

METTLE

ISSUE NINE



METTLE, a collection of stories and interviews with influential New Zealand business leaders, curated by MinterEllisonRuddWatts.



The world around us continues to change rapidly, creating ripples for economies, industries and societies. As we stride into 2018, many will be looking forward with a mixture of excitement and trepidation as to what the year ahead will hold.

In New Zealand, with the establishment of a new, Labour-led government that is running at pace, business needs to develop new strategies for working with ministers from three very different parties, many of whom are new to the role.

There have been significant changes to fiscal and economic policies. However early indications point to the continued growth of New Zealand's economy. Apart from a slightly slower debt repayment plan, the key difference is political priorities – our new Government seeks to offer greater support to lower income New Zealanders while investing heavily in public infrastructure. Assuming the country's economy remains robust (as forecast) these ambitions seem achievable.

We are picking that the decisions made this year will have a significant influence on how New Zealand performs in the medium term and on our country's global reputation. A particular "mega-trend" will be the impacts of climate change, which Prime Minister identified as the "nuclear-free issue of our generation". These impacts include:

PHYSICAL: As weather becomes more turbulent and sea levels rise;

FINANCIAL: As markets reprice assets and new regulation imposes new costs;

GOVERNANCE: As the expectations of reasonable and prudent directors to consider these matters increase.

Success will lie in finding the balance between social and economic policies, to affect positive changes for New Zealanders now and into the future.

LLOYD KAVANAGH, CHAIR, MinterEllisonRuddWatts



Purpose, resilience, breadth, ambition: these are all qualities that we are encouraged to acquire as children when we follow our paths through school. In many ways they are foundation aspects of MEttle.

This issue of MEttle explores these concepts and more, talking in depth to some of New Zealand's leading lights of the business and political worlds – including Minister of Finance Grant Robertson – about topics as varied as the outlook for New Zealand, the dearth of female CEOs of NZX50 companies and the rise of sustainability as a fundamental requirement for long-term business success.

One concept becomes clear across all the interviews in this issue: it is our mindset, purpose and ambition that are at the heart of the decisions that will drive this country forward into a new year of opportunity.

CATHY QUINN ONZM, MinterEllisonRuddWatts



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LIFEBLOOD: SUSTAINABILITY

**IS SUSTAINABILITY THE THEME AT THE HEART OF THE 21ST CENTURY,
OR IS IT A FAD? WHAT ARE NEW ZEALAND BUSINESSES DOING
TO BECOME MORE SUSTAINABLE?**

‘Sustainability’ is one of the most debated words in the English language. It can mean something completely different to every person with whom you speak, with definitions ranging from ‘environmental performance’ to ‘a combination of business efficiency and resilience sustained over time’ – all the way through to ‘uniting economic and societal purpose and performance’ and more.

There’s no doubt however that it is a topic at the forefront of our consciousness – and our current political agenda. At the tip of this melting iceberg, water quality issues appear daily in headlines in New Zealand and around the world, and our Government has set a target of reducing emissions to 30 per cent below 2005 levels by 2030 under the Paris Agreement.

Furthermore, the Labour-Green-New Zealand First Government has also opened its first term by appointing Green Party leader James Shaw as Climate Change Minister. It has also committed to creating an independent Climate Commission, achieving 100 per cent renewable energy by 2035, and to reducing New Zealand’s carbon footprint to net-zero carbon by 2050.

At this time of intense debate, when a number of organisations including Sanford, Air New Zealand and New Zealand Post are actively promoting the sustainable agenda, MEttle calls on four Board chairs leading the way on sustainability. Tony Carter, Rob Campbell, David Pilkington and Jane Taylor share their opinions and answer some fundamental questions including: Why does sustainability matter? Is it just the latest fad? And what do we need to do to be more effective in this area?

WHY DOES IT MATTER?

Jane Taylor, Chair of New Zealand Post, which recently won the Supreme Award at the Sustainable Business Network Awards, is unequivocal in stating that sustainability more than ‘matters’: it is the lifeblood of long-term business prosperity, growth and ultimately survival.

“Sustainability matters firstly because it is fundamental for business success. The essence of it to me is that to survive and grow over the long term, companies must create value to the business and to society. So, to do that successfully they must embed societal values into their core purpose and strategy,” says Jane Taylor.

“If you incorporate sustainable principles deeply into your strategy, really embed them, they can have a hugely positive impact. This impact is felt internally first by creating an engaged and committed workforce; people who are proud of their role in the company and believe in its purpose, and are far more likely to be high performers. Externally, it will build the trust and confidence of your stakeholders: customers, communities, regulators, suppliers and shareholders.”

IS IT THE CORE LICENCE TO OPERATE IN THE MODERN WORLD?

Chair of Air New Zealand, Tony Carter, says that at the basic minimum a sustainable approach provides business with a social licence to operate, but only if applied thoroughly.

“There are three sustainability lenses for businesses: economic, environmental, and social. All three are equally important, not mutually exclusive. You must look at all of them or you can put yourself out of business.”

This is backed up by David Pilkington, Chair of the Port of Tauranga, who says that although ‘licence to operate’ is a fashionable term, the reality is that ports and their communities have always had strong links, so the concept of the licence has always been implicit.

“A port has historically provided the centre of activity for commerce and trade. It is a place where people used to go to fish off the wharf and watch boats – a place of strong community ownership and affiliation. There are many emotional attachments for people and communities with ports.”

Further, he says that in Tauranga, people look on their port with pride, and when the first of the large 10,000TEU Maersk ships came into port recently the dock was lined with people wanting to see it. However, over recent years concerns about the impact of growth on the environment have begun to cast a shadow onto the relationships between ports and their communities – and thus their licence to operate in a sustainability sense.

“The Port of Tauranga has grown at a phenomenal rate over the last 15 years, and people are now asking about the price of progress. All of a sudden the port is potentially a contributor to traffic congestion, and a constraint on harbour activity – it is all seen in a different light. And in Auckland we have seen a very quick change in attitude: suddenly the port is encroaching on people enjoying the benefits of the city, occupying too much land in the heart of the city, impacting on the harbour etc. You could argue that their licence to operate has been challenged, and it is threatening their business through their right to operate where they are.”





“Sustainability matters firstly because it is fundamental for business success.”

Jane Taylor, New Zealand Post

Pilkington says that the choice at this point is either to accept the changing environment and act to stay ahead of the curve, or to sit and defend: but that is not a viable option.

“Defending is losing. As soon as you have an issue you’re trying to justify, you’re losing the battle. Therefore, you have to be proactive and get ahead of the inevitable push. You have to embrace it and build towards it. So, if we are building a new wharf extension, or increasing hard stand area on our land, it’s about considering the future consequences regarding dust and stormwater management not just to meet current regulatory compliance but to anticipate and plan for what will become best practice in the future.

“We cannot ever take the community goodwill in Tauranga for granted; we recognise that we need to look at all aspects of what we do – and we have begun to gather a lot of data to understand the current impact of Port growth rather than wait until someone says ‘you’ve added to traffic congestion’ for example.”

IS THIS ABOUT RISK: ARE NZ COMPANIES UNDER PRESSURE FROM CUSTOMERS TO PERFORM BETTER?

“Properly applied, sustainability is central to risk management,” says Jane Taylor.

“Ultimately a company’s first step in applying sustainability is highly correlated to its most significant risks, such as health and safety, waste or pollution, carbon emissions, and animal welfare etc. When you go through the exercise to identify material risks they correlate strongly with major risks. Those factors are linked to value creation, so companies that mitigate those risks will create greater value in the long term; so sustainability gives a real focus to that, and a lack of focus on sustainability can cause serious harm to a company’s brand when something goes seriously wrong.”

How does this look in the airline industry? Tony Carter says that a particularly prominent risk for New Zealand businesses is distance, which creates an issue for Kiwi exporters and travel operators thanks to the carbon components.

He says that Air New Zealand, which he describes as both ‘the infrastructure that connects New Zealand to the world’ and New Zealand’s largest fossil fuel consumer, is addressing this through a number of initiatives.

“Firstly, we are working with the wider industry to develop alternative tourism attractions and spread them out around New Zealand. We have also tried to spread the travel peaks out, working on the shoulder seasons to bring people to New Zealand in April-May and October-November, so not everyone is coming here in a three-month window.

“New Zealand also has to build better infrastructure to cope with tourists, from airports to the toilets at Franz Josef.”

This is backed up by Rob Campbell, Chair of Tourism Holdings Limited, who agrees that because people burn a lot of carbon to get here and then home again there is a greater requirement on New Zealand businesses to be cleaner and greener in what we do.

“What that means at THL is that we have developed a sustainable strategy, and one part of it involves a very substantial reduction of emissions from our fleet. However, at the moment when we pass a resolution to add to our fleet, there is nothing in the paper asking how it might contribute to our sustainability outcomes. The team is looking at that because we need to bring this to the forefront. This in my view is the role of the Chair and the Board: sustainability – how we want to be in this world – needs to be a factor in any major decision we make.”



“Defending is losing. Therefore, you have to be proactive and get ahead.”

David Pilkington, Port of Tauranga

David Pilkington adds that influences in this area, such as food miles, continue to grow in importance. The answer to this he says is bigger ships and more efficient infrastructure. “Everyone in our business is taking this seriously. Maersk see the value in large ships, and new vessels coming out of the building yards are not only larger more fuel efficient but are operated at a more optimum speed than they might have before.”

IS SUSTAINABILITY A FAD, OR IS IT HERE TO STAY?

Our panel of Chairs are unanimous in their response:

“Sustainability is a genuine issue and concern that will only become exacerbated. It is not a passing fashion,” says Pilkington.

“No one will wake up tomorrow and say that the environment doesn’t matter anymore. It will only become more and more of an issue, so you have to demonstrate that not only are you operating in a socially responsible way, but that you are driven by continuous improvement. What’s acceptable today may not be tomorrow, so you must have a plan to increase your care and responsibility.”

It is also a personal issue for Campbell.

“It is evident that while business is capable of producing answers to an enormous number of problems, business can cause damage. And, if you are concerned about potential damage, then do something about it. And do it because you want to, not because you have to.

“A programme only succeeds if people think it’s a great thing to do. The critical thing for business is not to publish a glossy publication but to activate staff on this issue and build the culture of the business around it so that the business does good and helps to improve the way people work together. This then becomes part of the glue that binds a business together: this must be a good thing.”

Jane Taylor says that sustainability cannot be a fad, because it has been around for centuries.

“Look at companies like Cadbury for example, she says. “In the late 1800s Cadbury was incredibly focused on building the principles of sustainability into their business model. They even set up a town – Bourneville – so that their staff could live in a decent environment. Those companies have stood the test of time.”

To champion true sustainability we must beware the danger of short-term thinking, she says.

“With the rise of short-termism and shareholder activism in our lifetimes we have seen sustainability viewed as an additional cost and detracting from short-term profit. And that needs to change.

“Companies with a short-term view will not prosper and grow; they might see some short-term rewards and some shareholders might do well, but if you look at the stats the life expectancy of companies in the US in the 1920s was 67 years. Today it is only 15 years. Recent studies show that the history of corporate failures have found that long-term survival is directly related to a company’s ability to connect effectively with its stakeholders and contribute positively to society – it is what is fundamentally going to dictate a company’s viability.”

Tony Carter says that all companies should aim for true sustainability, and what has surprised him and everyone at the



“Society has evolved, and business is increasingly reflecting that.”

Tony Carter, Air New Zealand

airline is quite how supportive New Zealand is of what they are doing, from passengers on.

“This is a really unifying thing for us. To me it is a matter of having a time horizon beyond the next quarterly results. We are all living change, partly as a result of our business reflecting society but also there is a whole generation of new CEOs coming through who are much more aware of these issues than previous generations. Society has evolved, and business is increasingly reflecting that.”

And as for a last message? Jane Taylor makes the opportunity as clear as possible:

“Sustainability is about maximising long term risk-adjusted returns and creating economic value. It is good for the bottom line. Studies have shown embedding sustainable practices into strategy results in superior returns over time. So this is actually not optional. It is part of what a successful business needs to do.” ^M



“How we want to be in this world needs to be a factor in any major decision we make.”

Rob Campbell, Tourism Holdings Limited

SUSTAINABILITY TIPS FROM THE TOP

ONE

ENSURE YOUR BUSINESS HAS A PURPOSE THAT CONNECTS WITH SOCIETY

In this era of consumer-driven demand, connecting effectively with society can differentiate a business in many ways, from generating new revenue streams to reducing regulatory risk, market access and lower resource costs. Forging a connection with society impacts positively on a company's reputation through building a reservoir of goodwill. Then trust and confidence in the company's brand and reputation will be in a much better position to weather a storm when it happens.

TWO

PEOPLE WANT TO WORK FOR A SUCCESSFUL BUSINESS AND ONE THAT DOES GOOD

When you introduce sustainability, if you have a purpose that connects with society then your people really get engaged.

THREE

EVERY BUSINESS NEEDS A SUSTAINABILITY CHAMPION

If you don't have someone keen to take on the responsibility, it probably won't succeed. And ensure sustainability features on senior management agendas.

FOUR

TAKE A LONGER-TERM VIEW

Short-term pressures can put long-term focus into the background. Don't let them.

FIVE

EMBED SUSTAINABLE BEHAVIOURS IN THE KPIs OF THE BUSINESS

If you do not, they will always be secondary.

SIX

GOOD CONSULTANTS ARE AROUND IN THIS AREA AND AVAILABLE TO HELP

They offer a commercial point of view plus can advise on how to report and activate.

SEVEN

FAILING TO REPORT ON CLIMATE CHANGE RISKS IS GOING TO BE AN INCREASED FOCUS

With a new Minister in place, companies would be complacent if they didn't start to pick up on some of those vibes and take this seriously.

Q+A

WITH MINISTER OF FINANCE
GRANT ROBERTSON

Shared prosperity. A sustainably growing economy that gives everyone a fair go. In November 2017 the new Government was sworn in with a clearly stated aim to act in the best interests of all New Zealanders, setting out an ambitious programme designed to address inequality and build an inclusive, modern economy.

So, what are the new Government's immediate priorities, and how is it working to deliver on them? MEttle was delighted to sit down in December 2017 and gain the perspectives of one of the key people shaping the direction of this country, Minister of Finance Grant Robertson:

MEttle: Have there been any surprises in taking on the role of Minister of Finance?

GRANT ROBERTSON: Apart from the deluge of paper to read, a Finance Minister in a new Government is always going to take a look under the hood to see what pressures there are on the accounts which they didn't have full visibility on in Opposition.

This has more confirmed suspicions rather than throwing up surprises, in particular when it comes to the capital budget we inherited. One issue we were conscious of in Opposition was that pressure was building on core public infrastructure. Capital budgets are always going to be oversubscribed each year, but the fact that the oversubscription rate had been steadily rising for the past few years gave us a stark introduction to the levels of investment required. Luckily, we had budgeted for significant extra new capital spending than the previous Government had.

MEttle: You will recall at the Mood of the Boardroom in September there was considerable support for tackling social issues like housing affordability (particularly in Auckland) and poverty by business leaders. Did this support surprise you? Now you are in Government is it realistic to think meaningful progress can be made on these issues over the next 3 years?

GRANT ROBERTSON: To be honest, it didn't surprise me. All through the year whether I was in boardrooms or smoko rooms, the issue of widening inequality, particularly against the backdrop of the previous Government's tax cut package, came up time and time again. It was more just confirmed publicly by events like Mood of the Boardroom.

We will make meaningful progress on poverty. We were very clear during the election campaign that we would prioritise poverty reduction as a Government.

MEttle: How important is it that business and Government work together to solve social and other issues facing New Zealand?

GRANT ROBERTSON: It's vitally important that all the social partners work together on the social issues we face. It's not just the job of the Government to ensure New Zealanders' wellbeing – that's the ultimate goal of all society.

We have to work together, and we will be an active partner for business in this. 'Active' isn't automatically the same as

'intervention'; it means Government working with the private sector to grow the economy sustainably and lift the wellbeing of all New Zealanders.

MEttLE: National accused Labour of having an \$11.5 billion hole in your budget. Now you are in office and can better see the demands on Government for core services (such as health and education) along with the need to deliver on election promises and those matters you have agreed to support as part of coalition arrangements – how comfortable are you that the budget you campaigned on is achievable?

GRANT ROBERTSON: The less said about Steven Joyce's imaginary \$11.7 billion hole, the better (for his sake, not ours).

We have already shown that we will be able to meet all of our policy programme. The Budget Policy Statement we released on December 14 showed we would have larger operating and capital allowances than the previous Government, and that these would cover the policy programme from our Fiscal Plan, the Coalition Agreement with New Zealand First, and the Confidence and Supply Agreement with the Green Party.

We can do all this within our Budget Responsibility Rules, which include responsibly reducing net core Crown debt to 20% of GDP within five years and keeping spending within the range of the previous Government. We've got a bit more room to make the investments New Zealanders need because of our slightly slower debt repayment track, and because we have reprioritised National's tax cut package for more targeted spending, benefiting those who need it most.

MEttLE: Business is wary about changes to employment laws as they see that as driving up costs, reducing productivity and removing flexibility. There is real concern about 'fair pay agreements' and their implications for business. There is concern it is a move back to 'National Awards' of the 1970s and 1980s. What do you say to businesses with these concerns?

GRANT ROBERTSON: The Government wants to see fairness in the workplace. We also want people who work hard to be fairly rewarded for what they do. In terms of Fair Pay Agreements, these will build off what the previous Government did with the Terranova settlement. We imagine there will be 1-3 of these types of agreements in a year. It is important to note that they do not mean any changes to the right to strike.

MEttLE: Migration has been a contributor to economic growth in recent years. Some businesses rely on both low wage migrants and skilled migrants to take jobs kiwis appear either to not want to do or not have the skills to do. Business is concerned that a shift in policy on migration will hurt business and the economy. What is your response to that?

GRANT ROBERTSON: Businesses that face genuine skills shortages will still be able to access migrant workers to fill these where there are no New Zealanders available. One of the Immigration Minister's first acts in the role was to announce that seven building-related occupations would be added to New Zealand's immediate skills shortage list because we know the construction sector is at capacity. We listened to the sector and moved quickly to help alleviate pressure.

Our changes to immigration policy are targeted at low-quality education courses which attract people through study visas. These people can often end up being exploited in low-paid work and don't come out the other side with an appropriate qualification. We want to ensure people who come here to study, do so. We also want to make sure that short-term work visas are for genuine skills needs, and every effort has been made to find a local who could do the job.

MEttLE: Corporate social responsibility, sustainability, diversity are all topics commonplace in the business community. What do you think the Government's role is in encouraging businesses to do the right thing – rather than just what's profitable, easy or maintains the status quo?

GRANT ROBERTSON: This Government is focussed on growing the economy, but in a sustainable way. This means you can't just rely on population growth and an overheated housing market for generating economic activity. If we shift away from speculation to focus investment towards more productive parts of the economy, then growth will become more sustainable. We are keen to work with businesses who share that vision.

MEttLE: Prime Minister Jacinda Adern has said that capitalism isn't working in New Zealand. What specifically do you think is broken, and as Minister of Finance what are your priorities to fix it?

GRANT ROBERTSON: It is impossible to say that the economy has been working for everyone when homelessness, child poverty and inequality are such big problems. Although New Zealand's headline statistics – like GDP – have been heading in the right direction, not everybody shared in the prosperity that our economy generated in the past few years – as mentioned in the Mood of the Boardroom survey.

We have already laid out a plan to turn this around. Our Families Package was targeted at those who need the support the most; we have larger capital and operating allowances than the previous Government so that we can properly fund core public services; and we will ensure investment is directed to the productive side of the economy.

MEttLE: After a period of strong activity on the NZX (created in part by a jump in listings stemming from the previous Government's mixed ownership programme), there has been a drop-off in new listings recently. There has even been one example of a high profile New Zealand success story, Xero leaving the NZX. Does the Government have any plans to help reinvigorate New Zealand's capital markets?

GRANT ROBERTSON: Boosting the NZX by selling off public assets is not a sustainable plan for our share market. This Government is focussed on tilting the playing field away from the speculative and unproductive parts of the economy, like housing, and towards the productive side of the economy. This means encouraging investment away from housing speculation and towards investment in business.

MEttLE: There is power in businesses engaging with Government to achieve better results for New Zealand. What is your view and do you intend to engage with businesses on policy/regulation affecting the business landscape before committing to a course of action?

GRANT ROBERTSON: We will always engage with business. In one of my first speeches as Minister of Finance I reiterated that this Government would look to partner with business to close the deficits we have in our country – such as PPPs for transport infrastructure in Auckland. We will always listen to input on policy and regulation – we want the experts to be giving their views.

MEttLE: In this term, what do you want to be remembered for? Most want to achieve?

GRANT ROBERTSON: I want the Government to be remembered as one which delivered shared prosperity – a sustainably growing economy that gives everyone a fair go.

MEttLE: As Minister of Finance what is your biggest priority for 2018?

GRANT ROBERTSON: Playing my part in ensuring the Government makes a start on addressing the big challenges of child poverty, housing and rebuilding our health and education systems.

MEttLE: What is the one message you would like to leave the readers of MEttle?

GRANT ROBERTSON: We are a Government that is keen to work with all groups in the community to build a sustainable and inclusive economy. We will be careful with the country's finances while making the shift to a productive and modern economy. 🇳🇿



WHERE ARE ALL THE WOMEN CFOs?

**THE CHIEF FINANCIAL OFFICER. A KEY ROLE AND A CRITICAL FUNCTION
WITHIN EVERY ORGANISATION: SAFEGUARDING FINANCIAL INTERESTS
AND KEEPING STRATEGIC OVERSIGHT HOW REVENUE IS GENERATED,
DEBT ACCRUED AND CAPITAL RAISED.**

While a wave of gender balance has been pushing through the New Zealand business community over recent years, the CFO is one role that is yet to be fully reformed, with only two female CFOs currently working in listed companies in New Zealand.



MEttle caught up with two women who have made it to the upper echelons of New Zealand's financial community – Joanne Ogg, Auckland Managing Partner at EY New Zealand, and Keren Blakey, who's been a partner at PwC for the past 12 years and is a PwC Board member. Both work closely with CFOs on a regular basis, so are in a strong position to give some insight into why so few women are in the role and what can be done about it.

Above all, we wanted to ask if the lack of female CFOs is a result of an antiquated view relating to a lack of trust in a woman's ability to manage financial risk, or is it that more practical limitations prevent woman from rising through the ranks?

NO SHORTAGE OF TALENT

It is important to recognise how far the accountancy profession and female involvement in it has come. Gone are the baby boomer days of old, when men were encouraged to enter accountancy and legal professions while women were advised to become nurses or teachers. In fact, since the mid-1990s intakes into both accounting and law degrees have seen consistently more women than men enrolling.

Looking across some of New Zealand's biggest companies today, there is no shortage of talented women excelling in finance roles. One of them is EY Managing Partner Joanne Ogg. From her perspective, the reality is that CFO-capable women are out there, but they are just hidden from view, whether intentionally or not.

"There are great women out there who are very capable. I see they fall into four camps," she says. "First, those who just don't want to pursue it, then those who want it but don't know how to get it, those who try and fail, and those that want the CFO role and have an idea how but don't have the confidence in themselves to execute. It's certainly not a case of lack of talent."

Ogg explains that often the biggest barrier holding women back from entering CFO roles is themselves.

"There is a big bunch of women out there that don't have confidence in themselves and self-select. They think they need to be able to meet a skillset and experience requirement for a role by 100%, whereas men are more likely to back themselves for the role even if they might not have all of the requirements.

"I see it all the time in our workplace. I might have two team members, a female and male, at the same level. The female would finish the job and provide me with a very fact-based update on the success of the project and the satisfaction of the client. The male would have a similar outcome but would tell me about what an amazing job they did and how the client loves them, and inevitably you can get caught up in their story."

CHANGE IN CFO ROLE AND STATUS

The lack of confidence view is shared by PwC partner Keren Blakey, who was voted onto the PwC Board in 2015.

Blakey says that the issue has heightened in recent years due to the shifting nature of the role itself.

"The CFO role has become more complex, with CFOs needing to be the arbiter of strategic priorities in many ways. You need a really good platform, skill set and brief to keep abreast of the wider market environment changes in technology, and an evolving regulatory framework – far broader than the traditional CFO role. The greater responsibility may in fact be accentuating the feeling of lack of readiness and confidence to do the role."

Ogg also questions whether women aspire to be CFO due to changes in the role. Interestingly, her take on the sort of change is that the status of the role is diminishing rather than increasing.



"The reality is that CFO-capable women are out there, but they are hidden from view."

Joanne Ogg, EY



"Aspiring candidates need to know how to get out there and shadow a range of people to understand all dimensions of the business."

Keren Blakey, PwC

"The reality is that organisations are going through (or contemplating) significant change to remain relevant and/or be competitive. The digital agenda is a great example of what some of this change is being driven around. There's a lot of transformation of business models, and companies are looking more now to Chief Digital (and Customer) Officers and CIOs to enable and drive strategic changes. The CFO is increasingly becoming more of a support and administrative role in a highly dynamic change environment..

"I do think the role itself needs to think what it must be in the future to maintain its value and contribute to the organisation's transformation and change agenda. This will mean a different set of skills and experiences for the CFO to possess."

IS THE MENTORING THERE?

One thing both Ogg and Blakey agree on is that if there are going to be more women moving into CFO roles, there needs to be much more support to get there, starting at a governance level.

With more women sitting at New Zealand boardroom tables than ever before, Blakey says there needs to be a challenge to female directors to mentor potential candidates to come through at C-suite level.

"The broader role of CFO means that aspiring candidates need to know how to get out there and shadow a range of people to understand all dimensions of the business. It's also about challenge and being asked what are you doing to push yourself outside your boundaries? I'm only here because certain individuals pushed me.

"The trick is how do we create that environment? For the big four financial firms (PwC, EY, Deloitte and KPMG) we're more a peer group structure, which helps, but is that mentoring as alive in corporate structures?"

FLEXIBLE CULTURE AND SYSTEMIC SUPPORT

While mentoring may work at an individual level in terms of performance and career development, Blakey suggests that at a broader structural level it is very much about having the right culture and systems in place too.

"How do we ensure we create a work culture that lives and breathes flexibility? Flexibility is such a broad term, we need to unpack what that means. It doesn't mean less work but means doing things differently. It's about being agile and looking outside the traditional working styles to ensure we can accommodate talent rather than let some of our finest operators – who also happen to be women – slip away due to family commitments."

In addition to a shift in thinking and attitude, Blakey says there also need to be structural mechanisms to encourage more women into the role.

"This can be in the form of targets in promotion cycles, but also recruitment for CFO roles, as there can be a view that 'you've had two years out of the work force to have a baby, so you're off the list'."

Ultimately though, both Ogg and Blakey are positive about the potential of encouraging more women into CFO roles.

"Banks are actively targeting high diversity statistics in their senior leadership teams," says Blakey.

"It will take time, and organisations have to be clear about their priorities and check whether they have wages right and are competitive enough to align with their diversity strategies.

"For me, it's about challenging Boards: are they mentoring the female candidates and challenging executives on KPIs relating to recruitment?"

Says Ogg: "The capability is certainly there and there is a lot of ambition, but it feels like there is no road map to the treasure currently and insights on how to get it."

Much yet to do, much yet to be achieved. 🌱

THINK BIG:

BE UNCOMFORTABLE.
AND MAKE A DIFFERENCE

PROFILE: KATE MCKENZIE, CHIEF EXECUTIVE OF CHORUS

In many ways it is amazing that as we march into 2018 there is only one female CEO of an NZX 50 company. That person is Kate McKenzie, Chief Executive of Chorus.

In the top job since February 2017, Kate was most recently Telstra's Chief Operations Officer, responsible for field services, IT and network architecture and operations, and holding many other senior roles in her 12-year career at the telco giant.



As a qualified lawyer with a strong track record in understanding government and regulatory environments, Kate has been the CEO in the NSW Government of the Departments of Commerce, Industrial Relations and the Workcover Authority. She also has significant corporate governance experience and is currently on the board of Allianz, having previously been on the boards of Foxtel, Sydney Water, Reach, CSL and Workcover.

MEttle sat down with Kate to explore her first impressions of New Zealand business, the opportunities and challenges presented by disruption, and what can be done to increase the number of female leaders in New Zealand's top businesses.

Admitting that her first steps into business – by achieving a law degree – was “an interesting initial path to pursue”, Kate says that when she started out she was keen to make a difference.

“I was anxious to change the world, and gaining legal skills was a way to fulfil some of my ambitions. I then mainly worked in public policy, trying to do something to make the world a better place. I worked for Australian governments for 20 years doing a lot of constitutional law and micro economic reform, getting opportunities to work on many big challenges like the reform of the energy sector, privatising some public monopolies.”

Looking for the opportunity to do something different, Kate got into telecommunications via the regulatory route, and then found opportunities to expand her skillset.

“I could see digitisation coming,” she says.

“It was creating opportunities and threats, and an interesting environment to work in. And it offered a chance to do your bit to help the right decisions get made.”

“I got the chance to run Telstra's wholesale business, and by time I got to become the COO I had a range of operational skills that I built on, and then I came from there to here.”

“There is a lot of talk about NZ Inc., about doing the right thing by the country, and I have never heard anyone talk like that in Australia.”

Kate McKenzie, Chorus

FIRST IMPRESSIONS OF NEW ZEALAND BUSINESS?

Initially, the level of public policy debate in New Zealand made a big impression.

“A number of organisations here are contributing thoughtful ideas about what should be happening for the economy and this country, and in a less partisan way than I have seen,” she says.

“There is a lot of talk about NZ Inc., about doing the right thing by the country, and I have never heard anyone talk like that in Australia, for example.”

This she views as partly down to the size of the country, but also due to a broader way of thinking.

“One of the advantages of New Zealand not being so big is that it is a bit more urgent for people to think about what's in the best interests of the country. A real plus. And because everyone knows each other, the influence of one company on the economy can be quite big.”

From Kate's perspective, technology is changing New Zealand's traditional weaknesses – of scale and distance to market – into advantages.

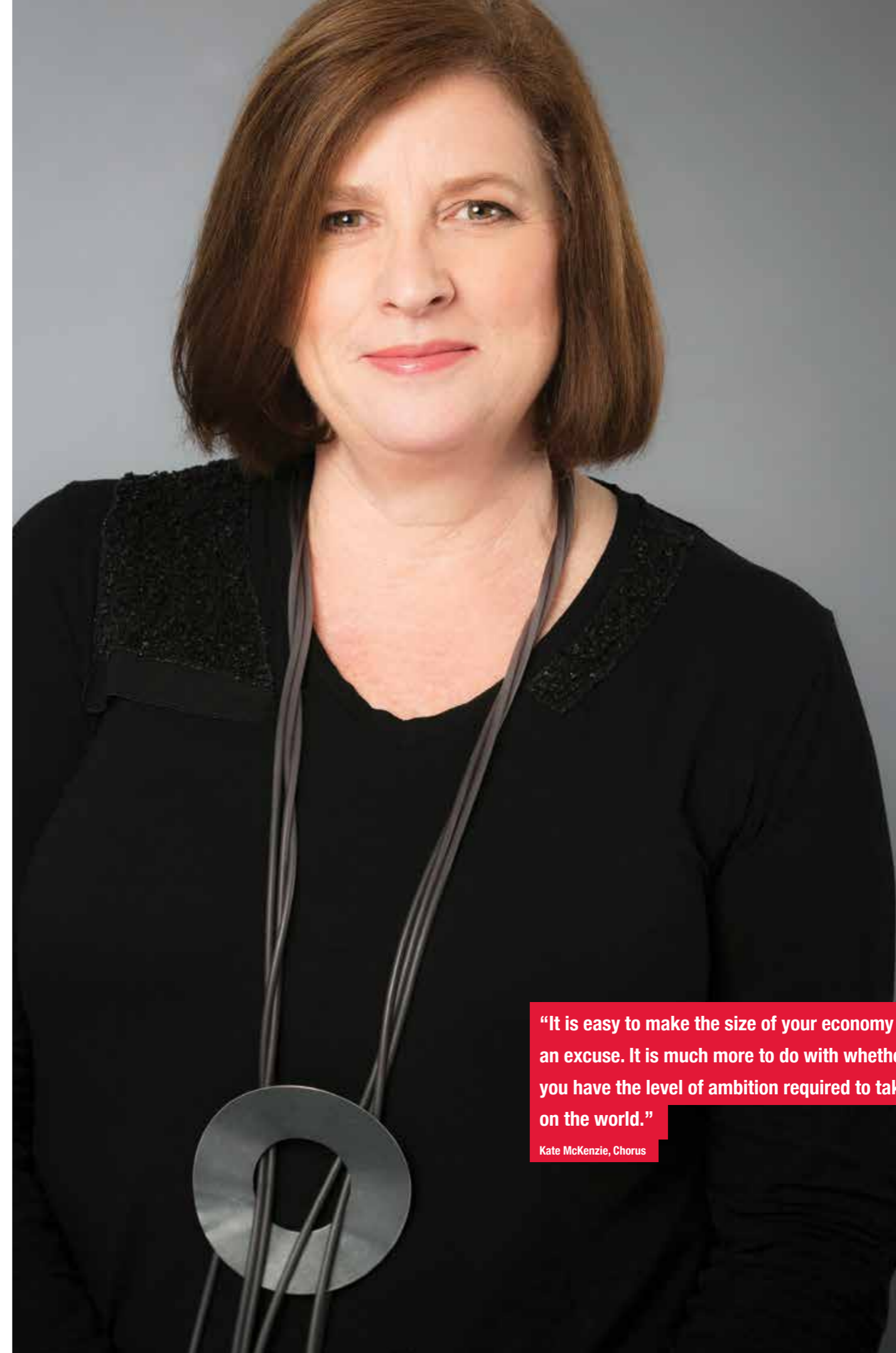
“Once you would have said that the scale of Google, Amazon and Facebook is a big advantage, but now I think that being a bit smaller enables you to be more nimble and to adjust a bit more quickly than some of the especially older, more bureaucratic styles of businesses.

“That is something we have to work really hard on to turn into an advantage. We do have businesses here that can adapt and respond much more quickly because they aren't gigantic corporates that struggle to drive change at the rate and pace that is required.”

This means that in a country that Kate describes as “a lovely place to live, more pleasant than many places on the planet”, anyone looking to succeed has to be careful not to get too comfortable.

“It requires constant effort and attention to ensure that it stays that way,” she says.

“It is easy to make the size of your economy an excuse. I think it is much more to do with whether you have the global mindset – do you have the level of ambition required to think big enough to go and take on the world?”



“It is easy to make the size of your economy an excuse. It is much more to do with whether you have the level of ambition required to take on the world.”

Kate McKenzie, Chorus

TECHNOLOGY CREATES OPPORTUNITIES FOR NEW ZEALAND BUSINESSES WITH AMBITION

Acknowledging that the age of disruption affects all businesses, including those that have been assumed historically to be more stable such as energy, electricity and agriculture, Kate is keen to communicate that innovation and technology create opportunities for New Zealand – as long as you can see them from the right angle.

“All the business leaders I meet are interested and worried about issues like education, the health system, housing affordability in Auckland, the digital divide, and about how we can ensure Kiwi kids of the next generation get the same range of opportunities. That’s fantastic, because there are not that many people who are able to influence these things, so we want to make sure that the business leadership is thinking and contributing to these topics,” she says.

At Chorus that’s something they are thinking about quite a lot.

“We are spending a lot of money to build some absolutely critical infrastructure for the future of the country. There is so much that runs really well here, but when you go internationally and listen to the struggles that people have figuring out how they are going to afford fibre, they are amazed we will have fibre to 87% of the population by 2022, to the home. They ask: how did you do that?,” she says.

“It’s a world-leading model, and we should be out there telling the world how to do these things. There are plenty of business domains where I think that’s equally true, which is why you can’t rest on your laurels. You’ve got to be constantly thinking about how you do better, how do you improve your customer experience, how you can make sure that the opportunities that are presented by capitalising on great infrastructure.”

NEED FOR GREATER BREADTH AND DIVERSITY OF EXPERIENCE

The topic of doing things better prompts Kate to ask: “We live in the first country to give women the vote, we’re up to three female Prime Ministers, so I ask ‘why is that not more common in the private sector?’

“I come across many talented women like Barbara Chapman from ASB and Alison Andrews at Transpower who are doing CEO roles, and you’d think that something approaching half of NZX50 companies should have female CEOs. Really you’d say that there should be another 10 or 20.

“Everyone agrees that having diverse thinking in company leadership is critical to being able to adapt and change. Hopefully, increasingly, as Boards have more female

membership there will be a bit more diversity of thinking. There is certainly work to do in that regard.”

So, what work needs to take place?

“It is about gaining breadth of experience, and more women getting into non-traditional roles. You still see lots of female lawyers and female leads of HR, but females who have run a big finance or operational function are harder to find,” says Kate.

“I say to the women in my organisation get breadth of experience, don’t sit in your specialised comfort zone because that’s not going to do it for you. You have to go and get the type of experience that’s relevant to one of those leadership roles, and that means taking some risks, swapping careers from time to time, and building expertise beyond your training or original experience.”

Kate says she sees a lot of CEOs and people in the executive community benefiting from going offshore and getting global experience, then they need to figure out how to transition back here again.

“Taking advantage of opportunities to get more breadth than maybe you can get in your own local environment is useful. I have enormous numbers of talented women in my environment. For some of them I have to say “go and get experience somewhere else and then come back”. Sometimes that’s necessary to make women feel comfortable about having that level of ambition and being encouraged to think big.”

HAVE BIGGER AMBITIONS

So, on that basis, Kate’s big message to the business community – male and female – is simple.

“My message is ‘have big ambitions’. Go after it and don’t doubt yourself. Go pursue that experience so it becomes a realistic ambition. Some of it is good luck and being in the right place at the right time, a lot of it is hard work, and some of it is just having the confidence to think big.

“I don’t see any reason why global success can’t be possible for a whole bunch of Kiwi businesses and business people: it’s just a question of whether you have the mindset to take that on or not. Geography is becoming less relevant with infrastructure, so it all comes back to mindset, and the level and size of your ambition.”



“Geography is becoming less relevant with infrastructure, so it all comes back to mindset, and the level and size of your ambition.”

Kate McKenzie, Chorus



STEEL MAGNOLIA

PROFILE: DAME PAULA REBSTOCK

A highly experienced governance role model and a tireless advocate for the role of competition in New Zealand's markets, Dame Paula Rebstock has given a tremendous amount to the country she now calls home.

As the Chair of the Board of the Accident Compensation Corporation, Dame Paula collected the Deloitte Top 200 Prize for Excellence in Corporate Governance in 2016. In addition, she holds the roles of Deputy Chair of KiwiRail, Chair of the Insurance and Financial Services Commission, and Director of Auckland Transport.

Originally from Montana in the United States, Dame Paula moved to New Zealand in 1988 and was appointed Dame Companion of the New Zealand Order of Merit for Services to the State in 2016.

MEttle caught up with Dame Paula to get some insight into her career to date and her views on the role of business in society.

LOOKING FOR A LESS PRESSURED LIFESTYLE IN THE 1980s

Having made such an imprint on New Zealand business circles over the last 20 years it is easy to assume that Dame Paula has always been part of our economic landscape.

However, it is only by chance that this woman of phenomenal drive and resilience ended up on our shores and helped to indelibly change the competition environment in this country.

After wrapping up a Masters programme at the London School of Economics in 1987, Dame Paula and her partner travelled to New Zealand looking for a less pressured lifestyle away from London and New York.

Paula recalls having limited knowledge of the country.

“We had to confirm with the taxi driver from the airport the population size was 3 million, thinking the travel book had a typo and it should be 30 million.”

However within a week Dame Paula was offered a job with the Treasury.

It was at that point that the quiet life in New Zealand became anything but, due to the aftermath of the stock market crash and its effect on the economy. After two years in Treasury she moved into the Prime Minister’s department, working for not one but three prime ministers – Sir Geoffrey Palmer, Mike Moore ONZ and Jim Bolger ONZ.

On top of that, she gave birth to her first daughter Nicole while with the department – fittingly in 1991: the year of the ‘Mother of all Budgets’.

“It was a crazy time in many ways,” she says. “The Prime Minister’s department would bring the papers to me at home, I would write advice notes and, usually around 2 o’clock in the morning, I’d send them back with a driver to the department.”

“It was a crazy time. The Prime Minister’s department would bring the papers to me at home and, around 2am I’d send them back.”

Dame Paula Rebstock

Her early years in New Zealand created a level of resilience Dame Paula needed to draw upon time and again in the next step of her career, when the failure of two power cables on Quay Street in downtown Auckland in February 1998 took her on a different path.

EVEN THE PLAYING FIELD

Despite having no background in the electricity sector, Dame Paula was asked to be the writer and analyst for the Auckland Power Supply Failure Inquiry. This led to a door opening at the Commerce Commission, which she joined in 1998, starting out as an assistant commissioner and eventually moving to chair, over an 11-year period when the organisation ramped up its role in the marketplace.

“It was pretty tough going. What was standard practice in other countries was fought tooth and nail here. We looked at key sectors across the board, including telecommunications, electricity, gas, and airports, seeking to bring more balance to these regimes. Fortunately, there was quite a bit of public support around our work too, because prices were high compared to offshore and consumers increasingly wanted more choice and innovation.”

Bringing an international lens to New Zealand markets, along with a willingness to ask uncomfortable questions, she was the perfect person to take the helm at a time when the commission came of age in many ways, testing long held assumptions about the level of competition or lack thereof in New Zealand markets. A case in point was the push to introduce a leniency policy to allow immunity for people who report cartels.

“I remember one of the competition lawyers of a large firm said to me the day before we released the leniency policy that we didn’t have cartels in this country. I said ‘well I guess we’re about to find out, we’ll test that’. The day we announced the leniency policy, when I got to the office at 8 o’clock I had two applications on my desk. Of course we did have cartels: we had quite a few of them, but again, that was a pretty difficult conversation we had with the business community.”

STAY TRUE TO YOUR CONVICTIONS

Dealing with resistance and being brave enough to challenge outdated views with new evidence is a consistent theme throughout Dame Paula’s working life. Fran O’Sullivan once referred to her saying “it would be easy to be beguiled by her soft-spoken manner. But her core is steel.”

One such decision that tested her resolve during a pivotal time at the Commission was with the proposed merger between Qantas and Air New Zealand.

“It was a split decision, and we really came under a lot of pressure and a lot of criticism. The most bizarre thing about that proposed merger was that the purported net benefits to New Zealand were only positive because after the merger New Zealanders wouldn’t be able to afford overseas travel and



“Each and every decision you make should be about staying true to where you need to go rather than where you have been.”

Dame Paula Rebstock

would have to holiday at home, increasing domestic tourism. Consumers potentially faced higher prices and less choice. At the time Air New Zealand was convinced that they couldn't survive as an international carrier – yet look at them today.”

Such decisions didn't come without a fair share of publicity, making it tough for her children to see photos of their mother in the business section of the media. However, as Dame Paula explains, what kept her focused was a fundamental belief that what they were doing was in the interest of growing the New Zealand economy, improving prosperity and ensuring consumers got the benefit that competition brings.

“While we are a small and open economy, we are far enough away that we don't have as much downwards pressure on prices as other countries. The consumers pay a high price for that, so competition and consumer law should be more important in this country not less, and yet it was utilised less here than in most other countries. As an economist, I felt that really needed to change.”

AGENT OF CHANGE

The notion of staying true to your agenda in the face of resistance to change is one that has carried over from Dame Paula's years at the Commission into her more recent governance roles with ACC and KiwiRail.

Implementing change has become a mainstay across governance roles. At ACC in the last three to four years there has been over \$2 billion in levy reductions, and at the same time reinvestment in new technology and a customer centred business model has taken place.

To achieve successful transformations like these, she says while getting strategy right is critical, it is relentless dedication to the implementation that is the true definition of success.

“When you set out to transform these businesses, they have an incredible ability to recreate themselves in their past form. It doesn't matter whether it's a government-owned business, publicly listed company or privately held company. You have to really understand that each and every decision you make down the implementation path should be about staying true to where you need to go rather than where you have been.”

BUSINESS MUST BE A FORCE FOR GOOD

One of her most fulfilling achievements in her governance career, according to Dame Paula, is her involvement in recent years with the strategy on early up-front social investment and prevention to improve well-being, particularly for children in care. She lent not only her considerable experience in implementation of change but also her understanding of economic principles.

“This notion of looking at the full lifetime costs and benefits of investing early to change outcomes is premised on some fundamental economic principles, but previously we didn't appreciate that. Instead we took a one-year fiscal view, because that's how our government funding traditionally worked, on a one-year basis. Well, that doesn't work.”

It's this fusion of economic principle and social outcomes that in a way sums up her career to date. From her time with the Commerce Commission to her governance roles, the sentiment underpinning it all is to create a more efficient, high performing economy that benefits the population at large.

“Market economies are at risk if the wider population doesn't share in the gains from them. That puts those institutions at risk and I think business leaders are beginning to understand that.

“The days when we said business is business and nothing else I think are gone, because if we want to be able to grow prosperous businesses we must be part of a prosperous community. Business has a part to play and has an interest in ensuring there is a sharing of the gains.

“Ultimately businesses need themselves to reflect the consumers they serve.”

“Economies are at risk if the wider population doesn't share in the gains. Businesses need to reflect the consumers they serve.”

Dame Paula Rebstock

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