

THE LIST

POWER

- 1 Lindsay Maxsted
- 2 Jane Hemstritch
- 3 Brian Long
- 4 Sarah Kay
- 5 Andrew Mohl
- 6 David Turner
- 7 David Higgins
- 8 John Anderson
- 9 Launa Inman
- 10 Harrison Young
- 11 Shirish Apte
- 12 Elizabeth Bryan
- 13 Ian Macfarlane
- 14 Alison Deans
- 15 Ilana Atlas
- 16 Michael Chaney
- 17 Graeme Liebelt
- 18 Peter Marriott
- 19 Peter Hawkins
- 20 Ewen Crouch
- 21 Carolyn Hewson
- 22 Robert Elstone
- 23 Malcolm Broomhead
- 24 Paula Dwyer
- 25 David Gonski

INFLUENCE

- 1 Linda Nicholls
- 2 Gene Tilbrook
- 3 Maxine Brenner
- 4 Jane Hemstritch
- 5 Todd Sampson
- 6 Paul Rayner
- 7 Eileen Doyle
- 8 Yasmin Allen
- 9 Sandra McPhee
- 10 Garry Hounsell
- 11 Rebecca McGrath
- 12 Paula Dwyer
- 13 Jacqueline Hey
- 14 Samantha Mostyn
- 15 Zygmunt Switkowski
- 16 Kathryn Fagg
- 17 Anne McDonald
- 18 Nora Scheinkestel
- 19 Karen Penrose
- 20 Anne Brennan
- 21 Steven Gregg
- 22 Peter Heart
- 23 John Marlay
- 24 Eric Goodwin
- 25 Christine McLoughlin

DIRECTORS OF

# POWER & INFLUENCE

Non-executive directors are making it their business in 2015 to get up to speed with digital innovation, aware of its potential and its capacity to disrupt.

STORY PATRICK DURKIN

PHOTOS JOSH ROBENSTONE, JESSE MARLOW, LOUISE KENNERLEY, GETTY IMAGES

COMBINED MARKET CAP

\$215.2b

NED DIRECT BOARDROOM CONNECTIONS

23

NED REACH (INFLUENCE)

109

BOARDS  
BHP BILLITON  
TRANSURBAN  
WESTPAC



Linda Nicholls

COMBINED  
MARKET CAP  
\$10.6b

NED DIRECT  
BOARDROOM  
CONNECTIONS  
25

NED REACH  
(INFLUENCE)  
169

BOARDS  
FAIRFAX  
JAPARA  
MEDIBANK  
PACIFIC  
BRANDS  
SIGMA  
PHARMA

based on the reach of their ASX company network.

Blue-chip company chairman Lindsay Maxsted tops the power list, which ranks directors by market capitalisation of their companies. That list reveals a host of emerging directors who have prevailed over the usual suspects dominant five years ago.

### CALIFORNIA BOUND

A critical need to renew the skill sets of our leading directors explains the hottest trend for boards, a field trip to Silicon Valley. Five years ago, boardroom tours to China were all the rage. Now boards head to California to meet with entrepreneurs and tap into the latest digital thinking.

"You'll hear that many boards have taken visits to Silicon Valley to see what some of the emerging ideas and possibilities are," says Jane Hemstrich, a director of CBA, Tabcorp, Santos and Lend Lease, who ranked second on our power list and fourth on our influence list. "I went with the Commonwealth Bank and I know ANZ has been."

Brambles and CBA director Carolyn Kay, fourth on the *BOSS* power list, also went on the CBA Silicon Valley trip and says the speed of change is what is different.

"On the Tuesday, a digital wallet provider was demonstrating its power in payments, by Thursday the iPhone 6 was launched – a disruptor to [the wallet's] model," Kay says.

Maxsted says he is planning a trip to Silicon Valley with the Westpac board in May, which will largely follow the footsteps of the bank's executive team.

"Both chairmen of our risk and technology committees went to the US in November and I am looking at a whole board trip in May, to give the board a direct feel of how much things are changing," Maxsted says.

"Normally, boards are following the footsteps of what management has already done. So you might go over to the north-east [US] and perhaps see what is happening at

## MEN HAVE POWER, WOMEN ARE CONNECTED

Men may dominate the corridors of corporate power but in the sphere of influence, it appears that women are champions. Female non-executive directors (NEDs) won a remarkable 15 of the top 20 spots on the list of the 2015 *BOSS* most influential ASX company directors but just six of the top 20 on the list of the most powerful.

The push for greater gender diversity on our boards has helped create a small group of super-connected women and the women accepted into the exclusive board "club" are in strong demand.

Top of all the influencers is Linda Nicholls, whose portfolio spans five listed companies: Japara Healthcare, Medibank, Fairfax Media, Sigma Pharmaceuticals and Pacific Brands; she also chairs unlisted Yarra Trams. Nicholls has 25 first-hand ASX director colleagues and can reach 169 NEDs first-hand or via introduction.

"In putting together a board you're assembling a team, so when you look to appoint the director you look to see where are gaps in the skills, not just that we have now but we think we're going to need," Nicholls says. "Board renewal is not just about putting new faces around the table it's keeping the skill set around the table relevant to the company's needs."

The rankings of influence are determined by how many other NEDs someone can reach either first-hand (on the same board) or via an introduction by a first-hand contact. Origin Energy, Qantas and Orica director Maxine Brenner is the third-most influential NED (163 contacts) and at No. 4 is Jane Hemstrich (153), who is at CBA, Lend Lease, Tabcorp and Santos. Cochlear and Insurance Australia Group director Yasmin Allen – and recently at ASX – is at No. 8 (142).

The second-most influential NED is Gene Tilbrook, with 164 first- and second-hand contacts. He is a director at Aurizon, Fletcher Building, GPT Group, Orica and Woodside Petroleum.

Networks explain how adman Todd Sampson (Fairfax and Qantas) has gone from nowhere to No. 5 on this year's influence list. "Todd joined two boards that have directors who are super connected," says Optimice's Gal Kjaer. "We know that high performers achieve more because they are closer to other smart people, and can quickly reach out for help when they need it."

### METHODOLOGY

Social network analysts Optimice analysed ASX-listed companies and their 5000-plus NEDs using Thomson Reuters' Connect 4 database to compile the rankings. The results are as at February 1.

**D**irectors joke that the digital economy is a lot like sex. You can read all the books you like but, until you actually do it, you don't really "get it".

"I know directors who don't understand Instagram, who aren't getting Twitter feeds, who don't know what Tinder is, who haven't time-shifted TV, who haven't tried Uber and Airbnb, I mean some of them haven't even shopped online or put anything on eBay," says Linda Nicholls, a director of Medibank, Pacific Brands and Fairfax Media (publisher of *BOSS*). "Well, you've got to be in it to understand it."

The 2015 *BOSS* lists of the most powerful and influential directors, compiled by Optimice, reveals a new breed of directors who are as comfortable with digital technology as they are with financial accounts and remuneration reports.

"There's a growing group of us who are professional non-executive directors and who started our board careers more in our 50s, rather than after retiring from an MD [managing director] job in our 60s," Nicholls says. Nicholls tops the 2015 *BOSS* list of most influential directors. It ranks directors

some of the universities in Boston and then Silicon Valley is obviously high on people's lists," the Westpac and Transurban chairman, and BHP Billiton director elaborates.

Boards came in for their fair share of criticism about "boardroom tourism" after the spate of visits to Asia, and the Silicon Valley trips could attract the same criticism.

"They arrive at their five-star hotel, they go to the factory and the manager makes sure everyone is smiling," the German-born president of Amcor's Asia Pacific Flexibles, Ralf Wunderlich, teased boards at an Australian Institute of Company Directors conference. "Two days later they go back to their country and say, 'now we know Asia.'"

### SEEING IS BELIEVING

Hemstrich says the criticism is unfair because directors should be encouraged to experience the digital revolution first-hand.

"There's no substitute for going to a place," she says. "You can't understand how China

operates unless you go there and see it. Yes, people will probably present you with a slightly sanitised view, but I've been in factories in China and they can't disguise from you that the health and safety standards are not what they are here."

Hemstrich says the field trips are just one aspect of director education.

"Most businesses rely heavily on their technology vendors to keep them abreast of what's going on and many of the consulting and accounting firms do a good job of running sessions to keep people up to date," she says.

Nicholls does not agree that getting boards up to speed with the digital economy means throwing older directors overboard. It's a state of mind and curiosity is key, she says.

"Engagement with a board, a company, an industry, is not confined to the one day a month you sit in the big black chair around the board table," she says.

"In the pharmaceutical industry, we've said to our directors, 'Look all of us travel a lot, keep your eyes wide open for what's going on in pharmacies around the world, if you see an interesting idea, check it out. Inquire about it, go into the shop, have the experience and bring it back with you,'" Nicholls says. She is also a director of Sigma Pharmaceutical Group and chairman of ASX-listed Japara Healthcare.

Opening your eyes to disruption in other industries may provide important warning signs, Nicholls tells her directors.

"If we look at the music industry, once upon a time we bought albums, then we got Napster, iTunes, and now it's all about Pandora and Spotify, so you think, OK, that's the music industry. But what if you say, 'OK, what about in our industry if consumers started to unbundle our product, how would we cope with that?'"

### DIGITAL CHAMPIONS

While directors can take responsibility for bringing themselves up to speed with the digital world, some boards have appointed digital champions. Wesfarmers appointed SEEK founder Paul Bassat as a director to ensure the issue is front of mind at board meetings.

"At Fairfax we had a director on our board who built an internet start-up that

COMBINED MARKET CAP  
\$159.8b

NED DIRECT BOARDROOM CONNECTIONS  
29

NED REACH (INFLUENCE)  
153

BOARDS CBA  
LEND LEASE  
SANTOS  
TABCORP



Jane Hemstrich

Carolyn Kay



COMBINED MARKET CAP  
\$155.8b

NED DIRECT BOARDROOM CONNECTIONS  
15

NED REACH (INFLUENCE)  
62

BOARDS BRAMBLES  
CBA

## OPENING YOUR EYES TO DISRUPTION IN OTHER INDUSTRIES MAY PROVIDE WARNING SIGNS.

LINDA NICHOLLS

was phenomenally successful – Sam [Morgan] from TradeMe – so he had insights into the digital world that you wouldn't expect others to have," Nicholls says.

"His replacement, Todd [Sampson], is someone who has a foot in both camps. He hasn't done an internet start-up but he is very immersed in the world of digital advertising."

Sampson, who is ad agency Leo Burnett's chief executive, joined his first ASX-listed board, Fairfax Media, only last year and his

second, Qantas Airways, this year. He says he was not seeking a career as a director.

"I know both [Fairfax chairman] Roger [Corbett] and [Qantas chairman] Leigh [Clifford] want diversity of thinking and eclectic business minds in the boardroom," Sampson says.

He says there are lots of tools and training companies such as Hyper Island to help directors stay on top of technological change. But the most important aspect of this is a director's mindset.

"As we age, we all start to become functionally fixed and this narrows our learning and our ability to adapt," he says.

But Sampson also believes the tech specialists have been obstructive. "For years, digital people have been adding mystique around all things digital, creating a mindset that only the young can really understand it."

"It's bullshit. Under all the native tech talk, the fundamentals are still the same – behaviour is more important than technology."

Sydney partner of executive recruitment firm CTPartners Ian Smith says that board demand for digital champions is opening the door for more women directors.

"Governance used to be about two-thirds of it; there are now companies who want to get people in who understand big data, who understand digital," he says.

"Boards also increasingly want people who have got contemporary experience. This is leading to much more focus on specialist skills and much more focus on younger people as well.

"When you cut those numbers out of the market, there are more female applicants out there for these kinds of roles than there are males," Smith says.

Hemstrich says the intention in making such digital appointments is to ensure that boards have all the skills they need.

"A board is genuinely a team sport, you don't want star players on a board, you want a really good team," she says.

## THE LONG VIEW OF LINDSAY MAXSTED

Lindsay Maxsted knows a thing or two about succession planning, having recently overseen Westpac's smooth transition to chief executive Brian Hartzler after Gail Kelly stepped down. Maxsted, Westpac's chairman, tops the 2015 BOSS list of most powerful non-executive directors. The measure of power is straightforward: the market capitalisation of the companies on whose boards a director sits.

Telstra Corp's board also recently orchestrated a swift transition – to CEO Andrew Penn after David Thodey retired, to take effect from May 1. And Myer's reins were passed from CEO Bernie Brookes to former Woolworths and Australia Post executive Richard Umbers, who joined Myer in 2014. The issue is current for ANZ Banking Group, which must replace long-serving CEO Mike Smith, who announced his retirement towards 2016's end.

Good planning, a strong field of internal candidates, a unified board and a bit of luck are key to succession planning, Maxsted says. When he plumped for US-born Scott Charlton as an external candidate to head road toll company Transurban in 2012, Maxsted says a good internal candidate is always preferable. "Put it this way, internal candidates start ahead of external candidates, all else being equal, because you've seen them in action, you've seen them in stress situations, you've seen them perform over a long period, you know how consistent they are and they have been part of the building of the strategy.

"Clearly, if the company is under stress and you need some totally different outlook on life, that might attract you to hire externally." Maxsted says Hartzler's appointment from Royal Bank of Scotland 2½ years ago was "unashamedly" a move to bolster Westpac's internal stable.

A unified board is necessary for a successful transition and a split vote can spell disaster. "I think a good succession process means all the board is in sync in terms of where you are trying to take the company," Maxsted says. "Where you get problems is if the chairman doesn't get his wish, it would be really hard for a chairman to continue if his or her choice was not successful."

Luck is important, too. "You need a little bit of luck in these things in terms of agreement between the CEO and board as to when the right time for the changeover is. But there's a lot of good management as well – you have to plan early.

"Good boards don't just think about it after seven or 10 years when they think it is time. At Westpac, we had a lot of planning and development of the group executives who reported to Gail to establish their core strengths and how ready they might be to take up the position if it was offered to them."

Todd Sampson



### INNOVATION BUY-INS

Maxsted says the other increasing trend he expects to see is big listed companies acquiring more tech start-ups such as Westpac's \$5 million stake in peer-to-peer lender SocietyOne and Commonwealth Bank's recent \$40 million acquisition of digital banking start-up TYME. But the reason for such acquisitions may not be the obvious one.

"Yes, we bought [SocietyOne] because we would like to see it make money as an investment.

"But, unashamedly, the other reason was to see how people are thinking in this area, to look at the sorts of things they are doing, whether we can do that in-house. So it is really part of gaining experience and getting access to their minds," Maxsted says. **BOSS**

COMBINED MARKET CAP  
\$7.3b

NET DIRECT BOARDROOM CONNECTIONS  
15

NET REACH (INFLUENCE)  
150

BOARDS  
FAIRFAX  
QANTAS