

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**NEW ZEALAND CROWN COMPANY BOARDS:  
DIRECTOR PERCEPTIONS OF  
SELECTION PROCESSES,  
BOARD COMPOSITION,  
DIRECTOR ATTRIBUTES  
AND DIVERSITY**

Julia Georgina Quince

August 2010



**NEW ZEALAND CROWN COMPANY BOARDS:  
DIRECTOR PERCEPTIONS OF  
SELECTION PROCESSES,  
BOARD COMPOSITION,  
DIRECTOR ATTRIBUTES  
AND DIVERSITY**

A thesis presented in partial fulfilment of the  
requirements for the degree of

Doctor of Business and Administration

in

Corporate Governance

at Massey University  
Manawatu Campus  
New Zealand

Julia Georgina Quince

August 2010



## **DEDICATION**

I dedicate this thesis to my father, George,  
and my late husband, John.  
I was blessed in their love.

To my mother, Hilda - thank you  
for strength and determination.



## **ABSTRACT**

This research focuses on the governance of New Zealand Crown Company Boards. In-depth interviews were carried out with 23 Crown directors and 20 specialist commentators to ascertain their perceptions of board selection processes, board composition and director attributes required for the governance role, with particular consideration given to diversity.

Content analysis of transcribed interview data allowed for a qualitative exploration of insights as well as some calculations to augment and quantify the weighting of opinion. The research found, in the views of directors and specialist commentators, boards should be comprised of directors who already possess a range of financial and other 'hard' business skills. Comments on the need for business skills heavily out-weighed discussion of soft skills and ethics. Respondents believed directors should be appointed on merit, based on their record in business and related fields, rather than on a broader set of criteria that might encourage greater consideration of board diversity. The study found directors also perceive governance training should be undertaken to ensure skills remain current.

It was noted that there is an inevitable political overlay within the New Zealand Crown Company structure, which limits transparency. The study concluded that the current approach to appointments is likely to result in a restricted pool of directors, which in turn limits diversity and with it the potential of achieving an optimal mix of relevant knowledge and skills. Further, current training mechanisms do not support the opportunities for new directors to embark on directorships.

The research recommends that the Crown Ownership Monitoring Unit expand the current emphasis on recruiting for commercial and business expertise to include targeted recruitment of candidates from non-traditional sources/communities, thus genuinely enhancing diversity and building board capability. The research also recommends that this initiative be supported by a Director Internship scheme whereby unproven or inexperienced candidates from non-traditional career and cultural backgrounds, are encouraged to apply for positions on Crown Company boards and that COMU works with governance training organisations to provide targeted training and ongoing mentoring support throughout the internship.





## **ACKNOWLEDGEMENTS**

I acknowledge with respect and gratitude the guidance and encouragement I received from Dr Su Olsson, my first Supervisor who passed away in 2005. Her kind counsel and academic rigour were both reassuring and inspiring.

I also acknowledge with respect and gratitude, Dr Margie Comrie, who took over from Su as main Supervisor, and Dr Robyn Walker, Supervisor. Each gave me unwavering support over the subsequent years and were pivotal in my being able to complete this work.

The 43 participants who gave their time willingly and generously will always be regarded by me with sincere appreciation. I was privileged to talk to them. The candour of their comments was central to the value of this research.

I extend heartfelt thanks to my sister Chris and brother-in-law Ray, and my many friends, all of whom have consistently showered me with encouragement and kindness. I know that we all share the relief that this work is over!



## TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1
1.1 Introduction	1
1.2 Governance: Some Central Themes	1
1.3 New Zealand Crown Companies and CCMAU	4
1.3.1 CCMAU / COMU	6
1.4 New Zealand Companies Act and Associated Legislation	7
1.5 Board Composition	8
1.5.1 Legislation	8
1.5.2 Ethnic Diversity and the Tangata Whenua	10
1.5.3 Gender Diversity	12
1.6 Need for More Research	13
1.7 The Research Question	15
1.8 Structure of the Thesis	16
CHAPTER 2: LITERATURE REVIEW	17
2.1 Introduction	17
2.2 Governance	18
2.2.1 Definitions	18
2.2.2 Board Context	20
2.2.3 Pathways and Progressions to Governance	20
2.3 Director Attributes	21
2.3.1 Business Experience	21
2.3.2 Qualities, Skills, Experience and Specialist Knowledge	22
2.3.3 'Balancing' Board Attributes	25
2.4 Board Composition	27
2.4.1 Chief Executive Officers (CEOs) and Board Composition	28
2.4.2 Executive and non-Executive Directors and Board Composition	31
2.5 Diversity in the Boardroom	34
2.5.1 Homogeneity and Heterogeneity	34
2.5.2 Issues Associated with Board Diversity	39
2.5.3 Board Diversity for the Contemporary Organisation	39
2.5.4 Diversity and a Changing Workforce	40
2.5.5 The Business Case for Board Diversity	41
2.5.6 Homogeneity and Heterogeneity Revisited	44
2.5.7 Women on Boards: Representation or Tokenism?	45
2.5.8 Acceptance of Women in the Boardroom	47
2.5.9 Do Women Directors make a Difference?	48
2.5.10 Cultural Diversity in the New Zealand Context	49
2.6 Selection Processes	51
2.6.1 Diversity and Selection	51
2.6.2 Transparency in Selection	53
2.6.3 Selection and Director Training	55
2.6.4 Political Influence in Crown Company Board Selection	59
2.6.5 Government Directives and Legislation	60
2.7 Commentary	61
2.8 Conclusion	63

CHAPTER 3: RESEARCH DESIGN	65
3.1 Introduction .....	65
3.2 Aims and Objectives .....	66
3.3 Interview Methodology .....	67
3.4 Interview Schedule Design .....	69
3.5 Sample Selection .....	71
3.6 Interview Procedure .....	72
3.7 Data Analysis .....	74
3.8 Limitations of the Study .....	76
3.9 Conclusion .....	77
CHAPTER 4: RESEARCH FINDINGS	78
4.1 Introduction .....	78
4.2 Description and Demographics of Interviewees .....	79
4.2.1 Gender, Age and Ethnicity of Crown Directors Interviewed.....	79
4.2.2 Family Status of Crown Director Participants .....	80
4.2.3 Educational Qualifications of Crown Director Participants .....	80
4.2.4 Work in Addition to Crown Director Role .....	80
4.2.5 Previous Experience as a Director .....	81
4.2.6 Perceived Influence of Qualifications and Experience on Appointment.....	81
4.2.7 Description and Demographics of the Specialist Commentators.....	81
4.2.8 Summary and Comparison of Demographics .....	82
4.3 Why Directors Became Involved in Governance .....	84
4.3.1 Why Private Directors became involved in Governance .....	87
4.3.2 Summary: Why Directors became Involved in Governance .....	88
4.4 Qualities and Skills Needed by Directors .....	88
4.4.1 Analysis of Responses .....	89
4.4.2 Summary: Attributes, Qualities and Skills.....	100
4.5 The Role of Chief Executive Officers (CEOs) .....	103
4.5.1 Analysis of Responses .....	103
4.5.2 Summary: The Role of Chief Executive Officers (CEOs).....	106
4.6 The Impact of Legislation .....	106
4.6.1 Analysis of Responses .....	106
4.6.2 Summary: The Impact of Legislation .....	108
4.7 Information and Support for Director Selection .....	108
4.7.1 Analysis of Responses .....	109
4.7.2 Summary: Information and Support for Director Selection.....	111
4.8 New Zealand Selection Processes and the Impact of Politics.....	112
4.8.1 Analysis of Responses .....	112
4.8.2 Summary: New Zealand Selection Processes and the Impact of Politics .....	123
4.9 Training .....	125
4.9.1 Analysis of Responses .....	125
4.9.2 Summary: Training .....	126
4.10 Board Composition and Diversity .....	126
4.10.1 Analysis of Responses .....	127
4.10.2 Summary: Board Composition and Diversity.....	138
4.11 Conclusion .....	139

CHAPTER 5: DISCUSSION	141
5.1 Introduction .....	141
5.2 Demographics: New Zealand Directors and International Literature .....	141
5.2.1 Gender of Participants .....	141
5.2.2 Age of Participants .....	143
5.2.3 Educational Qualifications .....	143
5.3 Participation in Governance .....	144
5.3.1 Reasons for Becoming a Director .....	144
5.3.2 Acquiring a 'Profile' and the Appointment Process .....	146
5.3.3 Personal Contacts and Shoulder-tapping .....	147
5.3.4 Management Experience .....	148
5.3.5 Director Remuneration and Economic Motivation .....	149
5.4 Attributes of an Effective Director .....	150
5.4.1 Attributes Identified .....	150
5.4.2 Overall Ranking of Attributes .....	152
5.4.3 Comment on Methodology .....	153
5.4.4 Understanding the Distinction between Management and Governance .....	154
5.5 Training and Development .....	154
5.5.1 Preparation for Board Membership .....	155
5.6 Board Selection Procedures in New Zealand Crown Companies .....	156
5.6.1 Selection Processes and the Impact of Politics in the New Zealand Crown Company Sector .....	157
5.6.2 CCMAU's Involvement in Director Selection within the New Zealand Crown Company Sector .....	160
5.6.3 Key Legislation .....	161
5.6.4 Chief Executive Officers' (CEOs') Influence in Director Selection in New Zealand Crown Companies .....	162
5.6.5 Comment .....	163
5.7 The Impact of Diversity on Boards .....	163
5.7.1 Balancing Diversity and Merit .....	163
5.7.2 Diversity and Women .....	164
5.7.3 Diversity and Ethnicity .....	166
5.7.4 Group Behaviours and Diversity .....	168
5.8 Conclusion .....	170
 CHAPTER 6: BUILDING AND SUSTAINING EFFECTIVE [CROWN] COMPANY BOARDS	 172
6.1 Introduction .....	172
6.2 Effective Crown Company Directors: What are the Determinants? .....	172
6.2.1 A Pyramid of Director Attributes .....	173
6.2.2 Is this the Correct Emphasis? .....	174
6.3 Recruitment to Crown Company Boards .....	176
6.3.1 Diversity: Sameness or Difference? .....	176
6.3.2 Diversity through Gender Diversity .....	177
6.3.3 Diversity through Cultural Diversity .....	177
6.3.4 Recognising Governance is Collective Effort .....	178
6.3.5 Shoulder-tapping: A Diversity Opportunity .....	178

6.3.6	Transparency in Recruitment .....	179
6.3.7	Overcoming the Barriers to Diversity: The Role of the Chair .....	180
6.4	Training and Capacity Building .....	180
6.5	Policy and Practice: Building Representative/Inclusive Boards .....	182
6.5.1	Policy Recommendations for COMU .....	184
6.5.2	Comment .....	184
6.6	Research Opportunities Highlighted in this Study .....	185
6.6.1	Diversity Gap: Achieving and Sustaining board Diversity .....	185
6.6.2	Exploring the Governance Mystique.....	186
6.7	Reflections on the Research Design .....	187
6.7.1	Sample Size and Calibre of Participants .....	187
6.7.2	Interviews .....	187
6.7.3	Bias.....	188
6.7.4	Timing .....	188
6.7.5	Generalisability .....	189
6.8	Concluding Remarks .....	189

REFERENCES	190
------------	-----

#### APPENDICES

Appendix 1	Interview Outline – Directors .....	206
Appendix 2	Interview Outline – Specialist Commentators .....	208

#### TABLES

Table 1	Ages and Gender of Participants in the Crown Director Group .....	79
Table 2	Ages and Gender of all Directors .....	83
Table 3	Why Crown Directors and Private Company Directors became Involved in Governance .....	84
Table 4	Qualities that make a Good Director .....	90
Table 5	Special Qualities Directors Believe they Bring to their Role .....	93
Table 6	Attributes, Qualities or Skills Common in Directors .....	95
Table 7	Essential Specialist Knowledge for Directors .....	98
Table 8	Top Ranked Attributes, Qualities or Skills .....	100
Table 9	Combined Attributes, Qualities and Skills .....	102
Table 10	CEO Involvement in Director Selection.....	104
Table 11	CEOs’ Recommendations for Board Positions .....	105
Table 12	Director Selection in the Public Sector in New Zealand .....	113
Table 13	Similarities and/or Differences in Public and Private Sector Director Selection.....	115
Table 14	Contribution of the Shareholding Minister in Appointment Processes .....	117
Table 15	Possible Changes to the Appointment Process .....	120
Table 16	Will Women on Boards Effect Change? .....	131
Table 17	Comments about Ethnicity Affecting Governance .....	135

#### FIGURES

Figure 1	Pyramid of Key Director Attributes .....	173
Figure 2	Sphere of Ethical Governance .....	175
Figure 3	Director Training Cycle .....	182
Figure 4	Proposed Development Process for Directors from Non-Traditional Sources .....	184

