

Ethical behaviour

Ethical behaviour and a healthy corporate culture are critical to current and future business success.

The board has a core role in overseeing corporate culture, conduct risk and setting high standards of ethical behaviour. It means, thinking beyond compliance, taking the lead and setting the tone for the organisation.

The digitally connected world means workers and stakeholders (investors, employees, consumers and media) have instant access to information about an organisation and its activities. Social media has changed the game, and corporate behaviour and practices are in the spotlight. And the lens is wide, extending to how diversity and inclusion is promoted and the organisation's approach to social and environmental issues.

Conduct risk, such as fraud, corruption, bribery and unethical behaviour, can cause significant financial and reputational damage. The 2017 *Director Sentiment Survey* found that only 40% of boards

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[Director Speak]

JOANNA PERRY CFIInstD

Change up

"There is a tsunami of change coming, and boards need to be ready for it," suggests Joanna Perry MNZM.

Perry currently holds directorships on a number of organisations including

Genesis, Trade Me and Regional Facilities Auckland. She argues boards in 2018 need to focus strongly on the strategic opportunities – and challenges – that are emerging rapidly in the business environment.

"Boards need to ask: What are these changes? What is our business?" she says.

"And boards need to say, 'We need to be nimble. We need to be agile. We need to be change oriented. We need to have a growth mind set.'

"It's a joint management and director responsibility to make sure our agendas are focused on the future."

New ideas

On a recent tour of Australia and New Zealand to meet key institutional stakeholders, it was driven home to Perry how valuable it can be for a board to leverage the knowledge of its investors.

"Some of them have great ideas. They look across the industry. They look across the world. I'm not saying we have to follow their advice, but let's engage with them on the things that are happening and find out what some people are doing in a better way."

Perry suggests boards invite investors and talk about where the organisation is heading at a formal investor strategy day. However, she says there are members of both boards and management who are reluctant to "show our hand".

"It takes people around the board table to be brave, quite frankly.

"One of my companies has done it – we did it last year, and the investors really engaged. They are trying to understand. They are not trying to second guess us or criticise us. The reason they invest is they believe in the company."

Being more transparent about strategy can make it easier for stakeholders to see when plans go awry. But that is just part of the business of governance, Perry says.

"What if we don't achieve it? Well, we have to talk about it and look at the options. We can't be scared of not achieving our goals. We adopt a strategy because we believe in it. Why don't we share it so others can believe in it as well?

"You do it at a level that is not giving away anything to your competitors. You don't give away your tactics. The investors love it. They absolutely love it."

Trust issues

While building trust among stakeholders is important, Perry argues there is a broader societal-level issue with trust that business needs to be cognisant of. And here again she sees opportunity in disruption.

"Technology and digitisation are driving change. People are scared of the changes that are coming and what it means for their jobs, for their livelihoods.

"Education is one area where this is clear – what our kids are learning today will not be what is needed when they leave school. What should they learn? Nobody knows the answer. But that says to me that we should be teaching them how to be curious."

As strong corporate citizens, businesses must work with government to ensure our systems, such as education, change in ways that benefit business and society, she says.

Access to talent

"Business wants its people to be curious, agile and nimble. How do we get there? We need to help our kids develop the ability to pick up ideas and skills and be interested in things.

"That is one of the roles business can have with government, to help government think like that. It's not lobbying, it's collaboration."

Perry describes the strategic issue facing business as posing much larger questions than businesses have traditionally tried to deal with.

"It's not about business skills per se or environmental issues per se. It's much wider than that. It is a societal change that business can be part of. That's what I truly believe." **B**