

## How to get on the board

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By David Maida  
[www.DavidMaida.com](http://www.DavidMaida.com)

The board of directors is the very pinnacle of power in most large organisations, but belonging to this exclusive elite requires more than a simple bloodlust for fame and fortune.

Dr Nicki Crauford is the CEO of the Institute of Directors (IOD) and says directors need to be team players, have an eye toward long-term planning and be persuasive.

"You want people who think differently who can then challenge the decisions being made around the table and add a different perspective."

There are a number of paths to the boardroom, but Crauford says one of the common ones is through consulting for an organisation.

"It's actually much cheaper to have them giving you advice when they're a director than when you're paying them an hourly rate as a consultant."

For people aspiring to be directors, the IOD offers a five-day course and also has a board appointment service.

"We have a list of people who are available for board appointments and they would then need to complete an application so that we know what their skills and competencies are and what training they've done. We would then interview them personally as well and we would tell them what sort of organisation we think they might be suitable for."

An IOD membership is required to use the service. Prospective directors can also list with a number of other organisations taking applications from potential board members. The Crown Company Monitoring Advisory Unit (CCMAU), Ministry of Women's Affairs (WMA) and Te Puni Kokiri all have applications on their websites for people interested in becoming a director. Crauford says finding the first directorship is the hardest. But even the local school board is a good place to gain interest and experience in governance issues.

"It's much easier once you've got some experience. It's getting your first foot on the ladder that's the most difficult thing."

There is also an accreditation service which the IOD has recently introduced. Provisional accreditation is for would-be directors or those who have a little experience while the IOD-accredited director is fully accredited.

"To be fully accredited, you need five years of experience as a director of an 'entity of substance' and you also have to attend an interview in front of an accreditation panel."

Seven years ago, Janine Smith found her first board appointment after responding to a CCMAU advertisement calling for potential directors. She is now the deputy chair of Airways Corporation of New Zealand, a director of Transmission Holdings (previously TVNZ Broadcasting), a director of the Bank of New Zealand, chairman of Custom Fleet New Zealand and a trustee of Venture Taranaki, Taranaki's economic development agency and principal of The Boardroom Practice.

She was GM/CEO of Arnott's New Zealand when she took up her first independent directorship. She was also an executive director of Arnotts New Zealand and prior to that Telecom Directories. The IOD suggests that at least one board member have experience as a CEO.

Smith is passionate about business and enjoys the excitement of being involved in different companies.

"I identified a number of years ago that I would be interested in boards. I thought I could add value to boards and felt comfortable in that environment because of my background. I grew up in a business family who'd invested in stocks and shares and business was discussed frequently. I have a double major in finance and marketing."

So while she was working at Arnott's, she thought she would check out the landscape and see what it took to become a director.

"I was very lucky in that my boss at Arnott's was also an Australian director on Telstra and a number of other large organisations. When one does one's quarterly and annual performance reviews in terms of training, I said to him that I'd be really interested in learning more about directorships and getting involved in governance and going on boards."

Smith then went on the IOD's five-day course for potential directors and began keeping an eye out in the newspapers for vacancies. She responded to a crown company advertisement was given an interview. They then offered her a position on the board of Airways Corporation.

"The balance of the board was such that they felt they needed someone with my skills. I went along to the chair and we had a discussion and interviewed each other and then, following the due process, I joined the board."

She says there was originally a bit of a mindset within government to not put CEOs on the boards of SOEs and crown companies because of a concern they could not shift from a management focus to a governance role. But she now believes that has changed.

"CEOs add a good balance to a board because of the breadth that a CEO has to have within their career. A board is all about a balance and the right mix. But you don't want six CEOs on a board just like you don't want six lawyers or six accountants."

WITH Smith's multiple directorships, she says being able to absorb large amounts of information is crucial. Directors must be able to get up to speed by reading board papers and other updates and make clear decisions. Smith says directors must have the time to handle the paperwork and have a good overview, but also need a high degree of integrity and practical experience.

"I've worked through a number of industries in my career from manufacturing through to service industries through to media and so I felt I had a reasonably good understanding and breadth within the industry as well."

With a CEO background, Smith says her strengths in the boardroom are strategy, marketing, finance, CEO understanding and being able to see the bigger picture - skills which take time to develop.

"You can't just decide to do it when you first leave university or school. One of the things that directors bring to boards is wisdom. It's all those learning experiences that one has had out there in different industries."

But regardless of what industry you're coming from, a certain amount of numbers sense is vital.

"I think it's really important for all directors to have some sort of financial understanding no matter what. One needs to feel comfortable that they can contribute to whichever board they're on and not just sit there as a passive director."

Smith says every directorship is different for her and that she brings a different balance to each board she sits on. Depending on which subcommittee she is involved with, they all take varying amounts of her time. But she says she is doing what she likes.

"I enjoy business and companies anyway. It's part of my life. It interests me anyway so I thought I could contribute. I could see the wider picture and bring that to the organisation. I think the learning that one has in marketing and looking at the future trends and the impact that they have and the necessary strategy they imply is really core to successful companies and so that's why I thought I'd like to do it."

Smith says one of the most important things she enjoys about being a director is sitting around the boardroom table and hearing the various expertise that people bring as well as the interface with boards and management.

"It's good. It's rewarding, challenging and intellectually stimulating."

When it comes to earning a living by sitting on various boards, the size of the institution is directly related to the level of fees, says Strategic Pay director, John McGill.

Strategic Pay and the Institute of Directors conduct a nationwide remuneration survey of directors each year. McGill says there has been a strong push for more transparency in directors' fees recently.

There is a wide range of director fees. Some may only earn around \$15,000, but directors at Telecom in 2004 were paid between \$105,000 and \$131,250 based on their appointment date. Some committee chairs can add an extra \$25,000 on top of that. Committee members receive an extra \$10,000.

In 2005, directors reported working anywhere from 59-167 hours on each directorship. The average number of self-reported hours worked was 131. CEOs reported working from 66-216 hours with an average of 170 hours. Boards meet on average once a month.

Perks and benefits have for the most part become a thing of the past for directors.

## **THE BOARDROOM**

1. One of the most important things for a board to have is a balance of people with different backgrounds.
2. The IOD offers a course for people wishing to become a director.
3. Boards require real-life business experience and financial reasoning.
4. A director must be able to sort through volumes of printed material to make up for not working on site.
5. Various entities allow people seeking directorships to apply online such as [CCMAU](#) , [Te Puni Kokiri](#), [Ministry of Women's Affairs \(WMA\)](#).