



**blenheim partners**

*no limitations*

Executive Search & Board Advisory

## SCRUTINISING OF BOARDS, EXECUTIVES AND COMPANIES – IS IT OVER THE TOP AND WHAT ARE THE CONSEQUENCES?

---



*"When written in Chinese, the word 'crisis' is composed of two characters. One represents danger and the other represents opportunity."* John F. Kennedy

In a recently published Blenheim Partners Paper, over scrutiny was identified as a key driver of risk aversion of Boards and executives. The Chairman, Non-Executive Directors and Chief Executive Officers interviewed, suggested that based on their experience Australian Boards are subject to levels of scrutiny, from multiple directions, "that are unprecedented in other parts of the world." This results in "gun shy" Directors who refuse to do anything controversial for fear of stirring the interest of regulators, the media, investors, and special interest groups. This desire to avoid the spotlight results in ultra-conservatism in Board decisions, missed opportunities for Australian businesses and potential frustration for CEOs.

The theme of "over scrutiny" was by no means restricted to the media, shareholders/investors and proxy firms. Overzealous regulators were also identified as a unique aspect of the Australian business landscape that interfered with the ability of Boards to do their jobs. The following comments illustrate this.

"We have come too far in our governance and are becoming a nanny state which is too prescriptive. We just need to be sensible about risk, and if we are not careful management will walk out the door as their Directors are paralysed by risk.

## blenheim partners

You cannot regulate risk. I am concerned where regulation is going and say to the regulators get out of the way.

“Compliance is driving risk aversion and is killing the entrepreneurial spirit. Companies are terrified. There is not enough time spent on strategy and there is not enough time spent on people.”

“We are pushing Boards to a governance focus and are losing track of strategy. There are a lot of legendary Board members obsessed by process. We are awash with regulation that inhibits Boards from investment decisions.”

“People that aspire to go on the Board are being told that it’s all about compliances. It’s all about what the company is not supposed to be doing...I’m not interested in having anybody on the Board who doesn’t actually contribute to the story of what we’re about and where we want to go.”

This last comment in particular is concerning as it highlights that potentially regulation and compliance are diverting the focus of Boards and Executives from the growth agenda. This overzealous approach to regulation was attributed to the misguided notion that good governance could mitigate business failure. Participants were adamant that governments cannot “legislate out risk”. There is a fundamental relationship between the risk and potential growth and no amount of regulation can change this fundamental relationship. In general growth strategies have risk associated with them – it’s a competitive market that needs risk takers.

One participant saw the regulators themselves as being under pressure from the media and this pressure was resulting in more regulation of companies. But more regulation was not viewed as the right outcome. Rather the legislation should focus on bad behaviour as opposed to risk.

Due to the levels of scrutiny from all directions some participants even questioned the viability of being domiciled in Australia or whether the best course of action “may be the need to go private for the long term benefit”. This was in the belief that these strategies could reduce or potentially eliminate the regulatory burden.

Company growth depends on good leadership, excellent product, competitive work practices and political stability. Stability and support for providing the environment and incentives to foster growth from the political leadership in this country were themes touched on, with an overwhelming view of the need from all sides of politics to provide greater leadership, longer term thinking and certainty to ensure investment and opportunity. This void in Australian Parliamentary leadership was made very clear in participant comments.

Clearly participants feel burdened from the range of issues explored from media scrutiny to the governance burden. It must be said however that other participants were quite relaxed regarding these issues with an outlook of “that’s the way it is and we just get on and manage it”. Regardless, it is clear from the comments that whether intended or not the

## blenheim partners

levels of scrutiny and governance being placed on Australian companies are having an adverse impact on their risk appetite. Given as one participant said, “Growth does not come without risk”, this tempering of the risk appetite of Boards and CEOs is impacting the growth horizons and initiatives being pursued by Australian companies. “It was not as if participants wanted a carte blanche approach to risk or did not believe that accountability should rest with Boards, but rather that there was an imbalance in the system that was ultimately impacting growth” said Gregory Robinson, Managing Partner of Blenheim Partners.

### A REFRESH OF DIRECTOR COMPETENCIES AND DIRECTORS CALLED FOR!

---



*"If everyone is thinking alike, then somebody isn't thinking"* George S. Patton, Jr.

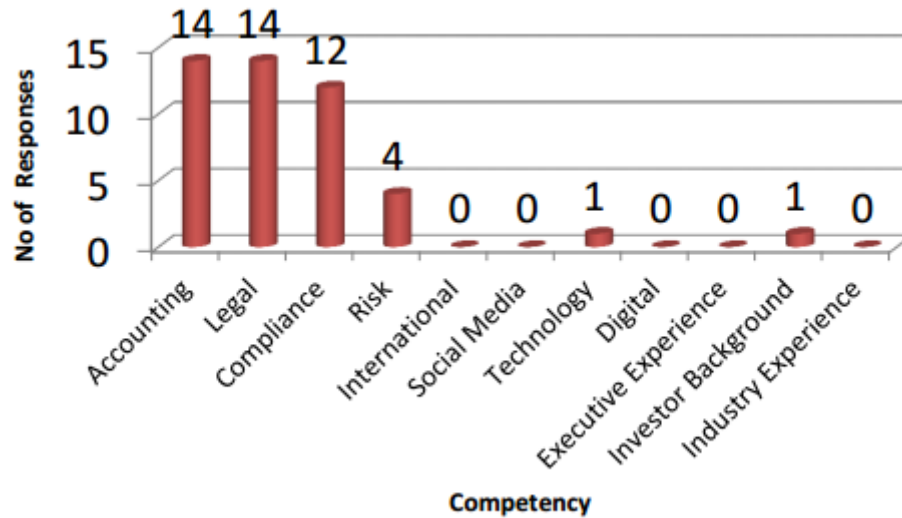
The recently published Blenheim Partners Paper demonstrates that there is clearly a shift in thinking as the competencies that participants think are required of Director of Boards. The paper is the result of a unique study of over 85 leading Australian chairman, Non-Executive Directors and Chief Executive Officers.

This shift in thinking is evident with participants referring to an "old" set of competencies required of Directors in the past, which some described as "vastly overrated" in today's world. The participants' responses in Figure 1 clearly show the view that the traditional Board competencies of accounting, legal, compliance and risk, in many respects the mainstays of existing Director competencies, to be somewhat over-represented on company Boards. Participants generally are not saying these competencies are not required on Boards, but rather the increased regulatory and governance environment has resulted in "a creep" of these competencies on the Board. Others express the view that there are alternative means for Boards to access these skills as opposed to Board Membership.

"Boards need to be functional. I don't agree with the need for a lawyer on the Board or a former auditor. We can outsource these skills."

## blenheim partners

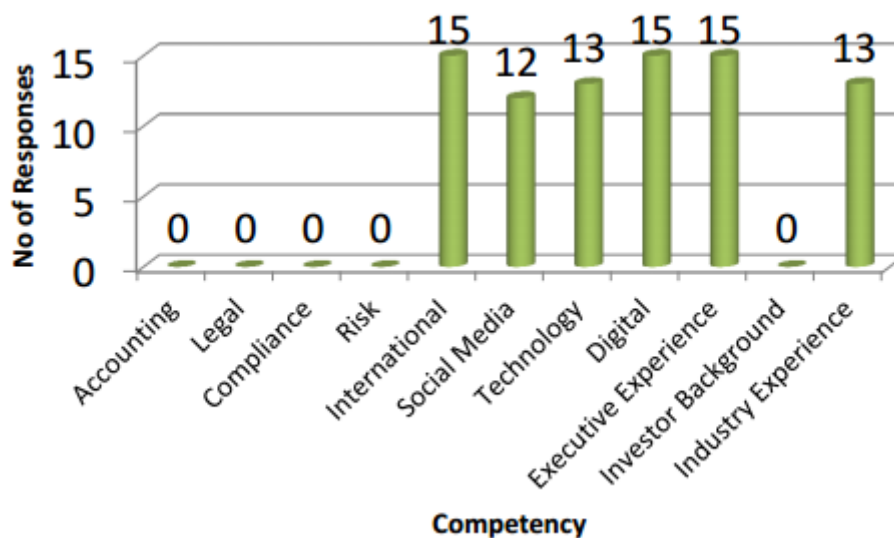
**Figure 1:** Participant Responses to the question “Which of the following competencies should Boards have “less of” to facilitate growth and success in the future?”



**Note:** response numbers vary as participants may not respond or may respond to multiple competencies

But what competencies should take their place? Figure 2 provides a window into what participants believe are potentially the new Board competencies, or competencies there should be more of on our Boards. As highlighted by Gregory Robinson, Managing Partner of Blenheim Partners, “these competencies of international, social media, technology, digital. Executive experience and industry experience fall into the category of what may be termed experimental competencies, or those involving or based on experience and observation – an interesting shift from the traditional education/professional based competencies”.

**Figure 2:** Participants Responses to the Question “Which of the following competencies should Boards have “more of” to facilitate growth and success in the future?”



## blenheim partners

**Note:** Response numbers vary as participants may not respond or may respond to multiple competencies.

The comments in the paper reflect the view that even those competencies where it was identified that “more of” was needed were underpinned by the view that having this competency was not enough, and not primary for Board membership. Subject matter experts or specialists knowledge is not enough to force a director out of a silo, indeed it reinforces silo mentality if the Director does not have the all-round general competence to contribute on the broader spectrum of issues. Board members who sit there and wait for their specialisation to arise on the agenda or steer the agenda to this are not the preferred Director. “The ideal Director must be capable of contributing on all items that come to the Board”.



### TOP KEY BOARD AND EXECUTIVE MOVEMENTS IN AUSTRALIA 18<sup>th</sup> – 22<sup>nd</sup> SEPTEMBER 2017

---



*" Never interrupt someone doing what you said couldn't be done "* Amelia Earhart

- Air New Zealand Ltd: Jeff McDowall appointed as Chief Financial Officer, effective as at 1 January 2018. Rob McDonald will be leaving the company at the end of the year. Nick Judd has been appointed as Chief Strategy, Networks and Alliances Officer replacing Stephen Jones and commences his new role on October 2 2017.
- Altura Mining Ltd: Chris Evans has been appointed as Chief Operating Officer commencing on 20 September 2017.
- Australian Ethical Investment Ltd: Michael Monaghan has been appointed as a Non-Executive Director, effective 22 September 2017.
- Australian Unity Ltd: Esther Kerr-Smith has been appointed as Group Executive, Finance and Strategy with effect from 25 September 2017.
- Challenger Ltd: Brenda Shanahan has advised that she will resign as a Non-Executive Director of Challenger at the Annual General Meeting on 26 October 2017.
- CIMIC Group Ltd: Kate Spargo has been appointed as a Non-Executive Director.
- Commonwealth Bank of Australia Ltd: Annabel Spring has resigned from her current position as Group Executive, Wealth Management and will leave the Company in December 2017. Michael Venter, current Chief Financial Officer, International Financial Services has been appointed Chief Operating Officer, Wealth Management, effective 21 September 2017.
- Fletcher Building Ltd: John Judge and Kate Spargo have both resigned as Non-Executive Directors, with John leaving at the Annual General Meeting on 25 October 2017 and Kate Spargo on 20 September 2017.
- Fletcher Building Ltd: Kate Daly, Chief People and Communications Officer, has resigned.
- Fonterra Co-operative Group Ltd: Marc Rivers has been appointed as Chief Financial Officer, effective 1 March 2018.

## blenheim partners

- Helloworld Travel Ltd: Peter Spathis has retired from his role as a Non-Executive Director, effective 16 November 2017.
- Infigen Energy Ltd: Mark Chellew and Emma Stein both been appointed as Non-Executive Directors.
- Insurance Australia Group Ltd: Clayton Whipp intends to retire from his role as Chief Risk Officer in March 2018.
- InvoCare Ltd: Bart Vogel has been appointed as a Non-Executive Director, effective 1 October 2017.
- Lycopodium Ltd: Peter Dawson has been appointed as Director, Strategy and Corporate Development as well as being appointed to the Board as Executive Director.
- MOD Resources Ltd: Ms Bronwyn Barnes has been appointed as Non-Executive Director.
- oOh Media Ltd: Tony Faure is to replace Michael Anderson as Chairman. Michael remains on the Board as a Non-Executive Director. Joanne Crewes has been appointed as a Non-Executive Director.
- Rio Tinto Plc: Chris Lynch has retired as Chief Financial Officer.
- Santos Ltd: Roy Franklin will be retiring from his position as Non-Executive Director, effective 30 September 2017.
- Simonds Group Ltd: Susan Oliver and Michael Humphris have both resigned as Non-Executive Directors, effective 20 September 2017.
- Sirtex Medical Ltd: Richard Hill has announced that he will be retiring as Chairman at the Annual General Meeting on 24 October 2017.
- Slater and Gordon Ltd: Belinda Nucifora has been appointed as Chief Financial Officer and will commence her new role on 2 October 2017.
- South32 Ltd: Xiaoling Liu and Karen Wood will join the Board as Non-Executive Directors. Xiaoling will join the Board on 15 January 2018 and Karen on 1 November 2017.
- Stanmore Coal Ltd: Stewart Butel and Neal O'Connor have both been appointed to the Board with immediate effect. Neville Sneddon will retire from the Board.
- Washington H Soul Pattinson and Company Ltd: David Wills will be retiring from his role as a Non-Executive Director, effective 31 October 2017. Tiffany Fuller has been appointed as a Non-Executive Director, commencing on 1 December 2017.
- Wellard Ltd: Current Non-Executive Director, Fred Troncone, has been appointed as an Executive Director, Operations.



## TOP TECHNOLOGY EXECUTIVE MOVEMENTS 18<sup>th</sup> – 22<sup>nd</sup> SEPTEMBER 2017

---

- Optus/Macquarie University Cyber Security Hub: Prof Dali Kaafar has been appointed as Scientific Director.
- Tech Data: David Charlton has been appointed as Director of Business Innovation, Australia and New Zealand.
- Themissinglink: Lee Booy has been appointed as Chief Technology Officer.

*Information provided by Blenheim Partners Executive Search and Board Advisory Firm,  
[www.blenheimpartners.com](http://www.blenheimpartners.com).*

## Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

---

Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search

Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

Blenheim Partners is continually investing in knowledge and understanding as exemplified by our Thought Leadership "The Challenges of Attaining Growth", Industry Papers and monthly Market Intelligence reports.

Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

Our culture is built on pride, professionalism, esprit de corps and client service.

### **Confidentiality**

This report and the information contained in it are confidential and proprietary information belonging to Blenheim Partners. The report contains confidential and proprietary information based on data from public and private sources, including Blenheim Partners' proprietary database of information. The recipient will not use or disclose, or permit the use or disclosure of, this Report by any other person or for any other purpose. The information contained in this report is preliminary in nature and subject to verification by Blenheim Partners. Blenheim Partners does not guarantee its accuracy or completeness.



**blenheim partners**

*no limitations*

Executive Search & Board Advisory

---

**Contact us**

**Sydney** p +61 2 9253 0950

**Melbourne** p +61 3 9653 9510

**w** [www.blenheimpartners.com](http://www.blenheimpartners.com)