

GOVERNANCE REVIEW

OCTOBER 2021

Jo Cribb PHD



**engineering
new zealand**
te ao rangahau

PURPOSE OF REVIEW

The Board of Engineering New Zealand (ENZ) has a complex role. Not only does it have to govern a medium sized organisation and a complex system of sub-committees, but it is also expected to lead the wider engineering profession and, as a member organisation, support the needs of its members. It has been at least five years since a governance review has been undertaken. The purpose of this Review is to ensure ENZ's governance is fit for purpose.

TERMS OF REFERENCE

The Board approved the following high-level goals for the Governance Review:

- ensure the Board is truly representative of the communities we serve (gender, ethnicity, regions, disciplines, etc, and possibly consumer representation)
- ensure any changes to our governance model are in line with our priority to increase our cultural competence and commitment to Te Ao Māori
- ensure the Board includes the right skill set for a modern professional governance board, with consideration to having independent members appointed where additional skills may be necessary – e.g. an accountant and/or lawyer with professional regulatory experience
- ensuring we attract members with the right governance skills to stand for election/appointment, and considering whether there should be any criteria for Board nominees/candidates
- consideration of whether we are attracting the right level of voter turnout, and if all Board positions should be elected or if some should be made by direct appointment
- consideration of Board member terms and conditions, including whether the current annual appointment process is fit-for-purpose, and whether Board members should be remunerated
- consideration of our management of the Board, including the support provided to the Board and our operating procedures as they pertain to the Board, and
- consideration of the framework of subsidiary Boards and Committees and how members are appointed to these subsidiary bodies.

The separation of the Registration Authority from the Engineering New Zealand Governing Board, which is currently underway as part of our ongoing review and strengthening of the Chartered Professional Engineer regime, will not be in scope, but should be considered in any changes.

METHODOLOGY

The Review was undertaken in two phases:

- **Desk-based Analysis of Governance Documents.** The first phase of the Review involved a review of governance documents, templates, and reports. The purpose was to identify opportunities for improvements in line with current best practice.

- **Interview-based audit of current governance arrangements.** An audit framework was developed based on the purposes or objects of ENZ (as outlined in the Rules), the strategic ambition of ENZ and the Institute of Director’s “Four Pillars of Good Governance¹.” The premise behind these is that to be effective, ENZ’s Board should be capable of governing the objects, leading the strategy, and adhering to the core tenants of good governance. Interviews were conducted with 18 current Board members, past Board members, key staff, and some Chairs of branches in August and September 2021.

Meetings were also held with an internal working group (Chief Executive Richard Templer, Board President Rosalind Archer, and General Manager Stacey Campbell) and ENZ’s Māori advisory group.

FINDINGS

There are some aspects of governance that are working well. These include:

- - ENZ is financially sustainable;
- - The Board is a champion for career development for engineers, especially those early in their careers, and for diversity and inclusion in the profession;
- - The branch structure provides an important networking and connection function for many engineers;
- - ENZ takes its standard setting and chartership processes seriously; and
- - ENZ, through the Board, is seen to actively celebrate excellence in engineering.

However, at present, the ENZ Board functions closer to a representative council of members than a governance board. Given the complexity of governance role, and expectation that ENZ is well governed according to best practice, a series of changes are recommended.

The Board has three main roles:

- Governing a medium sized organisation and leading a complex governance system of sub- committees and branches;
 - Governing a membership organisation; and
 - Leading the engineering profession.
- Each of these roles is discussed in turn, considering barriers to performance and recommended actions to address them.

¹ <https://www.iod.org.nz/resources-and-insights/4-pillars-landing-page/#>

Governing a medium sized organisation and complex governance system

Board members are accountable for the performance of ENZ as an organisation. This includes ensuring its financial sustainability, delivery of core functions, delivery of strategy, appointing and managing the Chief Executive, leadership of culture and compliance with relevant laws and regulation. These can be considered the pillars of good governance as outlined by the Institute of Directors.

There are several barriers to good governance in the current structure of ENZ governance:

Barrier	Implication	Recommended action
<p>Governance capability is not part of the election process. At present, voting is based on candidates' engineering credentials or espoused policy or political statements. Neither are proxies for being a competent director.</p>	<p>Board members are elected without the experience and capability to govern and little knowledge of what is required of them, and the liabilities they are taking on.</p> <p>To govern well, the board needs all members to either be experienced governors or willing to learn governance skills.</p>	<p>Amend the election process.</p> <p>The Board should create a skills matrix that outlines what skills the board needs.</p> <p>Voting members should be encouraged to vote for candidates that best fit the Board's skill matrix.</p> <p>Candidates' profiles should focus on their governance experience and capabilities and how they have the skills required in the matrix. Webinars and "Meet the Candidates" events will allow candidates to demonstrate their governance competence.</p>
<p>The mix of skills needed for the Board to perform well are not delivered by the election process. Boards need a range of diverse skills available to them to perform well.</p>	<p>Current election processes encourage voting for individuals, rather than considering the skill mix needed around the Board table.</p> <p>Those elected bring a diverse range of engineering skills, but do not bring a diverse range of professional backgrounds (legal, accounting, marketing, communications as examples).</p> <p>As a result, the Board is more dependent on management than other boards who can draw on a wider range of professional skill sets.</p>	<p>Amend the Rules to reduce the size of the Board to 8 (considered best practice).</p> <p>Five Board members can be appointed through member election processes.</p> <p>The remaining three should be independent appointed by the Board based on the skills matrix.</p>

<p>The volunteer nature of the Board excludes some potential candidates (for example, those who are self-employed).</p> <p>Payment may be needed to attract highly skilled Board appointed Board members.</p>	<p>Consider offering Board members a stipend / meeting fee.</p>	<p>Amend the Rules to allow for payment of Board members, in line with market rates for similar organisations.</p>
<p>Rapid turnover of President / Chair. The current rules allow for a one-year term for the President / Chair.</p>	<p>The President / Chair has an important role as “coach” of the Board. It is difficult to set strategy, lead culture, ensure compliance with such a short term (in practice 6 meetings).</p>	<p>Amend the Rules to allow for a two–three-year term for the President / Chair.</p>
<p>Only Fellows can be appointed Chair and office holders. Fellowship is no proxy for governance experience nor capability to chair the Board.</p>	<p>Chairs are often senior engineering leaders without the time, nor necessarily the governance skills to chair the Board. Potentially expert and professional Chairs are excluded.</p>	<p>Amend the Rules to remove the need to be a Fellow to be an office holder.</p>
<p>There are no sanctions for poor performance or the ability to remove poorly performing Board members.</p>	<p>ENZ needs a board where all members perform, including conforming to Board protocols such as collective responsibility for decision-making and the Board’s Code of Ethics.</p>	<p>Amend the Rules to introduce standards of Board member performance and options for the removal of Board members.</p>

Governing a member organisation

ENZ is a membership organisation. The Rules outline what members can expect: that their work and the profession is recognised, regulated, and celebrated; their career development supported, and opportunities to connect and share knowledge created.

The branch structure plays a critical role in this function. To ensure connection between members, Board members are allocated branches to connect with. Time is allocated on Board agendas for updates from branches and technical societies.

The consensus was that ENZ’s performance here is improving and there was general satisfaction amongst members. However, one opportunity to improve the connection between the Board and its members was identified.

Barrier	Implication	Recommended action
<p>The connection between branches and the Board was not consistent.</p> <p>Board members are allocated branches to connect with but not all accept this role.</p>	<p>Some branches are well connected to the Board and ENZ's strategy.</p> <p>Others are not, potentially less connected and ability to contribute to strategy is limited.</p>	<p>Amend the Board job description to make the expectation to connect with branches clear.</p> <p>The Chair / President should have an annual performance conversation with each Board member, including how connected they are to their allocated branches.</p>

The Board's role in leading the engineering profession

The Rules outline a 'technical leadership' role for ENZ: contributing to the development and recognition of good engineering practice; and developing and sharing advances in engineering and technical knowledge.

Those interviewed had concluded that to do this there needed to be better representation of engineering disciplines on the board. Structural and civil engineers were seen to dominate the board, as did those from large consulting companies. Missing were other disciplines and those working in the regions.

Given the current Board is currently functioning as a representative council with members elected for their engineering expertise and policy / political stances, this observation is not unwarranted.

However, for the Board to become a high performing governance body, it needs a diverse range of governance (not engineering) skills. Trying to create a more representative board – given the diversity of modern engineering as global profession – will either end up with an impossibly large board or gaps in representation.

Instead, the focus should be on electing and appointing a Board that can facilitate engagement and lead the development of effective strategy. Members and stakeholders should expect to be engaged in the development of strategy (including through the enhanced branch – Board relationship as outlined in the previous section).

Those interviewed were also clear that the technical leadership aspect of the Board was lacking. There did not seem to be any leadership from the Board on pan-engineering issues (such a climate change or cybersecurity), or engineering voices visibly engaged in key public issues (such as COVID).

Further, technical leadership is potentially occurring within the technical societies, but they are often unconnected from the Board. There are few opportunities for cross-fertilisation across societies.

The Board per say, will not be well placed to be the technical leaders of the profession as they should be elected for their governance capabilities. However, there are opportunities for the Board to better facilitate technical leadership and enhance the reputation and influence of the profession.

Barrier	Implication	Recommended action
The Board is not well connected to the technical societies.	The Board is does not have a good strategic overview of innovation and technological advances across the engineering profession.	The Board to create a structured process for information from technical societies to inform the Board decision making and strategy development. The Board to create more opportunities for pan-engineering discussions.
There are few clear positions from the Board on issues of significance for the engineering profession, and engineering input into key public issues.	Members cannot see engineering spokespeople commenting on key issues. Trust in the board and ENZ's competence is questioned by members.	The Board to develop a work programme (based on engagement with members and technical societies) identifying the issues ENZ will take a stance on / be publicly engage in. The Board will delegate to management the delivery of this work programme and will hold them accountable for doing so. Management will draw on technical experts to help lead / front the issues.
There are no young people of the ENZ Board	The perspectives of new and mid-career engineers are not factored into decisions. The Board is potentially seen as less relevant by new and younger members.	Create an emerging director position.

Te Tiriti o Waitangi obligations

The Rules of ENZ state that ENZ “commits to promoting the Treaty principles of partnership, protection and participation” and “recognising Te Tiriti o Waitangi in all aspects of its work”.

While a small minority of those interviewed questioned the relevance of Te Tiriti o Waitangi to the work of ENZ, most recognised that being an important institution with New Zealand in its title came with responsibilities. All interviewed acknowledged that there was much to do to ensure that ENZ did recognise and commit to Te Tiriti o Waitangi as per it’s Rules.

These governance recommendations will help address this:

Barrier	Implication	Recommended action
<p>Candidates are not aware of the Rules of ENZ and the expectation that they commit to promoting Treaty principles.</p>	<p>Board members may be elected who do not uphold the current Rules.</p>	<p>Amend the election process so candidates understand the Rules and the expectations on them to uphold them if elected.</p> <p>As part of their election statement, candidates should outline how they will uphold the Rules and advance the purposes of ENZ, including their commitment to the principles of Te Tiriti o Waitangi.</p>
<p>There are no sanctions or the ability to remove Board members who do not uphold ENZ's rules.</p>	<p>ENZ needs a board where all members uphold the Rules.</p>	<p>Amend the Rules to include options for the removal of Board members who do not uphold ENZ's Rules.</p>
<p>Board members have differing knowledge of Te Tiriti o Waitangi and Te Ao Māori.</p>	<p>Board members need a sufficient level of understanding and knowledge to uphold the Rules.</p>	<p>Expect new board members to undertake the “Engaging with Māori” course as part of their induction.</p> <p>Expect all board members to continue to advance their knowledge of Te Tiriti o Waitangi, Te Ao Māori, and Te Reo Māori.</p>
<p>The board may need ongoing support and advice to fulfil its commitments to Te Tiriri o Waitangi.</p>	<p>The Māori Advisory group that currently advises management can provide advice and support to the Board.</p>	<p>The Board to invite the Māori Advisory Group to regularly engage and provide feedback and advice on progress to fulfilling commitments to Te Tiriri o Waitangi.</p>

RECOMMENDATIONS

There are several recommended actions that can be undertaken immediately by the current Board. These involve no change to the Rules and will enhance the governance of ENZ immediately. Others require changes to the Rules, consultation with members and formal changes at a AGM.

Governing a medium sized organisation and complex governance system

The following recommendations should help move the ENZ board towards a skill and competency- based governance board:

- The Board should create a skills matrix that outlines what skills the board needs.
- Voting members should be encouraged to vote for candidates that best fit the Board's skill matrix.
- Candidates' profiles should focus on their governance experience and capabilities and how they have the skills required in the matrix. Webinars and "Meet the Candidates" events will allow candidates to demonstrate their governance competence.
- Amend the Rules to reduce the size of the Board to 8 (considered best practice).
- Five Board members can be appointed through member election processes.
- The remaining three should be independent appointed by the Board based on the skills matrix.
- Amend the Rules to allow for payment of Board members, in line with market rates for similar organisations.
- Amend the Rules to allow for a two–three-year term for the President / Chair.
- Amend the Rules to remove the need to be a Fellow to be an office holder.

Governing a member organisation

The following recommendations aim to strengthen governance across the broader ENZ system:

- Amend the Board job description to make the expectation to connect with branches clear.
- The Chair / President should have an annual performance conversation with each Board member, including how connected they are to their allocated branches.

The Board's role in leading the engineering profession

The following recommendations should clarify the board's role as the sponsors of technical leadership:

- The Board to create a structured process for information from technical societies to inform the Board decision making and strategy development.
- The Board to create more opportunities for pan-engineering discussions.
- The Board to develop a work programme (based on engagement with members and technical societies) identifying the issues ENZ will take a stance on / be publicly engage in.
- The Board will delegate to management the delivery of this work programme and will hold them accountable for doing so.
- Management will draw on technical experts to help lead / front the issues.
- Create an emerging director position.

Te Tiriti o Waitangi obligations

The following recommendations should help clarify the constitutional expectations of ENZ board members:

- Amend the election process so candidates understand the Rules and the expectations on them to uphold them if elected.
- As part of their election statement, candidates should outline how they will uphold the Rules and advance the purposes of ENZ, including their commitment to the principles of Te Tiriti o Waitangi.
- Amend the Rules to include options for the removal of Board members who do not uphold ENZ's Rules.
- Expect new board members to undertake the "Engaging with Māori" course as part of their induction.
- Expect all board members to continue to advance their knowledge of Te Tiriti o Waitangi, Te Ao Māori, and Te Reo Māori.