



Take on Board

Transcript – Helga Svendsen

AICD Australian Governance Summit 2020 recap with Helga

Helga Svendsen

This week, I'm doing something a little bit different. On the 2nd and 3rd March 2020, I attended the Australian Institute of Company Directors governance summit. So I thought I'd take you through a bit of what I heard peppered with some of my own thoughts on topics that were raised. You might also want to have a look at my Twitter feed from this period, as I live tweeted most of the sessions that I attended, it was a jam packed two days. So this is just a bit of a summary and there's more detail in Twitter. Firstly, the conference opening, so it was really great to see Auntie Weldon's welcome to country. And I thought that this was a really important acknowledgement for a governance conference to acknowledge our First Nations people who govern these lands for so many centuries before white man arrived. Stand grant emcee the event, and he noted that we don't just need to acknowledge our First Nations people we need to respect and he asked us to reflect on with our boys. represented First Nations people and their values. The first session was really a welcome to the conference by the chair and the CEO of the Australian Institute of company directors John Aitken and Angus Armour.

They touched on a number of issues from regulation to bushfires to Covid-19, low trust in companies low trust in capitalism, low trust in governments and also on the climate. Let me take you through some of the points that were made. They noted that the theme of the conference was inverted commas a new line of sight, and they spoke of a sense of determination to stem the tide of governance failures, and have a forward agenda to lift practice standards. They noted that the aim is for a balance of regulation with risk and entrepreneurship. For my part, this theme about regulation seemed to pop up regularly at the conference. And indeed it also pops up quite a bit in AICD communication It seems to me that the view of the AICD is that we are over regulated, although they're pretty careful not to put it quite that bluntly. Again, for my part, I think this is a courageous call when we're not, you know, we're not that far out of our Financial Services Royal Commission, that has had as one of its key findings, that directors and companies needed to obey the law. It's a pretty low bar. So to be concerned about over regulation, again, my interpretation of the ICD position is, well, I think a little courageous. Anyway, the chair and the CEO then noted that we have immediate challenges from the devastating bushfires over the Australian summer and now covered 19. other challenges that they touched on was about how trust in companies is at pretty much an all time low. Indeed, trust in capitalism as an economic system is Also at a low, which I will confess I was a little surprised to hear. And inequality is rising and is challenging our economy. I thought it was interesting and positive that these things were noted by the ICD.

They also talked about technology and how it was an issue for boards and one that needs to be grappled with. They talked about the immense benefits that technology can bring yet the community is concerned about fairness and about privacy and about quality. And at the pace of

change with technology is often moving faster than the social views of those that use or asked to use that technology. They noted the climate is an issue and a polarised one. And their view was that to move forward requires bilateral leadership that we are yet to see and that we can't ignore our longer, hotter, drier summers. We also need to acknowledge the human need for security. And they noted that our challenge is to lead a discussion in this generation to lead prosperity for future generations. That is in the interest. Of all stakeholders.

My view is that this was an improvement on the governance update that was held late last year where the view from the chair of that event seemed to be that climate change is a metaphor the future rather than the here and now and something that we can just worry about later. And whilst I understand that the Australian Institute of company directors is well, abroad church, my personal view is that we can't just wait for bilateral leadership at the federal government level. boards can be part of that leadership. And if the government isn't going to step up, then surely companies can. I agree that ideally, bilateral leadership on this issue would be better. But in the absence of it, I don't think boards can just say, Oh, well, we'll wait. And to be clear, I don't think that's entirely what the AICD was suggesting. They then reflected on the balancing of current and future interests and have boards need a clear sense of purpose and how the company provides value for this to happen and how we also need to work out how create value, as well as keeping in mind the impact of the organisation on stakeholders, both positive and negative, and both short and long term. So there's lots to balance up here. We need to strive to create forums to bring out stakeholders together so they can understand the organisation. And we can work together in challenges and look beyond debate and seek solutions. In this, I couldn't agree more. Although I don't see many examples of boards leading this in practice. If you've got one, I would love to hear about it. And I'll try to get someone from that organisation on the pod to share it.

Finally, they talked about having a non executive director is a privilege and that we as board members need to rebuild trust rather than just commanding respect. We need to work with humility to develop solutions for our society. Our actions now is to confront the fundamental changes in our society and in our economy. So all in all, it wasn't a bad start to conference touching on themes around equality, respect, climate change and involving stakeholders and increasing trust. So good start. The next session focused on boards of 2030. So the boards of the future, it was a panel. So Jennifer Hewitt from the Australian Financial Review moderated the event. And the panel involved Sharon Warburton, who's the Deputy Chair of Fortescue metals. Ben heap, the executive Chair of h2 ventures, Dr. Megan Clark and advisory board member of Bank of America and Graeme Liebelt from ANZ banking group, Amcor, AFIC. Sharon Warburton touched on data, big data, global data and how we access data as one of the things that boards of the 2030 will need to deal with. And she noted how social change has changed culture and politics and likewise has the potential to change companies. She also noted now that we have so much data Part of the challenge for boards and for organisations is working out what we need and what we should just discard. She encouraged board members to actively take control of the board agenda and to challenge ourselves in the boardroom and on committees, not to get caught up in all of the complexities and only dealing with complexities but to really focus on the future. Graeme Liebelt noted that we are going to be challenged by an environment including increased connectedness which creates lots of good things, and also lots of risk terrorism viruses of both types which we are dealing with at the moment. They can be transmitted really quickly. He's optimistic about the preparedness of Australia to deal with these things. He also touched on regulation, any worries there might be too much time spent on

compliance and on regulation. He noted that the AICD a data study that shows there's quite a bit of regulation in Australia and that the cumulative effect is to add complexity to business. Although he did note that regulators are trying to prove they are inverted commas, the good cops on the beat, because they've been subject to criticism, and that the additional scrutiny and information required was all very time consuming for organisations. He noted that the flip side of regulation is responsibility. And on this, I totally agree with him.

My view is that board members need to take a little more responsibility if we expect a lightning of the load in terms of regulation. He also noted that risk taking in the boardroom is being well discounted. He talked about there being no reward for non executive directors to take risk, although there are rewards for management. I think he was probably talking about remuneration here. And he did note that those incentives for management need to be balanced as there are some tensions there as was touched on by the Financial Services Royal Commission. I confess I'm not quite sure that I agree. There's no one since for board members to take risk, particularly if he's talking about the incentive being one in terms of remuneration, whilst board members remuneration per se might not provide an incentive, as I understand it, while I'm not on corporate boards, my understanding is that there's an expectation that board members are invested in the company as in financially invested in the company. And that means they could well be rewards. And just like we need to think about the correlation of remuneration to behavior for our executives, I think that means we also need to do likewise for board members as well.

He also talked about artificial intelligence and cybersecurity and knowing that we need to work through some of those ethical issues around artificial intelligence and for cyber security, I guess. And these are my words, not his he really had to be alert but not alarmed approach to it. We need to be prepared. And some of that might be just some of the simple things making sure staff are aware of cybersecurity and how it might enter an organisation and doing some of the really simple things like just making sure your security patches are updated. He talked about cyber breaches are going to occur and we just need to do all we can, in some of the simplest ways to stop it, then know how to manage it once it does happen. So Ben Heap noted that boards will need to be able to communicate their vision to stakeholders, and he noted that not for profit organisations often do this much better than the corporate world. And there might be some lessons for the corporate sector to learn here from the not for profit world. He also noted that a broader theme around the discussion of balancing the longer term and the shorter term view and there was a real emphasis on this during the conversation of the whole conference. And he talked about the challenges of longer term thinking when often reporting is monthly or quarterly or annually, and how we need to think about that long term, which also means we might need to rethink how we receive information and we're ports. Ben also talked about the softer skills being imperatives, and that people as he said, it matters a hell of a lot in business.

So boards need to create an environment where we get the best out of our people. Megan Clark talked about investing and wanting more ESG that is environmental, social and governance to transition to a low carbon future. She said customers are changing and customers are demanding change. This was also backed up by Sharon Warburton, who noted that ESG is a core part of her role as a director and that she needs to understand the investor perspective and have a much deeper perspective of on the science. She also noted the recent royal commissions and decreasing trust and that there needs to be more of a focus on boards, building that trust and working with stakeholders

and really working with organisations to build that trust again in the long term. Megan also provided one of my key takeaways So the conference and it was one of those things that was so simple yet I think could be a really useful thing for organisations. She said that it CSL where she is on the board. And I should say that's CSL not the one that I used to be the chair of the Center for sustainability leadership, but her see yourself. And she said they have an innovation committee as a subcommittee of the board, and that this committee often leads the thinking of the organisation for their long term future. arcanist is a great idea.

Often our committees of boards aren't sometimes focused on compliance and the day to day stuff and not necessarily that long term future. And I think having an innovation committee in lots of organisations is a really great idea. Megan also talked about diversity on boards, and she noted that at the space agency where she is there were 5050 from the get go. And this really helped to normalise the gender piece. She also talked about diversity being brought up than just gender and that it might be include things like looking at network diversity. So there is some breadth of use that are coming to the boardroom table. She was pretty clear. We need broader diversity. And there's a sophisticated discussion required about what true diversity really means. In question time, they talked about finding the right CEO and head boards need to make that a judgment call. There's not one process that fits all. And if a board gets it wrong, they need to recognise that and go back and make the right decision.

They also talked about the tenure for CEOs. And there was a bit of a view that the average tenure for CEO is 4.5 years, and that might be a little bit too short. But by the same token, some hang around for 10 years or more, and there was a bit of a view that that might be too long. So it's a delicate balance for boards. Many of the speakers over the two days noted that this as in engaging the right CEO is the most important thing that boards can do. They have to get it right Have to get it right with the CEO. And another person noted that getting the right talent in that role is the difference between success and failure for many organisations. The last thing they touched on in this panel was about skills for the future. And in particular, they talked about digital skills being a difficult gap to fill at the moment.

They also talked about boards having sector experience, and an ability to see future challenges and a view of the regulatory environment. They also talked about diversity and diversity having a number of guises, I guess, but looking at the technology side, that may be having a bit more age diversity in younger people on boards would be one way to capture that native digital experience in the boardroom. The next panel was on future ready economies. And I'm just going to give you a few highlights here. The rest is in my Twitter feed. So the panel here was Ray Fleming from enterprise Ireland. Hope I'm getting this right Eitan Bienstock from Techbench Capital in Israel. Brigid O'Brien from IQT International Australia, Dara from stone and talks. Some of the things they talked about were boards of global companies needing to understand how to modify business models to be both global and local in each of their key countries. They talked about the challenge of shareholders versus stakeholders, and how that sometimes about the short term versus long term benefit, again, that theme of short term versus long term, and that the long term benefit is one that really needs to incorporate inclusion and the environment. There was an example raised around MasterCard, and how the board there in a practical sense does two or three deep dives into strategy at every board meeting.

My view is that seems quite a bit, but that might not be a bad thing. And they talked about the board at MasterCard being a really key part of the transformation of MasterCard from inverted commas. Just a credit card company to a technology company. One of the quotes from the panel that stood out for me was when you use energy, you have less of it. When you use knowledge, you have more of it. I can't remember who said it, but I thought it was a great quote. And enterprise Ireland, they talked about how in 2012 unemployment in Ireland was 16%, and how that bankrupted many in the middle class, and created a housing crisis. Now, unemployment is just less than 5%. And 17% of the workforce in Ireland is born outside of Ireland in the 1970s. That was virtually zero. I talked about how Ireland is now a real cultural melting pot and how they encourage not just workers from other countries to come to Ireland, but they also really actively encourage Irish workers to be the Diaspora elsewhere. Mixed session. I told you, there was a lot on that. So the next session was about the workforce of the future and it featured Produce from faith and I think it is Al Rhonda Brighton-Hall from making the world absolutely human and Melinda Salento from Sita, a few of the points that were raised.

Firstly, when we think about the future of work, it might actually be the worst term possible that we could use. If we talk about the evolution of work, it helps us to think about what we need to do with work in the here and now rather than at some time in the future. Secondly, ask your organisation or mapping your organisation around three questions. Who energises people at work? Who do you go to for help and advice? And who do you go to for decisions to be made? If you met these who are the decision makers who are the energisers who are the connectors? Often the executive of an organisation will name themselves but if you go beyond that, often the workers will not so it's good to know where those people are, where your decision makers were. energisers where he connectors, map it out and see what you find. Thirdly, look beyond inclusion and towards belonging. Fourthly, what's the best thing that boards can do? ask good questions. Where does this company sit in relation to others? What is this information telling me? What information do we need? How can we get rid of half of this information in terms of culture so we can really focus on the things that are important. Engagement, diversity recruitment pipeline, they're all connected. And it was suggested that we do a deep dive on culture. And one of the boards mentioned they had a five hour discussion around culture because it's such a fertile and important area. fifthly socio economic diversity is an issue in the workforce and in the boardroom. And it was noted that those organisations that require board members to have shares in the company might need to think about the impact that this might be having on diversity and in particular, socio economic diversity in the boardroom. So this was followed by a session on diversity. It featured Ming long, who's the chair of ANP capital funds management. James Pacino, the chair of manufacturing Australia, Peter Varghese AO, the Chancellor of the University of Queensland, and Nicola Wakefield Evans, who's also a board member. Some of the key points. Firstly, the incredible value of diversity in decision making.

I've talked about that before there is ample evidence that diversity leads to stronger decision making. And of course, the boardroom is no different. And they talked about diversity being a range of things, gender, culture, and all sorts of things. Ming Long was interesting in this conversation, and she noted that our country that Australia has been built on exclusion, and that basis still exists for our country. She noted this means that she won't be accepted as part of them. Unless she is like them. And that she felt or more than she felt she kind of acted on that this need to speak 'Aussie' for

her to be trusted. She felt that once she blended in, I guess, once she was part of that once she was accepted, she could then use her influence for change. Nicole noted that she's been the only woman on the board before and that she noted that when you add more diverse voices to the boardroom, it makes a real difference. The panel talked about diversity and merit the old merit argument and how that doesn't need to be attention. There is merit in diversity. And last but not least, there was a conversation about the German model of bringing workers and the workers voice directly into the boardroom and representation at the board table.

It was noted that this might have some merit, although it would probably need for some structural changes to happen. So that was the last panel. I attended. On day one, at the end of the day, there was also a hypothetical, which was essentially a setup about an aged care organisation, and some financial challenges they were having. And the conversations in the boardroom around that which you know, ethics, customer care, financial services, sustainability, and so on. So that's a wrap of day one. But hold on, we have all of day two to go. So day two started with Michelle Hutton. And she was talking about the Edelman trust barometer, which is fascinating. So Google it up and have a bit of a look. But some of the highlights there was that essentially, Australia has the highest trust gap. That is the gap between trust from those that are considered informed versus trust from those that are considered to be the masses. So it's been the highest since the survey started. And once this narrowed a bit over summer, that was only because the informed set had less trust. There are some really great soft slides in my Twitter feed about this if you want to know more or just have a look at their latest report, essentially trust is a little low. And boards need to know this because it means organisations and corporate Australia is not trusted. boards need to take this into consideration in their decision making and their engagement within heard from Belinda Hutchinson, who's on the board of Qantas, and the Chancellor of the University of Sydney, and she was talking about Covid-19.

So she noted Firstly, that if a board hasn't already taken steps, you're already in trouble. You should already have a governance systems risk in place delegations in system of financial shock plan, a contingency plan, a crisis management plan. And across his management team, she noted that things are going to get worse before they get better. And of course, this was already a couple of weeks ago, and we know that things have already got worse. In fact, the conference wouldn't be held if it was this week, because there are now Are all sorts of measures in place to slow down the spread of Covid-19. And one of those measures is the prevention of any public gathering of more than 500 people. So the conference was this week it wouldn't be happening. Thirdly, she talked about being as transparent as you can in your engagement and in your communications. At the University of Sydney, they send daily updates to students who are on Mainland China. And with staff It was also daily, although now they've moved to weekly. Having said that, that was a few weeks ago and they may well have moved back to daily given the way covert 19 is really spreading in the Australian community now. She said we need to communicate empathetically and to engage people. We can't just expect to write it out. So I just wanted to outline some of the things that boards are doing. This is not so much what the organisation's are doing but the boards themselves. So many of the boards that I know we're moving meetings to online rather than face to face, and some boards are cancelling the committee meeting. For a period to allow the executive team to focus on the crisis, obviously, many are looking to work from home for as many staff as possible, as well as looking at travel locally or internationally that can be cancelled.

Having said that, and I'm also hearing from many as Belinda touched on the crisis management plans are being implemented reasonably effectively. For a particular given. It's a crisis that no one can really predict. I'm hoping that next week's podcast will focus on this I'm going to get somebody to talk about risk and Covid-19 and what that means for boards so we'll do a bit of a deeper dive into it next week. In the meantime, I would love to hear what your boards are doing. And there's links in the show notes to get in touch to let me know or join the Facebook group where the conversation around this topic has already started. The next session was around lifting the bar boards response to royal commissions and the panel had people from aged care from the financial services sector, the two key themes from this panel were really around focusing on culture and listening to the customer. Some of the points included lessons on lifting the bar, about leadership, about people about values and about purpose, and how to boards behave and have a clear line of sight. So we know the heartbeat and the pulse of an organisation. Secondly, that royal commissions have led boards to rethink some of their usual practices, which is probably a good thing. Thirdly, that in thinking about cultural engagement, the boards need to really get beyond engagement surveys and inter culture.

We need to empower our workforces, as they are our greatest asset, particularly in the care industries, as board members, whilst we shouldn't interfere with management, we should also be seeing firsthand if possible, how customers are treated. And we can do that by visiting whatever service you're on the board of, whether it be a bank or an agent. Service, you want to feel the pulse. And if you made a whole lot of grumpy residents or a whole lot of grumpy customers, then you can feed that back to the board. It was also encouraged to look at complaints and compliments in board meetings, maybe listen to recordings of customer interactions, or find other ways to bring the voice of the customer into the boardroom, as well as going out to customers and consumers to. And this is something I've spoken about before and heard from a number of people that bringing that voice of the customer or the consumer into the boardroom is vital. The next session was a regulatory update, and I've tweeted photos of all of the slides there. So I'm not going to go through it all. Now if you want to have a look at the regulatory updates, swing on over to the take on board twitter feed and have a look at the photos there. I then attended a breakout session about shifting culture in an established organisation. And again, I'm not going to go through all of it have a look at my Twitter, but some of the points included Firstly, transformation occur When the board sets the desired cultural attributes and hires the right people, and holds them to account, boards can't be there every day.

So you need to have the right people in place to make it happen. Secondly, he was pointed out that if aspirational values of an organisation are presented as the current values of an organisation that can really create a bit of dissonance in the organisation and frustration, so be clear on what the current values are, and what the aspirational values are that you're seeking. Thirdly, culture can go wrong. And when you try to overlay a new culture without changing systems and processes, it can really well not lead to good outcomes. For example, you might want to cultural one organisation but you've got a whole host of different systems for everything. That's going to create a dissonance. So make sure there is consistency in the culture you are trying to implement and the systems and processes that you have in place. It was also suggested to do a mini review at the end of a board meeting about what went well and what could be done differently. This is not only useful for an effective board, and effective board feedback, but it encourages reflection. So they really encouraged us, encouraged us to do that at every board meeting rather than waiting for a board

evaluation. And the final session will at least the final session I can talk about because the last ones were in camera was one about dealing with climate risks and understanding community expectations. I was really pleased here to see a speaker who was incredibly clear about the science. We're at a tipping point in the future. We can't say we didn't know because the evidence is absolutely overwhelming. In terms of the science, the climate change is human induced. And the bushfire season in Australia has meant that many are more accepting of the science than they were ever before. So this was a much stronger view of science. It change that I'd heard in some of the earlier sessions. So it was a shame in some ways that it was a breakout session.

But at least it was that strong view. And whilst the moderator of this session really said, you know, there are a range of views and we want to hear from a range of views, the scientist on the panel was very clear. Other points in this session were that there are some opportunities of the new technologies that are coming through and you know, some very compelling renewable energy and new business models. Thirdly, that climate change is an opportunity for boards to look at how they use this challenge to strengthen relationships with stakeholders. Fourthly, there was a discussion about how business can work with the community to deal with climate change, and how this might help to get a change of direction at the federal government level. Again, harks back to that opening session about the official view, I guess being that there needs to be a unity of views at the federal government level, but my view which was supported in this session is that the companies and the community can do things about this and can hopefully lead a bit of change, even if the federal government in Australia is not going to lead change on climate change. And there was also a view that most boards think about long term sustainability. However, there is pressure around this when investment is required.

Now, as I mentioned, just briefly, a moment ago, the conference finished with two in camera sessions, so I'm not going to talk about them here. There was a really handy governance summit 2020 reader with all sorts of useful information and articles. So that's online, so I'll put a link to it in the show notes. It's a really handy thing to have a look at. So that ladies and gentlemen is a rep of both the conference and almost this podcast. It was a really interesting couple of days and I'm really glad I went along to it. Maybe next year when I go it'd be great to catch up with a couple other take onboard listeners while I'm there. Now speaking of catching up to take onboard listeners, I would have to say while the conference was really interesting, and I learned a lot, the absolute highlight of my trip to Sydney for this conference was the catch up with take onboard listeners on the first evening is a photo on LinkedIn or in the Facebook group, an absolutely fabulous group of women. So thank you, in particular to Patricia for helping me to organize it, and to Peter, Sally, Alex, Katrina and Jackie for coming along. And to those I know that wanted to be there, but couldn't, let's make sure we catch up next time.

Last but not least, the spread of Kovac 19 has been really quick, and I'm sure it's causing at least some anxiety in many of you. Stay across the government health information in whatever country you're in. And please don't ignore the measures that are in place to slow the spread of this virus. Wash your hands, avoid large public gatherings, self isolate if you have any flu symptoms, and most importantly, look after your work and board colleagues, look after your organisation's look after your friends and family, and most importantly, look after yourself. Thanks, everyone. That's a wrap for this week and I look forward to talking to you again next week.