



IoD-NZIER Director Sentiment Survey

Summary report

Spring 2014

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Background

The inaugural IoD-NZIER Director Sentiment survey is designed to take the pulse of the New Zealand director community. It provides high level views sourced from a broad range of entities on business, economic and governance issues.

The survey was conducted during October 2014 and we are delighted by the high level of engagement with 859 responses.

This report is an overview of the results and preliminary analysis of detailed text responses. The responses to open text questions add significant colour and detail to the issues that businesses, directors and the economy are facing. We intend to conduct further analysis in 2015.

Summary

Directors are optimistic about the future, but red tape is an impediment to business and economic performance. Directors would like to see government focus on reducing red tape. Directors want to focus on developing the skills and capability of their own people – the key risk facing business.

Cut red tape

Directors are optimistic about their business and the economy. But they also see a need for change to unlock business and economic potential. 23% of directors say reducing regulatory red tape is the best thing government can do to improve business performance. This is supported by a resounding 75% of directors who said compliance activities had increased significantly compared to two years ago.

Liability increases risk aversion

Directors are answerable for the decisions they make and balancing authority and accountability is an ongoing tension boards need to manage. The survey highlights directors' concerns about personal liability with more than half the respondents (57%) saying that greater personal liability had made them more risk averse in business decision-making.

Greater risk aversion may signal a brake on performance. If a business is to grow then it must engage with risk. At the end of the day it's a matter of striking a careful balance between holding businesses to account and taking risks to drive better performance.

People and skills are a key risk to business

Concerns about skills and capability feature strongly. Labour capability and quality is the most prevalent risk for organisations with 17% of directors commenting on a range of related risks from board and staff capability to issues such as training and engagement.

Only 51% of the boards surveyed said they had the right capability (skills and experience) to comply with director obligations under the incoming Health and Safety Reform Bill. 13% of boards are not ready and should prioritise upskilling in this critical area. The other (neutral) boards should prioritise assessing their capability needs.

Technology advice needs to improve

The board's role in digital leadership and understanding strategic opportunities and risks is increasingly important. Less than half (47%) of the boards said they received good quality reports and information from management on technology-related matters and engaged in robust discussion on this topic.

Directors need to think about their strategic context and any implications for future board composition and board upskilling. Skilled and capable people throughout the organisation are essential for effective and strong organisational performance.

The IoD will continue to focus on board capability needs as we develop resources and courses to support director knowledge and capability development.

Board diversity important

The results are encouraging with 64% of directors agreeing that diversity is a key consideration in making board appointments. Diversity of thought and experience helps improve board effectiveness and company performance.

However, the challenge is to transition this sentiment into action and results. There has been some positive movement in the number of women directors, but there is still a long way to go to achieve greater board diversity.

Future surveys

We intend to carry out future surveys to identify business, economic and governance issues that are important to directors.

About IoD

The Institute of Directors in New Zealand (IoD) promotes excellence in corporate governance, represents directors' interests and facilitates their professional development through education and training. We aim to help businesses understand governance. We also assist skilled and experienced directors with vision and independence of thought to work with management to achieve better business performance. The IoD is a membership organisation of just under 7,000 individuals representing the spectrum of New Zealand enterprise, from the public and private sectors.

The IoD offers members a Chartered Membership pathway through Member, Chartered Member to Chartered Fellow. This pathway raises the bar for New Zealand directors and positively differentiates IoD members who must commit to continuing professional development. The IoD also offers a number a number of services for boards to help improve board competence and achieve best practice.

About NZIER

NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice to clients in the public and private sectors, throughout New Zealand and Australia, and further afield.

NZIER is also known for its long-established Quarterly Survey of Business Opinion and Quarterly Predictions.

Our aim is to be the premier centre of applied economic research in New Zealand. We pride ourselves on our reputation for independence and delivering quality analysis in the right form, and at the right time, for our clients. We ensure quality through teamwork on individual projects, critical review at internal seminars, and by peer review at various stages through a project by a senior staff member otherwise not involved in the project.

Each year NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

Authorship

This report has been jointly prepared by the IoD and NZIER.

Key contacts:

Media	IoD	NZIER
Lloyd Quartermaine <i>Communications Manager, IoD</i>	Simon Arcus <i>Governance Leadership Centre Manager</i>	Shamubeel Eaqub <i>Principal Economist</i>
021 025 168 03 / 04 474 7639 lloyd.quartermaine@iod.org.nz	021 381 300 Simon.arcus@iod.org.nz	021 573 218 shamubeel.eaqub@nzier.org.nz
