

Typically, the diverse thinking Director is new to governance, still finding their own position of influence

and not yet sure where to draw the line between being more insistent and being thought to be too provocative. I think more time at the Board table starts to build respect for the diverse thinking."

Sue says she is starting to think that a critical mass of diverse thinkers is needed so there is confidence for them to speak and not be shut down. Sue said that it may mean Boards need to be larger, but her sense is that to put full responsibility for diverse thinking on one or two who are new at the table will not be the fastest track to success.

Executive recruitment

There is a clear role for the executive recruiters some of whom have not really moved their thinking out of the ark. So we need to work out how to progress that piece, as it is a significant barrier to smart diverse thinking people getting through.

Chair's role

The Chair should be held to account to ensure they are getting the benefits of diversity in the best interests of the company or organisation by a couple of things – the Board itself, which should be reviewing the position of Chair annually (she thinks that is an NZX requirement in Constitutions) and the business results. Sue says that “due to New Zealand’s system of “respect” for big name Directors, I suspect that annual assessments might be done only rarely, or done annually in a superficial way.”

Board's role

In Sue's experience New Zealand Boards do work to a consensus. Usually this is achieved naturally as the discussion ensues, management can produce sensible answers, deal with challenges to their thinking, and usually the best outcome drops out of the process. If consensus doesn't look like it is happening, a sensible Chair will ask management to do more work on the areas of dissension and bring the issue back to the Board.

Sue thinks we are all in learning mode. She says that “the other Directors should be challenging or supporting the new thinking that is being brought to the Board by a “diverse” Director. For example, one of the diverse thinking Directors on a Board I am on will bring a view or piece of thinking which I suspect the rest of us are unable to challenge or debate (through lack of sufficient knowledge). If the Chair leaves that conversation to hang - doesn’t direct management to pick it up, doesn’t ask for more explanation so that he/the rest of us can understand it better, then the benefit of diverse thinking will be lost. We need to get better at either unpicking this with the diverse thinking Director, or supporting what that Director says. I have not seen this done particularly well yet.”

Chairs and Boards need to up skill in thinking through the implications of appointing diverse thinkers and how to leverage their challenge and different viewpoints. Sue said that it really needs a session where Directors challenge themselves as to how they can get best “use” of their diverse colleagues. Sue said that “I think it is easily doable, and possibly using consultants who really understand governance as facilitators would be a great step forwards. We all have a lot of reading on future thinking, markets, products, disruption, etc., but the people skills tend to be left behind. It really is an HR issue on Boards that we should deal to.”

Role of the executive

Sue thinks that if the Chair doesn't pick up, then it is appropriate that the CEO or Execs present provide challenge or support. A good CEO will then "promote" the ideas to the Chair and make it clear (outside the meeting) that they want to discussion to be continued.

Generational change

Sue said "I think the model needs generational change. The concept that it is a natural path for CEOs who have run out of steam I think is outdated. We need younger Boards (as well as some grey haired

wisdom). And the concept that a Chair can start that role in their late 60s or over 70 needs to be done away with. We need the smartest thinking possible. Younger people will also be more accustomed to working with diverse thinkers.”

Predictors of diverse thinking

She thinks that gender or ethnicity can be some of the many components to diverse thinking. "Above I have been referring to the future thinkers, but of course that is only one dimension. And those at the forefront of thinking about AI, disruption to business models and everything that goes with that, we should expect to be any gender or sexual orientation, any ethnicity. Then there is the piece about how do we think about/understand our customer base – how do we know how customers think if our customers look a lot different from the Board makeup, then there is resource availability e.g. geothermal assets on Māori land and how we might understand about forging real business relationships, and then there are people of other ethnicities who simply have great skills that we should want to use. I am certain, however, that the conversation around the table is different (better) when there is a mix around the table. Partly it is a dilution of a staid male position, more focus on customer, risk, a different way of holding management to account, and certainly a strong focus on people, health and safety, and culture."

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Sue Suckling



Quotes

- “Directors need to be insatiably curious to be diverse thinkers - to turn over the stones of their own thinking.”
- “An open mindset must extend to the management team. The Board can say what it wants but it is the executive that implements it, or not.”
- “We need to stop conflating gender diversity and diverse thinking. The conversation is too narrow.”
- “We need to do a better job of leveraging diverse thinking from the people around the table.”

Background

As one of New Zealand's most influential and effective Board governors, Sue's far-reaching experience spans both private and public sectors from start-ups through to listed companies operating in multi-jurisdictions. She is a highly revered and focused Board professional. Her governance leadership contribution has been recognised with numerous awards. One of Sue's greatest strengths is her ability to identify the potential for opportunities and new business models associated with the exponential growth of converging digitised technology. She starts each governance and consultancy assignment with the vigour and courage required to tackle permission-less innovation, utilising her deep understanding of global trends and understanding that technology is disrupting the very foundations of business. Combined with her strong leadership skills, Sue has an enormous ability to empower colleagues and clients to achieve great new heights through taking this approach.

Diverse Thinking Capability Audit

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"We need to do a better job of leveraging diverse thinking from the people around the table."

Sue's views

Sue says for her diverse thinking is about mindsets. In the old governance model, which we still have, the value is seen as coming from people's past experiences. But we need to be thinking about the future, and we need to have a governance model that reflects it. Sue referenced the Lululemon model, which has a decentralised structure where you can coalesce people together to progress the business. It is not about hierarchy but about finding the best outcome for the company.

Diverse thinking means having different work experiences but also different life experiences, exposure to different environments and upbringing. She says it is critical that Directors make an effort to “be curious” and to stay up to date. You need Directors to “turn over the stones of their own thinking.” This might mean bringing people in the Boardroom to present new ideas and inject fresh thinking into Directors’ minds. She cited great Chairs like Rob Campbell, who are prolific readers and are always sending relevant information out to the rest of the Board, and Boards going on trips to broaden their experiences of future

Susan Paterson



Quotes

- “As long as several Board members have good Governance backgrounds, governance can be taught/learned, but other relevant/adjacent industry expertise cannot – so Boards should not sacrifice other expertise for governance skills”
- “Women have to step up and take on Chair roles.”
- “Women do have to have higher interpersonal skills to be accepted. But that can be learned.”
- “Diverse thinkers will not sit on a Board that they know will not permit debate and challenge.”
- “Part of the fun of the governance role is the ability to reinvent your brain, and think outside of the square. There are lots of very interesting challenges to consider, so why would we want to avoid discussing them?”

Background

In 2015 Susan was appointed an Officer of the Order of New Zealand (ONZM) for her services to corporate governance. Having trained and practiced as a pharmacist, Susan completed her MBA at London Business School, then worked in strategy and IT consulting and management roles in New Zealand, Europe and USA. Her governance career spans over 25 years across listed and private companies, government and not-for- profits. As well as being Chair of Theta Systems, Steel and Tube and the Avantidrome, Susan is a Director of Sky TV, Goodman NZ, Arvida, and Les Mills NZ Ltd. She is also on the Board of the Electricity Authority and TEC. Formerly she was Chair of Airways, Auckland Hockey and the NZ Ecolabelling Trust, and a Director of Transpower, EECA, Abano, Auckland Regional Holdings, Ports of Auckland, St Cuthbert's College, TEC and Housing NZ.

Diverse Thinking Capability Audit

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“Women have to step up and take on Chair roles.”

Susan's views

Susan says there is massive value in challenge around the Board table. If you have had robust debate from different perspectives, and everyone has thought about the issue from different angles, you can have more confidence in your decision – it has been stress-tested and you know the pitfalls ahead of time.

Susan says women have to step up and take on Chair roles. She says she has learnt a lot from other people she has been on Boards with like Dame Alison Paterson and Sir Colin Maiden.

Susan says that having a different background can make you a more diverse thinker. But, she says, there is no value from that different background unless the Director has the confidence to speak up and to speak out. You have to be brave.

Different views can create tension and be challenging. If you were male, you might get away with it. Susan notes that women do have to have higher interpersonal skills to be accepted. But that can be learned. "It's not the question you ask," she says, "but the way you ask it."

Susan says the skills matrix is crucial, but needs to be used strategically. She makes the point that while it is important that the Board has governance experience, it is not necessary that each and every Director has it. Governance can be taught, but other skills cannot – so we should not sacrifice other expertise for governance skills. But we also need to ensure we don't appoint Directors who really don't know enough to ask the right questions.

Susan says that diverse thinkers will not sit on a Board that they know will not permit debate and challenge. She always wants to know who else is on a Board before deciding whether to accept an appointment. You need to review very carefully before you go onto a Board. For her, part of the fun of the role is the ability to reinvent your brain, and think outside of the square. There are lots of very interesting challenges to consider, so why would we want to avoid discussing them? New technology requires new thinking.

Susan gives New Zealand Boards a 2 out of 5 for diverse thinking capability.

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Tania Simpson



Quotes

- “Diverse thinking is when everyone changes as a result of someone different being in the mix. The norm has to keep moving. Every time someone new and different is appointed to a Board, the Board has to shift.”
- “It’s hard – diverse thinkers have to do all the work to get across their different point of view! We need others to understand that they have to do some work and they may have to be prepared to change if they want to get the benefit of diverse thinking.”
- “Diverse thinkers need to “walk in talking”. We should not acclimatise ourselves to the norm of the Boardroom, we should acclimatise the room to us, early on – otherwise our voices get lost”.
- “There is a lot of responsibility being the different person in the room. But one of my mentors taught me to treat that as an advantage.”
- “The differences between men and women of the same culture are less than the cultural differences between people of the same gender.”
- “What people do not realise is that their culture is not “normal”, it is just “normal to them.” People need to take a step back from their own culture. Otherwise it leaves diverse thinkers playing the role of cultural interpreter.”
- “I often see Boards where there is a Team A of extroverts and a Team B of introverts. If Chairs do not implement a policy of equity of airtime, Team A dominates the discussion and Team B only gets put in as an afterthought.”

Background

Tania Simpson is a Director of the Reserve Bank of New Zealand and the founding Director of Kowhai Consulting. She is a Director of Tainui Group Holdings, a Board member of Global Women NZ, a member of the Waitangi Tribunal and an accredited fellow of the Institute of Directors. She is of Tainui, Ngāi Tahu and Ngā Puhi descent, was previously a Director of AgResearch, Deputy Chair of Landcare Research, and a Director of Mighty River Power for thirteen years. Tania has experience in leading and guiding Maori organisations on a development pathway including as Chair of Radio Maniapoto.

Diverse Thinking Capability Audit

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“More and more people are getting their heads into it, but there is a long way to go and tonnes of people whose voices need to be heard.”

Tania's views

Tania says “diverse thinking is when everyone changes as a result of someone different being in the mix.”

Historically diversity on Boards has been about women joining, and learning how to fit in as a minority among the men. Tania says that when you come from a different culture, the pressure to fit in is even greater. She says that the differences between men and women of the same culture are less than the cultural differences between people of the same gender. That makes it really difficult as a Māori woman on Boards.

Tania has said there is a lot of responsibility being the different person in the room. But one of her mentors taught her to “treat that as an advantage”. Tania says diverse thinkers need to “walk in talking”, and draw attention to themselves. Instead of acclimatising to pre-existing norms, diverse thinkers “should acclimatise the room to us, early on – otherwise our voices get lost”. It has to be a different norm.

Tania leverages the Māori cultural models of relationship building to help her get to know her fellow Directors and help her influence as a diverse thinker. She also says humour is another tool she uses which comes from her Māori worldview, and which proves a useful way of “relaxing and levelling” the Boardroom environment. Otherwise, other Directors can think what she says is strange or roll their eyes.

Tania says that in the Māori cultural model, only one person speaks at a time, and so around the Board table it makes her uncomfortable when Directors speak over the top of one another and the loudest voice is the one that gets heard. She is uncomfortable with interjecting. She says that people have become used to her waiting until the end of the discussion, or signalling when she wants to speak. She says this makes her more comfortable, and it also means she is able to think, prepare and deliver her thoughts in an impactful way, because she has had the time to listen and consider where she can add value.

Tania says diverse thinkers learn tools and techniques to be effective in the environment. The key is to get the relationship to a point where there is understanding and respect. Tania says influencing as a diverse thinker is about effective communication. You need to be able to explain and interpret different points of view. What people do not realise is that their culture is not “normal”, it is just “normal to them.” People need to take a step back from their own culture. Otherwise it leaves diverse thinkers playing the role of “cultural interpreter”.

Tania says “the norm has to keep moving”. Every time someone new and different is appointed to a Board, the Board has to shift. It is a challenge to all Directors to adjust and adapt. Otherwise, the diverse thinking Director becomes abnormal to their normal practice. Tania would rank the diverse thinking capability of New Zealand Boardrooms a 2 out of 5 – “it’s pretty low.” Improvement comes from education and from having more diverse thinkers influencing at the Board table. Tania says “acceptance that there is a problem is the first step.” There needs to be a willingness to learn before we can see change.

Tania says the lack of diverse thinking is going to hit Boards who do not have younger members. She says “the generational knowledge gap is massive”. The information the current set of Directors have is not going to be useful to the next generation. It is hard for Directors to say they have insight into youth when they do not even know how to use an iPad! That has to change.

Tania says that we could learn from negotiation theory in getting diverse thinking on Boards. It is about expanding the pie to get all of the different options, before deciding on the best option. That is good practice.

Tania says that the diverse thinkers she has seen have been effective by being “calm but persuasive.” They do not use emotion. If you can translate ideas in a way others can understand, you do not have to jump up and down to be heard. It does require having good relationships around the Board table. Tania says that diverse thinkers need to be met halfway by the rest of the Board, and Chairs. These same issues can also arise in Tribal governance.

Chairs have a responsibility to “play all the players”. Tania often sees Boards where there is a Team A of extroverts and a Team B of introverts. If Chairs do not implement a policy of equity of airtime, Team A dominates the discussion and Team B only gets put in as an afterthought. This has to do with personality

but also cultural factors and deference. When Chairs go around the Board regularly, behaviours change and there is better consideration of the issues because people listen and think before they speak. Tania says that Directors need to recognise that everyone's contribution is valuable.

Tania thinks that the Māori cultural capability of New Zealand Boardrooms is improving. There has been traction in this area with organisations holding te reo classes and educating teams at a senior level. She hopes that this will continue.

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Tony Carter



Quotes

- “The easy bit is to hire diverse thinking Directors, the hard bit is to get the best out of them. It is a journey and it requires discussion.”
- “Diverse thinkers need to translate their radical thoughts into a corporate governance framework.”
- “The sad thing is that diversity has been captured by gender, because it’s easy to measure. It is not enough, but it is a start.”
- “Chairs need to be open to the idea that your view is not the only view. You cannot be afraid of disagreement, but equally you cannot let disagreement be disruptive.”

Background

Tony is Chairman of Fisher & Paykel Healthcare, Air New Zealand and the Blues LLP, a Director of ANZ Bank New Zealand, Fletcher Building Limited, Fletcher Building Industries and Avonhead Mall, and a Trustee of the Maurice Carter Charitable Trust. Tony was previously Managing Director of Foodstuffs (Auckland) and Foodstuffs (New Zealand), New Zealand’s largest retail organisation, and a Director of a number of related companies. He has extensive experience in retailing, having joined Foodstuffs in 1994 and from having owned and operated several Mitre 10 hardware stores, and was a Director and later Chairman of Mitre 10 New Zealand.

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“Average but improving.”

Tony’s views

What causes people to think differently? There is that question about nature versus nurture. Some people are just born thinking more laterally than others. But for others the thousands of factors that make up our experience, culture and value sets, and education, these are all relevant.

Tony says “the sad thing is that diversity has been captured by gender, because it’s easy to measure.” It is not enough, but it is a start. The likelihood is that a three male/three female Board will be more diverse than a six male Board.

The Chair’s role is to be inclusive. Fostering the right culture where everyone can contribute is key. Part of that is resisting the urge to immediately say why an idea will not work – and that is something that takes practice. You need to be open to the idea that your view is not the only view. You cannot be afraid of disagreement, but equally you cannot let disagreement be disruptive. At the end of the day, you do have to run the company. This is something that Directors have to remember – have a point of view, fight your fight, but let it go if it doesn’t work.

Traci Houpapa



Quotes

- “Diversity sounds neat and cool when you are on a panel but actually implementing it, and chairing for diverse thinking can be really difficult. Directors who are not up for it fall back on compliance instead and can become obstacles to progress.”
- “To effect change and diverse thinking, you need to contextualise your perspective in a way that engages the other Directors, i.e. talking about the “Aotearoa view” not the “Māori view.” The kaupapa of diversity remains the same – the message and delivery is different.”
- Chairs of public sector Boards do not always get to choose their Board members due to political appointments and this may affect the amount of diverse thinking on Boards.”
- We shouldn’t focus on “disruption”, “but on “strategic change.”
- “Diverse thinking means considering the public good, as well as delivering on the company’s objectives.”

Background

Traci is an award winning company Director and a recognised industry leader. She specialises in strategic and economic development advice to Māori, iwi, public and private sector clients throughout New Zealand. Traci is known for her strong and inclusive leadership and her clear focus on building the wealth and prosperity of Aotearoa New Zealand. Traci chairs the Federation of Māori Authorities, Hineuru Holdings Limited, the National Advisory Council for the Employment of Women, and is Deputy Crown Co-Chair of the Waikato River Authority. She is a Director of Primary ITO, Tuhono Whenua Horticulture Limited, OTPP New Zealand Forest Investments Limited, and a Victoria University of Wellington Council Member. She was previously Chair of Landcorp Farming (Pamu). In 2012 Traci was named as one of the top ten most influential women in New Zealand agribusiness. In 2013 she was named amongst the Listener's top ten influencers in New Zealand and was a finalist in the Fairfax Media Westpac Women of Influence Awards ('WOI'). In 2014, Traci won the WOI Board and Management award. In 2015, Westpac named Traci on its 'NZ Women Powerbrokers' list. Traci has also recently been awarded the Massey University Distinguished Alumni Service Award for services to agribusiness and Maori. Traci has an MBA from Massey University and is a Member of the New Zealand Order of Merit, a Justice of the Peace and a Marriage Celebrant.

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"Diverse thinking can be really difficult. People are not up for it, so they are falling back on compliance instead."

Traci's views

As a diverse thinking Chair, Traci's approach is to recognise contributions and added value. She is open to disagreement and constructive tension. It does not make her uncomfortable when people have different

views and disagreements – she welcomes it. She says if you do not peel back the discussion in that way, you will only get canned thinking, and that is not in anyone's best interests. She also questions the focus on "disruption", and says the focus should instead be on "strategic change."

Traci says we should not mistake diversity for diverse thinking. She thinks this confusion comes from well-meaning, somewhat misguided white people who do not have a three-dimensional view of what it means to be a Māori, Pasifika, or Asian woman. Living and operating as a coloured woman brings certain challenges and opportunities that white New Zealand do not encounter.

Traci says diverse thinking means considering the public good, as well as delivering on the company's objectives. Directors need to consider their communities, consumers or target markets, and make sustainable decisions about what is good for everyone. Traci says Chairs need to lead the charge for diverse thinking, and be willing to publicly declare that it has value and that they are taking active steps to support it.

Traci says shareholders still have a view that you only need traditional knowledge, i.e. law, finance or accounting, around the table. But she disagrees – those functions sit better at an executive level. If you have Directors on there who are purely appointed for that purpose, it can be very hard work for the Chair to get value add from those Directors.

Traci also says that it is often difficult to get diverse thinking into the traditional audit and risk committees and the people and remuneration committee.

Chairs of public sector Boards have a particularly difficult situation as they do not always get to choose their Board members. Sometimes you have political appointments and it is not clear what value those people bring to the table. In the past Traci has questioned some appointments and been told that the person's role is "to listen." But she questions whether that is in the best interests of the company. It is also important that The Treasury puts up diverse thinking candidates.

As a Māori woman Chair, she has been in positions where she has felt there is a “big target on her back”, and in the early stages, this did pressure her to self censor. People have told her she has been appointed purely because she is Māori. She says, “after a while, you either become numb to it, or accept it for what it is – ignorance.” Traci says she has made strategic moves, “played a long game”, to build up experience so that people cannot discount her - for example, choosing Boards that operate in particular sectors or commercial environments. She says, “I needed that tick to show others I could do it.” Traci also says, to effect change and diverse thinking, you need to contextualise your perspective in a way that engages the other Directors, i.e. talking about the “Aotearoa view” not the “Māori view.” The kaupapa of diversity remains the same – the message and delivery is different.

Traci ranks the diverse thinking capability of New Zealand Boardrooms a 1. She says “diversity sounds neat and cool when you are on a panel but actually implementing it, and chairing for diverse thinking can be really difficult. Directors who are not up for it fall back on compliance instead and can become obstacles to progress.” We have not yet made the conversion to true diverse thinking. She said it may take some light-bulb moments for the mainstream to catch on, giving the examples of Jennifer Ward-Leland learning Māori for the mainstream to catch on to the importance of te reo, and Dr Ganesh Nana’s BERL report for the mainstream to catch on to the value of the Māori economy.

Vanessa Stoddart



Quotes

- “To get the benefit of diverse thinking you have to also accept diverse styles of contribution. We often talk about diverse thinking coming from diversity of gender, ethnicity, age, background and experience but diversity of style and how contributions are made by Directors is also an important dimension. To extract the benefit of diverse thinking, Directors and Chairs need to be respectful of these different styles and make sure they are creating an inclusive environment for contributions and allow enough time.”
- “It is essential that management and the Board collectively understand the role of the Board. The traditional distinction between management and governance is changing and in some areas like health and safety the line is blurred. If the role of the Board is not understood and respected, you have challenges before bringing diverse thinking into the equation.”
- “If everyone has had the opportunity to have their view listened to and considered, they are more likely to back the collective decision, even if it is not their view. For this to occur adequate time needs to be allocated to discussion and debate.”
- “One needs to be brave to contribute diverse thinking. I’ve built my confidence over time but having other diverse thinkers at the table helps. Having other people contributing in a different way with different thoughts makes it easier for me to feel comfortable questioning respectfully or presenting a different perspective.”
- “We have to be brave, speak up respectfully and be honest, especially when we disagree with others around the table.”

Background

A transformational leader with over 25 years' experience in legal, manufacturing, packaging, airline and engineering industries. Initially a commercial lawyer, Vanessa transitioned to change management and performance improvement roles before leading Carter Holt Harvey's Australian Packaging Group with 5 divisions, 9 facilities and 1000 employees, and a turnover of \$200m. In 2003, Vanessa joined Air New Zealand as part of the executive team to transform the airline. Initially responsible for the People portfolio encompassing all aspects of HR, Industrial Relations, Shared Services, Capability, Training, Legal, Health and Safety, Facilities and Medical with a labour cost in excess of \$1b - Vanessa also assumed responsibility for the Engineering Group in 2009, a business with annual costs in excess of \$670m and 2500 employees. Vanessa was recognised for her achievements in both HR and Engineering professions – being awarded a Companion of IPENZ and Honorary Fellow of HRINZ. Vanessa is a Graduate of the Australian Institute of Directors and a Chartered Member of the New Zealand Institute of Directors. Vanessa is current Chair of Global Women, and an independent Director for The New Zealand Refining Company Ltd, Heartland Bank Ltd, Alliance Group Ltd, Financial Markets Authority and the Tertiary Education Commission and is a member of the Kings College School Board. She chairs various Remuneration Committees on these Boards.

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"We have diverse thinking around the table but it is not being fully harnessed."

Vanessa's views

For Vanessa, to extract diverse thinking we need to also respect diverse personal styles. She says this diversity of style and how contributions are made by Directors is an important dimension. For example, she says that when you see people of different ethnicities and cultural backgrounds around the table, you see a range of different styles. Entrepreneurs and innovators also can have their own different styles of contribution. Directors and Chairs need to be respectful of these different styles and make sure they are creating an inclusive environment if they want to gain the benefit of diversity and encourage diverse thinking. The same of course applies in the management context.

Vanessa says it is essential that management and the Board collectively understand the role of the Board and the distinction between management and governance, although in some areas today that line is becoming blurred. If management don't respect the role of the Board then there will be issues before one gets to consider diversity. Vanessa says management has to understand what the Board is responsible for and that management should not get defensive when asked questions or if Directors have a different view. We have to continue to educate CEOs as well as Directors about the role of the Board if we want to gain the benefit of diversity.

As an example, Vanessa has seen a change in the role of the Board in the health and safety space. She says that with the new legislation, there were changing expectations of the Directors' role. But most Boards have gone on a journey and found with time, it hasn't created more work – it's just created different work. She says Directors are asking different questions – it is a "show me, don't tell me" approach, so for example, they are asking for site visits, discussions with staff, evidence of investigations and closure of actions, not just statistics. She says she hopes the financial sector will go on a similar journey post the APRA report into CBA.³⁵

Vanessa says that it is only once you have established that Directors and management understand the role of the Board, and you have created an environment which is inclusive and respectful of diversity and different styles, then you can ask how you get the value of the diverse thinking around the table.

Vanessa says Chairs need to be able to facilitate contributions from diverse people with a range of styles, cultural expectations, and different skills and experiences. This can include rotating who they ask first for input or feedback. Chairs need to have great leadership skills, including EQ and CQ, and mentor and coach their Directors and CEO. They also need to be sufficiently aware of their own biases to ensure that these do not inhibit Directors' contributions. She recalls a time when a Chair was being quite critical of one of his Director's style of contribution (a woman) and she had a real feeling that the commentary had nothing to do with that Director and everything to do with the fact that she was different - a woman with a female style.

Vanessa says that what is also really important if a Board wants the value of diverse thinking is that the Chair avoids being captured by the CEO, and that the CEO does not end up de facto running the Board and shutting down diverse contributions from Board members. Vanessa cited the findings of the APRA Prudential Inquiry into the Commonwealth Bank of Australia and its reference to 'chronic ease' whereby

³⁵ Australian Prudential Regulation Authority *Final Report of the Prudential Inquiry into the Commonwealth Bank of Australia* (April 2018). Available at www.apra.gov.au.

an “overly-collegial and collaborative working environment” and “inadequate oversight and challenge by the Board and its committees” created a sense of complacency and insularity. There should sometimes be chronic unease and not the chronic ease found by APRA at CBA.

Vanessa suggested two things Chairs can do to avoid this. One is to ensure that the agenda is well considered and focused on strategic, risk and compliance priorities with adequate time provided so contributions are not cut short. Also the quality of papers from management must be of a high standard and delivered in a timely way so that Directors can be adequately prepared to make a quality contribution. The second is that the Chair needs to ensure the Board is not captured by the CEO or management and a culture exists within the Boardroom where different opinions are welcome. Vanessa says, "I think back to my executive days and it is really no different, we were not there to be friends with our peers, we were work colleagues there to get a job done but respectful of each other's contributions."

In any case, Vanessa says what is important is to make sure all views are heard. You are more likely to get consensus if all views are heard and considered. For this to occur adequate time needs to be allocated to discussion and debate. Chairs must resist the tendency to cut Board meetings short or skip agenda items. The APRA Report into CBA makes it clear that time should not be an inhibitor.

Vanessa says that the case for diversity, diverse thinking and diverse contributions is increasing. Our businesses are getting more complex, and for many, the risks are getting greater. Also, issues that existed but did not necessarily get addressed are coming to the surface. First it was health and safety, then we have seen the discussion on customer and community expectations. More recently it has been the discussion on bullying and harassment in our workplaces. Questions that often went unanswered at Boards in the past are now being raised with CEOs and management and need to be answered.

As a diverse thinker and contributor, Vanessa says the Boardroom can be a lonely place. “I’ve built my bravery over time but having other diverse thinkers at the table helps. Having other people contributing in a different way makes it easier for me to have the confidence to do so too.” She says all Directors need to be brave and contribute their diverse ideas.

She says it is difficult being a diverse thinker in management teams too. She recalls a time when a CEO hired a diverse, entrepreneurial, innovative thinker to a very operational management team. The team was not ready to respect the value that person could bring, or even to listen and learn from them. They had such a different style and a different way of thinking but the team didn't embrace that difference because the individual wasn't like them. The team wasn't ready to embrace the value of diversity and how hard that can be to harness.

Vanessa says Board evaluations are a useful tool for assisting with good governance but she wonders if it is timely for some of the questionnaires to be reviewed. She says some questions are not aligned with creating an inclusive Boardroom respectful of diversity and diverse thinking.

Vanessa also says it is important to have an appropriate level of Board refresh. “We must have Chairs and Directors that remain relevant to what that Company and Board needs at that time.” Vanessa says the New Zealand Shareholders’ Association has a useful role to play in that regard. They can push to ensure that not only is there diversity at the Board table but that that diversity is relevant for the Company.

Vanessa gives New Zealand Boardrooms a 4 out of 5 for diverse thinking capability, but she says, generalising, as some would be better than others, that they are only a 3 when it comes to extracting the value of diverse thinking from around the table – “we potentially have it in some areas but it is not being fully harnessed.” To get to a 5, we need to ensure the CEO and management understand the role of the Board, continue to push for greater diversity at the Board table (in every respect, including style), ensure we create inclusive environments within the Boardroom where diverse thinking and respectful diverse contribution is welcomed, and acknowledge – just as it is for CEOs – that this makes the role of the Chair to extract the benefit of diverse thinking so much harder. And then for all Directors, she says, “we have to be brave, speak up, and be honest, especially when we have an alternative perspective that should be shared.”

Vaughn Davis



Quotes

- “A good Board is like *The Avengers* – you only need one Hulk”.
- “The sign of a high performing Board is that they do not always agree.”
- “It’s about looking at the same dots as everyone else, but joining them a completely different way.”

Background

Vaughn Davis owns The Goat Farm and is its creative Director. Vaughn is an experienced creative Director and writer, a radio host and one of New Zealand's best known social media professionals. He was appointed to the Unitec Council and the Boosted Board of trustees (a committee of the full Board of Arts Foundation Trustees) in 2015, and to the Lifewise Trust in 2018. Before moving into advertising, Vaughn flew the C130 Hercules for the Royal New Zealand Air Force.

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"We've got surface-level diversity, the next step is true diverse thinking."

Vaughn's views

Vaughn says diverse thinking is about “looking at the same dots as everyone else, but joining them a completely different way.”

Vaughn says diverse thinkers can be misunderstood. Reflecting on his time in the Air Force, he talked about being given the opportunity to go on a course to prepare candidates for senior leadership. The feedback he was given was “we thought you were great but we didn’t like how you always played devil’s advocate”. In fact, he was not deliberately playing that role – that was just his opinion/viewpoint.

Vaughn says diversity always depends on the context – anyone can be diverse depending on the room they are in. It is a matter of degree. On all the Boards he is on, he is the least experienced in the areas that the Boards deal with – i.e. for his arts-focused Board, he's the least artsy, and for his education Board, he has the least experience with education. But he says in all these cases, he adds to the Board. There is no need for everyone in the room to know about everything. In fact, a good Board is "like *The Avengers* – you only need one Hulk".

Vaughn says that the idea that a high performing Board gets consensus is backwards. What is really important is “the dissenting judgment”. But we have a perception that getting the job done is more important than getting the job done right.

He says that Boards that do diverse thinking well are generally high performing Boards in the traditional sense: all voices are heard, the Chair speaks last, the Chair reflects rather than drives the views of Directors. What distinguishes Boards that do diverse thinking well are that left-field opinions are considered at

face-value. They are not casually judged as being “fringe” or a joke. Vaughn says that with some of his left-field ideas, it might take a while to explain the reasoning, but he is always trying to make a valuable point. He is not joking.

Vaughn says that framing and using the language of the people in the room can help diverse thinkers be more influential, but that this runs the risk of diluting or watering down those ideas. He gave the example of a suggestion he had made to have an “open mic” at the beginning of the Board meeting, where stakeholders could come and give their view to the Board. He said that had he phrased it in a more “Boardroomy” manner, it might have gotten over the line, but then it wouldn’t have accurately conveyed the spirit of the suggestion.

Dilution is a problem but at the end of the day you still need to be able to communicate with the rest of the Board. What is most important for communication is the relationships you have with the other Directors. He suggests that diverse thinkers spend more time building relationships with others. He noted that you can get to know people much better eating together and washing dishes together than you can sitting across the table in a Board meeting.

Vaughn suggests that there's probably more diversity in New Zealand Boardrooms than Chairs realise. They just need to work to make that diverse thinking welcome and to draw it out. So those two tax accountant Directors might also be a poet and a closet social justice campaigner, but they might feel they are only there to speak as tax accountants. People need to be able to bring their whole selves to the table.

Vaughn says it is crucial that diverse thinkers make their ideas heard. This can mean stopping the conversation from moving on if your point is being overlooked. You have to “hang tough.” Your responsibility is to your shareholders, not to the rest of the Board.

As an ex-Air Force pilot of 11 years, Vaughn says he brings a different perspective around consequence. In that part of his life, an error of judgment could have fatal consequences. So around the Board table, you can have big consequences, but it is never life or death. In any case, “in flying, it’s always better to see the mountain you’re about to fly into than to get stuck in the clouds.” It is a metaphor that he only has from his personal experience, but it has got broad application and his Boards have really seized on it.

Vaugh would give New Zealand Boards a 2 out of 5 for how we are doing on diverse thinking. He says, especially in the public sector, we've got the "surface level diversity" down. In other words, we have women, brown faces, and (to some extent) Asian faces around the table. But to get really diverse thinking takes a lot more effort. There is no easy way to assess and attract diverse thinking.

One out of the box way is how he got on to the Unitec Council. He met the Board Chair Dr Lee Mathias through Twitter – where what mattered was what he said and what he thought.

For New Zealand Boards to do better, Vaughn says we need to stop accepting surface level diversity as adequate. We need to work harder to identify diverse thinking. He says it is intrinsically difficult to value people different from yourself, "that's how tribes work". But even if you cannot measure diverse thinking, you can celebrate it. We need to make diverse appointments, and then make sure we really use those people's diverse thinking, "otherwise it's like buying a Swiss army knife and only using the knife blade."

Vaughn says “the future is already here, it’s just not evenly distributed.” By that he means it might not be in your field or your frame of reference, but it is there – you just need to go and find it. That is his challenge to New Zealand Directors.

Vaughn said that it is hard to measure diverse thinking but we have to find a way to do that and also to celebrate diverse thinking Directors.

Vaughn suggests/recommends reading "The Art of Looking Sideways" by Alan Fletcher.

New Zealand Shareholders' Association – John Hawkins and Michael Midgley

Quotes

- “NZSA have been strong supporters of diverse thinking on Boards for a long time. Whether that diversity comes from differing ages, ethnicities, genders, or working backgrounds, it will achieve a better collective wisdom than a whole lot of people from the same mould.”
- “Spark NZ’s Directors each speaking directly to shareholders at the AGM about their different expertise and viewpoint on the company’s future direction was of great benefit.”
- “NZSA delivers educational courses to shareholders and the first key message we give is that it is important to look at who is running the company, both on the Board and at management level. If they are not quality people doing quality things, the company will never meet its potential.”
- “Teams are made up of series of individuals with diverse skills and Boards are no different. What is important is that those diverse skills result in robust discussion, whether you are on a rugby team, or a jury, or a Board. That robust discussion is what improves decision-making and performance.”
- “There is a huge amount of apathy. Many shareholders do not have the time or feel they do not have enough knowledge to really to contribute.”
- “NZSA’s profile and membership is growing. This growth gives us a greater platform from which to push for diverse thinking.

Background

The New Zealand Shareholders’ Association Inc. (NZSA) is an advocate for investors and shareholders. It was formed in 2001 to clean up poor Board and company performance. NZSA has developed a network of six Branches and a membership of over 1400 active investors who participate in regular information sharing meetings and company visits among many other benefits.

John Hawkins is a retired businessman. Qualifying with a Diploma in Optometry from Auckland University, he spent ten years in private practice. He then spent 23 years as MD of a start-up niche manufacturing business, growing this to the number two position in Australasia before selling in 2004.

He joined the NZSA in 2005, and was Auckland Branch Chair in 2009. After joining the National Board of the NZSA, he took the role of Strategic Liaison Director with a brief to build professional relationships between the NZSA, government and other groups involved in corporate governance and the capital markets arena. In July 2010 he was elected National Chairman of the NZSA following the resignation of Bruce Sheppard. John is a Director of a private property company and serves on other not for profit groups.



Michael Midgley is the CEO of the NZSA. He graduated in law from the University of Canterbury and worked in private practice in Christchurch and Wellington before taking up a role as a lawyer in government. He then moved to senior management roles in commercial and professional publishing and was active in the introduction of digital production and delivery. Michael has considerable experience in administration and marketing and is accustomed to working with voluntary organisations. Michael was an active member of the Canterbury branch of the NZSA for some years and on its committee before being appointed



Diverse Thinking Capability Audit

"There is huge variation in the diverse thinking capability of New Zealand Boardrooms. Some are a 2, others are a 4. It is too difficult to generalise."

John and Michael's views

John says NZSA have been strong supporters of diverse thinking on Boards for a long time. They say a Board with a range of thought on it, whether that diversity comes from differing ages, ethnicities, genders, working backgrounds, will achieve a better collective wisdom than a whole lot of people from the same mould. Michael says culture is hugely important. It is not just about ethnicity, it is also the way you grow up and all the other experiences you have had in your life.

Michael says there are a number of companies where the Board does not look down to the “shop floor”. But the ability for Directors to ask questions and probe is so important. John says it is no good having Directors who are up on a pedestal. Directors need to be able to have the “common touch”, and to have empathy across everything the business does, whether that is suppliers, staff, or customers. It is a holistic approach. It is companies who have a narrow focus on maximising financial return who get themselves into trouble. It is a “modern no-brainer” to be looking at People, Planet, and Profit, not just profit. You are doing business in a community – and to do business, you have to stay in business. You do not want to burn a lot of bridges along the way.

John mentioned the way each member of the Spark Board of Directors periodically speaks to its shareholders about their visions for the company. They do this event every second ASM. John said that all of the Directors spoke, but that one of them (Ido Leffler) spoke from his perspective as a futurist, which was really interesting. John saw that the shareholders got a real buzz out of hearing his vision. He brings real diverse thinking to the Board. John says it is unfortunate that Boards worry about exposing Directors to scrutiny, because most Directors are trying hard to do the right things, and both they and shareholders would benefit from that being brought to light. Michael says this might come from historical approaches where Chairs front for the Board.

Michael explained that NZSA delivers educational courses to shareholders and one key thing they are always told is that it is important to look at who is running the company, both on the Board and at management level. If they are not quality people doing quality things, the company will never meet its potential. That is how Warren Buffett decides on which companies to invest in.

John says that theoretically retail shareholders could meet with Directors, but in practice there is just not enough time. NZSA therefore fills the gap in representing retail shareholders interests' to the Board as they are across what is happening in companies. It takes some of the research load off retail investors. Institutional and retail voters also often don't vote their shares in a company. Half of the investors in

Fletcher Building, for example, did not vote their shares.

John draws a distinction between constructive and destructive diverse thinking. He says that there is a point where diverse thinking “disruption” can become a negative. At some point the Board has to make a decision, and the diverse thinker needs support the collective agreement of the Board.

John says that teams are made up of series of individuals with diverse skills and Boards are no different. What is important is that those diverse skills result in robust discussion, whether you are on a rugby team, or a jury, or a Board. That robust discussion is what improves decision-making and performance.

Michael says it is essential that Boards respect the distinction between governance and management. He says blurring of that boundary is often where Boards get into trouble. "CEO capture" is something NZSA thinks about a lot. Wynyard is an example of the trouble this can cause. NZSA does not favour the US model of executive Chairs who are also the CEO. They also do not favour the Managing Director model. Governance and management are complementary but they are not the same and should not be treated as the same.

John gave the example where the shareholders of Rakon managed to remove a Director who was a family member off the Board despite a 30% family stake, through the efforts of NZSA actively seeking proxy votes. John says that shareholders do have power but they often do not realise it. Many shares are held custodially, so shareholders do not even get notices of meetings.

John says there is a huge amount of apathy. Many shareholders do not have the time or feel they do not have enough knowledge to contribute. He says proxy voting is a good tool in this respect but it is proving difficult to arrange standing proxies where trusts are involved. John and Michael both say that New Zealand institutions are too short term in their thinking and this creates problems and pressures on Boards. Institutional investors are happy to divest their stake and then buy back in at rock bottom prices knowing that the company will build itself back up. This is frustrating for retail shareholders who usually take a longer term approach. With the dominance of institutional shareholders in some companies, it is also difficult for retail shareholders to get enough votes to make a difference.

John says there is huge variation in the diverse thinking capability of New Zealand Boardrooms. Some are a 2, others are a 4. It is too difficult to generalise. But change can happen quickly. Just look at how fast ESG (Environmental, Social, Governance) reporting has come to the fore. John said that having more diverse thinking Directors will probably be forced on them and companies would be better to embrace the concept.

John says we need a broader pool of Directors so there is a wider selection of diverse thinking available. NZSA was involved in the development of the Future Directors programme. They say it has been enormously successful, and both the Future Directors and the rest of the Board get a lot out of it. But anecdotally, he says, quite a few of the people that were on Future Directors have not made the breakthrough to a full time professional Director role or even public Board appointments.

Michael says NZSA's profile and membership is growing. They are being empowered to do more and it is having an effect, especially around proxy voting. And companies are seeking them out earlier as well. This growth gives them a greater platform from which to push for diverse thinking.

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Caldwell Partners – Simon Monks



Quotes

- “You need a Chair that enjoys and encourages the challenge of ideas and is able to build a consensus that turns a strategy into action.”
- “Boards should reflect their current and future market constituency. That is the simplest way to ensure that they and their company’s product and service offering remains relevant, raises the competitive bar and future proofs their market position and stakeholder return.”

Background

Simon Monks is managing partner of Caldwell in New Zealand. With over 30 years of experience in both local and international executive search and leadership advisory organisations, he has consulted on a wide variety of commercial enterprises at the senior executive level in New Zealand, Australasia and internationally. As a senior member of the global Board & CEO Practice, he has oversight of the Consumer, Retail & eCommerce, Industrial, Financial Services, and Private Equity practices in New Zealand. Over the past four years, Simon has worked closely with the Institute of Finance Professionals New Zealand Inc. (INFINZ), sponsoring their Leadership Award and developing the leadership criteria against which senior New Zealand business leaders are evaluated.

Diverse Thinking Capability Audit

3.75 / 5

"Growing momentum and pressure for change from the new economy."

Simon's views

Simon says New Zealand's business performance over the last fifteen years has clearly been one of enhanced performance and achievement which is a credit to those Boards of companies that have performed well. Initiatives from both major political parties focusing on growth in international trade have laid the foundation for enhanced performance in global markets by a range of newly successful companies in addition to those previously well-known and established organisations.

Global industry sectors such as media, telecommunications, infrastructure, financial services, energy, tourism/travel and food have significantly impacted on the New Zealand economy. These forces of globalisation have had both a positive and negative effect on existing Board structure and prospects for future Directors.

The skill sets, experience base and DNA of the 'future Directors' are starting to look very different from the Director profiles of those focused internally on the New Zealand domestic market with its increasing regulation and compliance requirements. That is not to say that a Director cannot be both, but it will be increasingly rare and suitability will be defined by a broader range of inter-personal and professional capability than previously. Simon says these progressive companies are being more innovative and smart about how they introduce true diversity at both the Executive level as well as Board because that is the talent pool from which they will draw the future leaders of the business. Over time, history has

shown that the best talent inevitably gravitates towards those sectors and companies offering the best prospects.

This segmentation of Director profiles rather than the more traditional generalist outline of “one size fits all” opens up some challenging and interesting prospects for a diverse range of up and coming Directors as to their future focus, preference and direction. Whilst more traditional governance centres around compliance, risk and process, the real opportunities of growth sectors in both New Zealand and offshore provide pathways for different skill sets and diversity to thrive and prosper.

Increasingly, New Zealand Directors are gaining positions offshore and similarly, New Zealand companies in global sectors are requiring the services of international Directors (including expatriate New Zealanders) on their Boards. This evolution in itself is driving fundamental change. There is an increasing view that New Zealand companies have too many Board meetings and that in keeping with best practice internationally, five to eight meetings per year (including strategy days) is not only more appropriate, but opens up the opportunity for Directors not of the domestic jurisdiction to participate more fully and effectively. Whilst there is no substitute for face time, both at Board meetings and adjacent times to develop relationships and culture, it could be argued that New Zealand Boards are still reluctant to fully embrace and utilise technology in a way that would diversify the Directorship pool.

The better performing New Zealand companies more clearly understand present and future stakeholders beyond Board and Executive team. Chairs, Boards and organisations will increasingly seek to draw on those professionals who reflect key stakeholder groups, thereby creating a stronger, symbiotic and more valued relationship between customer and supplier thereby raising barriers to entry.

New and developing international markets, growth sectors, smarter companies and better strategies will define those organisations that will better utilise new and existing Director pools of talent for the future. Increased diversity in the make-up of Boards will happen more quickly and naturally in these sectors because of obvious market need and insight. It is only in the more traditional, protected sectors and companies where the “old order” will prevail in the short to medium term.

Therefore, when viewed through this lens and in this way, Simon says “I believe there are much greater grounds for optimism and confidence if one knows where to look”.

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Hobson Leavy - Carrie Hobson



Quotes

- “What is important is for Boards to remember why diverse thinking is important – it is about the quality and rigor of debate and robust decision-making, which improves corporate performance.”
- “If we can improve the capability of our Boards, we will make a significant contribution to improving our GDP.”
- “We need to ask: Is there a desire for diverse thinking, or are diverse thinkers just put in the corner and not supported by the Chair?”
- “Chairs need to listen, encourage rigorous conversation and get comfortable with having an argument. It’s okay to have disagreements.”
- “The appointment process needs to make sure that the human capital in the room reflects the organisation’s challenges.”

Background

Carrie Hobson has over 25 years' corporate experience, initially in Banking & Finance and latterly in Executive Search. She has held senior positions in corporate banking with major banks in both New Zealand and the United States and has worked with top-level executives optimising financial performance and implementing company strategy. She has held Directorships in both the private and public sectors, with particular expertise in finance, health and human resources. Carrie has a BCom (Hons) in Economics from Otago University and is also an approved Certified Finance and Investment Professional (CFIP) and a member of the Institute of Directors. She has completed the Advanced Course in Executive Search from the Cornell University School of Industrial and Labour Relations in New York. Carrie has worked closely with not-for-profit organisations at a strategic level. Carrie is Ngai Tahu.

Diverse Thinking Capability Audit

2.5 / 5

"From thought to execution, there is still a long way to go."

Carrie's views

Carrie says that there is lots of conversation in governance circles about diverse thinking. But she is not sure if much action is taking place. Chairs are conscious that they should be thinking about “diversity”, but there is still confusion about the distinction between diversity and diverse thinking. Carrie says that when Boards talk about “diversity” it tends to refer to gender, culture, and ethnicity, rather than diverse thinking and a diverse skillset. She is not sure the degree to which Boards have thought through what “diverse thinking” means into practice.

She reiterates that even though the number of women on Boards is increasing, this in itself does not lead to different or diverse thinking at the Board. Depending on the Board you might achieve greater diverse

Kerridge & Partners – Peter Kerridge and
Claire Denison

Quotes

- “We sacrifice performance at the altar of harmony and relationship-building.”
- “We have a New Zealand disease of wanting to get on with everyone all the time.”
- “We need to move from cultural fit to cultural add. The key is to ask what each Director is bringing to the table.”

Background

Founding Partner Peter Kerridge leads senior executive search and Board advisory assignments for clients from around the world. A trained company Director who has himself served on the executive team of a listed New Zealand utility company, Peter understands what makes Boards tick and how the right leaders can transform a business. His unique perspective and insights are frequently sought out, being asked to lecture MBA classes and speak at international conferences on how organisations achieve excellence. Peter has previously served on the global Board for his industry association and currently serves as a Director to the Graeme Dingle Foundation and an Advisory Trustee of Leadership New Zealand. He is a fab 50 member for the Be Institute and a Director of Business Excellence Architects Ltd and Knowhow Solutions Ltd. Peter is the author of the book, 'Filling the Talent Void'.

A black and white portrait of Peter Kerridge, a middle-aged man with a receding hairline, smiling. He is wearing a dark suit jacket, a light-colored shirt, and a dark tie with small white dots. The background is a blurred office setting with windows.

Claire Denison leads the Kerridge & Partners Governance Practice, managing Board appointments and Board advisory assignments for a range of clients. She has worked with an extensive selection of NZ businesses, evaluating the Boards of listed companies, private businesses, investment companies, not-for-profits, co-operatives and various industry organisations. She has appointed Chairs, NEDs and Trustees, and has worked with many individual executives and Directors advising them on their governance portfolios, or how to get into governance. She has also spoken at universities, advising MBA students on governance related matters. Prior to coming to New Zealand, Claire worked in strategy, consulting and project management roles, primarily in the pharmaceutical industry.



Diverse Thinking Capability Audit

2.5 / 5

"We need "to hold the mirror up to the good and the bad of Kiwi culture" and how it operates in the Boardroom."

Peter and Claire's views

Peter says the key is making sure diverse thinking candidates make it to the shortlist. The search

fraternity play a key role in enabling or throttling back diverse candidates. Claire says that although Chairs and nominations committees make the ultimate decisions, executive search firms play a key role in finding a range of candidates and positioning them or helping to argue their effectiveness. She says “we challenge ourselves to cast the net as wide as possible.”

Peter says that ensuring diverse thinking is “part of Kerridge & Partners’ DNA”. Each report they write has a page on diversity including the different communities tapped into as part of the search process. If a non-diverse candidate has been chosen, it is not for want of trying.

Claire says that gender is often used as a proxy for diversity but that does not mean that a woman will also bring diverse thinking. She says that you can get “pale, stale and male” Directors who could not be more diverse thinking and who do not adhere to the norms of harmony and consensus.

Peter says that personality has a huge impact on people's willingness to bring diverse thinking to the Board table. He says it shapes the approach to the debate, and so it is important to get the personality mix right. One particular component of personality is "agreeableness" and that is particularly relevant for New Zealand Boardrooms. Peter says "we have a New Zealand disease of wanting to get on with everyone all the time." But this does not add to Board performance.

Peter says too that the role of the Chair is crucial. There is evidence that diverse Boards have the potential to be way better than non-diverse Boards, but if they are not chaired properly, there is the potential for them to be worse. The Chair sets the tone – it is hard to be a good Board with a bad Chair.

Claire says that chairing requires a very different skillset, and can be challenging. Even the most experienced Directors can struggle. Chairs need to be mindful of the subtle ways in which to foster diverse thinking. She says that even the order in which the Chair asks Directors to contribute can skew the outcome. Chairs need to have insight and in that regard need even to be quite clinical in their approach.

Peter says that Chairs of the future will need to be more proactive, calling out Sam Stubbs for Simplicity as playing an activist role and setting the landscape. There is paranoia around the governance/management divide that gets in the way of Directors understanding the business. But in fact, Peter says, the International Institute for Management Development in Lausanne teaches that half of the information Boards receive should come from outside management.

Peter and Claire would give New Zealand Boardrooms a 2.5 out of 5. Peter says, referring to Richard Leblanc's work, that a particular issue for New Zealand Boardrooms is Director independence. In an ideal scenario, Directors should not have a prior relationship with anyone on the Board. When diverse thinkers are brought on by the Chair because of a prior relationship, for example, being friends with the Chair's son or daughter, they will find themselves reluctant to disagree with the Chair.

Peter says that if we applied the “no prior relationship” rule across New Zealand Boardrooms, it would empty out half of them. But that would be no bad thing – it would make space for people from the provinces, people from different industries and backgrounds – not the usual suspects you find at the Northern Club, Omaha Beach, or the Koru Lounge. Everyone, including shareholders, needs to be more informed about what is important in a Board Director.

Claire says that few Directors are performance managed. People who should not be there are hanging on and taking up space that could be filled by diverse thinkers. There is a strange dynamic on Boards, that Directors feel it would be "dishonourable" to get rid of peers who are not performing, because it would damage their careers. But they would not take the same approach with an under-performing CEO.

Peter says that if we take a macro view of what the New Zealand business environment used to be like, and the many oligopolies and duopolies, there is a Darwinistic element to Board performance. In that environment, Boards do not have to be brilliant because their competitors are also averagely governed. But things are changing now – the landscape has demonstrably shifted. People have not got their heads around it yet but they need to catch up fast with the extent of pace and change we are facing.

Peter says that Boards lack self-awareness. When undertaking Board performance reviews, Peter sometimes sees a “collective blindness” being demonstrated – “Boards rate themselves an 8 out of 10, and their management team rates them a 4”. He says that for many Directors, Board appointment is “the pinnacle of achievement.” Going in to an environment where you are not right all the time and where that is entirely appropriate, when that is what you are used to, can be threatening, and it “can almost create a type of learning disability.”

Peter says “we sacrifice performance at the altar of harmony and relationship-building.” And, he says, “we do it consciously!”. It is a culture issue. Peter says “it is easy to see the way other cultures work, but it is hard to see your own”. We need “to hold the mirror up to the good and the bad of Kiwi culture” and how it operates in the Boardroom. Peter says “there is a lot to be celebrated – our conviviality, helpfulness, lack of hierarchy” but there is a flip side. We need to get to the point where people challenge in the Boardroom and it is celebrated, and we are not there yet. People also need to leave the Board once they are captured and are not longer providing challenge.

Peter says “we need to move from cultural fit to cultural add”. The key is to ask what each Director is bringing to the table. Sometimes that may not mean bringing on a diverse thinking candidate – sometimes you just need a steady hand to deal with operational matters. It is a balance.

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Propero – Sarah Naudé and Matt Stanley

Quotes

- “The diverse thinking revolution is taking hold with a small group of Chairs who are really thinking about it.”
- “The governance world is small; when diverse thinkers do well, word gets out quickly and demand increases.”
- “There can be a disconnect between what Boards say they are looking for and what sort of Director they actually want to appoint. But Boards do want to be there in theory.”
- “When presented with a long list, there is a tendency to strike out people who do not fit the picture in their heads of the right candidate... It’s an unconscious bias issue really, and a fear of the unknown.”
- “We challenge ourselves to help clients to get over the fear and go outside their networks.”

Background

Propero is a leading Board search and selection firm, with experience in finding Directors with the right experience and style on behalf of some of New Zealand's best-known businesses, as well as evaluating their current Board dynamics and capabilities.



Sarah is an Industrial/Organisational Psychologist with over 18 years experience in some of New Zealand's largest organisations. In addition to her Board capability expertise, Sarah has consulted in the manufacturing industry; worked in senior organisational development roles; and spent five years working as a Psychologist and Specialist Officer in the New Zealand Navy.



Matt's career as a senior HR leader has spanned 20 years within major corporations in New Zealand and Australia. In addition to his Board expertise, Matt has a strong background in remuneration design and execution, executive assessment and development, performance management, and executive coaching.

Sarah and Matt's views

There is bias to any selection process. Director appointments have historically been a lot about who you know. This is changing over time with a growing expectation of completing a thorough search and appointment process as you would for executives to ensure you get the very best person for the job.

For Propero, diverse thinking is often part of the brief. They do use a strategic skills matrix but a lot of the reason people come to Propero is because they want diverse thinkers. There can be a disconnect between what Boards say they are looking for and what sort of Director they actually want to appoint.

Assignments can be quite challenging when clients “don’t get” diverse thinking. When presented with a long list, there is a tendency to strike out people who do not fit the picture in their heads of the right candidate, i.e. someone who has had a particular set of roles or experience in particular companies. It’s an unconscious bias issue really, and a fear of the unknown.

Propero challenge themselves to help clients to get over the fear and go outside their networks.

Segel Partners - Mark Ashcroft



Quotes

- “The appointment of diverse Directors can get unstuck by “Chinese whispers” in the Director community. Someone can start out having a few comments made about them that they are a bit edgy or contrarian. As the message gets around over time, the narrative can easily become that they are disruptive or non-collegial.”
- “Encouraging Directors to actively debate is a challenge for Kiwis as we tend to be a bit gentler in the way we discuss issues, particularly compared to Australians and Americans. As a culture, we can sometimes be a bit sensitive and take things too personally. In a country this size, we don’t want to burn any bridges, not even one!”
- “We’re a small country at the bottom of the world, we can’t be followers – we need to get on with it.”

Background

Mark Ashcroft is a widely respected Executive Search professional with 20 years of experience in the executive recruitment sector. Before cofounding SEQEL, Mark spent eight years in leadership roles at Korn Ferry in Sydney then Auckland.

Diverse Thinking Capability Audit

2 / 5

"We can't keep doing what we've always done."

Mark's views

The appointment of diverse Directors can get unstuck by “Chinese whispers” in the Director community. Someone can start out having a few comments made about them that they are a bit edgy or contrarian. As the message gets around over time, the narrative can easily become exaggerated so that they are “disruptive” or “non-collegial”.

Mark says Boards can come under pressure to appoint women Directors but that is not diverse thinking. Appointing more women to Boards is a start, but it is not enough. A lot of the women on Boards in New Zealand come from the same cohort: suburbs, private schools, holiday home locations. How diverse is that? Diverse thinking can relate to your gender, ethnicity and age. Mark says younger people, irrespective of gender, do think very differently about the world from those Directors who are 55-70 years. At the end of the day, diverse thinking is not about meeting ethnic, age or gender targets.

Mark says that those recruiting new Directors need to provide the Board with options.

Mark says “we’re probably not doing that well” when it comes to diverse thinking on Boards in New Zealand. He says some companies have really embraced it, some have caved under pressure, and others are still stuck with their heads in the sand.

Mark does say that leading a diverse Board is often a whole lot more challenging for Chairs. Not everyone is up for that, when the alternative is agreement and collegiality. We need to work to develop better Chairs who want to foster diverse thinking. Mark says this is often a challenge for Kiwis. We tend to be a bit more gentle in the way we discuss issues, particularly compared to Australians and Americans. As a culture, we can sometimes be a bit sensitive and take things too personally. In a country this size, Mark says, “we don’t want to burn any bridges, not even one!”

Mark says the pipeline is the underlying problem. We need to get people learning about governance earlier.

Mark would give New Zealand Boards a 2 out of 5 at the moment for diverse thinking. But he says Boards really need to embrace diversity. The world is changing fast and we cannot keep doing what we have always done. We need people on Boards who are best placed to cope in a changing world. And, he says, “we’re a small country at the bottom of the world, we can’t be followers” – we need to get on with it.

Signium - Maurice Ellett



Quotes

- “Diversity of thought must be matched by experience.”
- “We are moving towards questioning “compliance versus innovation”, and the days of “who you know” are becoming limited.”
- “New Zealand Boards have a greater desire to achieve consensus than international companies.”

Background

Maurice is a Director of SIGNIUM New Zealand, the company he founded in 1976, and a Partner of SIGNIUM International Inc. Maurice is widely endorsed as one of New Zealand’s leading executive search consultants in the recruitment of chief executives, senior management and Directors for public and private corporations.

A Certified Management Consultant, Maurice is also a Fellow of the New Zealand Institute of Management Consultants, a member of the Institute of Directors and a Justice of the Peace. Maurice has served for many years on a number of Boards of local educational, NFP and economic development organisations and on the global Board of SIGNIUM International Inc.

Maurice’s experience, built upon his critical evaluation of people, is enhanced by his 40 years as both a management consultant and industrial psychologist. During this time he has interviewed thousands of senior executive and non-executive candidates. This shrewd evaluation of ‘fit’ between position and executive is discerning, intuitive and value adding for both executive and Director appointments.

Diverse Thinking Capability Audit

3 / 5

“Board members can often show little tolerance of a diverse thinking Director.”

Maurice’s views

Maurice would rate the diverse thinking capability of New Zealand Boardrooms a 3.

Maurice says the value of a diverse thinker is that they take a different approach to issues that will come up time and time again. Instead of continual acceptance, diverse thinkers will question why, and consider relevance to the Board’s current strategy. He says that “diversity of thought must be matched by experience”. There must be a variation between those who strive for compliance and those who contribute to innovating strategic thought.

In Maurice’s experience, diverse thinking Directors will often ask “why not” rather than waving decisions through. Diverse thinking should not be confused with negative thinking. Delivery of diverse thought in a constructive manner is important. Challenging the status quo does not mean opposing all recommendations.

To improve diverse thinking on Boards, Maurice emphasises the need to focus less on demographics,

and actively acknowledge and integrate evidence-based practices which deliver diverse thinking. Maurice seeks candidates who can demonstrate they have contributed to commercial performance.

Maurice says that “the Chair must help the Board listen to diverse thinking, to critically evaluate the contribution, and to value its significance and influence on the Board discussion.” The Chair’s role is to embrace the Directors’ thinking and “ensure engagement and acceptance through inclusion”. He notes that “Board members can often show little tolerance of a diverse thinking Director”. The Chair must balance the experience of more senior Board members with newcomers.

Maurice suggested that off-line discussions by Chairs with diverse thinking Directors prior to Board meetings allows the Chair to support, rather than having ideas come as a surprise or have them be too easily dismissed by senior members of the Board. That way, diverse thinking Directors know where their support will be coming from.

In appointing new Directors, Maurice considers that external search agencies are desirable and are being used more frequently. But it depends whether the executive search agency is prepared to tell the Board what they think despite knowing that it is not what the Chair wants to hear. Maurice has recommended diverse thinking Directors who would otherwise never have been placed on a shortlist.

The Chair's choice is significant but should not be determinative. In determining a viable candidate, Maurice looks for people who express diverse thinking. Maurice says that there is objective value in someone who has different work experiences. Maurice says we are moving towards questioning "compliance versus innovation," cautioning that the days of "who you know" are becoming limited.

Maurice suggests that a matrix analysis should be used to not only fill functional gaps, but to seek diverse thinkers. The skills matrix or a Board discussion of desired qualities can be used to locate diverse thinkers who fit the needs of the Board. Diverse thinkers must also have commercial acumen, business knowledge and the ability to recognise the collective role of the Board.

Maurice acknowledges that women Directors have typically experienced marginalisation until they conform to the expected standards. However, he has also experienced women who have filled quotas, and then pulled the ladder up after themselves. These women see themselves as “the one woman on the Board.” He has had women Directors tell him that another woman Director is not necessary. This might be a response to a sense of insecurity about their position on the Board.

Maurice proffered that generational change might help Boards maximise the benefits from diverse thinking. However, commercial maturity and experience may still be developing in younger Directors. In his professional experience, Maurice has encountered Boards who have appointed Directors that have not had previous Board experience but who brought professional experience that the Board did not have i.e. social marketing experience. He says this created value and added a fresh perspective to the Board. Another example of an appointee without Board experience was a person who had credibility with fund managers. Institutional investors and shareholders trusted the new Director and his contribution to keep others honest.

Maurice reflected that “New Zealand Boards have a greater desire to achieve consensus than international companies”. Consensus is achieved by those with strong opinions who carry the weight of the argument and direct the course of action. He says “too few Boards carry out a resolution to vote but rather decide a course of action based on Board agreement”. Diversity of thought can contribute to rigorous and needed debate.

Maurice says Board assessment is becoming increasingly important and should be extended to diverse thinking. In his experience, Boards need to undertake a thorough questionnaire process to ensure that Boards are doing what they should be.

Acknowledging bias, Maurice spoke highly of the new appointments to the Fletcher Buildings Board, which he advised on. He says they demonstrate a willingness to challenge, have diverse experience and that their experience is not homogenous.

Ministry For Women – Renee Graham and
Amanda Neemia

Quotes

- “The Ministry for Women wants to challenge conceptions of what is required when it comes to Board composition. It is about offering someone different with a different background and different point of view.”
- “The Ministry is working on the quality and transparency of its nominations database. We are trying to make sure we are putting up the diverse thinkers who will challenge the status quo, not just ‘the usual suspects.’”
- “There are seven main things the Ministry does to make sure New Zealand Boards can benefit from diverse thinking women candidates.”
- “Diverse thinking on Boards enables the collective to approach challenges and opportunities with different lenses. Combined with working towards a shared purpose, this will achieve better outcomes for the betterment of New Zealand.”

Background

The Ministry for Women's Nominations Service supports women into governance positions within the state sector, by providing the names of suitable candidates for Board positions to government agencies which appoint to state sector Boards. It works closely with a number of government agencies that appoint to Boards across a range of sectors, providing candidates for Board vacancies matched to specified skills, backgrounds and levels of experience.

Renee Graham has been Chief Executive of the Ministry for Women for 12 months. She was previously Policy Director at the Ministry of Education. Ms Graham has a strong background in leading complex strategic policy development in both the Ministry of Education and Ministry of Social Development. As well as her policy expertise, Ms Graham also has experience in operational roles in Work and Income. Ms Graham is a skilled public service senior leader with a track record of successfully leading the development of solutions to complex policy issues. Ms Graham is of Ngāti Toa and Ngāti Raukawa descent.



Amanda Neemia is the Manager of the Ministry for Women, Nominations Service. She was previously at the Ministry of Education in Curriculum design and Assessment and prior to that she held the position of Programme and Development Manager at Life Education Trust. She has enjoyed a varied career spanning the public, private and NGO sector. Ms Neemia has a strong background in education, technology and system design and has led a number of complex transformation programmes in her roles. Ms Neemia started her career as a teacher and attributes her career successes to her ability to be agile and utilise design thinking all of which came from her time in the classroom and as a parent.



Diverse Thinking Capability Audit

3.5 / 5

"We haven't yet reached diverse thinking maturity. However, on public sector Boards and committees our attention to gender diversity means now 45.7% of members are women. We need to turn now to ensuring that people from diverse ethnic groups, people with disabilities and LGBTQI+ people are represented."

Renee and Amanda's views

As the Government's principal advisor on achieving better results for women, and wider New Zealand, the Ministry for Women necessarily has a focus on women when it comes to diverse thinking on Boards. For the Ministry, gender diversity in Boards and committees is a pre-requisite to diverse thinking. The wider talent pool you have (including women as fifty per cent of the population), the more skills and perspectives can be brought to bear with the ultimate result of improved performance.

As the Hon Julie Anne Genter says in the Ministry for Women's 2017 Gender Stocktake of State Sector Boards and Committees, "Board roles should go to the most qualified people. Women are just as qualified as men, but like the gender pay gap, there are a number of reasons why more men hold these roles – inertia is a big one."

Renee says the Ministry wants to challenge conceptions of what is required when it comes to Board composition. It is about offering someone different with a different background and different point of view.

Renee cited seven main things the Ministry does to make sure New Zealand Boards can benefit from diverse thinking women candidates.

Firstly, the Ministry for Women works to improve women's representation across the 2600 members of state sector Boards and committees. The Ministry for Women has a database of over 1000 "Board-ready" women that can be put forward for appointment. They encourage search agencies to work with them to improve the number of women making longlists and shortlists. The more women shortlisted, the more likely they are to be appointed. The search agencies include the Treasury, MBIE, Ministry of Pacific Peoples, and Office of Ethnic Communities in the Department of Internal Affairs.

Secondly, the Ministry sets targets for gender diversity on state sector Boards and committees. The Gender Stocktake shows that in 2017 New Zealand hit an all-time high of 45.7 percent. The Government recently agreed to a new target of 50 percent women by 2020.

Thirdly, the Ministry monitors the gender of appointees to state sector Boards and committees, and publishes its annual stocktake.

Fourthly, the Ministry places a particular focus on developing the pipeline of qualified women for appointment. Renee and Amanda say it is about identifying the talent within the wider environment and helping them to learn about governance so that they are in a good position to contribute when they are appointed. The Ministry for Women has led a steering group of experienced government agencies to develop the Future Directors in the state sector programme, which gives talented and usually younger women the opportunity to observe and participate on a Board for 12 months. This is to the same model as used by the Institute of Directors in the private sector. Renee says the Future Directors programme gives women the opportunity to “get their foot into the door, tap into networks, and get experience they might not otherwise have gotten.” Renee does say the challenge for those Future Directors is leveraging that experience into the next role.

Fifthly, the Ministry is working on the quality and transparency of its database. They are trying to make sure they are putting up the diverse thinkers who will challenge the status quo, not just “the usual suspects.” Amanda says the Ministry works with the other 25 appointing agencies to understand what they are trying to achieve, in order to match the right women to Boards.

Sixthly, the Ministry raise awareness through case studies of the benefits of appointing women to Boards, profiling women Directors and their governance journeys, and symposiums and events. The “Women in Governance” publication provides a helpful guide when thinking about Board appointments and composition. .

Finally, the Ministry is banding together with other agencies to enable a systems approach to change. A significant part of this is improving data collection about diversity on Boards. We are seeing more attention on this, for example, with Ethnic Communities Minister Jenny Salesa ordering a stocktake of ethnic diversity on public sector Boards.

Renee and Amanda say that there is still significant room for growth in diverse representation on private sector Boards. Only 19 percent of Board members in NZX's listed companies are women. In the public sector, we are doing much better as the Minister and Ministry are setting targets and driving change but there are still challenges. Renee says it is vital that we improve diverse representation and diverse thinking on Boards. It is about thinking diversely and working collectively for the betterment of all New Zealanders.

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The Treasury - Gael Webster



Quotes

- “The Governance and Appointments Unit formally monitors the diversity of candidates for appointment across four metrics: age, gender, ethnicity, and geographic location. These metrics are considered as contributing to diversity on Boards.”
- “The interview is the best way to identify whether or not a candidate is diverse thinking.”
- “Diverse thinking brings a different perspective to strategic planning for business and customers’ needs now and in the future, as well as risk mitigation. SOEs’ and Crown Entities’ strategic plans and vision statements can be a useful tool for the Treasury in determining what sort of diverse thinking the Board is looked for.”

Background

Gael is Acting Manager of Governance and Appointments within the Treasury, previously being a senior advisor for a couple of years. The Treasury's Governance and Appointments Team provides advice to Shareholding Ministers and Responsible Ministers on candidates suitable for appointment to the Boards of entities such as State-owned enterprises, the Crown financial institutions, and other Crown entities. Gael has a BSc LLB, and started her career as an industrial advocate with the Employers Association, then senior associate in employment law and litigation at Simpson Grierson. She then moved into diverse part time and project work to fit with motherhood and family commitments. This entailed roles in human resource management including recruitment and Board appointments, consultancy work in electricity and gas industry reform particularly with the electricity governance project and grid security committee, compliance and dispute resolution regimes, and as member and then Chair of the Electricity Rulings Panel. Gael has also participated on a number of voluntary committees and Boards in pursuit of her own interests.

Diverse Thinking Capability Audit

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“It is difficult to assess the diverse thinking capability of New Zealand Boardrooms; incorporating diverse thinking may raise broader questions about the governance model in New Zealand Boardrooms.”

Gael's views

Gael says that within the Governance and Appointments Team, diversity means diverse thinking and it looks to gender, age, ethnicity and a number of different avenues. The Governance and Appointments Team formally monitors the diversity of candidates for appointment across four metrics: age, gender, ethnicity, and geographic location. Gael says that it can be challenging to recruit for diverse thinkers at the longlist stage; however, the five metrics assist. Candidates may not necessarily provide information about the full extent of their diversity such as ethnicity, so you do have to make assumptions from the information you get from their CVs and cover letters for their applications, supported by their reputation. However, the interview is the best way to identify whether or not a candidate is diverse thinking.

Gael says diverse thinking is probably about having different life and work experiences, cultural upbringings, and a smart mind thinking differently. It is about having a different way of looking at a problem or opportunity and this may or may not come from a different upbringing or cultural environment. Gender can contribute to diverse thinking.

Gael does say it is difficult to assess the diverse thinking capability of New Zealand Boardrooms. Her role means that she tends to see only the appointment process and only how it plays out in the Boardroom through Board evaluations and Chair/Director feedback. She does say that diverse thinking raises broader questions about the governance model and requires skilled Chairs to manage and include diversity. Diverse thinking brings a different perspective to strategic planning for business and customers' needs now and in the future, as well as risk mitigation. SOEs' and Crown Entities' strategic plans and vision statements can be a useful tool for the Treasury in determining what sort of diverse thinking the Board is looking for within the skills it requires for good governance oversight of the business.

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Anonymous Contributions

"Sometimes you find women Directors who feel they need to have bigger balls than the boys and are too tough. They are tougher than everyone. They feel they have something to prove and this is the way to prove it. It is not."

"We had a Director on the Board who talked over everyone and made it very difficult for anyone to have a different view. He was dominating. He put people down. We would call that bullying today but back then, it was pretty standard behaviour. I said to the Chair that if he did not talk to that Director, then I would. The Chairman did and that Director said he hadn't realised he was doing it. That Director subsequently left the Board."

“Some Chairs can be charming and bullies – and you cannot tell when you will meet one or the other. It is Jekyll and Hyde. This does not help build an environment where diverse thinking Directors, or anyone else for that matter, have the confidence to say what they really think.”

"Diversity and diverse thinking has been hijacked by university educated white women who do not need help. They are already part of the elite. The women who really need a hand up who come from disadvantaged backgrounds don't get a look in."

“Women on Boards of significant companies have told me about a bullying culture that shuts down diverse thinking. I’ve had to exit some toxic women from Boards.”

"A lot of Chairs are not supporting diverse thinking. They do not want debate."

"I have seen entrenched male thinking on Boards where they did not want or appreciate diverse thinking. A Woman Director on that Board did not choose her battles and got marginalised and ultimately left."

“I have seen a Board Director refuse to engage in anything outside her perceived reason for being brought on to the Board. She was unapologetic that her perspective was purely to push Māori issues, to the extent that she wouldn’t even read the financial statements in the Board papers.”

"We have a woman on the Board who disagrees with everything, not because she is protecting the company's best interests but because she is worried about protecting herself and her reputation from any liability. She adds no diverse thinking to the Board."

“There is also the problem of the system of patronage. Chairs support certain Directors to be appointed and those Directors are supposed to support the Chairs, so it becomes a closed shop, which does raise the issue of whether there is sufficient accountability of Chairs’ and other Directors’ performance.”

"The Infratil Board would fail the photo test of Boardroom diversity but in terms of the quality of debate and discussion, they really stand out."

"At a collective level, the chairing of New Zealand Boards is quite underwhelming."

"I am surprised that entrepreneurs aren't asked more often to join Boards. I suppose Chairs and other Directors think it is easier to stick to who they know."

“There are certain Boards who needed to have the courage to say after week 1 that their new CEO appointment was not working. Boards need to be able to make unpleasant decisions in the best interests of the company.”

“Māori Directors tend to be deferential to those with more experience, and allow themselves to be drowned out even when they have a valuable perspective to add.”

"There may be women who just see gender now as a way to get personal advantage and a meal ticket for a job."

"The inconvenient truth is that only a small amount of the New Zealand economy is truly competitive

outside of regulated markets which are dominated by local monopolies, duopolies, cartels or those able to exercise considerable market power. Directors who excel in those sectors do not necessarily transfer well into more highly competitive markets off-shore, particularly where growth relies on successfully winning market share against well-run domestic companies in their own markets.”

"The New Zealand governance world sometimes struggles with the concept of true diversity. The real discussion around diversity is a lot broader than gender. It should include and embrace all aspects relevant to the make-up of the present and future target market and jurisdictions including skill sets, experience, culture and personal/professional 'DNA'."

“Once key investors and advisors settle on a particular Chair, the tone and pathway is usually then set – for better or worse! This single act has huge implications for the eventual make-up of a new Board, skill sets deployed, Chief Executive, culture and prospects for success or failure.”

"Often, the process of Board renewal and appointments is a brutal one, driven by a minority of powerful Directors who dictate choice and outcomes. The delicate balance between sufficient diversity of thought/ debate and clarity of future direction is sometimes held hostage to tribalism and group think."

“More good work is now being done to “blood” new Directors but there is still much to do. If one believes that Board make-up should mirror its client/customer consistency, then greater emphasis should be placed on encouraging this diversity at executive level. It is hard to deny that successful executives make better Directors but we need to be a lot smarter and determined about broadening that pathway and linkage.”

"In highly competitive sectors where companies are operating internationally, it is very important that Board members, individually and collectively, are encouraged to proactively think; utilising their skill sets and experience to be lateral and imaginative. Whether this occurs and to what extent will depend very much on how the Chair develops and encourages a challenging, inquisitive and innovative culture at Board level."

“Over the last ten years as further global markets open up, there have been encouraging signs of greater outward focus, confidence and ambition at Board level to patiently lay the foundation for sustainable and realistic expectations around performance. There will be hopefully fewer examples of the toxic mix of arrogance and ignorance where New Zealand companies rushed into offshore markets only to die a public, horrible and expensive death.”

“The argument of quotas for Boards and Directors is problematic. The concept runs a risk of encouraging a sense of entitlement rather than performance and is completely contrary to the concept of ‘best practice’ where inexperienced Directors are forced on companies to pursue a broader political and social agenda. Such a policy may be possible in the regulated markets of monopolies, duopolies, cartels and Government organisations because the taxpayer and captured customers will always end up paying for sub-optimal performance. Competitive international markets are not nearly so forgiving!”

"There is no question that New Zealand is a "small, incestuous little village" at Executive and Board level. Sometimes, this level of intimacy, personal connection (good, bad or indifferent) stretching back in some cases 30 years, can be an impediment to objective, relevant and appropriate decision making. Too often, a potential good decision can be derailed by personal considerations."

“Political interference is a very real issue in New Zealand. There are unintended consequences of attacking Boards. “New Zealand is a pimple on the hide of the elephant” when it comes to market share, and Boards being bullied into non-commercial decision making has a very real chilling effect on foreign direct investment. It is so easy to slide off the cliff and that the reality is that it is the Board’s reputation that gets trashed.”

Appendix A: Review of Existing Studies and Initiatives of Diverse Thinking on Boards

- 1 The case for diverse thinking is best set out in the Russell Reynolds Associates Report on “Different is Better – Why Diversity matters in the Boardroom”.³⁷ This Report found that:
- (a) Having a wide range of perspectives represented in the Boardroom is critical to effective corporate governance.
 - (b) Being able to draw upon a diverse set of competencies and knowledge is essential if Boards are to successfully address the complex issues their companies face.
 - (c) Boards become more appreciative of having a broad perspective as they accumulate experience in dealing with it.
- 2 This review identifies existing initiatives (including data collection) towards increasing and maximising diverse thinking on Boards, both in New Zealand and overseas. There is a significant amount of literature on gender diversity on Boards, and to a lesser extent ethnic diversity, however there is much less literature on “diverse thinking” as a standalone concept. This review highlights the studies and initiatives that best align with a diverse thinking framework (recognising that at times there will be consideration of gender and ethnic diversity as part of this).

NEW ZEALAND

- 3 In 2002, the Cabinet Office published guidance to increasing diversity of Board membership on government bodies.³⁸ The then Crown Company Monitoring Unit (the body that undertook appointment processes for Crown company Boards on behalf of Ministers) sought to promote greater diversity through consultation and improved skills and position descriptions, amongst other initiatives. In particular, it suggested that in appointing new Directors, Boards should make use of representative agencies like the Ministry of Women's Affairs and Te Puni Kōkiri who have their own initiatives to increase participation amongst women and Māori, respectively.
- 4 More recently, the Institute of Directors has published a guide to getting diverse talent on Boards, noting that over 60% of Directors said that diversity was a key consideration in making appointments in 2014 and 2015.³⁹ The guide suggests that the following are important steps to attract and retain diverse thinkers on Boards: create an inclusive culture (take active steps to make a diverse mix of people work); recognise and address unconscious bias (increase objectivity by reduced biased decision-making); review Board composition (get the right mix of people so that 'the whole is greater than the sum of its parts'); identify and appoint diverse talent (cast a wide net to find the best people for the Board); set targets and measure progress (go beyond compliance and measure what matters).
- 5 In 2017, the New Zealand Stock Exchange (NZX) released a new corporate governance code which requires every NZX-listed company to establish a diversity policy with measurable objectives and to assess their progress against these objectives each year.⁴⁰ It is recommended that these policies and objectives are made public, and that they publicly report on the numbers of women

³⁷ Russell Reynolds Associates, "Different is Better – Why Diversity Matters in the Boardroom" (2009). Available from www.russellreynolds.com.

³⁸ Cabinet Office Circular "Government Appointments: Increasing Diversity of Board Membership" (19 November 2002) CO 02/16.

³⁹ Institute of Directors, "Getting on Board with diversity: a guide to getting diverse talent on Boards". Available from www.iod.org.nz.

⁴⁰ NZX, "NZ Corporate Governance Code 2017" (2017) < <https://www.nzx.com/files/attachments/257864.pdf> >.

and men at Board level (as well as at management level). The code suggests that “issuers should also consider diversity more broadly than just gender” but does not elaborate on what this means or how it should be considered.

- 6 As of May 2018, the Ethnic Communities Minister Jenny Salesa (on the initiative of Mai Chen) has
ordered a stocktake of ethnic diversity on public sector Boards as there is currently no data.
- 7 New Zealand also has some programmes which aim to provide diverse thinkers with Boardroom
experience: the Future Directors programme (Boards host a “Future Director” to observe and
participate in Board discussions for a 12-month period), and “Board intern” programmes (Auckland
Council-controlled organisations, and Rotorua Lakes Council).

OVERSEAS

Australia

- 8 Similarly to New Zealand's IOD, the Australian Institute of Company Directors has concluded that a broader approach to diversity, beyond gender and ethnicity, is needed and has advocated for this to its membership, noting "it is incumbent on each Board to ensure that its structure and composition facilitates diversity of thought in the Boardroom, and thereby improves its capacity to deliver value to the organisation it governs".⁴¹
- 9 Watermark Search International, executive search specialists, have published since 2015 an annual "Board Diversity Index" which provides up to date data about diverse thinking in the Boardrooms of ASX listed companies. The 2018 Index considers four different measures – gender diversity, cultural diversity, skills diversity, and age diversity – and provides a comparative analysis since the previous index.⁴² The Index aims to "stimulate conversation around Boardroom tables" about the prevalence (or lack thereof) of diversity at the ASX in recognition of the growing body of evidence that links increased diversity to improved financial performance, decision making skills and problem solving.

United States

- 10 In 2017, Deloitte surveyed 300 Board members and C-Suite executives at U.S. companies with at least \$50 million in annual revenue and at least 1,000 employees about their perspectives on Board diversity and their organisations' criteria and practices for recruiting and selecting Board members. Following the survey, Deloitte proposed a "Mixtocracy Model" for Board appointments:⁴³

"Under a mixtocracy, the Board is viewed as an advisory and governing entity composed of individuals who ideally complement and balance one another's differing viewpoints, skillsets, backgrounds and experiences rather than as a set of single positions to be filled."

- 11 The report suggests that to construct a diverse thinking Board using a mixtocracy approach, leaders need to rethink risk as value creation rather than loss prevention; redefine diversity beyond gender and race and consider people of different experience and backgrounds; consider the overall composition of the Board with regard to organisational strategies, customer demographics, industry disruption and market trends; and revitalise succession planning by taking an “immediate and aggressive approach” to Board diversity.⁴⁴

⁴¹ Australian Institute of Company Directors, "A Broader Perspective on Board Diversity". Available from aicd.companyDirectors.com.au.

⁴² Watermark Search International. "2018 Board Diversity Index" (2018). Available from www.watermarksearch.com.au.

⁴³ Deloitte “2017 Board diversity survey”. Available from www.deloitte.com.

⁴⁴ The Wall Street Journal "Deloitte sponsored content: Breaking the Cycle of Boardroom Uniformity to Strengthen Performance". Available from www.deloitte.wsj.com.

United Kingdom

- 12 In 2016, an independent review conducted by Sir John Parker into the ethnic diversity of UK Boards, resulted in recommendations that FTSE 100 and FTSE 250 companies:⁴⁵
 - (d) Increase the ethnic diversity of their Boards;
 - (e) Develop candidates for the pipeline and plan for succession; and
 - (f) Enhance transparency and disclosure.
- 13 The Parker Review recognises that improved ethnic diversity and Boards “is vital to the UK economy” and as a result, provides recommendations and resources to assist Boards to attract and retain ethnically diverse Directors. These include sample selection process considerations to assist Board Chairs to consider ethnic diversity in appointments, and a Directors’ resource toolkit which address potential ‘red flags’ or barriers to achievement of greater ethnic diversity, and which provides a “four-stage lifecycle” to advance Boardroom diversity – investigation, consensus and commitment to change, response, review and measurement.⁴⁶

Multi-jurisdictional surveys

- 14 Since 2004, Egon Zehnder, an executive recruitment and management consulting firm, has published a Global Board Diversity Analysis (formerly the European Board Diversity Analysis) which analyses Board data to understand the level of diversity at the Board table. The 2016 Analysis (the latest published), evaluated 1,491 public companies with market caps exceeding EUR 6bn across 44 countries.⁴⁷ Although there is a particular focus on gender diversity, the report also considers age diversity and the proportion of “non-nationals” on Boards. There is functionality also to drill down into the non-national data to determine how many of those non-nationals are women. The 2016 survey found that “globally, international representation is less common than gender diversity. Seventy percent of companies studied have at least one non-national Director, compared with 84 percent that have at least one female Director.”⁴⁸ It is worth noting however that “non-national” does not necessarily mean ethnically diverse.
- 15 In their 2016 “ACI Global Pulse Survey – Building a Great Board”, KPMG surveyed more than 2300 Directors and senior executives to better understand how Directors achieve the right mix of skills, backgrounds, experiences, and perspectives in the Boardroom.⁴⁹ The survey found that 61% of Directors and senior executives perceived a “need for greater diversity of viewpoints/backgrounds” as a challenge or concern influencing Board composition.⁵⁰

SUMMARY

- 16 The current literature explores the current state of Boardroom diversity (with an overwhelming focus on gender diversity, and to a lesser extent, ethnic diversity), provides a high-level overview of barriers to Board diversity, and provides some suggestions as to how Boardroom diversity could be improved through attracting and retaining diverse talent. However there is little in the way of practical tools to assist Boards to increase diverse thinking in the best interests of the company; how Boards should treat diverse thinking Directors to ensure they stay; or insights into the recruitment of diverse thinking Directors.

⁴⁵ Sir John Parker and the Parker Review Committee “A Report into the Ethnic Diversity of UK Boards”. Available from www.ey.com.

⁴⁶ Appendix A and Appendix B, Parker report.

⁴⁷ Egon Zehnder International “2016 Global Board Diversity Analysis” (2017). Available from www.egonzehnder.com.

⁴⁸ 2016 Global Board Diversity Analysis at page 23.

⁴⁹ KPMG Audit Committee Institute “Building a great Board” (2016). Available from home.kpmg.com.

⁵⁰ “Building a great Board” at page 6.

Appendix C: Methodology

Chairs and Directors of Boards were selected on the basis of depth of experience and the number and range of Boards they had sat on or chaired. Diverse thinkers were selected on recommendation from the Institute of Directors and also from peer recognition as diverse thinking Chairs or Directors, or Chairs capable of bringing out diverse thinking from a Board.

Interviewees were asked the following questions as a starting point:

1. What skills do Board Chairs need to be able to lead and facilitate the Board getting the most out of diverse thinking Directors? Can you give me examples of practices you have seen working? How can Board Chairs be held to account to ensure they are getting the benefits of diversity in the best interests of the company or organisation?
2. Should Boards be working to get a consensus? Are there any governance practices you think need changing?
3. What about the other Directors? What role do they need to play? Have you seen this done well? What skills the diverse thinker need to be influential and not just viewed as a disruptive voice in the wilderness? Have you seen any diverse thinkers challenge effectively? Do you need a critical mass of diverse thinkers, and if so, why?
4. In your experience, have Chairs and Boards thought through the implications of bringing diverse thinkers on Boards and how to leverage their challenge and different viewpoints?
5. Is generational change relevant to maximising the benefits from diverse thinking on Boards?
6. Does a compliance mind-set that requires a certain number of women on Boards get in the way of leveraging the most from diverse thinkers on Boards?
7. Does diverse thinking have a gender or a colour, in your experience?
8. Does the CEO have a role in maximising the leverage from diverse thinkers?
9. In your view, has diverse thinking really made a difference to Board effectiveness? If so, how? If not, why not?
10. How much diverse thinking capability do you think we have in New Zealand Boardrooms and how can we do better?

Interviews were drafted up and then sent back to those interviewed for editing and approval before they were finalised and published.

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