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Roderick Deane on Corporate Governance

by Roger Kerr, first published in the *Otago Daily Times*

Not many people achieve mastery in both business and economics – they are very different vocations requiring different sets of skills. Some understanding of economics helps in running a business, but it is not a core skill set. Similarly, what people learn from running a business doesn't help a great deal in formulating economic policy. A rare example of a person highly qualified in both fields is Roderick Deane, who was recently named Chairperson of the Year.

Deane is chairman of Telecom, Fletcher Building, ANZ National Bank, New Zealand Seed Fund, Te Papa, Wellington's City Gallery Foundation, and a board member and patron of the IHC. He is a past chairman of the State Services Commission and in the first part of his career was an expert in monetary policy. He is a member and past vice-chairman of the New Zealand Business Roundtable. He is not afraid to speak out on public policy – in 2004 he expressed his fear that a plethora of re-regulation would bring “reduced flexibility and reduced adaptability for private sector firms”.

Speaking about his chairmanships to *Wellington Today* recently, Deane said that “the reason I do these jobs is because I find them interesting in an intellectual way, and indeed fascinating. It's great fun working with other people and it's great fun doing things that benefit customers and other people”.

Deane says being a chairman means “encouraging the board to work with management closely to develop a vision for the organisation, to build a group of strategies to deliver that vision, to deliver on that vision, to ensure that we have the right people in place to effect that, including having the right chief executive.” The most important role is to have a good relationship with the chief executive and to ensure the relationships between the board and management work well, he says.

Aside from his role as chairman of Telecom, Deane says his most rewarding experience was as chairman of IHC in the early 1990s, developing and implementing strategies to assist the intellectually handicapped make the transition out of fulltime care. That role was also one of the most challenging: “We were in financial stress and were facing great change in the way

intellectually handicapped people were being integrated into the community”.

Deane's corporate career has spanned the course of many changes in the business environment. “We've opened up New Zealand's trading borders hugely in the last 15 years with the reduction of tariffs, removal of import licensing and exchange controls.”

Having been at the forefront of many of New Zealand's most influential companies for nearly two decades, Deane is well-qualified to gauge the state of corporate governance in New Zealand. He does not subscribe to the belief that New Zealand's companies are poorly led, pointing out that this is inconsistent with EVA (economic value added) statistics and the economy's strong growth. “I think there's strong leadership in all the companies that I'm associated with, and when I think about the chief executives I work with, John Anderson at ANZ National Bank, Ralph Waters at Fletcher Building, Theresa Gattung at Telecom, they're fine leaders, and they've got lots of drive and energy and ideas, and their companies are growing and doing well.” Where there is a gap, he believes, is in “business managers who are good general managers across a whole spectrum of activities.” However, he is optimistic about the future. “I think New Zealand has born and bred a lot more [managers] who can cope in an unregulated world.”

Deane believes the core challenge facing New Zealand boards is the increasing amount of regulation. He points as examples to new regulations affecting the capital and securities markets, changes in accounting standards, the Commerce Act, the labour relations area, specific industry regulation and Kyoto Protocol requirements. “There's been a huge increase in detailed regulatory interventions by this Government which are really just starting to accumulate, and I think have become burdensome for boards.”

Some new regulations were created after corporate governance scandals in the United States and Australia. Deane believes, though, that there was an over-reaction, especially in terms of the detailed controls that were put in place. He considers New Zealand standards are in very good order. He has rarely encountered fraud or dishonesty in New Zealand, for which he credits education and basic social values rather than regulation.

“At the end of the day, you can't legislate for honesty. Integrity is something which derives from people's value sets and that's not found in a legislative framework.”

Of the new regulatory initiatives, Deane says, “in many cases these initiatives are well-meant but they become so overpoweringly detailed they become a distraction from getting on with commercial life”, and “it's the business world after all that generates growth.” Deane's message is simple: companies should be given greater freedom to manage their own affairs, and economic freedom and prosperity are closely linked.

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