



Take on Board

Transcript – Rachel Watson

Helga Svendsen 0:00

Today on the Take On Board Podcast, I'm speaking with Rachel Watson about diversity on boards. First, let me tell you about Rachel. Rachel is the CEO of Pacific Hydro and the chair of the Clean Energy Council. Prior to joining Pacific Hydro, Rachel worked as an in house counsel in Sydney and Melbourne for Oracle Limited and spent three years in Japan working for a major turbine supplier. She has over 20 years experience in major transactions and leading teams in a wide range of business functions. Aside from her current board roles with Pacific Hydro and the Clean Energy Council, Rachel was also formerly on the boards of Uniting Care Kildonan and MS Base limited. Welcome to the Take On Board Podcast. Rachel,

Rachel Watson 0:44

Thanks very much for having me Helga.

Helga Svendsen 0:46

So good to have you here. In fact, I should, in welcoming you here, do a little shout out to the wonderful Caroline Cody who introduced us a number of years ago, knowing that we would get along on all things governance, and she was absolutely right. So thank you, Caroline, for bringing us together. So Rachel, before we really explore diversity on boards, I would love to just start with digging a little bit deeper about you. Tell me what was young Rachel like, and when did you get your first inkling that you might end up as a board director?

Rachel Watson 1:18

Well, you're probably talking about two different parts of my life here because I wouldn't say I was still young, when I first might have had that first inkling. Young Rachel was probably quite serious bit of a girly SWAT. I'm a lawyer by background so do the hard yards to get a law degree and get into a top tier firm to do my articles and, but in that process, I discovered that what actually fascinated me more about legal practice was what was going on on the business side what was going on in the clients business. And so the first opportunity I had to go out on the continent, and go and work as an in house counsel in a in a big company. I jumped at it and I have to I'd found out why I had studied law in the first place. I thought this is it. This is what I've done this for it so I can do this. So then when the opportunity came to go and work at ARCA, I absolutely looked at it and had a blast doing that. So that's what gave me an interest in the business side, the commercial sort of aspect of being

a lawyer. But I did not entertain any visions of being on a board. At that stage of my career, I was destined in my wildest dreams to become the General Counsel of a medium to large sized organisation. And I can tell you now Helga, I didn't fulfill that dream. So there we go.

So I think I only I started to think about board stuff as something that grew out of my role as company secretary because this happens to a lot of in house lawyers, you're one of the natural picks to sort of become the company secretary. And I was lucky to do the AICD course. And I really only got a chance to do that when I did. through sheer coincidence, in that we had booked a spot on an AICD course for one of my colleagues in Chile to come over and do because we were trying to lift the standard and understanding of governance in our Chile business. And at the last minute, he couldn't come and the AICD wouldn't refund the cost, but they would allow us to substitute someone else in who was prepared to sit down and do the reading in a very short space of time before the course started. So my boss at the time came to me and said, Hey, would you like to do this? Because this opportunities just arisen, and I just went, yes, I absolutely would like to do it. And then literally about a month after that, after doing that course, I was having dinner with some friends. And they turned to me and said, What are you You've been up to you've been really busy lately, we've hardly seen you. And I said, I've been doing the company directors course at the AICD. And this friend said to me, Oh, that's awesome. Do you want to join my board? So it kind of just literally just took off from there. And that was that was the then chairman of Mr. Space who asked me that question. So that's how I got my first board position.

Helga Svendsen 4:23

Right? So it's just a testament to being in the right place at the right time,

Rachel Watson 4:28

Saying yes to things so I had to say yes to that opportunity to take up the challenge it those of you who've done the company directors course you get to fat folders of material that is very dense and quite technical, and you have to absorb it quickly. So I had to say yes to that, and then not absolutely lose my nerve when someone then turned around and literally the ink wasn't even dry on my company directors certificate and go, Okay, I'll join a board straight off the back of this. Why not?

Helga Svendsen 4:59

Let's put it into practice, which is actually a great way of doing it in a way because you get a theory and then straight into putting it into practice. Before we launch into the conversation, maybe could you just give us a quick summary of what pack hydro does? And indeed the Clean Energy Council, the two boards that you're on just so people know what we're talking about?

Rachel Watson 5:18

Yes. So Pacific Hydro, which a lot of people call Pack RJ has been in the Australian market for about 25 years and we develop, own and operate renewable energy projects, so largely wind farms, but recently also our first solar farm and as our name suggests, hydro electric assets as well. But our biggest asset portfolio is still around wind and we're probably best known as a wind farm company. We were listed in the Australian market for a little while and but for the last 14 years, we've been owned privately first by industry super funds through industry funds management, and then they sold the business in early 2016, two state power Investment Corporation, which is a very large Chinese energy company with a big interest in renewables and clean energy, so that's Pacific hydro. And then the Clean Energy Council is the industry peak body that represents the renewable energy industry. It's got a very large membership base, more than 800 companies belong to the Clean Energy Council or the CEC. It's a board that is appointed. The directors come from member organizations, you need to be an employee of a member company to sit on the board, which is a typical governance structure for industry bodies, and then the board appoints a deputy chair and a chair. I've been the chair for, I think, three and a half years now.

Helga Svendsen 6:49

We are definitely going to talk about diversity on boards in a moment, but just because you've just mentioned being the chair of the board, so you've been the chair for three and a half years or so. What are some of the things you've learned? about being a good chair.

Rachel Watson 7:02

It's not as easy as it looks. What have I learned? Oh, wow, that's a really good question. I've learned the importance of actually taking the time to solicit everyone's views on the board. So something that shifted things for me was I didn't do this at the beginning. But after a little while, I started doing it, which was to call every director the day or two before the board meetings, and just say, what are the things in the agenda for this week that you particularly want to make sure we talk about? What are any issues you've got? Is there anything we always do an in camera discussion as well without management at the start of every meeting, so finding out ahead of time, what people want to discuss in the in camera session, because it's quite difficult to chair a discussion if you don't know what the discussion is going to be about. So that's just Very practical things that I learned. And I don't get to speak to everyone ahead of time. Everyone's really busy. And often I just leave them a voicemail and they'll drop me a voicemail back saying, yep, all good, nothing particular to talk about. But if someone has got a burning issue, I find it really helpful as the chair to know that before I walk into the room, otherwise, you can be blindsided by someone who's really wound up about something and wants to get it off their chest. And they might not do that in the most appropriate moment in a board meeting or in the most appropriate way. So that's been something I'm definitely doing in any kind of board context that I'm in. It's an unusual board because of those criteria that I mentioned before around needing to be a representative from a member. So we're always losing directors. If someone leaves their job, they automatically come off the board. And so we've got a

constant turnover of Directors and then we're only on for two year term, and half the board gets reelected every year. So every year there are elections and potentially you get new directors elected on. So it's a very dynamic board and when we now describe ourselves as a learning board, because I think that helps us to own the fact that it's okay to ask questions, and we're all learning. And it also helps management to understand why we're asking all those questions. But it also helps new board members come in and not feel like they're dealing with a whole bunch of people who already know everything. All of us are a Learning Board. So I've found that phrase has helped me sort of frame things up for those three groups of people but the the the old directors, the new directors and management, and just to say this, this is and I think every board is probably a Learning Board, but to call ourselves that has helped us to all go Ah, okay. That's why management of feeling calm. By all these questions, and that enables new directors to go well, for all learning, then I'm just going to get up to speed. And by learning this and ask these questions, I think you're absolutely right.

Helga Svendsen 10:11

It's something that lots of boards could or should aspire to is being a Learning Board. You know, that is one of the key things for boards to do is to ask those questions. So if you feel like you know, all of the answers already, then you know, how you adding some of the value to that that conversation. So it's a great thing to do. And I'm also wondering, you know, with the way Clean Energy Council being a national board, Pacific hydro being an international organisation, we're recording this on the ninth of June. So a lot of boards are getting used to running virtual board meetings through video conversations, much like the one that we're using right now to have this conversation. So I'm guessing this is a type of board meeting that you're pretty well used to running so I'm just wondering what your advice is to people in getting used to what or what your reflections are have been around running board meetings via video platforms.

Rachel Watson 10:58

We would run in board meetings by video conference with Chile and Brazil for years. And then we were bought by Chinese owners and we had to add in a third country, and translation and time for interpretation in board meetings and dodgy connections, you know, in all corners of the world and the challenges of time zones, because trying to get a time that suits all countries is or is impossible. Someone's always hanging on late at night, or having to get up really early in the morning. And so everyone's got different energy levels, as well. So it took us quite a long time to get into the swing of it. So I think the first piece of advice I would give to people is just be patient. You will only learn how it works for you by doing it and doing it again and doing it again, and not giving up after the first one because the first one will be hard. And if it's not happening, that's really lucky and that's great. You will just battle technical glitches To share slides, trying to show video, all of that stuff is, is hard people who break up on the line all the stuff we're used to now. And it feels more heightened in a board meeting because it feels more serious and more important. So we've we've had to practice a lot of patience over the years. What I've noticed, particularly with the Pacific hydro board, I don't chair that obviously, I'm CEO, so I sit in as an executive director, but we've become accustomed to the way the chairman likes to run the meeting. And so we kind of have learned to expect when we

will be called upon to speak, and he's quite good at actually calling on people to speak. I found this a lot, even just with running management meetings, via video conference, because that's the change for us. Because you can't read the room you can't see necessarily if you've got more than a few people on on the line. You won't necessarily see all their faces on your screen. And now some demo will be tiny and he can't pick up the cues. So actually checking in and calling on people and saying, Is there anything you'd like to say, is a really important technique I think to use, especially in the video conference world,

Helga Svendsen 13:10

I found for some of my board meetings now that we're meeting via video that I find it in some of the things, not all of the things, but some of the things are better, you know, being able to going around the room and calling on people. Yes, you do that sometimes when you're face to face, but I think you'd probably rely more on the visual cues of everyone around the table and you might miss things. They're being able to see everybody's faces. So if I was sitting next to somebody at a board table, I can't see their face whereas on video I can see their face. So there's it's been interesting. I'm not sure it's a better or worse, it is just different and playing with it maybe being a Learning Board around using the technology as well.

Rachel Watson 13:46

Yeah, well, it's interesting because in the CC board, we would have usually had some a mixture of people on the phone so not on video, but on the phone, and then people in a room and I think that is worse than having Everybody on video. So if you're all in the room, that's awesome. And that's a different dynamic. Although the tendency is to that you can end up with people splitting off and having separate conversations, which they really can't do on VC on a video call. But if there's a mixture of people in the room and people on the phone, the people on the phone tend to get forgotten. And because their cameras not on them, they could be doing any old thing. Yeah, honest attempt. I know the temptation is strong to get distracted by whatever if you think no one's looking at you. So in both Pacific Hydro MVCC, we've actually had a couple of really effective board meetings with everybody on video conference.

Helga Svendsen 14:40

Thank you. I think there'll be some really useful tips in there, both around chairing meetings, but also around running meetings via video. So now let's finally turn to the topic of today. So diversity and diversity on boards and fit for boards and so on. So we often talk about diversity here. It takes on I'm bored, but tell me what, what does it mean to you? And how does it show up in the boardroom?

Rachel Watson 15:05

You know, diversity is a real challenge because a comfortable space is normally hanging out with people like us. And if that means people who follow AFL, or people who are the same gender as us, or identify the same gender as us, or people with the same kind of educational background, like they're all engineers, or they're all lawyers or something, but there's a real mentality around humans to be attracted to people like you. I often get asked the question, if I found it really challenging, coming up through the ranks of a very typically male dominated kind of industry, because you know, Pacific Hydro, we're into heavy engineering, we're building these massive energy projects, and then we're operating them. And my answer to that is no, I find it more challenging being a born and bred Melburnian and actually not being passionate about AFL. But it's a bigger handicap as from my perspective. So diversity, I think is a challenge because it's something that you have to consciously seek out. It's not what we are wired to seek out. So owning that challenge and taking it on as a challenge, I think is one of the most important things. And then diversity is not just about gender, gender identification. One of the biggest challenges I think we face is cognitive diversity. So people who just think differently, and you know who they are, when you come across someone who doesn't think like you, they approach a topic from a bizarre angle, they asked funny questions, they don't seem to focus on the same detail you might do. I mean, I've maybe through my legal training, or maybe it was a natural inclination, I can be quite detail focused. Some people don't care at all about the detail and a really big picture. But you need all of that, particularly in a boardroom. So I think cognitive diversity is really important in the end, National Space, particularly in Pacific Hydro, we've got lots of cultural diversity. I remember when I was doing my MBA, we did a class on cross cultural negotiations. And the lecturer put up a slide that showed the three different predominant business cultures that exist in the world as the face culture, which is predominant in, in South Asia, Southeast Asia, Japan, China. You know, a lot of what you do is you don't challenge hierarchy and you preserve face. And it's very important that the face of those people higher up than you gets looked after. And then you've got the honor culture, which is like the Latin American Central European kind of culture where you can challenge the hierarchy. And if someone comes up who is smarter than you or clever than you or something they can challenge and take over, but there is still a sense of honor. And then there's the sort of English Australian American kind of business culture, which this slide had identified as a dignity culture. So we freely challenge up and down the hierarchy, we expect people to move up and down the hierarchy. But at the same time, you don't, you don't make fun of people, you preserve people's dignity, and particularly in a business setting. And I remember looking at this slide and going, Oh, that's great, because we've got all three. We've got Chinese directors, Latin American directors, and Australian directors, just just in our board. And in our wider management team, our senior leadership team at the time had representatives from Latin America, from China from Australia. So learning what drives people's cultural attitudes, and then the language they use is really important, particularly then because we're also dealing with people who don't speak English as a first language. So I think what we've ended up with to some degree in Pacific Hydro is We've got a shared understanding of the language that we use in the boardroom. We talk about accountability and responsibility. And people understand what that means in their contexts. That's how it really manifests, I think in particularly in Pacific Hydro. We don't have a lot of gender diversity on the Pacific Hydro board, but we've got a lot of cognitive diversity and a lot of cultural diversity. Oh, I've got so many questions from that. Oh, where do I begin?

Helga Svendsen 19:31

I was going to ask you about the Pacific Hydro board because I confess I might have looked it up before our conversation today. And I didn't know if there was less than 30% women on the board there. But I guess what I'm hearing from you is that it's much broader than inverted commas, just gender, it's. And in fact, there is quite a bit of diversity on that board in different ways, which you might not get on a board that has more than 30% women on the board, but you have less of those other forms of diversity as well. So So, so then I'm wondering, because when you've got a diverse board and you've described, you know, some of the differences in the way people operate on your board from a almost a broader cultural perspective, I guess, I think I heard you say that one of the ways you manage that is you have a shared understanding of a number of concepts like accountability or responsibility or whatever it may be. How did you come to that shared understanding so that people could come together on some of those things?

Rachel Watson 20:29

I think it's just through the passage of time. Again, it's it took a lot of patience and a lot of listening. One of the things that was very helpful for that board, I think, was a bit over a year ago, we got everyone together in Melbourne, in person for a day of governance training. It happened to have been delivered by the ICD but it could have been delivered by any number of good governance training providers. And that really helped to get on the same page, and in fact, an outcome from that training session, the facilitator was brilliant. And she was one of those facilitators who white boarded, in cartoon form, the concepts that we discussed that day. And she had it all, I think structured in her own mind, but it looked like it came organically out of the conversation. We then took a photo of that and had a professional cartoonist render it into something a bit more tidy than just a white board marker on a whiteboard. And that's now in our board pack. If we put that in our board pack as a reminder to everyone, just a simple infographic reminder. And again, I've become a big fan of infographics since having a cross cultural board because I think a picture speaks 1000 words. And as a lawyer, I would have always tended to a wordy presentation in the past, but I love presentations don't have words anymore. They're less open to misinterpretation. So we've got this lovely infographic page that captured our discussion. It wasn't wasn't someone else's was someone else's syllabus, but it really came up from our discussion that sits in the board pack. And this reminds us of the collective understanding and agreement we reached as a board about our approach to governance.

Helga Svendsen 22:20

I'm switching a little bit then back to something you said earlier about the Clean Energy Council because again, I think what I heard there was there's quite a bit of turnover on your board because of the representation or nature of that board. Whereas Pacific hydro, it sounds like quite a steady board, you can bring people together and you can really draw on some of those shared agreements. How do you do that over at the Clean Energy Council? When you've got that changeover? How do

you build in or encourage some of that shared understanding and shared responsibility around some of these aspects?

Rachel Watson 22:53

It's possibly more difficult. Also, it's a bigger board, which is typical, I think for not for profits. We've only got six or seven directors on Pacific Hydro, but I think is nine or 10 of us on the Clean Energy Council board. So we absolutely put time into trying to get together face to face wherever we can in pre COVID days. And the all day board strategy sessions are a really important part of that with the Clean Energy Council. We also have been investing more in governance training, which is also helping to bring in that shared understanding. And so in the Clean Energy Council's case, there's a couple of little concepts, which the company Secretariat there has picked up and again, incorporated into the board pack. So every time we pick up a pack, we get a reminder of what those things are. I'll give you an example the trainer that we had last year talked about the four types of sight that a board exercises, oversight, the insight, the hindsight and the foresight and so on our agenda items are marked according to which side they're asking directors to exercise. So a new director coming onto the board, we will put them through an induction process. But we would explain something like that to them. I'm also a fan of trying to buddy up new directors with existing directors. So even though the board turns over quite a lot there, we do also have a few long serving directors I've been on for more than five years, I think. And there's another director who's been Deputy Chair he's been on for a lot longer than that. We also value that continuity as well, and work hard to try and retain that.

Helga Svendsen 24:41

You mentioned much earlier. In fact, your first board you're out for dinner, you've just finished the AICD course. Hey, do you want to join my board? And that was MS Base. Tell us a bit about what MS Base because I'm guessing it was a medical board. So I'm just wondering if you've got any insights from that board experience?

Rachel Watson 24:57

Yeah. So the MS in MS Base stands for multiple sclerosis. And it's a little research organisation that sprouted out of Melbourne Uni and Royal Melbourne hospital. It's now over at the Alfred. It was running a global database of MS patients all around the world and gathering a huge amount of patient data about this one specific disease and enabling the doctors who are contributing the data to that database to also then conduct research on that data and they have thousands of patient records in that database. It's one of the most powerful living disease databases around. So it's a hugely valuable information set. And the company MS Base is the custodian of that data set. So its objective is to try and further research into multiple sclerosis and in a empower researchers With access to the data, it also earns money from pharmaceutical companies who need research done and who need it done by independent bodies. And so generates income in order to support its research efforts. So when I joined, I think nearly all the board members, they might have been a

director on who had an IT background, which was really important for the, you know, for the architecture of such a huge database. But all the other directors were neurologists, and they were from all different corners of the world. So board meetings were at nine o'clock at night in Melbourne time because again, we had the timezone challenge, but I sort of logged in there as just, you know, my only qualification was I was an Australian director because I think there was only one other striving director at the time, who had an interest in governance and a legal background, and they knew they needed to work on their governance. They knew what they wanted to do and where they wanted to change but they needed someone to come in and just help. And I'm sure as with most boards, that's not something I've certainly finished in the two and a half years I was on. I shouldn't claim to that at all. But it's an ongoing journey for any kind of organization like that. So I came in not having any of the technical knowledge about what they do. I don't have any medical background, I barely know anything about multiple sclerosis. I didn't really understand how medical research worked even. So I had to rapidly learn all of that stuff. And at the same time, try and learn about where the governance challenges were in such a small organization that just has a few professional paid staff and then a volunteer board, typical for many, many not for profits, right? And try and see what was realistic you come out of the AICD course with this kind of standard in your mind that is very much pitched at large listed corporates, you know, on the Australian share market and who you are with a little not for profit, it's international and doing something very, very specific. Very purpose driven. So that was really fascinating exercise to go through. But I clearly came in I mean, I was the only woman on the board. But that was like, so far down the lists of ways in which I was different from the other board members that it barely rates mentioned.

Helga Svendsen 28:19

Ah, Rachel, as the time goes way too quickly in these conversations, we have covered a lot today. So I'm wondering, what are the key things you want people to take away from the conversation that we've had today?

Rachel Watson 28:31

One of the things that strikes me particularly as I talk to younger women who are considering board careers, is it is really important to understand your value proposition. What is it that you're bringing to a board, I get a bit taken aback sometimes when I hear young women saying, Well, I know boards need diversity. So that's what I'm going to bring is my gender diversity. And I always think that is not enough. You need to be able to bring more than that, yes, that's probably an important additive, particularly to boards that have got no or very little female representation on them. But everyone on a board needs to be doing more than just that. So is it your curiosity, the way you learn the way you're able to challenge? Is it your technical background that you're bringing? Is it your deep industry knowledge? Is it your network? All directors need to be bringing something to the table that goes beyond just sort of the superficial? I think, if it is your agenda, then how are you going to use that to the benefit of the organization 80% of success is showing up. I do believe that but once you've shown up, what are you going to do with it? Are you going to find it in you to challenge the thinking of the board, you've just joined because Boy, that's a tough thing to do. So do you know you

can do that? The sorts of hard questions I think people need to be able to answer, particularly when when thinking about how they're going to bring diversity into a board context.

Helga Svendsen 30:09

Absolutely. And even if I may be so bold to add to that, if your role is to really challenge that board, how are you going to look after yourself through that process? Because it's really hard to do.

Rachel Watson 30:19

That's a really, really good point. Actually, as I said before, diversity brings a lot of challenge. So by bringing in diversity, you're going to be introducing challenge where perhaps challenge hasn't existed before. So how are you going to make sure that doesn't just drain your energy?

Helga Svendsen 30:36

Is there a resource that you would like to share with the take on board community?

Rachel Watson 30:40

There's lots of great resources out there. But one thing I watched a few years ago because it's quite old now. I think it's from 2012. Was Amy Cuddy's TED talk on body language. And I was working with a coach a couple of years back and complaining about something or other and she He just said to me, Well, if you watch that Ted Talk, and I went, Oh, yes, I have, I need to go back and re watch that. Just it's a simple thing. But I think it also relates to what you were just saying earlier about how you look after yourself. Because, you know, I practice a bit of yoga, but not as much as I should be during lockdown. I know other people have got deep into it, whereas I'm probably doing less than normal. But one thing that Yoga has taught me is the really powerful connection between what goes on in your brain and how that manifests in your body. And Amy Cuddy's talk is about that reverse feedback is about the poses you assume in your body send signals up to your brain. So in going into a challenging board situation, you're asking how you're going to look at after yourself. Some of the signals you need to look out for is how physically Are you feeling in board meetings? And how are you going to interpret those signs and do something about you know, nurturing yourself through something that might be difficult? The converse is true to how can you boost your The way you're feeling how you approach something, how you approach conversation by adopting, being conscious of your body language and the feedback that your muscles are sending back up to your brain.

Helga Svendsen 32:11

Thank you, Rachel. It's been such a fantastic conversation. And I know there's been lots of little nuggets of gold in there for many in the take on board community. So, thank you for taking the time to speak with us today. I really appreciate it and I know that others will to

Rachel Watson 32:27

Absolute pleasure Helga. Thank you so much for having me.