



Mix and Match

Two new ways to lift competence in the boardroom

An unsettling home truth lies buried at the heart of corporate governance in New Zealand. Despite being charged with carrying the can for their organisations' performance, local directors have few tools at their disposal to measure their own strengths and weaknesses. That may be about to change.

How can a board ascertain how well its corporate governance stacks up against that of its peers or competitors? How can it know where to pool its limited resources for maximum effect? And how can individual current, or wannabe, directors best match their talents to the right organisation?

These and other questions have been taxing the brains of a large number of organisations for some time now. Earlier this year, company director Sandy Maier and Jens Mueller, associate professor for entrepreneurship and strategy at Waikato Business School, set up a nationwide survey to flush out the current state of play. Among other findings their survey, *Directions 2006: Understanding Governance*, revealed strong upcoming demand for new directors. It also showed some serious gaps in the current mechanisms for director selection, education and training. (See our article "Spotlight on directors" in the May 2006 issue of *The Director*.)

Now, Mueller and Maier are making good on promises made earlier this year when they signalled they would put the survey findings to practical use. The end result is the launch of two new initiatives designed to put some tools directly into the hands of directors: a Maier/Mueller Index of Good Governance (MMI) ratings system that ranks organisations according to their corporate governance expertise

and an electronic matchmaking service that will help pair up directors and organisations.

MAIER/MUELLER INDEX OF GOOD GOVERNANCE

The *Directions 2006* survey revealed what many knew intuitively already: Disclosure of corporate governance policies in this country is uneven and lacks agreed standards and metrics. It's no great leap of logic, then, that with no published goalposts, "improvement" is a vague concept.

"In the past," says Mueller, "local boards had no idea where to go. It was like ants crawling all over the place because no one told them which corner was good or which was bad."

Overseas, organisations have been cottoning on to the benefits of rating and ranking corporate governance for a while now. Maier points out that giant international ratings agencies such as Standard and Poor's and Moody's, and a score of smaller outfits, already enable stakeholders to keep their collective fingers on the pulse according to a set of objective standards.

Forget the notion of a set of vague statements, he says. These agencies are pumping out empirically rated factual stuff that enables organisations to communicate with investors and to tell their story of continuous improvement in the boardroom.

The problem remains, however, that they are not keyed to New Zealand's marketplace realities. Rather than wait passively for such ratings agencies to fix their attentions on Kiwi companies, Maier prefers to launch a local research-based system that enables ratings to be derived in the New Zealand context.

The resultant MMI system will provide a measurable, provable and independent mechanism for boards to score their own

AT A GLANCE

MAIER/MUELLER INDEX OF GOOD GOVERNANCE (MMI)

WHY USE IT?

To get an objective take on how good you are at corporate governance.

WHO MIGHT WANT TO USE IT?

- A company that is starting to focus on governance.
- Institutional or individual investors.
- Individual directors who want to rank a company before they take a position on a board.
- Directors in the lonely position of wanting to push through improvement on a board that is resistant to change.
- A family-owned business looking for the first time to bring outsiders onto its board.
- Any company that is trying to get itself market- or investment-ready.

HOW TO GET STARTED

Go to www.worldsurvey.info where there is a link to the index.

COST TO USERS

The base price is \$399. Sponsorship dollars may eventually bring this down closer to \$299.

ELECTRONIC MATCHMAKING

WHY USE IT?

For individuals: To find a boardroom position in a suitable organisation.

For organisations: To source new directors.

HOW TO GET STARTED?

This service will be launched later this year.

COST TO USERS

Still to be confirmed.

performance. Much of its value will lie in directors' ability to review and refine their performance over time.

Mueller and Maier have established a scoring model from 0 ("you're dead unreliable") to 200 ("you're perfect"). By filling in the online survey, organisations will be able to get a fix on the general New Zealand population and how their organisation compares according to a number of criteria such as company size, type of ownership or industry sector, for example. Where such data is available, they will also be able to rate themselves against their counterparts overseas.

"We will be able to tell you," says Maier, "in which areas of your corporate governance you are most deficient compared with others."

ELECTRONIC MATCHMAKING

The answer to another problem raised in the Directions 2006 survey may well lie in India. When the survey quizzed respondents on the number of directors they are likely to need in the near future, the results painted a telling picture of looming demand and lack of supply.

Collectively, the 2150 respondents said they would require another 1960 new independent directors within the next five years. Many would be needed by small and medium enterprises for whom current search mechanisms are not well suited.

Maier says boldly that, alone, existing local recruitment mechanisms will not cut it in the future. Catering to the top end of the market, most search firms are beyond the financial reach of most SMEs.

Similarly, services offered by organisations such as the Crown Company Monitoring Advisory Unit (CCMAU), the Ministry of Women's Affairs, Te Puni Kōkiri or the Institute of Directors focus on recruiting for either a specific market segment (crown enterprises, women, Māori) or those in the upper echelons of the corporate world.

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“Presumably, an individual could simply try to raise their own profile in some way,” says Maier, “by passing their CV around, starting public speaking or golfing at the right clubs. But none of these things actually puts them in an open marketplace where buyers and sellers come together.”

In Maier’s view, New Zealand lacks a general buyers’ and sellers’ marketplace where the average company can meet the average buyer.

“In matchmaking terms,” he says, “there isn’t a bar in town where everybody can go and meet and greet. Right now, there’s a bouncer at the door who says that unless someone is a member or meets certain criteria they can’t come in.”

Given projected future strong demand for directors, these are “interesting messages”, he says.

Maier distils all this down to a recognition that there is an opportunity for an open database matchmaking individual directors to organisations and vice versa. In his mind, it will have the ability to be searched based on key words, will be “relatively low cost” and have a responsible management structure. “And that,” he says, “is eminently imaginable because of today’s technology.”

Over in India, they’re doing just that. Sponsored by The National Stock Exchange of India and the Bombay Stock Exchange, and working in conjunction with India’s giant Confederation of Industry, www.primedirectors.com has been busy enabling boardroom connections since its launch in September last year.


When *The Director* checked out the website recently, companies had the option of picking their way through the more than 11,000 CVs available. Another 4800 CVs were being processed for posting.

A quick glance at the summary of who’s in their database reveals large numbers of CEOs, current directors, ex-chairs, multinationally trained executives, high-level business graduates. In short, these are quality candidates going for topline appointments.

Maier says the model is completely open. “People register their availability. Firms register. And they matchmake directly online. There’s no delay. You don’t have to be a member of anything, you don’t have to pay any fees either way. It merely puts the market out there.

“Why do they do that? They’ve got 9000 listed companies, and a requirement came in around two years ago that they needed independence so they had to hustle big time.

“The fact that willing buyers and sellers have teamed up and the site is up and functioning makes me feel quite comfortable with the technology. The legal, language and commercial issues are all readily resolvable here.”

(He also cites a similar model run by the Australian Institute of Directors: www.companydirectors.com.au) “It’s good efficient matchmaking. It’s here. It’s up and running in a society very close by. It’s not in a galaxy far away.” 



Gary Judd

Gary Judd QC is the new chairman of Ports of Auckland, succeeding Neville Darrow who retired at the end of June after a six-year term as chairman. Judd is also chairman of ASB Bank and ASB Group (Life). He was appointed a Queens Counsel in 1995, practising litigation principally in civil and commercial law, administrative law, copyright and other intellectual property law, and taxation.



Warwick Jones

Warwick Jones succeeds Peter Sherwin as chairman of chartered accountants and business advisers Grant Thornton New Zealand. Jones is also a director of several New Zealand private companies and during his business career has become a key adviser to several significant companies and family groups.



John Ballard

Australian businessman John Ballard, an experienced senior executive with Coca-Cola Amatil and Southcorp, has joined the board of Fonterra Cooperative Group as one of its four independent non-farmer directors. Ballard has previously been on the boards of several prominent listed companies. He chaired the board of Wattyl, and was a director of Woolworths, building products company CSR, and diversified industrial group Email.



Ralph Waters

Ralph Waters, who steps down from his current role as chief executive of Fletcher Building at the end of this month, has been elected as one of Fonterra Cooperative Group’s four appointed directors. A respected business man, he was named as the *Deloitte/Management* magazine Executive of the Year in 2004. He is also a New Zealand Herald Business Leader of the Year, and has received a Beacon award for excellence from the NZ Shareholders’ Association.