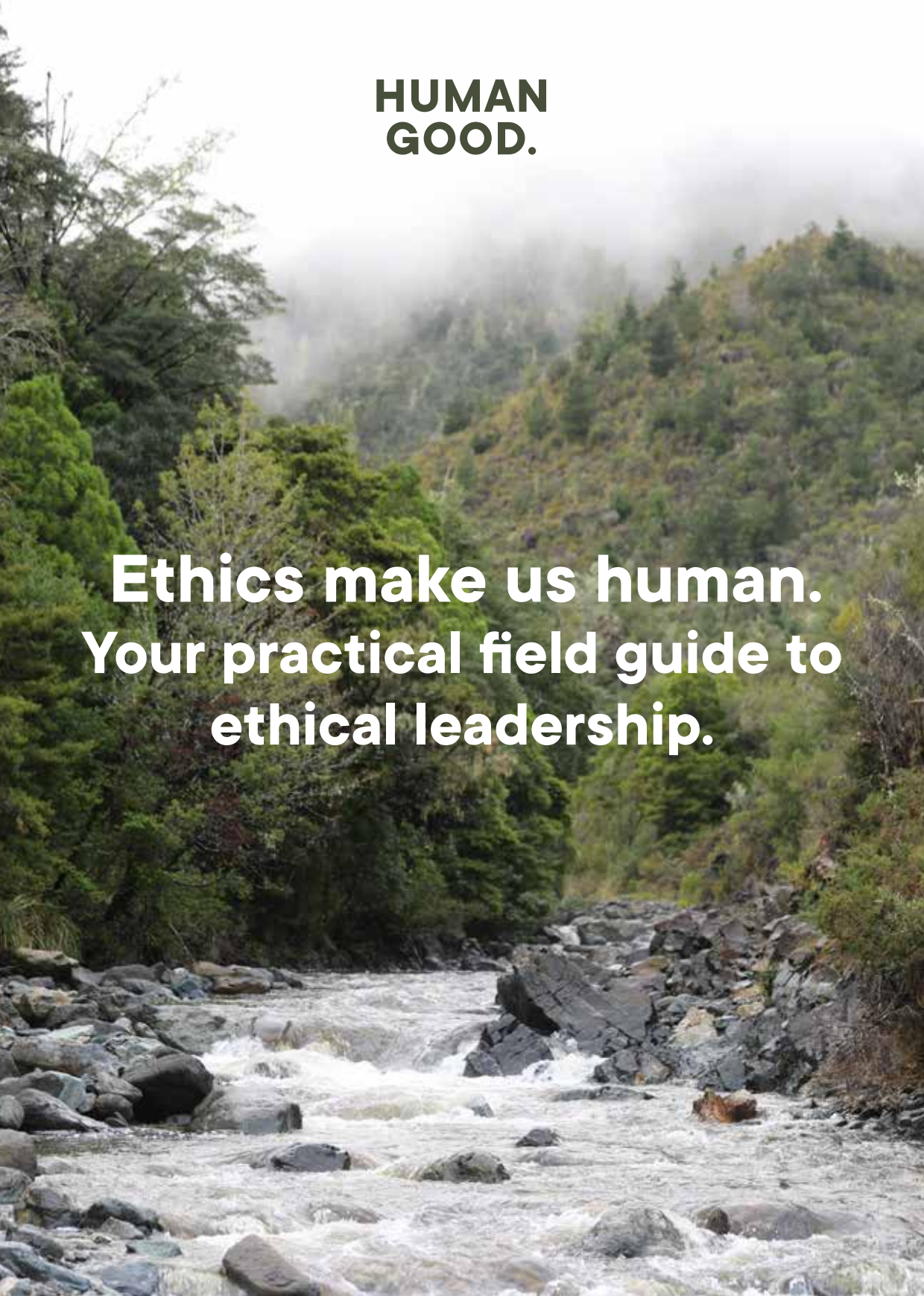




HUMAN GOOD.

A FIELD GUIDE
TO ETHICAL LEADERSHIP



**HUMAN
GOOD.**

**Ethics make us human.
Your practical field guide to
ethical leadership.**

Kia ora and welcome to HUMANGOOD.

It is so easy for us to continue with our day-to-day lives and forget to ask why we are making the decisions we make and are they the right ones.

How do our choices impact the world around us? Do they benefit you alone or do they contribute to the common good?

The decisions we make today will have lasting effects on the future. Only we have the ability to change the fate of what sort of planet our children, grandchildren, and future generations will grow up on.

This booklet is a collection of articles and research we have written and compiled to discover what role ethics has, or should have, in business. We do not profess to think that we have the right answers. In fact, we hope that looking back on this booklet our view on ethics has developed – that in 100 years from now we'll view these ideas as antiquated, maybe even unethical.

The stories we have collected are the views of the people that we interviewed. We do not necessarily agree with everything that is said. We are sure that there is an element of “ethics-washing” and bias that has crept in from us and the interviewees. We do, however, genuinely believe the people we have featured have the passion to do right for the people and the planet.

Our aim was to humanise ethics. A reminder that there are very real, fallible people behind the organisations. People who are uncertain about the future and the direction to take, and how they consider their decisions to determine the best actions. It can be a difficult and challenging journey. It can also be rewarding, courageous, inspiring, and change the world around us.

A key question that kept being raised for us was, how do we know if we are making the right decisions? Is our internal compass enough or do we need a means to critically analyse our decisions? We have offered a few frameworks for you to test.

We are amazed by how much humans have achieved in our brief time on this planet. Studies indicate that the universe is around 13.8 billion years old and 93 billion light years in diameter, with the earth around 4.5 billion years old with a diameter of 12,756 km. Modern humans (us!) have been around for about 200,000–300,000 years¹ and we currently live in a period known as the Anthropocene, an age defined by the dominant influence of humans on climate and the environment.

But we are also worried that our ambition for perpetual growth and our capacity for cruelty and oppression of others will be our undoing. We have created complex social, economic, and political systems to navigate the complexity we find ourselves in, however these often fail to align with the world around us and can create incentives and motivations that degrade the environment and fabric of our society.

Are we gaming the system or are we creating real value?

The systems have become so embedded in our society that we often forget to ask ourselves, is this system the right one? Is it aligned to the real world around us and the outcomes we want for the people, animals, plants, and microbes that inhabit it? We all have choices to make that will impact the world around us – either for the worse or for the better.

But who are we to say what choices you should make?

The choice is yours... (we hope you make the ethical one!)

Putting this publication together and exploring the role of ethics and leadership was a really fun experience for us. We hope you will enjoy reading this booklet as much as we did creating it, and that you discover interesting articles, ideas, and inspiration to help you with your journey.

Ngā mihi,
James Bushell and Karin Lasthuizen

¹ There is some scientific disagreement as to the definition of humans, which can create different timelines based on the definition.



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Ethics – It's About the People

The daily media standups by Dr Ashley Bloomfield and his team became compulsory viewing for New Zealanders during 2020's COVID-19 lockdown and well beyond. Here, Dr Bloomfield explains how his dedication to ethical leadership helped earn the country's trust and rally our Team of Five Million.

Any leader, public or private, will say that most tough decisions are made while operating in the grey – operating during a time of uncertainty and incomplete information.

It's no surprise that operating in the grey perfectly describes our situation in early 2020, when the COVID-19 crisis was evolving in Aotearoa New Zealand. Few of us had faced a pandemic, and no one had faced this novel virus before. We were operating in the greyest of areas, forced to make strategic decisions we knew would have enormous but unquantifiable effects. They would, however, save lives and that, after all, is our purpose.

As a doctor – as a leader – ethics have always been an important part of my career. For me, behaving ethically means acting in a way that aligns to my personal and professional values – values that are shared by my team at the Ministry of Health. Thus, when operating within 2020's vast uncertainties, we had the advantage of reaching back to those values when deciding our advice to Cabinet.

Health vs the economy

By its very nature, an ethical issue rarely has one right answer. In relation to COVID, we faced many ethical dilemmas. Much debated was the trade-off between public health and the economy – in that we can only protect one to the detriment of the other. But I see the two as inextricably linked.

In a crisis situation, when many factors are outside your control, it's best to think, "What are the things I can always control?"

In weighing up the lockdowns, especially the Auckland lockdowns, we thought, "Okay, this will impact economically, and that will have a social impact, and that will tend to be inequitable". However, I always go back to what was motivating us at the start: If our primary and paramount concern is to look after people and their safety and well-being by acting decisively and early, and – yes – taking some hits, we've shown that's the best thing for people and, as it transpires, it's the best thing for the economy. And why would it not be as the economy is here to serve people.

Our primary purpose in all our decision-making was: What does this mean for people, particularly for those who are disadvantaged or vulnerable in our communities? We know that if you look after people, first and foremost, the economy follows.

Control what you can – starting with you

We also focused on controlling what we could. We can generally control only 15 percent of the context in which we're working at any one time. So, the idea is to maximise that and to think strategically about who else can control or have influence in other areas.

In a crisis situation, when many factors are outside your control, it's best to think, "What are the things I can always control? I can always control my behaviour, and I can control the basis on which I give advice in the absence of any, or very incomplete, information". That's again when I reach back to my values of ethical leadership. We're all human, and we all get frustrated and can act like a jerk, but the best advice is that when you're being a jerk it's alone in a room with the door shut. That focus on my values and controlling my behaviour became especially pertinent during those 1pm media standups.

Leading with kindness – for others

I'm a fully paid-up member of the kindness club. It's one of my core values and why I work in health and enjoy public service. Kindness is about doing things in the interests of other people that don't necessarily have a material benefit for yourself.

So, with our call to action – asking New Zealanders to, "Stay home, save lives, be kind" – most knew they weren't going home to save their own life, or even necessarily those of their immediate whānau. It was about saving the lives of the vulnerable people in this country, in their community. And the call to, "Be kind" gave people something to do, something they could control in an unknown situation.

In a sense, that's how I see leadership. Disability advocate Philip Patson says leadership is a call to collective action and, in a sense, that's what was extended to New Zealanders. Remarkably, everyone heard the call and we all became leaders. Our success lay in our ability to accept the leadership challenge in order to suppress the curve, achieve elimination status, and work hard to keep it.

Explaining – and understanding – the 'why'

People did that because they understood the 'why' – why we had to stay home to save lives. It was inspiring as a leader to see that if they understand the why, people will do extraordinary things.

Often as leaders we spend too much time focusing on the 'what' and the 'how' instead of focusing on the 'why' – meaning what's the compelling vision, the sense of purpose behind why we are doing this? When people understand the 'why', they can work out the 'what' and 'how'. They understand the connection to what they are asked to do, and they are inspired to do it. We were never going to be able to police a lockdown, so its effectiveness was totally predicated on people trusting that what they were asked to do was the right thing.

So when the Prime Minister's call went out on March 23 that, "We need you to stay home unless you do these particular jobs", everyone said, "Okay". They did that because we had built trust with New Zealanders, and we built that trust because we brought everyone into our confidence. We shared what we knew. We said if we didn't know something, if we were wrong or changed our minds, we said that, too. Literally thousands of New Zealanders have since shared with me that they trusted us because we didn't pretend to have all the answers.

Basically, we stuck to the adage of: "If you tell the truth you don't have to try to remember what you've said". There's a great lesson in these points for all leaders.



Baring – and bearing – it all at 1pm

As part of being honest, we also respected New Zealanders' ability to handle the information, or the lack of information. Our dedication to transparency also came from everyone hearing the information at the same time during the 1pm media conferences. We started them out of expediency as we were getting hundreds of media inquiries a day. I think we had 2,000 inquiries on our peak day. It was easier to make a time each day that the media, the public, and sometimes my own staff could hear the latest, even if we didn't know all the answers.

Public officials and politicians generally only like to front up with a clear set of Qs and As. We knew, however, that any indication we weren't being honest and open would have undermined that trust. For me, it was important I got up there and was myself, and I told my staff to tell me if they started seeing someone else. People see through the 'BS' very quickly, and I knew authenticity was essential to retaining trust. Again, in the interests of transparency,

I will say those standups were not easy. Some days it was like entering the Colosseum and I'd get nervous – I still get nervous. I'd be unable to eat before and be a ball of sweat afterwards. But again, the only thing in that situation I could control were my own reactions and behaviour, so that's what I focused on.

Despite how I felt, people – especially children – have told me they liked that I came across as calm, which kept them calm. That for me is another lesson: People might not remember much about what you did as a leader, but they will remember how you made them feel. And to lead ethically, to make people feel safe, you must lead congruent to your values.

A leadership value I talk about is humility. Leading with humility is about being prepared to listen to others, to take advice, to say when you don't know something, to say when you got it wrong, and say what you have to do to sort it out. The opposite, one could argue, is hubris. It's easy to see the ramifications of the stark contrast in leadership styles for different nations during this situation.

We always strive for convergence and consensus – which again comes down to leading with humility, and being prepared to listen and change your mind.

Confidentiality vs public health

How much private information we shared had other ramifications and created our biggest ethical dilemmas. An effective contact tracing response required us to share publicly quite a bit of information. Where a COVID-positive person went and when, and, if they were an MIQ worker, when were they tested and if not, why not? The media went very hard on these points.

While we had to be open with the information people needed to know to protect themselves, we didn't want to create a media and social media pile on. Those individuals were already going through a heck of a time and didn't need their movements scrutinised, or grilled about whether they were scanning or not scanning. That tension creates a bigger utilitarian ethical issue as people might not come forward and might not get tested if they fear their lives will be aired on television.

There's a trade-off between the individual and the population utility, and potential unintended consequences. Coming from a health background, where patient confidentiality and building trust with the individuals and their whānau is so important, that's been one of the most challenging parts of the communications aspect of my role.

Listening to others – aiming for consensus

As Director General it was my job to decide what advice to offer to Cabinet. In reaching those decisions, central to my own leadership style is listening to my colleagues and advisors, who add their ideas without feeling the need to tell me what I might want to hear. We always strive for convergence and consensus – which again comes down to leading with humility, and being prepared to listen and change your mind.

It's rare we don't reach a consensus, but sometimes I might say, "Okay, well, thank you for the advice, but we're going to do it this way". Much of leadership is intuitive, but you need to train those muscles. Leadership is a set of skills you must learn and practise, as there are no born leaders. The most successful leaders are the ones who do the basics really well: Why am I here? How do I lead myself? How do I lead others? How do I lead the context? And then it strips down to: What are the guiding values I operate under as a leader?

Caring for others – and for yourself

Part of leadership is realising when you have reached the limits of your resilience. I've had some pretty senior roles, but for the first time in my career I reached mine. Luckily, I recognised that and took steps – it's called a holiday! For me, that's often going for a tramp in the bush. Resilient people know where their physical, mental, and emotional boundaries are, and they take steps if they nudge up against them. They realise they're going to be no use to anyone if they don't take time out and re-centre.

Leaders can become used to and energised by the pace and adrenaline of operating at full speed. I know I'm in the right job when I come home with more energy at the end of the day than at the start. So that's a good thing. It's a good fit. But you can fall into the egotistical trap of thinking that if you're not there, it won't work. You need to remind yourself that, as a good leader, you've chosen a great team and they've got this. No matter what you do, you're actually a small cog in a big wheel. Understanding that is a good way to retain perspective, to get your sense of self-importance back to where it should be.

I'm good at compartmentalising, so it doesn't take me long to decompress on a break. Then I can look back and see how stressed I was. Remembering to focus on what I can control – that 15 percent – focus on the values and focus on the people. If we keep doing what we're doing for the right reasons, we will do the ethical thing. And for me, that comes down to always doing what's right for the people.



Coping with Scrutiny

I used to joke that those daily standups were like having a heavy performance review each day, live on television. I remember one big headline around the so-called “Thelma and Louise episode”, where two women left managed isolation and drove from Auckland to Wellington without having had a test. The media were asking, “Who’s responsible? Who’s going to get fired?” As Director General of Health, I took responsibility for sorting it out, so the headline the next day was, “From hero to zero”.

It didn’t bother me because I never thought of myself as a hero in the first place, I’m just doing my job. Part of my job is when things don’t go right, you put your hand up and back your staff. Being in New Zealand, I’ve had thousands of people come up to me and not one has shown any malice. They’re just grateful. But they’re not thanking me – they’re thanking the whole team, they just see me as the recognisable face of that team. I’m just a Kiwi doing my job.



Dr. Ashley Bloomfield's Top Five Takeaways

1. Ethical leadership skills must be learned and practised – good leaders aren't born that way.
2. Focus on the 15 percent of the context you can control – the 85 percent you can't isn't worth losing sleep over.
3. That 15 percent is likely to be your own behaviour – so focus on acting in an ethical way for the right reasons.
4. Good leaders lead with humility – the ability to listen, take advice, and admit when you're wrong.
5. Resilient people recognise when they are at the limit of their endurance and take steps to help themselves – it's called a holiday.



So What is Ethics?

Here are a few concepts to get you started

Ethics is the study and analysis of morality – on what is considered “good” or “right” behaviour. Thus, **ethical theory** provides us with a set of moral principles that allow us to clarify right and wrong and (hopefully) act on what we consider good. They can also act as standards for assessing the integrity and ethical conduct of individuals and organisations.

The **different ethical theories** can be used in combination with each other to arrive at a decision or a course of action. Most people use moral principles in their day-to-day decision-making, but rarely do we rationalise in a systematic way what is the best, most ethical outcome.

Consequentialism

This ethical theory looks at the consequences of an action: What is the impact of an action on involved stakeholders, the wider community, and the planet? The fundamental assumption is that an action is morally “good” or “right” if there are more good consequences than there are bad. A moral principle that fits with this theory is: “Try to achieve the greatest good for the largest number of people”.

This theory is often applied to government policy to serve the public interest/common good. However, this theory alone does not sufficiently protect the interests of minorities or others who cannot vote.

Deontology

(“deon” means “what is supposed to”)

Rather than looking at the consequences of the action, this ethical theory focuses on the morality of the action itself. The fundamental assumption is that an action is morally “good” or “right” if it honours a given obligation. In this theory moral values play a central role. For example, “always speak the truth”.

An important philosopher was Immanuel Kant, who said never to treat persons as only means, but also as an end. In our daily lives we often translate these moral principles into the golden rule: “Treat others the way you want to be treated yourself”.

Deontology points out that all persons have non-negotiable obligations and human rights, and it is therefore believed that it should carry more weight in ethical decision-making than consequentialism.

Virtue Ethics

Here the fundamental assumption is that an action is morally “good” or “right” as long as the person acting is doing it with “good” intention and makes these choices based on virtues. Virtues are defined as the middle ground between two vices, for example, modesty is the mean between shamelessness and shyness. Being virtuous requires practical wisdom and a constant striving to be the best version of yourself. Aristotle called this *eudaimonia*, translated as “good spirit”, which he saw as the highest human good.

Virtue ethics is more difficult to use as a general principle in ethical decision-making because the intention of the actor can be subjective and difficult to measure. But it poses the important ethical question to individuals as to whether they made a decision with their best intentions and a clear conscience, without being naïve, or morally blind.

Theory of Justice

A contemporary philosophy is the theory of justice, developed by John Rawls. He wondered: What is the key to achieving a just and fair community? His theory proposed the basic truth that the most reasonable principles of justice are those everyone would accept and agree to if they came from a fair position. Rawls thought this fair position could be demonstrated in a thought experiment that begins with placing yourself in an "original position" behind a "veil of ignorance".

The Thought Experiment

Imagine you don't know who you are (the original position). You do not know anything about yourself, you do not know what qualities you have, nor your position or status in society, gender, cultural background, religion, education, health, or wealth. You don't even remember your name (the veil of ignorance).

Now that you are behind your "veil of ignorance", imagine you have been given the opportunity to design laws that will govern our society. How would you design these laws knowing that you could be in any position in our society? Would you design them differently to the laws of today? What ethical principles would be fair?

Rawls thought that the most rational choices, made from the original position behind such a veil of ignorance, would result in equal rights and liberties for all, such as equality of educational and employment opportunities, equal pay, and a guaranteed minimum of means.

The thought experiment can be applied to many situations and can often help guide a different perspective and achieve a more ethical outcome. For example, would it change the way you run your business? More practically, you might ask yourself: Who is directly or indirectly affected by my decision, and if I were in their position, how would I feel about the decision in terms of fairness?

The Ethics of Care

This ethical theory is based on the fundamental truth that humans are relational beings, as opposed to individualistic beings. It states that caring defines human ethics and thus the foundation of morality. This way of thinking places people at the center of their relationships. This is in stark contrast to the abstract, impersonal reasoning of the aforementioned theories and deviates from the idea that there is a universal law or principle.

The fundamental assumption is that an action is morally "good" or "right" if one acts with care towards others. The theory ultimately says that the imperative to act is the critical function of what it means to care.

The ethics of care is a modern feminist philosophy, mostly attributed to the work of Carol Gilligan and Nel Noddings, but it shows many similarities with Eastern philosophy and mātauranga Māori values and principles, including manaakitanga and kaitiakitanga.

Source

Lawton, A., Rayner, J., & Lasthuizen, K. (2013). *Ethics and Management in the Public Sector*. Routledge.
<https://www.edx.org/course/ethical-leadership-in-a-changing-world>



Ethics Lower Corruption, Increase Markets

New Zealand justifiably enjoys its reputation as a low corruption country, says Transparency International New Zealand's immediate past chair, Dame Suzanne Snively, as a reflection of our robust integrity systems.

“New Zealand has one of the most diverse economies in the world, and we're able to demonstrate it's still possible to have low levels of corruption in our public service.”

The most corrupt country in Transparency International's 2019 Corruption Perceptions Index (CPI) was Somalia. The least corrupt of the 180 countries scored was New Zealand, tied with Denmark.

It's a familiar place for New Zealand to be, in the top three of countries assessed as having the least corrupt public sector. Likewise, New Zealand is judged to be an efficient and effective place to do business, consistently enjoying a top ranking on the World Bank's Ease of Doing Business index.

These spots are deserved, says Dame Suzanne Snively, the immediate past chair of Transparency International New Zealand, who stepped down in 2020 after a decade in the job. It comes back to the strength of our systems supporting integrity to exist across all sectors, including legal, political and legislative, media, and the public service.

As an example, she points to our Electoral Commission. “Just having the commission doesn't ensure a strong and trusted integrity system supporting the right to vote. For an organisation or sector to have a robust integrity framework, its activities require a legal mandate and the resources to be effective. It is this realistic and genuine approach to capacity and capability that ensures trust.”

Low corruption isn't no corruption

Our strong integrity systems, however, don't mean corruption isn't an issue for us. Our corruption score is low in relation to the high corruption in other countries. Nonetheless, Snively emphasises the positive, “New Zealand has one of the most diverse economies in the world, and we're able to demonstrate it's still possible to have low levels of corruption in our public service.” She also praises an increase in government spending on agencies such as the Office of the Auditor General, the Ombudsman, and the Serious Fraud Office for monitoring corruption. The boost means more instances of corruption are found, but those cases are still minor by international standards.

“That's not to say they're not significant. Big or small, instances of corruption are important and we must continue to prosecute. However, I look for strategies to get businesses to build stronger integrity systems because, to me, it's not an internal problem that we need to be most concerned about, it's the external threat of corruption.”



Small corruptions add up

Snively points to two examples of corruption from outside New Zealand; one deceptively insignificant, while the other is an obvious and potentially deadly threat. As an example of the former threat – sports betting, to which any competition with an online presence and a score is fair game, as sports betting rings, mainly based in Asia, can go online and bet on anything.

“Even a women’s bowling competition in Oamaru,” says Snively. “The insidious things that can happen then is they can start bribing competitors to fix the game. It begins with grooming – they might find someone like, say, a woman with a mortgage who is playing in the competition. They might contact her and say, ‘We can help out with your mortgage if you do something for us’. The amount she could receive to fix her bowls game might be minimal, but the betting gang’s earnings can be huge.”

Dame Snively says it’s estimated the amount of money managed by sports betting rings is well into the trillions. It is earned from seemingly small actions, involving small sums, but adds up to huge amounts of money and can have enormous effects.

Rather than bowls, consider the scandal when the Australian cricket captain admitted tampering with the ball. “People might say, ‘Well, he used a bit of sandpaper on the ball, but boy, he’s an incredible bowler anyway.’ So Steve Smith had one year off cricket. That was his punishment for doing something that had the potential to damage the whole game forever.”

“In many people’s minds, these sorts of little things are situational, and that’s reinforced in day-to-day business. Before you know it, somebody is saying, ‘Well, I will just do a little bit of this, a little bit of that. It’s not much’. Before you know it, you’re talking about millions of dollars of ‘a little bit of this and that’.”

Strong integrity systems stand against violence

A more obvious – and deadly – form of corruption threatening New Zealand is generated by Australia’s deportation policy. A number of deportees sent back to New Zealand from Australian prisons are members of the Comanchero Motorcycle Club, a particularly vicious criminal organisation.

The gang’s president was found guilty of money laundering and conspiring to supply pseudoephedrine, a precursor to methamphetamine, in Auckland in October 2020. During reporting of the police raid on the Comanchero’s locations and the subsequent trial, the extent of the gang’s wealth was clear in the huge haul of high-value goods confiscated.

“In many people's minds, these sorts of little things are situational, and that's reinforced in day-to-day business. Before you know it, somebody is saying, ‘Well, I will just do a little bit of this, a little bit of that. It's not much’. Before you know it, you're talking about millions of dollars of ‘a little bit of this and that.’”

Dame Snively says this gang is known to kill officials and police if they don't succumb to bribery and other means of corruption. Fortunately, because of the case made to boost the size of the police force, our police have recruited and trained people who can both detect corruption and collect the evidence to prosecute it. The police's integrity systems have helped deal with this in a way that probably hasn't staunched the whole problem, but it's at least created less harm than it might have otherwise.

“Through direct evidence published about the extent of the damage this gang can do, and the millions of dollars' worth of houses, cars, and luxury goods confiscated, the wider public can become better informed about the nature of their corruption. But that's nothing like what could have hit us if our integrity systems weren't protecting us against what could have been far greater consequences from corruption.”

Integrity systems help business

Integrity systems support business processes, too, again against big and small corruptions. Exporting businesses are generally familiar with “facilitation payments” – a payment often demanded with varying subtlety by under-paid officials to speed up services. Such payments are illegal here, and illegal in many countries where they're nevertheless still common.

Dame Snively says facilitation payments aren't usually high – like a tampered ball, they're just a small misdemeanour – so most businesses see it as a “cost of doing business”. However, she would like businesses here to be educated away from paying them – rather trading harder on their corruption-free reputation to attract international trade. She says, while many businesses focus on reputation risk, ethics is often seen as “soft values”. She's encouraging business leaders to see having a strong code of ethics as a valid and highly valuable trading advantage. “Unlike other assets which have a finite value, integrity is infinite.”

Open markets, attract employees, lower prices

Robust integrity systems signal to international companies that New Zealand businesses are easy to deal with and offer a safe and reliable product, with no backhanders expected. To our businesses, overseas markets can open and our businesses' workforces stabilise. Ultimately, this means they sell more products and their costs are lower, further attracting trade.

Dame Snively says even the smallest of businesses can take advantage of integrity systems and leverage them to grow, further enabling their ability to trade. Starting from the shop floor, she says operating an ethical business with robust integrity systems means people are more interested in working there. “A dedication to maintaining that reputation means staff are loyal and committed, and might be willing to work for lower remuneration as they are confident the business will grow. Retention increases, so a business saves on recruitment and training costs, and can attract top applicants when they do recruit.”

Low corruption in the local business world further cuts costs. “If you do business in Malaysia, for example, as much as a third of your spending might be on bribes, facilitation payments, and other corrupt transactions. So, before you even start contracting a supplier, your price is going to be far higher than it would be for a New Zealander contracting the same supplier. Here, we take it for granted there's no corruption. We make incredible savings from having strong integrity systems.”

Add in proven customer loyalty from acting ethically, and Dame Snively says a focus on reputation “is worth far more than money to businesses, because it creates value in a way money alone can't do.”

Attract ‘responsible investors’ – and customers

A strong ethical reputation attracts the responsible investment market. The focus of the responsible investors has matured to simply not investing in “irresponsible” businesses such as tobacco and munitions. “They're looking to put their money in countries where there is a genuine focus on reputation and where they are sure money isn't being made out of corrupt activities.”



That investment has wider benefits, which further lower costs. "Because most New Zealand businesses are small – and over 80 percent employ five or fewer staff – they tend to fund themselves by mortgaging their homes, so they're subject to the comparatively high mortgage costs of the New Zealand banking system. Those costs are passed onto their customers. However, a focus on ethics and reputation could attract investment that's far more advantageous than their current sources of capital.

"But there's a catch—22, because they're so busy dealing with the costs of relying on the local banking system they don't have the space to open themselves up to international investment. They can't get into a positive spiral."

Another part of that challenge, Dame Snively says, is that a large proportion of New Zealand businesses operate opportunistically, not strategically. "They're so focused on pursuing opportunities they don't have the chance to sit back and think, 'Could we have garnered even more value had we done this strategically and angled it to leverage benefits from New Zealand's strong reputation?'"

Tell – and promote – our reputation story

Dame Suzanne Snively says business is starting to wake up, with The New Zealand Story (nzstory.govt.nz) focused on enhancing New Zealand's business reputation, telling the story of our values and how they enhance business. "This could help us in every way. There is a growing receptivity to businesses that have lived their reputation and their authenticity. The way in which you can survive, especially if your business operates online, is by actually backing up and validating your products and your services, and everything you say and do, with ethical behaviours."

As a successful example of this, she points to China choosing to buy a huge proportion of our meat at premium prices. "China wouldn't buy from us to the extent they do without New Zealand's reputation. The Chinese find our embassy trustworthy to deal with. Another factor to our reputation is our public service, because the public service is a proven and you can measure and monitor that it's working responsibly. New Zealand is a proven efficient and effective place to do business."

Dame Snively says other countries can build such a reputation too. "Overseas, people will often say to me, 'You're so lucky to be from New Zealand because you've got a low level of corruption'. They assume we haven't worked at it, that our reputation was bequeathed to us. If they think it's just an accident of history that we're like this, they're never going to even try to be like us. That hurts us as we then have the challenge of maintaining our culture and reputation while trading with mainly corrupt countries."

**Have the
Courage to
do things
Differently**

To further build our reputation and integrity systems, Dame Suzanne Snively encourages businesses to focus on doing what feels intrinsically right, rather than what might be the usual way of doing things – starting with operating strategically, not opportunistically.

But it does take something akin to a leap of faith, especially as New Zealand businesses don't see examples of organisations taking this courageous step – leveraging their ethical behaviours in a way that enables them to operate strategically. "They can't live it because they see few examples of the positive consequences of it building a beneficial cycle by increasing integrity. The irony is that everything else in life is about, 'If I give you something, I've lost something', but if I offer you integrity, I haven't lost a thing. Everybody stands to benefit if we all act with integrity."



Dame Suzanne Snively's Top Takes to Build a Business Integrity System

1. Founders must genuinely believe and demonstrate in practice they're setting their business up to be ethical.
2. Develop a strategy that ensures everything a business does is built on ethics and reputation.
3. Generate a code of ethics based on a team-working environment, rather than a code of conduct based on legal compliance.
4. Encourage a learning organisation, where people are allowed to question whether they're doing the ethical thing.
5. Integrity systems are robust when they are supported by policy, processes, and practice, and are funded to be effective.



Dame Therese Walsh
Chair, Air New Zealand





“Who’s in your Photo?” The Ethical Benefits of a Trusted Team

Dame Therese Walsh says it's vital leaders have trusted people around them to challenge drivers and balance out biases and gaps that may see a business stray from its core purpose.

Dame Therese Walsh begins her presentations with a question: "Who's in your photo?" she asks, referring to a slide of herself photographed with companions. "Who are the people that stand beside you when times are tough? When you face a dilemma?"

Having trusted people around you who can act as sounding boards and provide another perspective is something Dame Therese – who chairs Air New Zealand's board – recommends for anyone in a leadership or governance role. "While keeping within confidentiality requirements, those people in my photo are who I go to when I need additional support, or to question the nature of the universe. No one is an island, and people who don't have support structures can find these sorts of things pretty difficult."

While "these sorts of things" can be any issue facing someone near or topping the management pyramid, they perhaps particularly pertain to issues involving ethics – what's the "right thing to do"? With almost 30 years in business behind her, Dame Therese has been a governor of many of New Zealand's largest organisations – for profit, not for profit, and government-owned – including ASB, Contact Energy, New Zealand Cricket, Antarctica New Zealand, and has chaired TVNZ's board. Thus, she's faced many interesting predicaments during her time at the top table.

"Not large-scale ethical ones, thankfully. However, I've certainly had moments where I've thought, 'Gosh, there are a lot of factors each way – what's the right thing to do?' And I might go back and forth on an issue. Often those questions involve people and behaviours, and I might think, 'Am I being fair? Have I thought this through properly?'"

Understand biases, drivers, and gaps

While most of us don't deliberately sit down and think about what drives us, and where our gaps and biases may be, Dame Therese's advice is to take some time to do so – in short, to think about what makes you, you? What are your values? Your company's values?

However, she's the first to acknowledge that "to err is human" and we don't always meet our own standards and values, or see an issue from every perspective. That's where having "a checkpoint" around you is helpful to recognise when you may be a bit off course and challenge you on it. For Dame Therese, the checkpoints are "those people in your photo" and, in the case of a board, your fellow board members.

"Having the right people around you to gain advice and feedback from can really help illuminate your thinking and your decision-making. I often find I end up coming back to my initial conclusion but it's very sensible to check it out. Generally speaking, with the big decisions, if you lay it all out properly with all the right headings – not just profitability – you do get to the right answer."





It's during challenging times that the need for policies, process, stated values – and a commitment to those values – sharpen, when leaders must make hard decisions now to shore up the greater, and continued, good of the business.

Actively choose diversity

Diversity also helps, Dame Therese says, which starts with not hiring people like yourself. "Leadership gets difficult when there's too little challenge and when there's too much challenge – you have to have balance. We also all need to have people around us who are brave enough to pull you aside and say, 'I don't agree', and you have to be big enough to accept that.

"It's a fine art for all of us. I've certainly had people do it to me. You might not like it but you reflect on it, and it can be very, very helpful. You're looking for balance and challenge in a constructive way. We need processes to allow different people onto boards to get that level of challenge happening."

She says there's also an art to speaking up, to giving a diverse view. "As a younger female director, I became determined to not not be heard. If I needed to get something across, even if five people started talking over me, I'd keep going until my point was made. You've got to have some strength of conviction to get your point across, which can be hard if you're breaking into a new environment."

Always challenge, "Is this right?"

The advantage to robust discussions, however, is that boards know they've come to the best decision if everyone has said their piece and a consensus is reached. If ethical or tricky issues arise, Dame Therese says "99 percent of the time" it's because policies and processes aren't in place to guide decisions or, if they exist, they haven't been followed. She says they don't have to be complicated, but – as with most ethical issues – again it comes back to adhering to values, and definitely thinking beyond the bottom line.

In approving everything – a strategy, a business plan, or a budget – think, "Is this right? Does it generate the appropriate amount of return to the shareholders, but also, what's the impact on all stakeholder groups?"

While all directors must act in the best interests of the company – which historically has focused on generating company value and shareholder returns – Dame Therese says increasingly the lens is turning to the "greater good". That's the acknowledgement that it could well be better to focus on creating a little less profit now to ensure long-term sustainability. She says there are still some "tensions" around some aspects, but generally she works with people who feel the same as her, where considering the social and environmental impacts of any decision is a vital ingredient.

Decide with the head but execute with the heart

However, as any business leader would acknowledge, it's much easier to make "the right" decision when the going is easy.

It's during challenging times that the need for policies, process, stated values – and a commitment to those values – sharpen, when leaders must make hard decisions now (which may directly impact on employees and customers) to shore up the greater, and continued, good of the business.

Take the extreme and acute financial pressures of COVID-19, for example, which affected thousands of employees, but it also applies to more future-focused challenges such as tackling the aviation industry's contribution to greenhouse gas production.

These are both areas Air New Zealand must manage financially and reputationally, and it's Dame Therese at the sharp end of balancing the conflict, which she manages by balancing her head and her heart. So, reaching hard decisions with her head, but following through on those decisions with plenty of heart.

"We burn fossil fuels but, perversely, we've won a lot of awards for our work in the environmental space. That's because, as some of the folk overseas call us, we're 'the least worst airline'. While we still burn fossil fuels, we're doing everything we can to wrap our head around alternatives – a new fleet, investigating joint ventures on electric aircraft, biofuels, etc.

"Biofuels are better for the environment but if we went 100 percent to biofuels today, we probably couldn't afford to be in business. But if we don't even investigate biofuels, eventually we'll have a problem because we won't have more sustainable mechanisms by which to run an airline. So that spectrum where you're thinking and looking all the time is really important."

It's also important, and often reputationally beneficial, to get in early. "You don't always want to be a late follower ... It would depend on the situation. We are all doing a lot of work to understand the right point to jump on these things and invest in particular initiatives."



Keep ethics on the agenda

Dame Therese says it's the board's duty to keep discussions about social and environmental sustainability on the agenda, in among all the competing pressures and challenges.

"I think we are getting some traction but doing business is not getting easier. There's all the regulatory pushes, legal pressures, shareholder pressures ... You don't want to handcuff the organisation and bring it to its knees through governance – 'death through governance'. But it's important to give these issues the oxygen that they deserve – you've got to include them in your strategy days. You've got to think about them in terms of the big decisions you're making and your business planning. You've got to keep thinking, 'Are we doing enough? Is the balance right?' We're all trying to find that balance – that sweet spot."

"You have to have a sense of conviction around the country you live in. I want my children to live in New Zealand and have a great experience like I have had, so I can't just be self-interested. I've got to help set things up for them, theirs and other generations so they can have a good crack at the world. I think we all feel that way."

Being a chair is not an easy role and even those at the top feel the pressure, especially when dealing with issues that impact on their own employees. "I feel the weight of expectation of our hard working team and all our stakeholders. When things go wrong people look to those in leadership roles for answers and reassurance. You can't afford yourself the luxury of having too many wobbles because it's very clear everyone is depending on you to be okay."

"But again, it's about who's in your photo, who's your support crew? You've got to have those things in place because none of us are perfect or inhuman. We all have bad days but it is those people that help get us through."

Sometimes those gestures are small but have a big impact. "A director with me on the Contact Energy board sent me a lovely Māori proverb, which I shared with all our Air New Zealand staff. It translates to, 'The raupō reed, though bruised, will not fall apart'. So, basically, 'bruised but not broken'. It's gestures like this that make all the difference."

Get to Know the Business – on all Levels

When Dame Therese Walsh was appointed to chair the Air New Zealand board, she wanted a first-person view of what it was like to work in the business. As part of her chair induction she served tea and coffee to passengers. She cleaned aircrafts between flights. She sat in the call centre. She sat with the pilots. She spent time with the engineers.

Her actions were unusual for a chair, but for her it was logical. "Governance today has to be more hands-on; less in the boardroom and more out in the business, understanding what's really going on. Being able to make hard decisions for the right reasons means you can't sit in isolation thinking you know everything, because you certainly don't. I did it to understand every part of the business, and to become visible as that feeds into transparency and the ability to talk with the different parts of the organisation.

"It absolutely changed my perception of what it's like to work in the business, how pressured it is. I learned so much cleaning a plane – firstly how hard it is, and also some of the practical things they deal with that could be different. Also, for the passenger sitting waiting for their chicken or beef, serving meals seems really easy. But for the flight crew, it's a really intense experience. I now have much more empathy and connection, and I can bring that lens to the board room."

The Hardest Parts of Head vs Heart

While Air New Zealand has long enjoyed a reputation as one of New Zealand's most trusted brands, COVID-19's financial consequences inflicted a significant blow. After making thousands of staff redundant and issues around ticket refunds, it's fair to say it had never suffered such negative headlines.

Was it hard? You bet. Dame Therese Walsh was desperate for the board and management to do "the right thing ... without fear or favour", but – what was that right thing? "This is the hardest part of head vs heart. The head part is you do your analysis. You understand that unless you make some significant changes the business will not survive, and that's not good for anyone. So as a team you make and execute an incredibly hard decision based on the information you have.

"The heart part is about how you execute that decision, and we were never going to make 4,500 people redundant without being accused of not using our heart. But as a leadership group you inject as much heart as you possibly can into doing what is clearly the right thing for the long run. There's no fun or glory that comes out of a decision like that.

"I've spoken to many Air New Zealand people made redundant during COVID who have said, 'Go and do a great job and get this airline back up and running because I want my job back'. You're trying to do the best for everyone in the long run. That's the nature of the governance gig – when everything is going well, you can look like you're not doing anything, which isn't true. When things are tough, you accept you're there to make the hard calls."

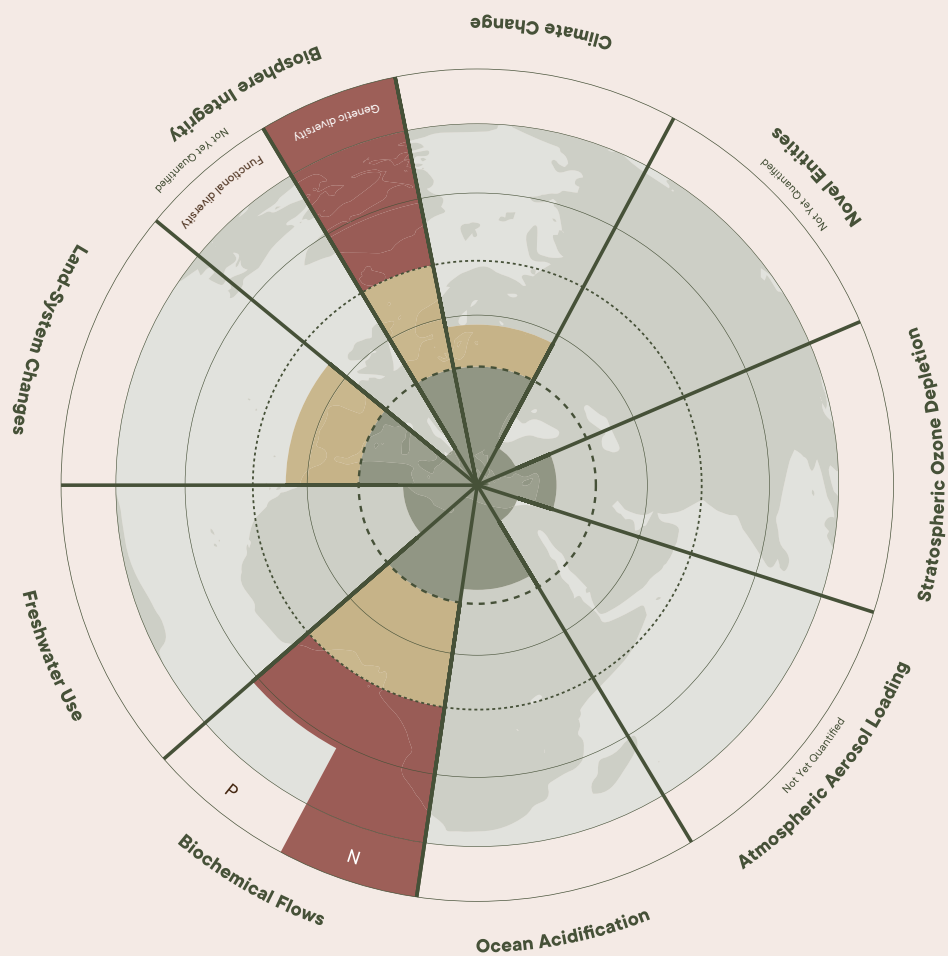
It was the same for holding back on refunds. "Was that great? No. Did I feel great about it? No. But again it's about following up head decisions with heart. We did refund people in hardship, and we did make concessions along the way – we weren't as hard and fast as the media made out. We didn't want people to feel like we were holding their money, but if we'd refunded everyone, we'd be in a very different position today as a company."

Dame Therese Walsh's Top Takeaways

1. Be aware of your own drivers and biases – these set and impact on your values, and the values of the company.
2. Have trusted people “in your photo” who are a sounding board, but also a checkpoint to balance biases and challenge you if you veer from those values.
3. You will have to make very hard decisions – make sure they’re always for the greater good.
4. Hard decisions must be made sometimes – always execute them with your heart.
5. You will make mistakes as you are human – be prepared to own them, apologise, and correct them.



Planetary Boundaries



Estimates on how the different control variables for seven planetary boundaries have changed from 1950 to present. Illustration drawn from J.Lokrantz/Azote based on Steffen et al. 2015.

One of the problems with ethics can be how to validate what is ethical. This can be a challenge with values, if there is no critical analysis as to whether they still benefit us in this day and age.

For example, people may value economic growth because it generates great good for a great number of people. While economic development has undoubtedly brought many benefits to many societies for a long time, it has also led to the unintended social and environmental consequences we grapple with today. The way we have pursued economic growth has led to exploitation of peoples as well as the planet, and its ill effects are now weighing on all of humanity, raising the question of whether we can do this differently – can we do business more ethically and sustainably?

Ethics has often informed and guided science, and vice versa. Science also provides ethical insights, for example into the consequences of our behaviour. This includes the concept of sustainability, which in its simplest form means that a state or process can be sustained indefinitely, and which is perhaps the most important when it comes to the survival of humanity.

As discussed in the introduction of this booklet, we live in a period named the Anthropocene, an age defined by the dominant influence of humans on climate and the environment. In other words our decisions will dictate the story and future of our planet.

In 2009, a group of scientists led by Johan Rockström set out to determine what the effects of human activities were having on the planet and what are the limits, or boundaries, of the Earth's systems to be sustained, and where is the breaking point.

Rockström and his team found nine planetary boundaries with each having quantifiable limits in which, if we stay inside them, we should be able to continue to develop and prosper for generations to come. However, not staying within these boundaries increases the risk of large-scale, irreversible changes to our environment and our society. Rockström uses the term from *The Three Musketeers*, "One for all, and all for one!" In other words: The degradation of one boundary often has detrimental impacts on the others.

The nine planetary boundaries

Climate Change

Biosphere – the environment and ecosystems on Earth where all life exists.

Atmosphere – the air. The atmosphere protects life on Earth.

Cryosphere – the frozen water part of the Earth system.

"It is unequivocal that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred."²

We have passed this planetary boundary and are fast approaching our Earth system thresholds. We are emitting large amounts of greenhouse gases whilst simultaneously weakening the planet's climate cycle systems to process our emissions through the degradation of our land, forests, and oceans. This is resulting in the Earth's warming and an increasing number of climate events. If this trend continues there are fears of us reaching tipping points that will lead to irreversible change and an uninhabitable planet.

Chemical Pollution and the Release of Novel Entities

"At present, we are unable to quantify a single chemical pollution boundary, although the risk of crossing Earth system thresholds is considered sufficiently well-defined for it to be included in the list as a priority for precautionary action and for further research."³

This boundary relates to the emitting of substances such as synthetic organic pollutants, heavy metal compounds, and radioactive material. These impact living organisms and the

physical environment. Even if these pollutants don't kill the organisms they can still have the effects of reduced fertility and genetic damage causing impacts on ecosystems far away from the pollution.

Stratospheric Ozone Depletion

The ozone protects us from the sun and reduces the amount of ultraviolet (UV) radiation hitting us. This impacts the rates of skin cancer in humans as well as causing damage to the biological systems of animals in the air, on land, and in water.

Luckily we appear to be on a trajectory to stay within this boundary. This has been largely due to actions we have taken to regulate the use of ozone depleting substances set out in the 1987 Montreal Protocol.⁴ It's a great example that we can reverse or limit our human-made environmental disasters, but time is ticking for many of the other planetary boundaries.

Atmospheric Aerosol Loading

Aerosols are small solid particles or liquid droplets, suspended in the atmosphere which influence Earth's climate system. We contribute to this by emitting pollution, for example from our cars. This affects our water cycles impacting the formations of clouds, the temperature and pressure on the Earth's atmospheric patterns and movements, solar radiation absorption, and reflection rates.

Although we are still within this planetary boundary, the polluted air is already causing around 800,000 premature deaths each year.

Ocean Acidification

A quick reminder of school chemistry lessons, the lower the pH level the more acidic it is. Around a quarter of the carbon dioxide we emit ends up back in our oceans and decreases its pH levels by forming carbonic acid, changing the oceans chemistry and making them more acidic. Surface ocean acidity has increased around 30 percent since pre-industrial times.

One of the worst consequences is that organisms like coral, shellfish, and plankton will not survive when the ocean gets too acidic. The resulting impacts on the rest of sea life and the ocean's ability to function is immense, plankton in the oceans are our main supplier of oxygen and if we exceed the limit, this will have ramifications for the whole planet.

Nitrogen and Phosphorus Flows to the Biosphere and Oceans

The amount of harmful flows has largely changed due to our industrial and farming processes and its production and application of fertilisers. We have passed our planet's boundary for biogeochemical flows.

New Zealand has a long history of farming and these chemicals are used as essential nutrients for crops. We have seen a boom in food production as a result, but now we can also see what the negative consequences have been. We are creating a lot of nitrogen and phosphorus, and it is ending up in our atmosphere and waters – not in the crops as intended. The high-nutrient pollution in our waterways and coastal zones causes algae blooms and this in turn causes our water to become oxygen starved. It is easy to imagine the devastating effects that this has on our marine life.

Freshwater Consumption and the Global Hydrological Cycle

Although water covers around 71 percent of the Earth, only 3 percent of it is freshwater with only 0.5 percent being accessible for us to drink. The modification of bodies of water such as our lakes, rivers, and aquifers change how our water systems operate and the results can be abrupt and destructive. Freshwater is becoming increasingly scarce as the number of people who don't have enough drinking water increases. This will only get worse as the world population grows.

Although we might still have enough, the interdependency of boundaries puts our first necessity of life – drinking water – further at risk.

Land-System Change

The change of land systems is mainly due to the conversion of our land into agricultural land and urban development. Deforestation contributes to the loss of biodiversity, water flows, natural carbon sinks, and Earth cycling systems. We need to think about the impacts of our land systems and our spatial planning.

Forests now cover about 30 percent of the Earth's land area but they are disappearing quickly, including our tropical rainforests. It is estimated that humans have cut down around 46 percent of all forests on our planet.⁵ It is therefore no surprise that we have passed this planetary boundary also.

Loss of Biosphere Integrity (Biodiversity Loss and Species Extinctions)

This is sometimes referred to as "the age of extinction", with more species becoming extinct, faster, now than any other time in history. The planetary boundary for biodiversity loss has been greatly exceeded.

We are seeing rapid declines in the size of our wildlife with mammals, fish, birds, reptiles, and amphibians dropping on average around 68 percent since 1970⁶. Measured by weight, or biomass, wild animals today only account for 4 percent of mammals on Earth, with humans (36 percent) and livestock (60 percent) making up the rest.⁷

And don't just think of the cute animals, this also includes the microbes in our soil and the diversity of our plants that create the complex interwoven systems that are our planet. Our wealth is dependent on nature's health.

Most evidence indicates that the nine may behave as The Three Musketeers: One for all, and all for one. If you degrade the environmental processes in one area, you will see negative impacts in another. Crossing these boundaries increases the risk of generating large-scale irreversible environmental changes.

Are there any changes in your life or organisation that could begin to move these boundaries back into the safe zone?

If you want to learn more about the planetary boundaries check out the Netflix documentary "Breaking Boundaries".

Or see more detail at: "The nine planetary boundaries" <https://www.stockholmresilience.org/research/planetary-boundaries/the-nine-planetary-boundaries.html>

² IPCC (2021). Summary for Policymakers. In: *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*. <https://www.ipcc.ch/report/ar6/wg1/>

³ "The nine planetary boundaries", Research, Stockholm Resilience Center, Stockholm University, <https://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html>

⁴ For more information, see the About Montreal Protocol page on the UN Environment website, <https://www.unep.org/ozonaction/who-we-are/about-montreal-protocol>

⁵ Crowther, T. W., Glick, H., Covey, K., et al. (2015). Mapping tree density at a global scale. *Nature* 525, 201–205. <https://doi.org/10.1038/nature14967>

⁶ WWF (2020). Living Planet Report 2020 – Bending the curve of biodiversity loss. <https://livingplanet.panda.org/en-us/>

⁷ Carrington, D. (2018, May 21). Humans just 0.01% of all life but have destroyed 83% of wild animals - study. *The Guardian*. <https://www.theguardian.com/environment/2018/may/21/human-race-just-001-of-all-life-but-has-destroyed-over-80-of-wild-mammals-study>

Sam Hogg
Regenerative Farmer, Mingiroa Farms

Regenerating Pasture – and the Planet

Within only a few years of turning away from conventional farming, sixth generation farmer Sam Hogg reports that the benefits of regenerative farming outweigh the costs, on Mingiroa Farm and far beyond.

One evening in 2015, the Hogg family sat around the dinner table on Mingiroa Farm. Seven years earlier, hoping to find a way for the farm to “tick along” and take succession pressure off their children, Richard and Sally Hogg had converted the farm to conventional dairying, with the view to becoming organic.

But Richard Hogg wasn't happy. Milk prices were falling while debts were mounting. Also, the intensive dairying model didn't fit with a personal ethos that had seen him growing sheep, beef, and vegetables organically since the 1990s, and running a subscription vegetable box service long before it was trendy – or easy. The intensive nature of dairying meant they were buying in cheap palm kernel extract to supplement the cows' feed as the farm couldn't support the herd size. He could see the land degrading – land his family had farmed since 1852. He and Sally called their adult children – Tessa, Hamish, and Sam – together to decide the farm's future.







"That was an incredible discussion," says Sam Hogg, remembering back. "We hadn't spent an extended amount of time with each other for a while, so it was amazing to see how aligned we were in terms of our vision for the farm. We decided we wanted to go back to farming from our principles, which was organic and regenerative. Buying in palm kernel extract makes sense if looked at purely economically. But when you consider all its impacts, both on the farm and how palm oil production destroys rainforests and biodiversity, it doesn't make any sense. We wanted to farm in a way we could be proud of."

Biodiversity to nurture animals

For the Hogg, that meant rebalancing the farm away from short-term extractive practices to long-term regenerative practices, aiming for quality over quantity. The shift began with moving back into growing vegetables – organic, of course – along with dairy. Vitally, that included providing the animals with a diverse diet, moving away from relying solely on white clover and ryegrass, the two varieties dominating our country's pastures. Those grasses might ensure cows produce more milk in the short-term, Hogg says, but the animals are productive for fewer years "because they haven't had the richness of minerals and nutrients from having eaten a selection of different plants."

So, on Mingiroa – 240 hectares of flat and rolling Manawatu farmland, just east of the Rangitikei River – a variety of grasses and other species of herbs, legumes, and even some weeds are encouraged to grow. "Weeds are considered the doctors of the plant world," says Hogg. "If the soil is deficient in iron, say, weeds put a long taproot down deep in the soil to bring the iron up into the leaves. When the weed decomposes, that iron goes into the top of the soil. But farmers tend to see weeds and spray them, adding more toxicity to the soil so another weed pops up to detoxify it. It's an endless cycle as nature strives to create balance and better health."

As an illustration of that balance, Hogg refers to the wilds of the United States, when 19th Century pioneers pushing westward saw what they considered was a natural oasis. "It was actually a carefully managed landscape, where everything had a role. The prairies had some of the best and deepest soils in the world from ruminant animals shifting themselves, uncontained by fences. In farming, we've basically focused on animal performance, with an emphasis on maximum output. The cornerstones of capitalism have trickled into farming and created these environmental outcomes that we were seeing."



Biodiversity to nurture the planet

Rather than applying another “band aid” to fix those environmental outcomes – toxicity, soil depletion, and monocultures – regenerative farming focuses on growing healthy plants to grow healthy animals, both the large animals feeding on the grass and the billions upon billions of microscopic animals feeding below. “As a climate change solution, it’s a definite win-win.”

Far from being considered just “brown stuff”, Hogg says so much more is now known about soil and what it means to have healthy soil. For example, soil needs lots of carbon to function well. This can be sequestered from decomposing plant material that absorbed carbon dioxide from the atmosphere while that plant was alive, or it can be sequestered by a plant trading excess sugars or carbohydrates through its roots for nutrients from the microbial life in the soil. “Farm your plants right, which basically means let them grow nice and long, rather than hammering them because we think everything should be short and tidy. On the farm we let plants express themselves into what they want to be.”

More farmers need to see how regenerative farms are succeeding, and that we don’t have to revert to the old ways when we strike a challenge.

That practice is bringing incredible change, building soils, and improving water holding capacity all with very little inputs. In climatic extremes, grasses with longer roots can reach the water when it’s dry, and healthy soil holds moisture for longer so growing continues. Then during flooding soil with vibrant micro-organisms holds more water, reducing mud and compaction. In short, regenerative agriculture is about partnering with nature, rather than controlling it.

“You’re building a more resilient system, and a much lower cost system with higher margins. And you can take bigger hits. So much of our farming system has forgotten we’re farming in a natural world and diversity is the key to a healthy ecosystem – which is what a farm should be. Farming should never be for the short-term, as you might not see the impact of decisions till a few years down the road.”

But the road to profitability may not be so long. While Hogg emphasises farming for the long-term, the profits can come relatively quickly. He says by the fourth year, farm returns were outstripping the (admittedly quite low) profits from conventional dairying; now they could charge a premium for their tastier products and the costs of production are cheaper. For a new business – which, operating in its new way, the farm essentially was – to break even within that time is very unusual.



The cost of ethical decisions

Hogg admits there were costs to converting, many of which he didn't foresee at the time. But he says he'd make the same principled decisions again. Those started with the decision to stop buying palm kernel extract, a decision followed by two droughts that forced them to buy more expensive supplementary feed. "Our principled decision probably cost us in the order of \$100,000. But I'm glad we did it. And I'm glad we didn't know how much it would cost, otherwise it would have been a harder decision."

The family's ethical focus pushes up the farm payroll, too. They put their staff on a five-days-on, two-days-off roster, rather than the dairy industry's usual twelve-days-on, two-days-off, working at least ten hours a day. Thus, they must employ more staff than is considered "normal" in dairying. And they pay above the usual wage. "Banks apply a lot of pressure to have a certain number of staff per kilo of milk solids produced, so according to the bank we're overstaffed. But we want to look after our people as well as the environment."

He adds the banks might be a lot more helpful to regenerative farmers if they, too, understood that making principled, ethical choices often comes at a cost that pays off in the long-term. "We have faced financial constraints that are normal within business, but bank pressure caused further ethical dilemmas. We have had to be really strong in our principles, because we're standing up for the climate – standing up for everything."

Regenerative farming is growing

Hogg predicts more New Zealand farmers will turn to regenerative farming, even if they don't go all the way to organic certification. "More farmers need to see how regenerative farms are succeeding, and that we don't have to revert to the old ways when we strike a challenge."

"We can already see a ripple effect. For example, our cousin farms next door and he's been watching how our farm's been operating, and is now looking into a regenerative model. So, it's building, and once the country gets to that point where there's a critical mass, where enough farms are operating this way and people can see how well it works, it could take over."

With New Zealand's temperate climate, Hogg says a lot of regenerative farming isn't that different to conventional farming, so small changes can have big impacts quite quickly. "I think we're poised really well to change how we do things, and we'll be amazed. The story of cigarettes and sugar, that will be the story of agriculture in a few years, too. This is a better way of doing things that's better for everyone. That's the beauty of it."

In short, regenerative agriculture is about partnering with nature, rather than controlling it.

What is Regenerative Farming

Regenerative agriculture is a system of farming that rebuilds the soil and pasture health of farms. By working with nature, farming regeneratively supports life and biodiversity in the soil, plant, and animal systems.

Regenerative agriculture includes:

- long grazing rotations, mimicking the grazing of herd animals;
- encouraging and planting diverse pastures with different species of herbs, legumes, and grasses, each with a unique role to play in soil and animal health;
- vegetable cropping rotations that use the fertility from grazing animals to grow nutrient-dense food, and rests the soil between harvests;
- low and no tillage of the soil, supporting the structure and water holding capacity of soil, carbon dioxide stores, and preventing erosion; and
- supporting life and preventing desertification (lifeless soil) by not using chemical sprays (pesticides and herbicides, such as Roundup) and synthetic fertilisers.

The benefits to the environment, communities, and the planet include improving:

- physical health by growing safe, healthy, and nutrient-dense food without chemicals;
- mental health, by farming in a way that's part of the solution, not the problem;
- community health, by supporting thriving eco-systems, bird populations, and clean waterways;
- financial resilience and profitability, by looking after natural resources, and farming with freedom from expensive inputs, such as fertiliser;
- animal health, by offering nutrition in the paddock and supporting the welfare of animals;
- environmental health, by increasing the absorption of carbon dioxide by diverse plants, pastures, and trees and reducing greenhouse gas emissions; and
- environmental resilience, by building the water holding capacity of the soil and having a diversity of plants that thrive in different seasons.

Sam Hogg's Top Takeaways

1. Get your mission clear in your head and know the lines you won't cross.
2. Keep those lines firmly in mind when deciding between ethics and economics.
3. Don't farm from a position of fear – New Zealand's temperate climate makes it easier to farm regeneratively.
4. Reaching a critical mass of regenerative farming will make it easier for others, including banks, to understand its benefits.
5. Farming regeneratively, ethically, is good for everyone – people, animals large and small, and the planet.





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Rōpata Taylor
Tumu Manaaki Tāngata,
(General Manager –
People and Culture),
Wakatū Incorporation

Taking an Inter- Generational View

A whānau-owned business in Te Tau Ihu (Nelson/Tasman) takes the longest possible view of its sustainability. Wakatū Incorporation plans across generations to ensure the health of its land and its people, while continuing to hold closely to its traditional values.

As an organisation Wakatū Incorporation is 43 years old. However, it fully intends to be around, caring for its land and providing for its people, for at least another 500 years. In fact, it's planning on it.

While most businesses work on one, five, and 15-year plans (Wakatū has those too) in 2012 the organisation revealed a 500-year plan, or Te Pae Tawhiti, creating a "roadmap to provide clarity and consistency".

"Our intergenerational plan gives clarity to the generations that follow us. We think about the sustainability of our business, and the land, sea, and people it's based on, across multiple lifetimes," says Wakatū's Tumu Manaaki Tāngata (General Manager – People and Culture) Rōpata Taylor (Ngāti Rārua, Te Ātiawa, Ngāti Tama, Ngāti Koata). "We think well beyond ourselves, and that influences and guides what we do today to leave a legacy for our shareholders to come – our children. So there's an issue of morality in there for us."

Formerly a Māori language teacher, Taylor came to work for Wakatū in 2003. In 2007 he became the organisation's people and culture manager, which at Wakatū really is what it says on the tin. "In most organisations that title just means 'human resources', but here it truly is about the people and the culture."

Investing from the past into the future

Taylor is well-placed to understand his people and his culture. More than an employee, he's also a shareholder, and like the 4,000 other owners, is a descendant of Ngāti Koata, Ngāti Rārua, Ngāti Tama, and Te Ātiawa.

The hapū travelled from Kāwhia and North Taranaki and have held customary title over the Nelson/Tasman region since the early 1830s. It was the chiefs of these hapū who initially met with European settlers and negotiated selling land in Te Tau Ihu in an agreement known as the Nelson Tenth's Reserves, an agreement that was never fulfilled.

Wakatū was established in 1977 by the descendants of the original owners of the Tenth's Reserves. At that time the Crown handed back control of approximately 1,394 hectares of land – the remnants of the Tenth's Reserves and occupation sites.

Since then, Wakatū has taken the once seriously depleted land and grown it from an asset base of \$11 million then, to over \$300 million today. As "a business of land and sea" this growth is primarily through Whenua, its property business; AuOra, an innovative consumer health focused business; and horticulture, seafood, fruit bars, beer, and wine produced by Kono, the food and beverage business arm of Wakatū. Wakatū is one of the largest employers in the region with more than 500 employees, and Kono a significant exporter, selling into over 40 countries.

Profit is not paramount

Those are impressive figures, providing welcome returns. But for the board and senior leadership team of Wakatū – which includes Taylor – profit isn't everything.

Within the 500-year plan are five intergenerational outcomes, with metrics applied to ensure they are achieving positive results. Sure, financial viability is one of them, but in equal pegging to the others: land, legacy, people, and behaviour and attitudes.

Taylor says using the Māori worldview, as manifested in its 500-year plan, the shareholders make decisions to position the organisation best for future opportunities. Sometimes that might mean making a decision that's less profitable in the short-term. "We're looking for bigger wins, further out, so we might not want to take a shortcut now that could undermine our longer term strategy. Working this way actually gives us more choices because we don't get blinded by the concerns of profit."



Strong values aid consensus, even from diversity

With over 4,000 shareholders there is bound to be dissent. Some may be more focused on maximising short-term profit, but due to the intergenerational plan that runs true to the organisation's tightly held and strongly expressed values, Taylor says it works out.

"From a tribal base, we recognise that different views are a strength. There's a proverb in Māori, 'Ko te kai a te rangatira he kōrero', which translates as, 'Discussion is the food of chiefs'. When you debate things from different angles, you can approach a problem in comprehensive ways that wouldn't be possible if everyone saw the world the same.

"We might think differently, but we all believe in the same principles and values. We have clarity on those values and principles, so we invite different views in the pursuit of the decision we are seeking."

Times change but values remain

Now in its fifth decade, the shareholders and management of Wakatū operate in a very different commercial and ecological environment to that of the 1970s. However, Taylor explains that the company's values – their ethics – were, and are, the same, although different circumstances meant the 1970s stakeholders had different priorities.

"Back then it was about gaining as much control as possible. It was about self-determination, which they didn't have, because initially many of the assets they were working with were tied up in red tape. They weren't as agile as my generation can be. The lens in which we view things has changed over time, but the nexus of our values is immutable."

Take action when values aren't met

Where something might not sit with those values, the organisation takes a transitional approach. In 2019, Wakatū launched its Whenua Ora programme to ensure all its activities on land and sea adhere to its values. "It's our version of a sustainability strategy," says Taylor. "But it's broader than that because it encompasses our traditional practices and some of our approaches as kaitiakitanga – how can we be the best kaitiaki of our land?"

Where challenges are discovered, solutions are found. That could mean business concerns may be divested, or practices – such as the intensive farming of the past – discontinued. Farming practices are an obvious example, but Wakatū aims to clear compliance requirements with air to spare.

"Where regulations don't align with our values we have to make a choice: Do we operate in a way that's not ideal to us, or do we change it? With water quality, the acceptable standards are lower than what we would like. So, we have our own water quality statement that goes well beyond what the local and central governments say is adequate, safe, and compliant. That gives us certainty on the standard we must meet," says Taylor.

He says Wakatū will also look to influence regulation, although that can be difficult, costly, and take time. However, as an intergenerational organisation, the board and management of Wakatū don't feel the need to achieve everything in the current generation. "We can take stepped change, but the ethics of our approach is constant."

"It encompasses our traditional practices and some of our approaches as kaitiakitanga – how can we be the best kaitiaki of our land?"

Ethical values attract great people

That approach also aids recruitment. The search for employees in a tight labour market means organisations are often vying to attract the best talent they can, and Taylor says their values and ethical practices pique interest, which gives Wakatū many advantages.

"When you have an approach like ours, it becomes a really interesting opportunity for talented people to express themselves in a work environment that isn't commonplace. By becoming a hub of talent, we become more resilient as an organisation."

Seek to partner with like-minded businesses

As part of its transformative journey to become a more closed-loop, cradle-to-cradle organisation based on a traditional indigenous approach in a contemporary context, Wakatū looks to partner with like-minded entities, including indigenous businesses offshore. In mid-2019, Taylor, along with other members of the Wakatū senior leadership team, travelled to Peru to meet with Inca people near Cusco, to look at their approach to being an intergenerational and regenerative business growing potatoes.

"That's about food sovereignty. The potato is one of the world's top five crops, so they are looking at how climate change could impact it and what would that mean for a starving planet? We're looking at projects that are powerful and inspirational," says Taylor.

Agreed values afford freedom

Where some might feel restricted working within a tight culturally focused paradigm in a commercial world, Wakatū sees it as an advantage. Simply: adhering to its values makes the ethical choice the only choice.

This may all seem an obvious business model for an organisation owned by family members – admittedly a few thousand – who directly benefit from the careful custodianship of land and sea now and in the future. However, Taylor says any business or organisation could take this long-term, collaborative approach.

"So long as employees, managers, and governors are aligned – the Holy Trinity, if you like – a business can achieve anything. But if one of those parties sees it differently, they will undermine the ability to achieve a collective result."

Which is why, when looking for business or investment partners, Wakatū seeks only like-minded partners. Any business opportunity is passed through its Whenua Ora lens to ensure it fits the kaupapa and adds value before it's considered.

"One of our tenets is that we're relational not transactional. That's much more enduring than transactional commerce between two parties that don't have much in common. Whether it's a trading partner, a co-investor, or even a consumer, we're looking for people who believe what we're trying to achieve is worthwhile.

"But frankly, if the pursuit of profit is what's driving you, our approach isn't going to work. There are many other things we measure and hold as important. For us, success is not all about financial profit – in the short or the long term."



Wakatū's Top Takeaways

1. Work together to create an agreed set of values at the outset.
2. Ensure those values stay the same, even if the operating environment and priorities change.
3. Divest business operations that don't fit with those values, or transform business operations to align.
4. Think and act for the long-term – not for short-term profits in ways that go against values.
5. Work with like-minded businesses and organisations to learn and evolve further.

Intergenerational outcomes

These are the five intergenerational outcomes of Wakatū, set down as measurable in Te Pae Tawhiti, the whānau-owned organisation's 500-year plan:

- Taiao – environment
- Papa Whenua – land and water legacy
- Pūtea – financial viability
- Whānau – people
- Ngākau Hihiko – innovation, systems, behaviour and attitudes

Te Pae Tawhiti – the intergenerational vision for Wakatū

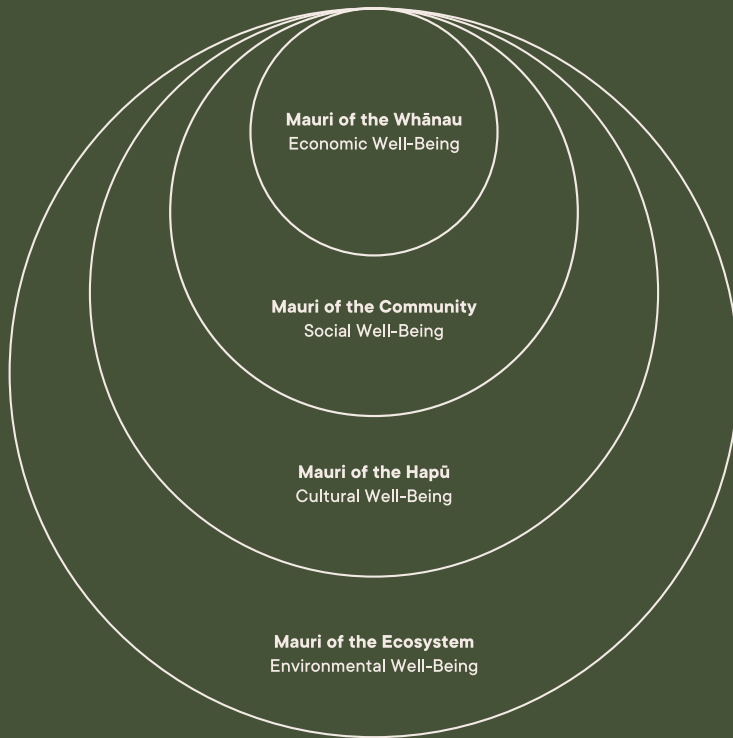
"Our tūpuna were creative, astute, and forward-thinking people who gifted us our land, whakapapa, and cultural identity. It is our responsibility to preserve and enhance this taonga, now and for future generations.

We will achieve this through the sustainable use and development of our land and resources, and by creating a community that our people (our families, staff, customers, and associates) are proud of."

www.wakatu.org



Mauri Assessment



So how about a framework created a little closer to home?

One of the key concepts in regenerative design is “place-sourced” where ideas are sourced from the environment and communities that inhabit it.

It is reminiscent of the saying, “think global, act local”. Although we may have a common goal, how we achieve this may differ from place to place. Just as each business will be contextualised, so too can the frameworks we use be unique, localised, and/or contextualised.

When reflecting on frameworks for Aotearoa New Zealand one can draw on the indigenous knowledge from here, which for centuries assisted Māori in managing and caring for natural resources.

Several models have been developed⁸ to integrate aspects of science with the aspects of mātauranga Māori resulting in frameworks with the “best of both worlds”. These are

accessible to a range of stakeholders, especially mana whenua, to encourage and enable proper partnership around resource management and the means to exercise kaitiakitanga.

Here we look at the Mauri assessment.⁹

Mauri is a critical concept in Māori thinking and resource management. It describes the essence, or life force, present in all entities such as people, plants, animals, water, and soil¹⁰. Though they all are sustained by mauri, it is possible to damage, contaminate, or cause harm, which results in a loss of this essential life force.

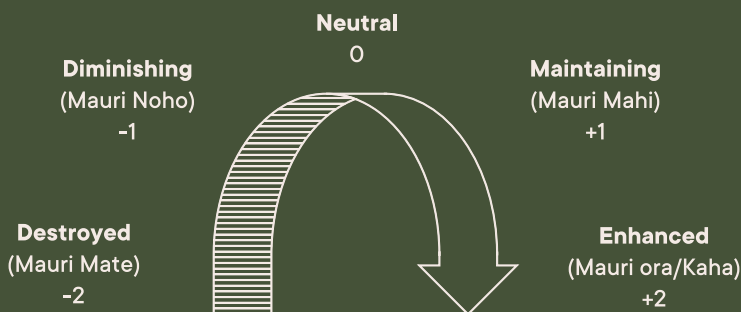
As illustrated in the Morgan (2013) diagram, the mauri assessment model uses mauri itself as the means to measure the effects of different activities upon four key aspects: environmental (mauri of the ecosystem), cultural (mauri of the hapū), social (mauri of the community), and economic (mauri of the whānau).

The environmental aspect takes precedence over the others in terms of hierarchy. Should any impacts negatively affect the environment, the effects shall also be seen within the other aspects. Mauri provides the boundaries and thresholds that we must stay within to ensure our actions are not causing damage. The states of mauri utilised by this framework were developed by Morgan (2008) as the mauri-o-meter¹¹:

- +2: mauri at full potential/fully restored (mauri ora/kaha)
- +1: mauri at partial potential/partially restored (mauri mahi)
- 0: no change/neutral
- -1: partial degradation/diminishing mauri (mauri noho)
- -2: complete degradation/destroyed mauri (mauri mate)

When organisations partner with mana whenua to assess the mauri of a natural resource, it's essential to:

1. Gather all relevant information regarding environmental impacts on the natural resource.
2. Make clear the state of the natural resource before the activity took place, or the current state if the activity has not yet taken place.
3. If the activity has taken place, outline the state of the natural resource before any actions took place.
4. If the activity has not yet taken place, outline the effects that this could have on the natural resource.
5. Present these findings in a series of wānanga and make sure that the information is presented in a way that all will understand.
6. Mana whenua will provide an assessment of the impact upon mauri.
7. Discuss and conclude.



Mana whenua will carry out the mauri assessment. This is due to the unique connection that mana whenua have with their natural resources, which will enable them to provide the criteria for mauri to be measured, for example, mahinga kai, wāhi tapua, and rongoā. Each criteria will be provided with a number from -2 to +2 and then an overall average will be assigned to the project.

The mauri assessment model that integrates both mātauranga Māori and science, is a good example of how businesses can work in partnership with mana whenua for a more ethical and sustainable Aotearoa New Zealand.

What projects are you working on that you could apply the mauri assessment to?

⁸ Harmsworth, G. R., & Awatere, S. (2013). Indigenous Māori knowledge and perspectives of ecosystems. In J. R. Daymond (Ed.), *Ecosystem services in New Zealand: conditions and trends* (pp. 274–286). Manaaki Whenua Press.

⁹ Morgan, K. (2013). *The sustainable evaluation of the provision of urban infrastructure alternatives using the tangata whenua Mauri Model within the Smart Growth Sub-Region* [Technical report]. Mahi Maioro Professionals, Auckland.

¹⁰ See footnote 8.

¹¹ Morgan, T. (2008). *The value of hapū perspectives to municipal water management practice: Mauri and potential contribution to sustainability decision making in Aotearoa New Zealand* [Unpublished PhD thesis, University of Auckland].

Kirsten Patterson
Chief Executive, Institute of Directors





Board Adds Real Value – Especially Under Pressure

Good governance builds a better, stronger New Zealand – but good ethics are critical to good governance. Kirsten Patterson, the CEO of the Institute of Directors, shares her vision of how a board guides a business' ethics to achieve a social licence that, ultimately, benefits its bottom line.

To Kirsten Patterson, known widely as KP, governance and ethics are one and the same – one simply can't exist without the other. "Governance is the framework we operate within. It's our guiding light, the boundaries around which we operate. It's simply 'the way we do things around here'."

The Institute of Directors, which Patterson heads up, is the professional body representing 9,000 members who are directors in organisations ranging from those in corporations to directors of not-for-profits. Its mission, Patterson says, is to help directors govern better, creating a better New Zealand. Being "ethical" is a critical element in being "better", beginning with the need to do more than the legal minimum. Like other business leaders, Patterson firmly believes that as customers increasingly choose to buy from businesses with solid social practices that treat people and the environment well, doing more than the legal minimum is also financially beneficial.

"It's not just about social media, or the millennials and their purchasing power. If you look at global geopolitical and social disruptions, it's easy to see that organisations with good ethical frameworks have an advantage. Organisations that aren't thinking about ethical issues that could affect their reputation are likely to have a huge risk-management issue."



An ethical base reduces threat to reputation

Where reputational issues arise, not only could businesses lose their social licence to operate – meaning public confidence that the company acts responsibly, accountably, ethically – they may lose their ability to operate at all, Patterson says.

“The board can’t achieve its core purpose of governing because it’s having to deal with crisis management issues. Organisations that don’t deal with these problems will likely see a huge threat to their organisations in terms of sustainability, including the ability to attract and retain talent, and an impact on its share price if it’s publicly listed.”

No company is immune – even the most trusted companies with the most solid of social licences can suffer a sudden loss of reputation. This means they don’t have the clear water to deal with operational business issues because they must also deal with cultural and brand issues, and a loss of consumer confidence.

Patterson says paying attention to issues that affect reputation is no longer a “nice to have”. “It’s not ‘PC gone mad’, as I often hear. Having a good reputation is core to doing business today. If you’re not paying attention to your company’s reputation, you simply won’t be able to operate.”

Expect the unexpected and rely on values

While reputational troubles can come out of the blue and not be of a business’ own making, a vital part of the board’s function is to expect the unexpected, which, Patterson says, is very much part of the new world of governance. It’s a board’s role to provide a view from up high, offering an overview of the company and its operations, rather than being heads down in the day-to-day operations, which is management’s role.

And when the unexpected happens, the best way forward is to go back to a business’ foundations – to its purpose and the values that set out in the beginning what sort of impact the business will have, how people are employed, how it interacts with customers. For an older company – today’s banks, perhaps, which have drifted away from their savings trust beginnings, when savers were the shareholders, to faceless investors – that may require some work. However, Patterson warns even relatively newly established companies can struggle; witness, Uber, Facebook and WeWork.

“Some of the tech companies got a lot of positive attention saying how they were going to be community-minded organisations and do things differently as employers. But as they have matured those values have not followed through in how they conduct themselves. Is that because they’ve grown? Or were they structured wrong in





"Organisations that aren't thinking about ethical issues that could affect their reputation are likely to have a huge risk-management issue."

the beginning? Is this a life cycle issue? Or is it the corporate investment mode, and they've been eaten by bigger, broken machinery? While purpose is all-important, start-ups are not protected against these issues simply by being new."

Where values and actions begin to diverge, Patterson says directors must be prepared to speak up for the long-term good of the company. Even if it may reduce dividends for the shareholders of today – even if it's those shareholders who elect them, and even if the directors are shareholders themselves.

Actively seek diversity to ensure values

Patterson says another crucial check on values creep is to foster diversity within a board. For her, "diversity" means more than recruiting for gender, race, and age, but also actively looking for people with different skills.

That's hard, she acknowledges, for a start-up or smaller business as the founders and/or equity partners need seats, and usually the business advisor, lawyer, and/or accountant is also invited to the table. But maybe, she suggests, for the sake of the business, one should step back to allow someone else on? Perhaps a scientist as they're

good at interpreting data. Or someone with marketing experience. Or someone else who understands the industry. Together they create a “community of support” that, along with the board’s other functions of unlocking the potential for innovation and opportunity, test and challenge a company’s practises and decisions to ensure ethical behaviour.

While the board’s “holding to account” function should not be overused as it may drive bad behaviour and concerns about liability, Patterson says it’s one of the board’s strengths. “When I say to CEOs, ‘Would you like a monthly Dragon’s Den where a great selection of diverse people give you feedback on your strategy and test how you’re going, using their expertise?’, they say, ‘Awesome’. But if I say, ‘Do you want a board?’, they say, ‘No, no, no’. We partnered with MBIE to research SMEs and discovered they hate the term ‘governance’. They see it as compliance and control, rather than as partnership and enabling them. Boards can add true value.”

Ethics must endure, even in times of pressure

And a good board adds real value when financial pressures test a company’s commitment to ethical practices, such as during the COVID-induced recession. That’s when Patterson fears the good work around issues, such as diversity, will go out the window, and right when a trusted reputation and social licence is essential to maintain customer confidence in a very tight market.

“It’s like when someone gets thrown into cold water and the blood goes to the heart and key organs it needs to keep going, rather than the ‘nice to haves’ – the arms and legs. Using that analogy to performance in a recession, solvency is the core where all the blood must flow as the number one concern,” says Patterson. “When that happens all the work we’ve done on diversity can lapse if we aren’t careful, because we were only thinking about the need for hard finance skills. Then we’ll go back to the 1980s’ model, where yes, the environment is a ‘nice to have’ but right now we need to survive, so concern for, and investment in, the environment gets pulled.”

Patterson hopes because of the duration of the COVID crisis, and that it was a shared community crisis, some of the old habits may have been broken. But the important thing is to remember the commercial value from ethical practises, and not swap one unethical practise for another.

“Businesses now understand risk management in that they can’t afford to be a business operating an extractive business model. But I’m really worried that, with all the conversations we’ve had around climate, we’ve moved away from an extractive business model towards a new business model, the gig economy. We’re moving to extracting from human beings, rather than from the earth. I can see in 15 years’ time we’re going to have a repeat of the same behaviours, so I’m not sure we’re learning these lessons along the way as much as we need to.”

Should Directors be Shareholders?

Board members owning shares in the companies they govern shows they’re connected and aligned and believe in the company enough to risk their own money. But does it mean they’re too aligned, too connected, so not independent? Are they willing to speak up for the long-term benefit of the company on an issue that could put their own short-term returns at risk?

It’s an issue for constant debate, but Kirsten Patterson says one check – again – is diversity. “The more diverse the board makeup the better. Because the board is pulling from a bigger pool it is not made up of people who are all the same, or from the same community.”

Either way, she says transparency is vital. But, compared to two decades ago when it was difficult to know the interests of board members, the boards of large corporations today are very transparent. “A board is more than a group of individuals. Boards have their own culture, and norms, and decision-making approaches, and history, and myths, that inform their practise. As long as human beings are involved it’s a much more complex issue than many people give it credit for.

“But great directors have courage and are prepared to speak up on issues. One of our great senior directors, Dame Alison Paterson, has a very clear piece of advice for all emerging directors: ‘You can’t be financially connected to a company or dependent on board fees to the extent you can’t walk away.’”

What is 'Governance'?

Being in governance, being on a company board, is about working on the business not in the business, says Kirsten Patterson. "It's about coming up in the helicopter occasionally to look to the horizon and check 'are we going towards the right place?' It's like those Pacific travellers coming to Aotearoa, navigating by the stars, not being able to see exactly what they would find but knowing which way they were heading."

She says directors are that "person searching the stars", letting those in the waka below know they're on track, and that where they are going isn't without risk but creates huge opportunity.

"Of course, in New Zealand we have so many small and medium businesses, and if you have a business of fewer than 20 people, you're doing both governance and management. Some days you will wear your HR hat, your accountancy hat, and your operations hat, so it can be hard to find that space to come up and look out and work on the business."



Kirsten Patterson's Top Takeaways

1. Boards should actively encourage diversity – what skills and views might be lacking.
2. Directors must be prepared to put long-term gains ahead of short-term gains to ensure values are followed, even if it's unpopular with shareholders.
3. Companies should welcome boards as they offer oversight and guidance – not just compliance checks and holding to account.
4. Encourage a culture where it's okay to question leadership – everyone has gaps and biases.
5. Start-ups' ethical intentions aren't ensured because they're new – current actions against foundational values must be continually reviewed.



Seven Steps Model for Ethical Decision-Making

Sometimes we are confronted with an ethical dilemma, either in our work or in our private lives. These are situations of conflicting responsibilities in which we have to make a difficult choice between two sets of moral principles that seem incompatible – and no matter what choice you make, it will come at a cost.

When faced with an ethical dilemma, going through these seven steps will allow you to more thoroughly analyse and view the ethical implications of a situation from multiple angles. It will also help you to make informed decisions and explain your decisions to others.

1. What is your ethical dilemma?

First, consider all the different aspects of the situation and of the decision you have to make – including the ethical ones. Try to pinpoint the ethical dilemma. What exactly is it that makes you doubt how to do the right thing and how to make the right decision?

Then ask yourself: Who is responsible for making the decision? The answer should always be “you”. If not, you may be trying to put the responsibility on someone else, or it may not be your problem after all. An ethical dilemma must be from your perspective, within your span of control, and with the ability for you to take action.

Once you have identified the key ethical dilemma, an effective way to evaluate a preliminary decision is to prepare a statement in the following format:

**With regard to the ethical dilemma [...] I do/ I choose
[...] This is morally right because [...] despite [...]**

2. Who is involved and what is at stake?

Those concerned include all individuals and groups who can rightly claim that their rights and interests must be taken into account in the final decision. You might consider the following questions:

- Who are the people and parties directly involved in the situation?
- Do you know the viewpoints on the issue at stake, and have you taken those on board?
- What are the interests of other relevant stakeholders, within and outside the organisation? For example, colleagues, clients, citizens, society, and the planet as a whole.
- Which moral principles and values, responsibilities and obligations, and anticipated consequences conflict or compete in your dilemma?
- What are the main ethical risks and challenges?

The aim of this step is to clearly define the ethical issue and to identify what is at stake from an ethical point of view.

3. Which information do I need to evaluate the arguments against moral principles?

In this step, it is important to gather all the information you need to make a good decision. You might need to talk to others to understand their intentions, feelings, and involvement in the situation. You may also need to do some research on future developments and possible solutions regarding the issues at stake, and to take the interests of the wider environment into account.

Now list and prioritise all arguments in terms of moral principles and values, responsibilities and obligations, and anticipated consequences that conflict or compete in your dilemma. Examine which arguments rely on principles (deontology, ethics of care), and which arguments rely on consequence (consequentialism). Then identify excuses, for example, "It is common practice" or, "We will destroy our competitive position". Creating a list or a mind map can be helpful in completing this step.

4. Which solutions can be put forward?

Next it's important to identify all alternative options to solve the problem. What (ethical) actions can you take? What are the pros and cons of each?

- Project the probable consequences of these options. It requires you to think through different scenarios and consider the results that each of the alternatives could lead to. Ask yourself: Does it do more good than harm? Does this option generate the greatest good for the largest number of stakeholders?
- You could do Rawls' thought experiment and/or ask yourself: Who is directly or indirectly affected by my decision, and if I were in their position, how would I feel about the decision in terms of fairness and care?

This is where knowledge of ethical theories can help in making a conscious decision (see So what is Ethics? at page 16).

- Equally important is to reflect on what your intentions are when making your decision – and how the different options fit with your own moral values and principles, responsibilities and obligations. Can you still look at yourself in the mirror when you choose one course of action over another?

Asking these questions helps you narrow down all viable solutions to the dilemma, and choose the best option for your decision-making.

5. What is my conclusion?

"Resolution is reached when we discover an alternative that provides an acceptable balance of our duty to principle, and the likely consequences and satisfies our need to have sound reasons for our conduct and our need to be satisfied with the decision."

– Professor Terry Cooper¹²

Before making a final decision, discuss the best option(s) with other people and ask for advice.

Repeat and refine the first step and write down your final decision with the most important argument pro and the most important argument con.

**With regard to the ethical dilemma [...] I do/ I choose
[...] This is morally right because [...] despite [...]**

6. Prepare to get your message across

You should be aware that while you may be happy with your decision and think it is the right decision in the circumstances, you may still need to explain it to others in order to gain respect and support.

By doing the right thing, those who disagree with the course of action may still be willing to accept the decision. You could also consider how you can accommodate or compensate the persons and parties who are disadvantaged by your decision.

Think about how you will communicate your decision to others. Answering the questions related to the six rules of thumb (see adjacent page) can be helpful to get your message across.

7. How do you feel about your decision?

The last step is to check in with yourself. How do you feel after making this decision by following the steps above? Has the decision resolved your ethical dilemma?¹³

Six Quick Rules of Thumb When Making an Ethical Decision¹⁴

1. What do other people think about this matter?
2. What would happen if this would be on the front page of the newspaper?
3. What would others do? What would I do when others are looking over my shoulder?
4. Can I still look in the mirror?
5. What about the slippery slope? What are the long-term consequences of my behaviour?
6. How to balance? Which decision is right for the most people?

Ethical Dilemmas

The interviews in this booklet provide many examples of ethical dilemmas. Which private information of individuals can we share with the public to keep them safe during this pandemic? How to deal with the impact of COVID-19 on future employment? Can we afford to (quickly) transition to ethical production of goods?

L'Oréal's Code of Ethics also provides examples of ethical situations and how they would like their employees to handle them. See <https://www.loreal.com/en/articles/commitments/code-of-ethics/>

Or checkout <https://www.moralmachine.net/> to explore the impacts of decisions made by machine intelligence, such as self-driving cars.

Want Some Practice?

Here are a few dilemmas. What would you do?

1. The firm has a vacancy for a manager and you are on the recruiting committee. The firm's founder, who is retired but still frequents the office, tells you that the son of an important client has applied for the position and is clearly promoting the idea of hiring him for the job. He already assured the client, who is a golf buddy of his, that he can make this happen.
2. You own a small engineering company and in your business dealings you have to make the decision to authorise a facilitation payment to an overseas government employee to speed up service, with the hope a large contract with a client will be awarded. Under New Zealand law, such payments are not considered bribes, but in many other countries there is no exemption for such "grease" payments under the Bribery Act.
3. You are the HR manager of a medium-sized police force. At a department party, a senior officer flirts with a young woman who temporarily works for his unit. He's had one too many drinks and inappropriately intrudes on her. You also happen to know that he's the one speaking to her next week in a performance appraisal about extending her contract.
4. As a manager, you have confidential knowledge that your company will be closing a department. You overhear the CEO telling a partner that your colleague is going to be laid off at the end of the month. She is a good friend of yours.
5. You have a successful cleaning products business. You have been wanting to switch to more ethical, animal-friendly, and ecological products for a long time, but the best-running line is the cheap agents for office cleaning, which are also mainly responsible for the company's profit and the rapid growth to 150 employees. You consider that phasing out is an option, but at the same time you wonder whether this will not cause the new ethical product line to flop.

¹² Cooper, T. L. (2006). *The responsible administrator: An approach to ethics for the administrative role* (p. 38). Jossey-Bass.

¹³ Lawton, A., Rayner, J., & Lasthuizen, K. (2013). *Ethics and Management in the Public Sector* (Chapter 7). Routledge.

¹⁴ Kaptein, S. P. (2005). *The six principles of managing with integrity*. Spiro Press.



Kindness from Carbon

Sean Weaver knows the value of forests – to loggers, to neighbouring communities, and to the global environment. He's built a life and a business saving and regenerating forests with the investment of New Zealand businesses eager to shrink their carbon footprint.

It's not a quip – Sean Weaver really *is* saving rainforests. The CEO and founder of Ekos – an environmental financing social enterprise that creates self-sustaining forest carbon projects and programmes – saved his first rainforest when he was 21. It's in Fiji, in the heart of Viti Levu.

The community that owned the forest was very poor and saw logging as its only way to economic advancement. "I said to them, 'If I could find a way to pay you what logging would pay you but you do not have to log the forest, would you be up for that?' They said, 'absolutely'." Weaver subsequently convinced the Fijian government to compensate the community for giving up the logging rights to its "magnificent kauri forest", thereby ensuring prosperity for the community and conservation for the forest.

That was just his first. Since, Weaver has helped protect many native forests throughout the Pacific and New Zealand, including 130,000 hectares of lowland rainforest on the west coast of the South Island. In the late 1990s he began lobbying an unconvinced National government to compensate the local community to the tune of \$100 million for not logging. The money would enable the local community to "log the forest financially but not physically", while facilitating enormous and ongoing benefits to the local and global environment by way of carbon sequestration, protecting waterways, and conserving biodiversity.

"People told me I was mad. But the Opposition agreed, and when Helen Clark became Prime Minister the new government wrote a cheque for \$120 million. That made the West Coast the fastest growing province in the country *because* we saved that forest."

Saving forests *and* communities is essential

So, while Weaver is a declared "rainforest conservation junkie" he's just as vocal about helping the communities who would otherwise benefit from logging. "I say I work in 'the compassion industry'. My involvement in carbon markets is to look after people as the core method for looking after natural resources. To look after the place, we need to look after the people who live there, otherwise any environmental benefits might only be short-lived, or come at an unacceptable social cost."



In illustration, he compares the West Coast's experience to that of a North Island community where stopping logging native forests also stopped the community's economic beating heart. "Minginui, to the west of Whirinaki forest near Rotorua, used to be a thriving mill town. Its native forest was saved but nothing was done for the communities, so the economy crashed. It became a ghost town and a lot of people suffered."

However, governments can only do so much with taxpayers' money. Weaver set up Ekos to help businesses measure their carbon footprint and identify where carbon is created, then support them to reduce emissions. Following that, businesses can help global carbon drawdown by purchasing Ekos' certified carbon credits, the funds of which are then used to replant and regenerate forests at scale, and compensate communities reliant on logging income *not* to cut.

Zero carbon "the right thing to do"

New Zealand businesses aren't yet compelled to become zero carbon, to offset their emissions, or choose low emission products – actions that all come with some cost, at least initially. For businesses, says Weaver, the direct pay-off to investing in reducing and offsetting carbon emissions is the knowledge they're doing the right thing while improving their efficiency and enhancing their brand.

In the bigger picture it's also about survival in relation to climate change. And that customers see they're doing the responsible thing by leading in a low carbon economy. "Most businesses that come to Ekos want to be ahead of the game. They see it's time to take responsibility, and they see that as part of their sense of identity. They understand that this is what it takes to turn the tide on climate change. Wherever it comes from, the commitment to zero carbon needs leadership right from the top."



**“People told me I was mad.
But the Opposition agreed,
and when Helen Clark became
Prime Minister the new government
wrote a cheque for \$120 million.**

**That made the West Coast
the fastest growing province in
the country because we saved
that forest.”**

Partly that's because all ethical behaviours must be echoed throughout the company from the CEO down, and also because the business must commit to the cost of investing in emission reductions and offsetting what can't be reduced. This cost is part of what Weaver calls the “margin of kindness”.

Dedicate a “margin of kindness” for good

The margin of kindness is the portion of profit a business is willing to give up in exchange for enabling something really good to happen in the community, says Weaver. “That, for me, is an ethical business. There's where the motivation is not simply to maximise the financial return on investment, but to maximise something the business regards as good and wholesome but wouldn't otherwise happen.”

Even within his own business, Weaver must make this calculus. He takes on environmental consulting work, the returns from which cross-subsidise the organisation's less profitable parts so Ekos can offer carbon management services to smaller companies at an affordable rate. Weaver would be financially far better off if he just worked as a consultant, but knows he would then have less time to do good. “Ekos' purpose is to maximise the beneficial impact of every customer dollar spent while making a living and being self-financing.”

Giving or doing more than is necessary happens frequently in the natural world. Think about the tree that produces an abundance of fruit, Weaver says. “Only a fraction of that fruit is needed to seed a new tree. However, that fruit feeds a huge number of birds, so the tree is investing in supporting the wider ecosystem on which it also depends. It is still self-interest, but the 'self' includes other species and the whole ecosystem.”

Motivate good behaviour – then regulate

Weaver's mission is to encourage more New Zealand businesses towards an impact agenda that similarly benefits the wider community as core business.

"Last time I checked, it's not illegal to look after the place. And the private sector has the ability to provide the necessary leadership without having to ask the permission of governments to do so. Then the government's role can be to enable as much of this kind of voluntary action as possible through carrots, using regulatory sticks only where absolutely necessary. As an illustration, when I had chickens I would say, 'Chook, chook, chook', with some food in my hand and they would voluntarily exit the veggie garden they had sneaked into. And I only needed to wave a stick near the rooster who did not respond to the treats."

Weaver further explains using the image of a climate change behaviour bell curve ranging from unsustainable to more sustainable. Businesses at the "sustainable" end are already taking positive action, while some of those at the unsustainable end won't do anything.

"The marginal cost of trying to move the businesses at either end is very high for little gain. There is much greater return on any efforts by incentivising those in the middle to migrate towards the more sustainable end. I work in the voluntary space of offering carrots, alongside governments that want to increase carrot consumption, if you like. The mix of incentives and regulation will create conditions to facilitate the centre of the bell curve to move, creating aggregated gains across the economy. The middle of the bell curve only needs to move a little bit to create vast aggregated environmental gains."

Move early to catch good carbon credits – and goodwill

Weaver is encouraging businesses to move early – to "start eating carrots" – to offset their carbon emissions, improve their brand, and increase their efficiency and resilience, before the government "waves its stick of regulation".

Moving early signals to consumers that a business believes in the importance of protecting the climate system as a common resource and wants to act ethically before compulsion. Moving early also means businesses here can invest in New Zealand's finite carbon market, ensuring carbon credit quality and the knowledge they are supporting local projects and communities.

"When you get motivated businesses moving voluntarily, even one step, they see that the second step is fairly easy, so they take another. Then momentum builds and it becomes a self-driven movement, rather than trying to drag people towards an outcome. I think voluntary climate action in the business community remains a huge untapped resource."

Avoid greenwashing and gold-digging

In terms of ethical considerations, Ekos' main challenges are ensuring its projects and partners are as ethically focused on developing and supporting real projects with real community and environmental benefits, without money being the primary motive.

Ekos' projects are certified by the New Zealand Emissions Trading Scheme, or the Plan Vivo carbon standard operated out of Scotland. Weaver also plans to increase Ekos' certification capability to reduce the risk of greenwashing. "To me the future is a labelling and standards pathway. If businesses have a certificate saying a third party thinks they're doing good, then the customer is more likely to believe they really are doing good."

The workflows created by upscaled certification and more New Zealand businesses coming to Ekos to buy carbon credits, present Weaver with the challenge of trying to "scale with care" while still being ambitious about reforestation projects. "I face the ethical business challenge of scaling-up my own business without losing or diluting the original values and mission. This is so important to our staff as well, as they came aboard to share this vision and are more and more motivated when we keep those values front and centre, both internally and in our relationship with clients and customers."

Stay positive and solution-focused

In a previous role, Weaver taught environmental studies at Victoria University of Wellington. He's also a Zen Master. Both experiences highlighted the benefits of positive messaging and reassuring businesses that they can make a difference environmentally.

"I've learned that all relationships need at least 80 percent positive messaging, or they go into terminal decline. As humans, our psyche can deal with the negative so long as it's compensated by a lot more positivity and a focus on solutions. That's why Ekos is focused on offering solutions."

They're solutions he believes we will all need as a way of doing business in the future when it becomes the new normal for businesses to take more carbon out of the air than they put in. Either way, becoming zero carbon or climate positive makes us feel good while we support the wider community by investing in a climate system we all depend on.

"And it genuinely feels good to do business in this way. We need only a minority of businesses to act on compassionate impulses to amass an enormous amount of goodwill and financial resources to lead the economy to a low-carbon future. Let's get on with it."



How Carbon Credits Work

Carbon credits come from the growth of new forests and protecting existing forests from logging and land clearance. Businesses and individuals buy carbon credits to offset their carbon emissions, with the money going into funding forest conservation efforts, including the costs of planting and maintaining a forest, and covering lost income from farming or logging the land for landowners.

The projects create measured, reported, and verified carbon benefits, that deliver positive outcomes such as:

- protecting the environment (erosion resilience, improving waterways and biodiversity)
- self-sustaining income for landowning communities
- encouraging businesses to invest in a regenerative future.

Find your Margin of Kindness

Ekos' founder and CEO Sean Weaver says the first step is to understand that a margin of kindness is an investment with a return. The next step is to decide how much less profit you are prepared to accept in order to do the kind of good necessary to support the broader systems we all depend on – including the economy.

"All species in nature make an investment (energy and other ecological resources) in the broader system upon which they depend. The question is to ask, 'is my business part of nature?' If the answer is 'yes', then we prove this through investing our margin of kindness, and together thrive in an ecosystem marketplace. From there, look at your end-of-year profit margin and think, 'How much of that can we spend on doing something that isn't our core business, but is something we'd really like to do or see happen?'"

Maybe it's not carbon credits, says Weaver. Maybe it's something outside a business' value chain, such as supporting health research or a hospice. "Ultimately, money is a tool. The question is how we want to use it and what do we build with it.

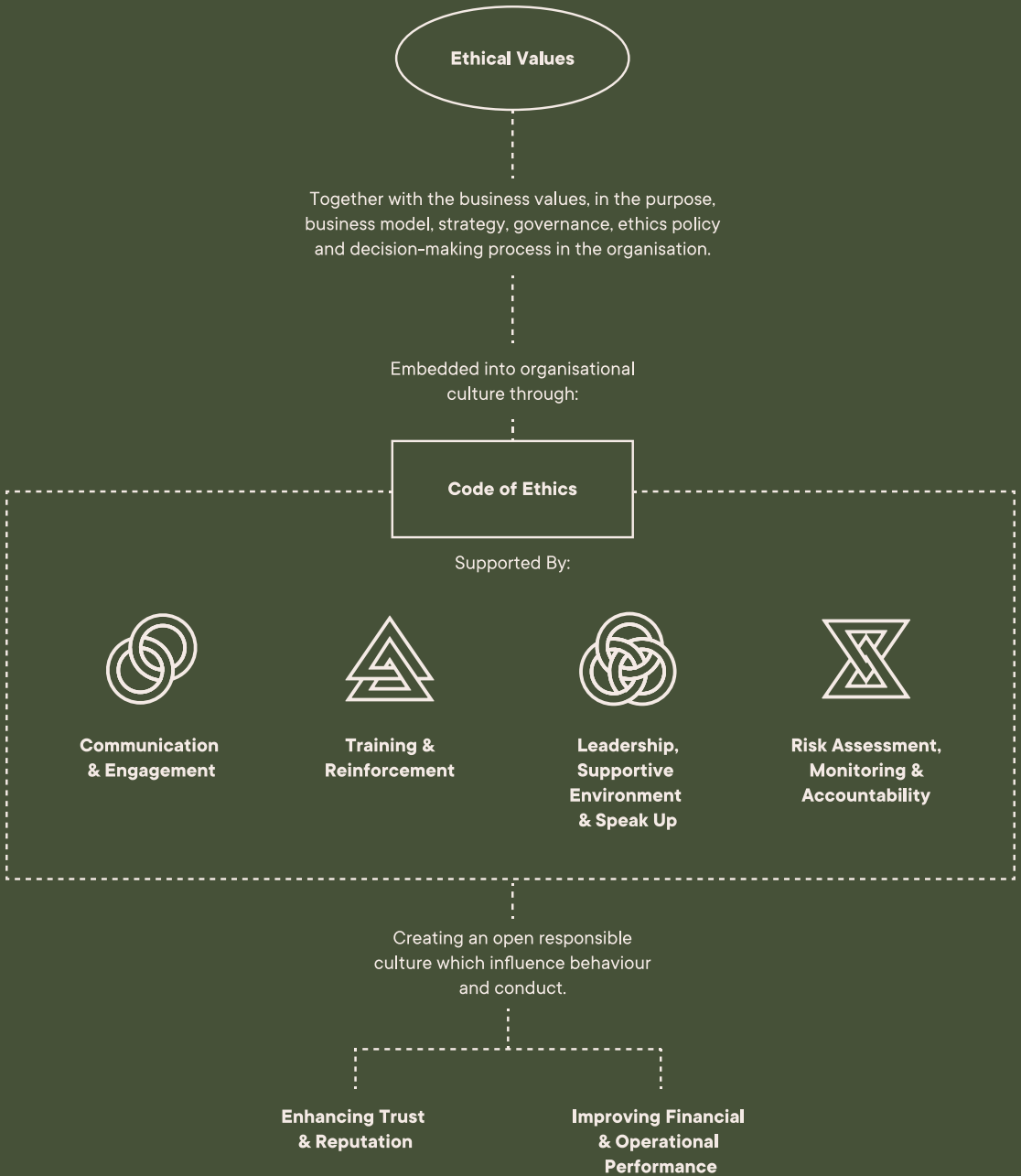
"Other ways are to look inside your value chain and see how you can improve it by making more ethical decisions within your business. Maybe it's about procurement, so the next time you upgrade your technology, choose to pay more and buy the most energy-efficient version. Or you might ask your suppliers to provide de-carbonised services and goods. It can be as simple as that."

Ekos' Top Takeaways

1. Make your passion your work.
2. Decide where you can invest some money to do good – that investment pays off.
3. Aim to be Zero Carbon or Climate Positive – measure emissions, reduce emissions, go the extra distance by offsetting, and repeat annually.
4. Opt into reducing your carbon footprint early – enjoy the “feel good factor”.
5. Enjoy the financial benefits of your investment – customers support businesses doing “the right thing because it’s the right thing to do”.



Here is an example from Institute of Business Ethics to get you started:



How to Design a Business Ethics Framework

So, you like the idea of doing business ethically, but what does that actually mean and how can you integrate ethics into the organisation?

One suggestion from the UK Institute of Business Ethics is to set up an Ethics Framework, or as Transparency International NZ would call it an "Integrity System". The idea is that there needs to be a range of integrated systems throughout the organisation, including an understanding of purpose, values and behaviours; education, training and communication; mechanisms for unbiased feedback and reporting; and lastly, assurance and monitoring of ethics within the organisation. The most effective strategy to embed an ethical culture within the organisation is to combine compliance instruments, to control unethical behaviour, with an integrity approach, to stimulate ethical behaviour. To embed a culture of ethics, it will require time and reinforcement through multiple facets of the organisation to make it an integral part of the day-to-day decisions, staff behaviours, and the operating environment.

In other words, one document doesn't really cut the mustard!

The ethical standards set out will differ with each organisation and could include mechanisms and criteria for areas such as:

- Procurement
- Supply chain transparency
- Discrimination
- Conflicts of interest
- Bribery and corruption
- Pay equity
- Organisational justice
- What funders you may or may not accept
- What investments criteria you may have
- Data, privacy, and AI limitations
- GHG emissions
- Reporting misconduct mechanisms

The latest IBE findings from the employee survey, Ethics at Work 2021, reveal some interesting results for New Zealand organisations that have a comprehensive ethics programme (i.e. written standards of ethical business conduct; a means of reporting misconduct confidentially; advice or a dedicated information helpline; training on standards of ethical conduct).

Their employees are more likely than those in organisations that offer none of the elements of an ethics programme to say that:

- **Honesty** is always or frequently practised (92 percent vs 86 percent).
- Their opinion of how ethically their organisation behaves has improved following the **COVID-19 pandemic** (54 percent vs 16 percent).
- **Senior management** takes ethics seriously in their organisation (86 percent vs 50 percent).
- Decisions about people are made **fairly** (78 percent vs 55 percent).
- Employees are more willing to **speak up** if they become aware of misconduct (75 percent vs 57 percent) and more likely to be **satisfied** with the outcome (74 percent vs 33 percent).

For more detailed information see Institute of Business Ethics, <https://www.ibe.org.uk>

Florence Van Dyke
CEO of Chia Sisters

Chloe Van Dyke
Founder of Chia Sisters

Ethics in a Bottle





Focusing on five core sustainability goals, Chia Sisters is determined to make the world – and its own workplace – as ethical as possible. The sisters behind the brand are equally as determined to actively share what they have learned, harvesting the strength of collective action.

For the Chia Sisters, being ethical means prioritising people and the environment in every business decision. In practice that means their business is all about health – of the people consuming their products, of the planet, and certainly of their workforce. And the women behind Chia Sisters are encouraging other businesses to follow suit.

Starting with their chia-based drinks back in 2013, the Nelson company now has a range of products and an upward trajectory that proves being ethical is indeed profitable. “We never considered not being ethical, although our understanding of how to be ethical and sustainable has grown as our business has grown,” says Chloe Van Dyke, a neuroscientist with a diploma in herbal medicine, who set up Chia Sisters then invited her sister, Florence, in as CEO.

“We come from an environmentally minded family who love the outdoors, and we’ve brought our personal ethos into our business, which is very satisfying. We’re certainly not perfect, and there are a lot of ways we could do better. However, we are always looking for how we can have a positive impact on the environment and the community, and every time our business grows there’s a new opportunity to do that.” Case in point – when the sisters took over a bottling factory, they employed the existing staff, increased their pay to above the living wage (Chia Sisters became Nelson’s first Living Wage Employer in 2017), and installed solar panels.

Central to Chia Sisters’ business plan – although the sisters admit they didn’t have a formal plan set down when they began – are goals aligned to the United

Nations’ Sustainable Development Goals (SDGs). Each year they measure their progress around five of those goals: Good health and well-being; affordable and clean energy; decent work and economic growth; responsible consumption and production; and climate action.

Focus on good health and well-being

All Chia Sisters products are created with health as a central goal. Chloe first set out to create “the world’s most nutritious on-the-go food” and her resulting CHIA drinks have won many health accolades. Over the years they have added other healthy products, including naturally flavoured sparkling waters, hemp drinks and products, and fresh-pressed fruit juices – all made from plants and packed with nutrition, with no artificial colours, flavours or preservatives, and no added sugar.

As much as possible, the sisters also opt for local ingredients, although they often must weigh up the “local vs organic question, which we find really hard. We make these decisions on a case-by-case basis, keeping our values in mind as we decide,” says Chloe.

Clean energy investment brings opportunities

Buying their own factory allowed the sisters to install 32 solar panels to become New Zealand’s first solar-powered juicery. When in full production the factory uses 8,000 watts, but when the sun is shining the panels can harness up to 16,000 watts, allowing the company to sell the excess back to the national grid.

Do the panels save money given the set-up expense? No, certainly not in the short-term. But that’s not the point, they say, as their sights are firmly set on the long-term benefits



that go beyond the direct and obvious eventual savings. “The solar panels inspired us to launch a new juice range called ‘Bottled by the Sun’, and the sales and revenue from that drink are already multiple times above the cost of the solar panels. Often by thinking laterally you can achieve the things you want,” says Florence.

Provide decent work for growth

Chia Sisters pays its workforce far more than it has to but laying out those extra dollars definitely pays off. “Ten-fold,” says Florence. “In return we have staff who are happier and more connected to the workplace. It does feel like we have a whānau here. Rather than having employers and staff, we’re a team.”

“People tell us how much they enjoy work and we’ve got amazing staff retention,” says Chloe. “When we do recruit, we get great applicants. When we brought someone on to dispatch boxes, we had hundreds of applicants from very talented people who wanted to work for our business because they believed in our ethos. This saved us heaps of money and netted us a good team.”

The sisters also invest time in learning who each team member is – what’s their home situation? What do they want to do in the future? “We try to learn what each employee’s values are and where they want to go. I think it’s

naïve to think an employee wants to work for us forever, and we don’t want them to. We know this is a stepping-stone on their journey. We’re always thinking about how we can help our team.”

That means supporting their people towards their “dream job”, even if they leave and take their newly learned skills with them – and even to set up a similar business, such as an employee who was open about his desire to start his own healthy beverage business. “Most employers would be like, ‘Don’t do that!’ But we said, ‘Okay, cool. Come and learn how to do it.’ He was a great worker and we’ve decided to be all right with those decisions. It means our team is invested in us because they know we’re investing in them,” says Florence.

Importantly for the sisters, a generous wage bill means their employees have more money to spend on local businesses, further supporting the community to thrive.

Choose responsible consumption and production

The impact of plastic bottles on the environment is well known, both due to their petrochemical origins and end-of-life pollution. The beverage industry accounts for the disposal of more single-use plastic than any other product type (food or otherwise) in both the developing and developed world.

Therefore, bottling in recycled glass was the obvious choice when Chia Sisters launched in 2013. Since then, that decision has saved over four million plastic bottles going to landfill, and 200,000 litres of oil being extracted. The glass does push Chia Sisters' products' price-point up a little, but Chloe says it's worth it. "Consumers perceive a glass bottle product to be of higher quality. Our products are premium, but still very price competitive."

However, even bottling in single-serve glass makes the sisters uncomfortable and itching to go further for the planet. They're trying to shift their café customers towards using 20-litre, returnable kegs. But, along with providing the infrastructure required, it also requires a mind shift, so progress is slow. "We thought it might take a year or so to transition a good chunk of our customers, but it's looking more like a five-year plan. I think it is the way of the future, but we need to take our customers along with us and that's been more difficult than we expected," says Florence. The sisters hope other beverage companies will also move towards kegs, changing the wider mindset about how drinks are served.

"We never considered *not* being ethical, although our understanding of how to be ethical and sustainable has grown as our business has grown"

Take climate action

In 2019, the Chia Sisters were certified Zero Carbon and Climate Positive, meaning their overall activity actually reduces the amount of carbon in the air, as they offset 120 percent of their carbon emissions.

With the help of Ekos they first measured their emissions. Once they understood where and how their emissions were produced, they took steps to reduce their emissions by minimising waste, installing solar panels, using electric vehicles, and shifting their freight from air to sea. They then bought carbon credits, investing in the Ekos-managed Rameka Forest, an indigenous reforestation of 91 hectares of marginal farmland in nearby Mōhua (Golden Bay).

The sisters say the process of measuring a business' carbon footprint is hugely valuable in understanding where their emissions are coming from and identifying reductions. And, just as they are encouraging other businesses to produce in kegs, they're encouraging collective action on becoming zero carbon.

Sharing and collaboration the way to sustainability

"We recognise we're a small company, a small player, so the biggest impact we can have is sharing our stories with others, piggybacking off others' actions, getting feedback, and helping other businesses out, so together sustainability becomes the new norm," says Florence. "The future of sustainability is finding sustainable solutions as an industry that we can roll out and hopefully make New Zealand a leader in that space."

To do that the sisters have created a group of Nelson businesses called Businesses for Climate Action, with more than 100 members. Along with running carbon zero workshops, the group is split into sector groups that search for sustainability solutions, including trialing reusable alternatives to the plastic that wraps supermarket pallets.

Other sector groups are looking at solutions, such as reducing other types of waste, setting up a shareable electric vehicle fleet, or reducing energy use within their industries. "We're using climate change as an overarching theme, but there are a lot of different things going on. We want everyone sharing ideas because collaboration and moving together is the best way to create change," says Florence.

"A lot of businesses are reluctant to talk about what they're doing because there will be lots of things they're not doing. No one has this totally right yet, but by sharing what we are doing, at whatever stage we are at, we can learn from each other. The problems you bring are just something to work on to find a solution," says Chloe.

This cooperation even includes – particularly includes – other beverage producers, with Chia Sisters a founder brand in Nudes Drinks, a cooperative of similarly minded independent drink companies that have banded together to take on the market dominators (a.k.a. Coke and Pepsi). "We don't see people in the same industry as us as competition," says Chloe. "Nudes – with its tagline of 'nothing to hide' – is a continuation of the idea that we can work together, share our resources, our channels, customers, and reps. We can become more competitive in a hugely competitive environment if we work together."

Focus on the future

Chia Sisters operates towards a vision of what it wants its community to look like in 500 years' time. "Unless we start today, nothing is going to happen," says Florence. "That can be hard when you're forced to think about quarterly reports or daily sales. But we must also think about the long-term impact, asking, 'What impact will my business have on my great grandkids? What can we do today to ensure that's positive?'"

"We are able to live by our values at work. So many people feel one way but go to work and must act a different way. To me that's destroying. We feel so lucky our work aligns directly with our personal values."

Certification – Yes or No?

Becoming certified is a useful way to announce that a business has achieved a particular status – but is it really worth it? Sometimes, say Florence and Chloe Van Dyke, from Chia Sisters.

“There are so many certifications out there so we analyse what’s going to make a difference. If we’re already vegan, does it make a difference if we’re vegan certified? Maybe, if it grows awareness. We got the Living Wage Certification because we thought it was important, and we wanted to share it so other businesses would come on board as there was no one else in our region that was living wage certified at the time.”

The Chia Sisters are also Zero Carbon and Climate Positive certified, another certification they feel was a valuable process to go through, especially as it gives them another opportunity to share the value of reducing carbon emissions.

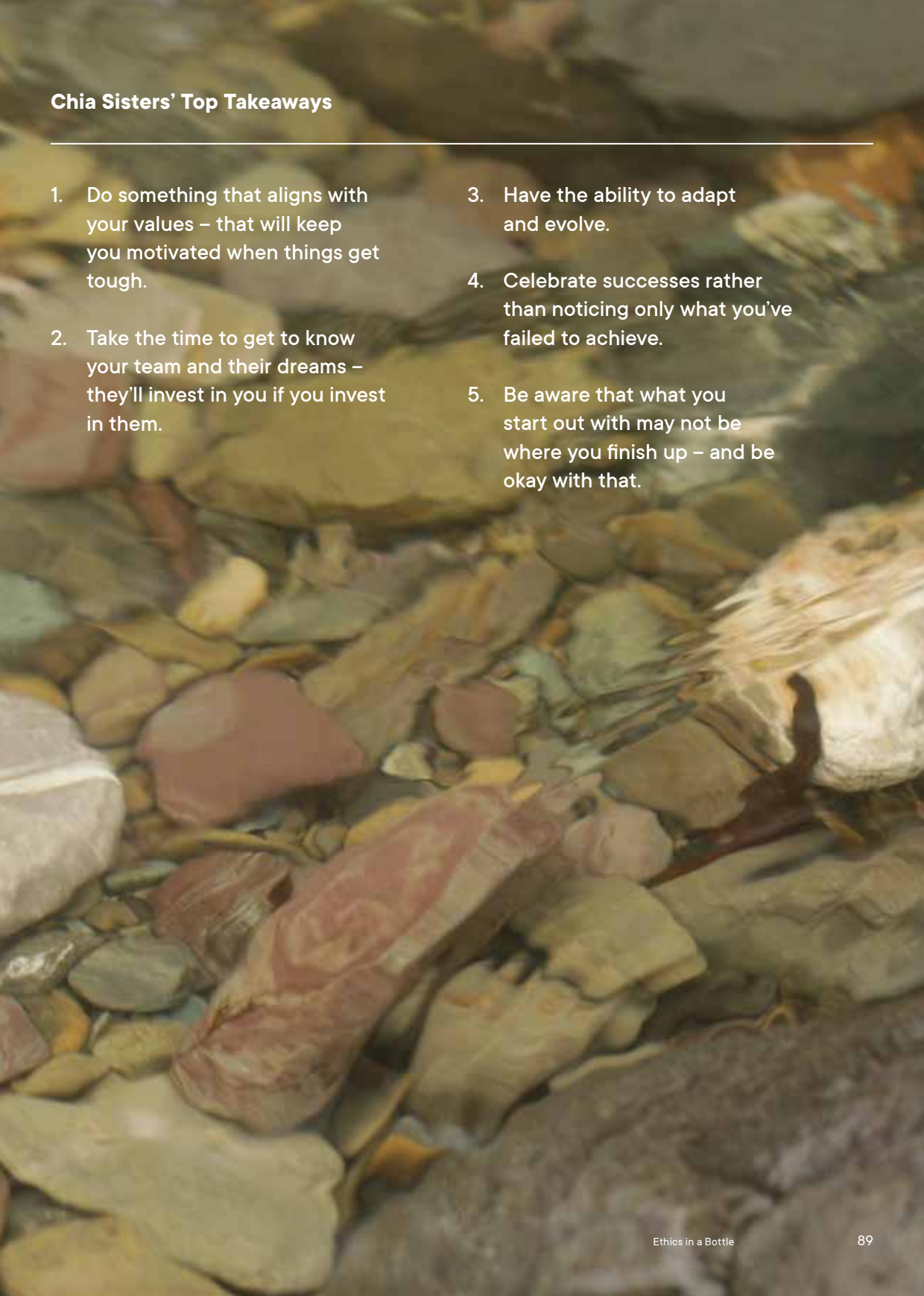
The Environment is a Business’ Business

Florence and Chloe Van Dyke believe the planet is in a bad place and that businesses have a lot to answer for. “Businesses are the biggest emitters of carbon and the biggest polluters, but businesses must be a part of the solution. Business-people know how to add up costs, and we must include the costs to the environment and people to find the real cost,” says Chloe.

“We’ve got to the point where businesses have to act, because the planet is in such an awful place. We can’t rely on governments to make changes that will be significant enough to get back from where we are. We know businesses can act fast and change fast,” says Florence.

Both sisters see huge potential for businesses within that challenge. “By identifying problems and coming up with creative solutions for the whole industry, there are huge opportunities for companies to innovate and for New Zealand to paint ourselves as leaders.”

Demonstrating an interest in the environment pays off by attracting mindful consumers, especially those of the future. “Younger people are more interested in sustainability. So, from a business owners’ perspective, it would be silly not to become more sustainable as you’ve got a growing consumer group that prioritises this in their spending habits,” says Chloe.



Chia Sisters' Top Takeaways

1. Do something that aligns with your values – that will keep you motivated when things get tough.
2. Take the time to get to know your team and their dreams – they'll invest in you if you invest in them.
3. Have the ability to adapt and evolve.
4. Celebrate successes rather than noticing only what you've failed to achieve.
5. Be aware that what you start out with may not be where you finish up – and be okay with that.

Driving Sustainability

Debbie Pattullo
General Manager, People & Sustainability
Toyota New Zealand



Photo: Highlander Limited Hybrid.
Supplied by Toyota New Zealand.



Toyota New Zealand plans to stay in the driver's seat promoting corporate citizenship in this country, ensuring all customers are comfortable when buying a car - particularly one of its hybrid, low emission, or electric vehicles.

"Sustainability" in the context of a vehicle company could naturally be concentrated on carbon emissions and protecting the natural environment, but Toyota New Zealand is equally as concerned about people.

"Part of Toyota's core vision and philosophy is caring for people. That is about caring for our customers in their communities, and it is about caring for our teams," says Debbie Pattullo, the General Manager for People & Sustainability at Toyota New Zealand Ltd. "We aren't just about selling cars and creating business value. We also want to create and support an environment that people thrive in."

With a focus on environment and people, each year Toyota New Zealand completes a sustainability report to show exactly how it's living up to its sustainability goals. Recognising the strength of an external accreditation, Toyota New Zealand also carries the Toitū enviro mark, which involves an annual assessment and accreditation. Toyota's dealer network and their national customer centre are classified at Diamond level. "We've been market leaders in New Zealand for 33 years now, so our customers expect us to live up to that trust, to take on that responsibility to provide them with high quality and reliable motor vehicles, and champion the environment."

That responsibility includes monitoring carbon dioxide emission levels, car safety, and more, to continually reduce its vehicles' environmental and social impacts. But as a company it's also taking responsibility for reducing anxiety at the point of sale. All moves that Toyota New Zealand's Japanese parent company thoroughly supports.

Building customer trust is key

At all levels of the business, Toyota is about building customer trust, Pattullo says. "It's at the core of all we do. 'Trust' is simple and easy to say, but in the customer arena it's not so straightforward. Can they trust you'll provide an exceptional customer experience? Can they trust they can walk in and not be intimidated by a salesperson who does this for a living every day? If they hand over their money, is the product they drive out going to meet their needs?"

Ensuring a positive answer to these questions is about transparency, empowering staff, and letting customers know more about them as a company and as people, rather than being "a faceless business that's sold them a car", says Pattullo. She points to Toyota New Zealand's sustained performance on the Colmar Brunton's 2021 Corporate Reputation Index, conducted in partnership with Wright Communications, which focuses on their globally validated RepZ framework. Reputation is measured across four pillars: leadership success, customer fairness, trustworthiness, and corporate responsibility. Toyota took the number four spot for the fourth year in a row and remains the only international brand in New Zealand's top ten.

"We are very mindful of this and proud of those results, and we're determined to stay there and continue operating in this way. We take leadership in this space really seriously, but we're not perfect so we try to improve every day."

To do that she says the company is future focused, researching and anticipating what customers will want and what will make them more comfortable, rather than looking only as far ahead as the next financial quarter.

Toyota's customer experience programme, Drive Happy, is a prime example of its future focus and efforts to build trust and comfort among its customers. Introducing a whole new way of selling new cars and serving its customers, the programme necessitated a total change in the company's structure with its dealer network. "Our dealers had always been part of a franchise model, but for the Toyota customer experience programme to work they all had to become agents for the sale of new vehicles. Dealerships are now known as 'stores' and salespeople are 'vehicle consultants'. The whole programme took a decade to develop and introduce, with change management ensuring everyone understood it and ultimately embraced the change," says Pattullo.



“We aren’t just about selling cars and creating business value. We also want to create and support an environment that people thrive in.”

For Toyota New Zealand, ensuring customer comfort and trust goes beyond offering a soft seat and a smooth ride. Launched in 2018, the Drive Happy programme ensures customers feel at ease when buying a car – feeling reassured they are buying a quality vehicle that’s right for them. It even ensures they feel comfortable making their way into the showroom and interacting with a vehicle consultant.

Sticking to the price

Supporting customers to feel comfortable and confident when buying a new car starts with offering a fixed price. “When a customer goes in to purchase a motor vehicle, even if they pride themselves on their negotiation skills, they know the vehicle consultant does this five times a day, every day. That can put the customer on the back foot and make them anxious,” says Pattullo.

“So, with Drive Happy, where negotiation is taken out of the mix, we advertise the price of a new car, and that’s what the customer pays. For the customer, we’ve wrapped a whole hospitality piece into the act of buying a car, with the message, ‘Please don’t stress because you will leave with the car you want, and it’s going to be a wonderful experience.’”

Pattullo says Drive Happy’s introduction necessitated massive change management, as it required a substantial ethical culture change in how vehicle consultants interacted with customers. “Some decided to leave us because they didn’t want to change, and that’s their decision. But a lot of other consultants said, ‘This sounds great. I’m going to embrace this.’”

Ensuring cultural and physical accessibility

In a previous role heading up people development at Toyota New Zealand, Pattullo says she noticed an issue with the organisation’s “decentralised human resources activity”, where each manager was largely able to advertise for, interview, and recruit their own people. “That had some benefits, as the manager knew intimately what was required in the role, but it was apparent that unconscious bias was creeping in over time. We were bringing in people who sounded and looked the same, and we weren’t getting enough diversity of experience and thought.”

To remedy that, with the help of a newly formed diversity and inclusion group, HR procedures moved to a hybrid function. “Now we put in far more front-end support around our managers. We get consistency of language in our recruitment advertising so the people we attract want to be part of our culture. It’s a strong culture we have here, but we weren’t opening up wide enough to bring in a diverse group of people.”

Pattullo says that diversity drive extends to vehicle consultants, ensuring they match their customer base, creating accessibility for a wider group of customers. “The Auckland market, for example, has a very diverse population. Today you will find, in every one of our large city stores, a range of vehicle consultants with cultural backgrounds that relate to their customer base. They provide an additional experience factor the customer might not have received from a vehicle consultant without that same level of empathy.”

The accessibility push extends to those with mobility issues, too, ensuring they can drive onto the car yard and access buildings easily. “We say, ‘Customers should be able to drive onto the yard and park their car’, but can they, really? Or do they have to find a car park three blocks away and walk? If so, that’s not a great experience. Now we’re looking at the continuous improvement aspect of Drive Happy. It’s gone really well, so we’re focusing on what to do next.”

Anticipating – even promoting – disruption

The book is wide open on what might come next, especially as Pattullo predicts the coming decade will be one of disruption for the motor industry. While most New Zealanders don't yet consider car sharing and car subscription services over car ownership, Pattullo says it's something Toyota is keen to "excite customers about".

To investigate and illustrate where mobility might take us in the future, Toyota Motor Corporation is creating its own city, translated as "Toyota Woven City", on 70 hectares in Higashi-Fuji, near the base of Japan's famous mountain. Among many other innovations, this "living laboratory" will test artificial intelligence and new mobility technologies – including zero-emission autonomous vehicles – in real-life situations. "It's going to be a demonstration of living sustainably, living with futuristic vehicles and futuristic modes of transport," says Pattullo. It focuses on living happier and healthier on our planet, sustainably, for the future. A groundbreaking ceremony was held in February 2021.

The innovation fits with Toyota's stance on sustainability, as leading companies in sustainability are shown to also be leaders in innovation. Deloitte's 2013 report, "Sustainability Driven Innovation", put a figure on it, saying "... sustainability leaders are 400 percent more likely to be considered innovation leaders."

Low emission vehicles increasing in demand

New Zealanders are already increasingly opting for hybrid vehicles and electric vehicles, a lift in demand that Toyota New Zealand forecasted. It's great news that more Kiwis are embracing more sustainable technologies, but it creates a challenge. "We'd love to offer more EVs but can't yet get them in the numbers we would like. We've got to take our place globally, and New Zealand's a very small market so it's hard to get additional volume," Pattullo says. "We do, however, advocate for the 'next new model', which by its nature means more fuel efficient and greater safety technology than the previous one."

There's a further challenge in meeting the company's own emission targets while giving customers what they want. "With a particularly popular vehicle, like a Land Cruiser, it's a trade-off between meeting Kiwis' need to use a vehicle in a certain way – such as towing boats or working on farms – and our carbon emissions targets, so we've got to take a balanced approach. Toyota Motor Corporation is, however, working on hybrid trucks, so we'll see benefits over time. We absolutely support new, cleaner, and safer vehicles progressively coming into the market at a competitive price that's affordable for Kiwis."

How Toyota Ensures Diversity

Under its previous decentralised HR system, Toyota New Zealand's managers could hire their own new recruits. Empowering them in this way ensured their deep knowledge of the area meant they could look for people with the right experience and skill level, says Debbie Pattullo, Toyota New Zealand's General Manager – People & Sustainability. However, it meant they were unconsciously employing people like them, thereby impacting on diversity.

To remedy that, she set up Toyota New Zealand's diversity and inclusion group. "Our diversity and inclusion group is a matrix-style group, so it comes together from across the business and isn't hierarchical. We've empowered this group to tackle every aspect of diversity and inclusion that they're able to focus on. They bring so much energy to it.

"We made some very quick gains, starting with the use of language and how job ads are written, and what criteria is used to create shortlists. This isn't rocket science, but a lack of diversity can creep up on a company when you don't put enough focus on it. However, with this work we've been able to turn our issues around."

Photo: 'Highlander Limited Hybrid.'
Supplied by Toyota New Zealand.



Debbie Pattullo's Top Takeaways

1. Develop and invest in a sustainability roadmap to 2030 and beyond – highlight progress in an annual sustainability report to keep stakeholders informed.
2. A local division of a global company can absolutely be a good corporate citizen – and it is easier when the values are shared with the parent company.
3. Customers do make sustainable choices if the choices are there – challenges, such as availability and price, will impact these decisions.
4. A diverse salesforce can bring in a whole new customer base drawn to vehicle consultants who can communicate and empathise with them.
5. Diversity is also about accessibility – ensuring all customers can easily access services and have a great experience.

Ethical Leadership Concept

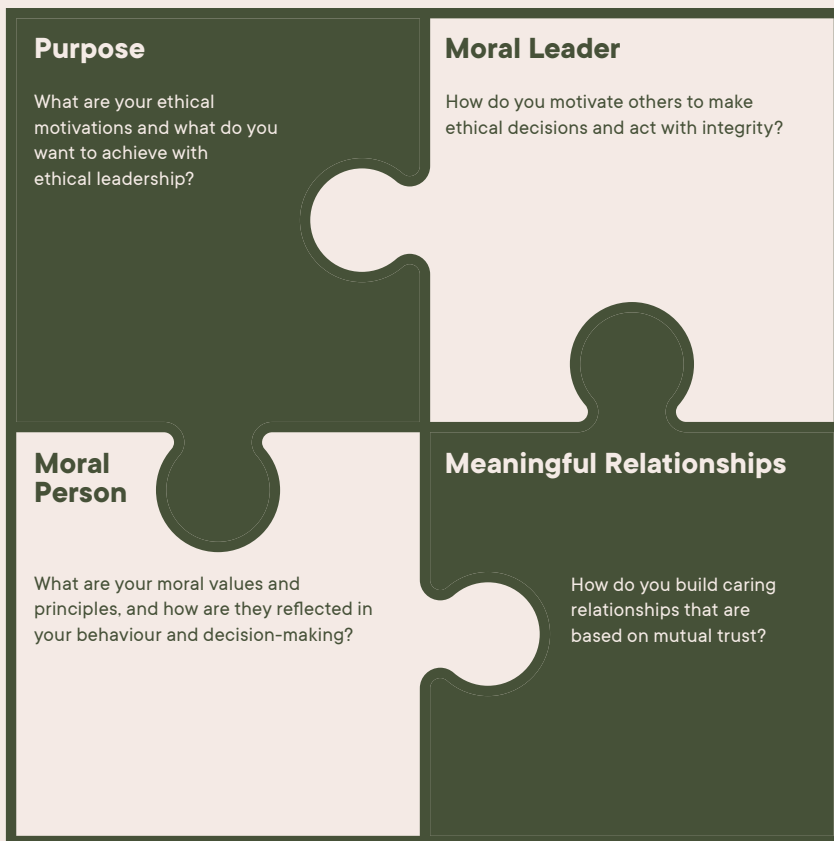
What is ethical leadership?

How you can take the lead.

Not everyone with personal integrity is automatically a good, ethical leader; though every ethical leader must have personal integrity and purpose. To be credible as an ethical leader, it is also important to build genuine relationships with people and give direction to the ethics message throughout the organisation.

This explicit focus on promoting and managing organisational ethics is what sets ethical leadership apart from other leadership styles.

When reflecting on your own leadership style, in terms of ethics, you might think of it as four puzzle pieces that need to be aligned in order to fit together.



Who are you as a moral person?

Ethical leaders act upon their moral values and principles. Their moral character is reflected in their behaviour and decision-making, in ordinary and challenging situations. This is the “who” question of ethical leadership.

What is your purpose?

This is the “why” question of ethical leadership and deals with ethical motivations. Ethical leaders have to take responsibility for the impact their actions have on other people, communities, and the wider environment/planet. It also sets clear goals for ethical outcomes.

How do you lead others?

This is about you as an ethical leader. It shifts the focus to the practical “how” question of ethical leadership in the day-to-day operations of an organisation or company. How do leaders cultivate ethical decision-making and behaviour in their employees? Or, if you're not a formal leader, how do you win others over to act ethically?

Particularly important practices are being a role model and encouraging/facilitating/driving deliberate communication about ethics, providing a listening ear and support in ethical dilemmas, and reinforcing ethical behaviour through discipline and reward.

People watch and listen carefully to their leaders to learn what ethics means in everyday activities. To be credible, you must be genuine, authentic, and visible as an ethical leader. Therefore, leaders need to think about how others might see them, and whether their actions speak louder than their words. They need to think about how they can explicitly lead by example and how they come across to employees at all levels in the organisation.

Leadership takes place within relationships

Being an ethical leader starts with fostering good relationships that are built on mutual respect, trust, empathy, support, and care.

As an ethical leader you must be able to put yourself in the other person's shoes, to treat them as you would like them to treat you, to understand what drives them to “do the right thing” and what it takes for them to put that into action.

Having good relationships is the foundation for ethical leadership.

A definition of ethical leadership ¹⁵

The character, behaviour, and decision-making that a leader demonstrates by means of role modelling, communication, and reinforcement to motivate others to make decisions and behave in accordance with the relevant moral values, norms, and rules.

To be able to make ethical decisions and do the “right” thing, there are a few phases to consider.

1. *Moral sensitivity or awareness*
This is the first step where you recognise and identify the ethical nature of/or within a problem you need to decide on.
2. *Moral reasoning or judgment*
Once you've recognised the ethical issues, the next step is to make a decision based on what is the right thing to do.
3. *Moral motivation or intent*
All decisions come with intention, so this is the point where you commit yourself to take moral actions, even if it is not the easy or conventional solution to the problem.
4. *Moral character or courage*
And finally, you follow through and demonstrate your commitment to acting/behaving morally. Even when this is difficult and courage is needed to do the right thing.

¹⁵ Lasthuizen, K. (2018). *Ethical leadership: Opportunities and Challenges for Aotearoa New Zealand*. Brian Picot Chair in Ethical Leadership, Victoria University of Wellington.

Rob Everett
Chief Executive, Financial Markets Authority

Buy-in the Key to Ethical Business



While the Financial Markets Authority sees regulating businesses to act more ethically as a “good signaller”, it says real change can come only from genuine buy-in – from the CEO all the way to the customer.

Rob Everett has a simple description of what ethical practice means in the context of the financial sector.

“To me, ‘ethics’ means going beyond the minimum standards set down in the law. It requires – in our case – financial services firms to aspire to a better standard of customer treatment than what’s required by law.”

The chief executive of the Financial Markets Authority (FMA) warns that where those standards aren’t met, or even surpassed, there’s a court capable of passing a sentence that has nothing to do with the law. That’s the court of public opinion, which has gathered strength, volume, and impact since the 2008 Global Financial Crisis (GFC).

“Public reaction to the financial sector’s behaviour leading up to that time showed that consumers of financial services and the wider public have higher expectations of their banks, insurers, and fund managers than what’s in the law. I’m strongly in favour of encouraging and educating the financial services sector to aspire to higher standards. I also encourage consumers to know they deserve that, so to pick a provider who treats them well, rather than merely complies with the law.”

Corporates keen to act ethically

As CEO of the FMA, Everett only has regulatory responsibility for the financial sector (for now, anyway). But he’s often asked to share his thoughts with a corporate sector increasingly keen to avoid public disapproval, particularly as the New Zealand public has effectively taken stock in many businesses through government bailouts and the COVID-19 wage subsidies.

And they pay attention. Even though corporate leaders have no regulatory obligation to listen to a word he says. “They’ve seen the rhetoric around what we call ‘conduct’ – general behaviours and ethics. They’ve seen how that caught fire during the Australian Financial Services Royal Commission; how the banks, insurers, and fund managers got slated, and how the corporate world in general got dragged into that questioning of the relentless pursuit of profit.

“That’s an imbalanced model, as both financial services and corporates should pay attention to how they treat their customers, employees, and the environment – not just shareholders, many of whom won’t even live in New Zealand.”

Confidence and trust are also key. If the public doesn’t support big business, people won’t invest and the economy could stagnate. “Whether they’re being told to or not, corporates are considering whether they are running the business the way the public thinks it should be run. Are they making their profits the right way and what are they doing with those profits? That’s what the ethics debate is about.”





Free will better than regulation

The financial services sector has to listen to the FMA, but that doesn't necessarily make the organisation's job easier. Instead, Everett is often challenged on whether he "has the power" to make the organisations do what the FMA is asking. It's pushback he doesn't receive from the corporate sector.

"With corporates, we're trying to exert a degree of influence that doesn't have a bedrock of a law behind it, and mostly that involves talking to people who are volunteering to have that conversation. If they're willing to talk about it, most of your job is probably done.

"Relying on regulation is a bad place to have landed anyway, as it means you're imposing ethical behaviours on people who don't buy into it. Ideally, in many sectors, being self-regulated is more compelling than having behaviours imposed on you by a regulator who has never run your business. If the only reason a business is acting ethically is because of the regulatory stick, the moment no one is watching, they go back to their bad behaviours."

Everett points to the GFC, during which time he was with Merrill Lynch. "It took only six months of the markets being profitable after the worst of the crisis (and massive taxpayer bailouts) for many financial sector leaders, who made their money through the old model that ultimately

led to the GFC, effectively saying, 'Thank God that's over, now it's back to what we did before.'"

He says government regulations have signalling powers that behaviours aren't up to scratch, however, that's only a small part of the game, particularly in such a diverse sector. That diversity would make regulation difficult, especially when regulations change or expand into new areas, such as increased environmental standards.

On the upside, our small business community makes it comparatively easy to reach corporate leaders. "In New Zealand, there are probably only about 50 key influencers in the corporate environment, and if you get to half of those you could make a real difference. Compare that to the United States where you're talking about trying to reach hundreds, or even thousands, of people managing or governing big companies."

Buy-in required across the company – and customers

However ethical behaviours are engendered, Everett cautions against it being "injected from the side" through imposed policies and procedures, or being one person's responsibility.

"What I've learned from running large legal and compliance groups in the financial sector is that if it's a single person's role to make sure you haven't stepped over the line ethically, it feels like it's not your job to ensure ethical behaviour."

He says corporate leaders must make ethics part and parcel of every conversation they have in the building. It must be woven into people's responsibilities and expectations, as well as promotion and hiring criteria. "This all takes time. You can't weave it into the fabric of a company overnight, especially if it didn't exist before. It takes years."

Therefore, he says, ethical adherence must flow well beyond the chief executive, who might serve only a handful of years. "The board that oversees the chief executive appointment must believe in it, the managers and employees must believe in it, and the customers must see it. Ethics must be a natural part of someone's behaviour, rather than every now and then they check the manual to see if they did something ethically or not."

Everett points to the government-imposed COVID-19 lockdown as a "classic example" of what happens when everyone buys into an ethical practice. "Most people who complied with the lockdown did it because they believed in it, not because they thought a policeman was at the end of their street. The government got us to behave ethically for the betterment of our community, even with the sacrifice of society and income. Without that buy-in, it wouldn't have worked."

Customers should use their voice – especially post-COVID

Customers obviously can vote with their purchasing power and social media reviews if they don't approve of a business' behaviour. However, Everett says the wage subsidies, on top of repeated bail-outs, have given the New Zealand public "more skin in the game" to ask who corporates are there to serve?

"If in a crisis the government – the taxpayer – is stepping in to own or fund large chunks of the economy, the public should have more say in how corporates behave. The public voice is going to need to express itself very clearly for a quid pro quo that business is conducted in a way it's comfortable with."

Without that, while the COVID crisis may be deep enough for a temporary behaviour change, Everett is doubtful it will create enduring improvements. However, he's hopeful the new generation entering the financial and corporate sector during this period will find it natural to work in a more ethical model.

KiwiSaver could be ethical influencer

The government is moving to require ethical investing, particularly around declaring investments in industries that contribute to climate change, and asking companies to disclose climate-related risks to their business – and has asked the FMA to regulate in this area.

In the meantime, Everett says investment providers, such as some of those involved in KiwiSaver, could lead from the front and exert influence in this space, similar to moves from some mainstream capital market entities. In its 2020 investment statement, the world's biggest asset manager, BlackRock, declared environmental sustainability to be a core goal for its investment decisions, sparking a wave of climate change mitigations from companies eager for BlackRock's investment.

"The NZ Super Fund and ACC are both massive investors in our markets. Because of the way they're set up, and their connectivity to the New Zealand taxpayer, they would hold a moral authority even if they weren't massive investors. My understanding is both do, on occasion, exert influence behind the scenes if they're not happy with how corporates are behaving."

Everett is urging investment funds to speak publicly, too. "Sometimes it's easier to have influence by pushing quietly, but if that doesn't work fund managers have a moral obligation to publicly apply a degree of ethics and morality to how they invest their customers' money, especially as their unit holders can't choose themselves."

Which, again, comes down to customers speaking up about what they do and don't approve of – which can change very quickly – and for financial services and corporates to listen. For example, Norway's sovereign wealth fund made its enormous wealth from fossil fuel extraction but, reading the changing views of the Norwegian public, has divested itself of the very commodity that made it rich. "But even a small fund must work out what their customers want, or what the New Zealand public wants as a proxy, and apply that."

That customer voice, after all, can be just as strong – or stronger – at driving behaviour and ethics as any regulation or regulator, and certainly more sustainable, says Everett. "But at the end of the day, it's the business leaders who must come to the table with an inherently strong ethical flavour. That's what breeds ethical behaviour right through the organisation."

Leaders must make ethics part and parcel of every conversation they have in the building. It must be woven into people's responsibilities and expectations, as well as promotion and hiring criteria.

The FMA's Top Takeaways

1. Know what your customers expect from your company's actions – and follow it.
2. Act ethically before compelled to – your customers will respect you for it.
3. Buy-in beats regulation, but it must go right through the company.
4. Listen to your frontline workers – they know your customers best.
5. Move with the times – what's considered ethical can change very quickly.

Ethics at the FMA

As a regulator, Rob Everett says the Financial Markets Authority holds itself to extremely high standards – both so it always walks the talk, but also so the public has confidence it's regulating the sector well. "If I'm going to lecture people on behaviour and ethics, I need to do even better myself."

Everett says there can be some perceptions of conflict when they recruit people from the financial sector to the FMA, or lose people from the FMA to the financial sector. But a conflicts of interest register keeps track of who's worked for whom before, or who has close relationships to people in which organisations. In fact, Everett sees that flow between the FMA and regulated firms as improving the understanding of the realities of working in finance, and, he hopes, evangelises the FMA's ethical message to the private sector.

He says they talk about evolving ethical expectations constantly at the FMA and won't do things that might be legal but may be misconstrued – such as accepting rugby tickets from regulated firms even though he loves his rugby. "There are some elements of personal sacrifice. But, honestly, most who work for FMA have some element of a moral crusader about them, and 99 percent of the time people are comfortable with that balance."

Wage Subsidies – to Accept or Not?

While many big New Zealand companies opted immediately for the wage subsidies during the COVID-19 lockdown, Rob Everett says others thought long and hard about the ethics of accepting government money.

"It got some corporates thinking about the social licence they have to operate in New Zealand. Should they use cash reserves, borrow money, or cut costs before accepting help from the government, the taxpayer?"

"By accepting wage subsidies, or benefiting from some of the regulatory requirements that were deferred or delayed, they were being helped out by the taxpayer. And if bailouts are going to happen repeatedly – which they seem to – the corporate sector can't just ignore the general public because they feel more of a duty to their shareholders. It was a great example of companies wondering what's the right conduct for them, even though they were perfectly entitled to accept that lifeline.

"Whether to accept or pay back wage subsidies will often be a very tough moral call. But reading the mood of your customers, and the taxpayers who funded them, is important."

Developing a Code of Ethics

“If ethical values are the compass which guides how you do business, then a code of ethics is like a map, offering guidance on what route to take when there is a choice to make.”¹⁶

A code of ethics is a written, formal statement of the most important organisational ethical values and principles, which are elaborated in the form of concrete guidelines and are explained with relevant examples (cases and dilemmas). A code of ethics also makes clear what sanctions apply to integrity violations and what arrangements are in place to safely report breaches of the code.

There are many good reasons to create a code of ethics for your company or to improve the existing code.

The marketplace and the ethical expectations of consumers and stakeholders changes over time, as does your organisation. This could be as a result of new staff entering the workplace, or with new strategies, services, or sales markets. For example, given the importance of climate change, many companies have included environmental sustainability in their code of ethics. Principles include the ways in which the company is dedicated to operate (more) sustainably or how they will shift to doing so.

A good code of ethics is coherent and brings together ethical statements from legislation and the organisation in one document so that an unambiguous picture is created of what the organisation stands for.



A code of ethics has several functions

- The code offers **guidance** by giving a clear statement of values, roles and duties, rights, and responsibilities. It gives a consistent set of criteria for ethical conduct that is aligned with the overall mission and vision of the organisation, and as such clarifies the behavioural expectations to staff and stakeholders. A code assists in decision-making with ethical situations and dilemmas, and thus will minimise ambiguity and reduce uncertainty. It is also a source of knowledge and education for new hires to help them find their way.
- A code **regulates** the behaviour of employees by clarifying the sanctions for violating the code, as well as the governance procedures, arrangements, and safeguards, including reporting and complaints systems, that are in place for staff and stakeholders.
- A code is **aspirational** by reassuring customers, investors, suppliers, partners, and even competitors about the expected integrity of the way business is conducted, thereby enhancing the company's ethical reputation. It might make staff proud to work for the company and help in recruiting and retaining talent.¹⁶

One size never fits all.

How to create a good code of ethics

- A good code is drawn up by the management together with their employees – it gives employees a voice, creates support, and ensures that the code is written in understandable language for everyone.
- A good code is tailored to the needs of specific groups (i.e. departments, teams, roles and/or services) by providing relevant examples, such as cases and dilemmas that show what to do or where to go when dealing with a “grey area”. You may want to include practical tools as well, such as decision-making frameworks.
- A good code is a “living” document. Create regular occasions to talk and teach about ethics, for example use the code in staff meetings or share dilemmas and how they have been resolved in staff news to bring the code to life at all levels of the organisation. The code may need to be updated when internal or external circumstances require it.
- A good code is for all members of the organisation: management, employees, and associates, and is only effective if everyone adheres to it without exception. A clear endorsement of the code by senior leadership emphasises that the code is not just a piece of paper. This is sometimes referred to as “organisational justice”.
- A good code is not an empty shell – violating the code of ethics has consequences and reports of wrongdoing in or on behalf of the organisation must be taken seriously. It is critical to explain how people can speak up, what to expect from the reporting process, and how the organisation safeguards those who raise concerns.

See: Institute of Business Ethics, for more information on a code of ethics <https://www.ibe.org.uk/knowledge-hub/ibe-business-ethics-framework/code-of-ethics.html>

¹⁶Quoted from Code of Ethics page on the website of the Institute of Business Ethics, UK <https://www.ibe.org.uk/the-ibe-code-of-ethics.html>

¹⁷ Lawton, A., Rayner, J., & Lasthuizen, K. (2013). *Ethics and Management in the Public Sector* (Chapter 6, Table 6.2). Routledge.

Aurelie de Cremiers
New Zealand Country Manager, L'Oréal

Sarah Harper
Ethical Correspondent, L'Oréal

The Ethics of Beauty

The ethics of the beauty industry is changing, and L'Oréal is positioning itself as the face of that change. It's a position L'Oréal New Zealand's Country Manager believes helped its people and its results during the COVID-19 crisis.



Ethics at L'Oréal is about embodying a “valued-based, everyday, moral compass”



“Trust is the currency of ethics” and “Ethics is the beauty of the inside.” These ethics epithets are part of the daily mantra at global beauty company, L'Oréal.

Far from being simple sayings, Aurelie de Cremiers, Country Manager for L'Oréal New Zealand, says they're words the global beauty giant genuinely lives by for its 88,000 employees in 150 countries around the world – and their billions of customers.

“Our company's purpose is to ‘Create the beauty that moves the world,’” she says. “We are engaged and committed to change the world for the better in many ways. It is our ethical values that guide us daily for everything we do, including ‘L'Oréal for the Future’, the sustainability objectives we announced last year. We have never been so active and engaged in making a positive impact in the world.”

While the company's manufacturing is done elsewhere, in New Zealand it is fully operational including a local distribution centre and a hairdressing training academy, overall employing more than 200 people.



As a company, L'Oréal has many layers of ethical accountability and holds an annual global ethics conference. The ethical trickle-down begins with Jean-Christophe Sautory, Group Chief Ethics Officer, then moves to more than a hundred Ethics Correspondents and Ethics Ambassadors across the whole L'Oréal group. Together they guide, educate, and advise employees within the company in accordance with its 38-page code of ethics, and provide multiple "touchpoints" for employees and external stakeholders to Speak Up with ethical queries or complaints. On an ongoing basis, they educate staff on handling ethical dilemmas and ensure an adherence to ethics is integrated throughout the company, in every country.

"As a company we're looking very closely at how all our brands feed into our global purpose in a way that works for them," says de Cremiers, who has been with the company for two decades. "For instance, L'Oréal Paris has taken a stance fighting against sexual harassment, while Garnier is ensuring all its packaging is recyclable and has been certified by Cruelty Free International."

Whatever the brand, they work precisely within the company's stated ethical values: Integrity, respect, courage, and transparency. "By displaying those values, we're able to care about the planet, care about our community, and care about our employees."



On an ongoing basis, they educate staff on handling ethical dilemmas and ensure an adherence to ethics is integrated throughout the company, in every country.

Working within values

Those “very human values” are at the core of every single decision she and the wider company makes, de Cremiers says – decisions like their code of ethics offering a framework on how to address various ethical dilemmas. The code was created using real situations dealt with within the company, so the ethical actions advised are tailored to issues their people may encounter.

Ethics at L'Oréal is about embodying a “valued-based, everyday, moral compass,” adds Sarah Harper, L'Oréal New Zealand's Ethical Correspondent – one of 75 across the world – and the local General Manager, Marketing. “Those values are in all our conversations right from the very first interview and induction, then through all our decision-making. Our code of ethics is the framework on which we practically articulate and manifest those values. We are always asking ourselves, ‘Are we being transparent enough? What is the right thing to do?’”

Openness during COVID-19

As an example, de Cremiers points to 2020's nationwide lockdown. Every company across the world was dealing with the same issues and no one knew what was going to happen. While some guidance came in from Paris, the New Zealand arm went with their “instinct and values”.

“The fact those values are so ingrained in our everyday culture, meant that we didn't have to waste time turning them on,” says Harper. “They were already there, so that fortitude already had a strong foundation in our values.”

“For us it was about showing respect and, obviously, generosity. It was about being super transparent and communicating regularly with our team members,” says de Cremiers. “None of us knew how long we were going to be locked down. How long could we keep going with only 30 percent of our usual sales channels operating, such as pharmacies and grocery stores? What did that mean for our teams and our financials? We didn't have the answers, however, whatever we communicated, we did it with transparency and courage, with a safety-first mindset.”

The approach worked. An internal employee poll taken at the end of 2020 showed that 98 percent of employees said they felt safe and valued, and that L'Oréal had their best interests at heart, even when the future wasn't assured. “That was super encouraging,” says Harper.

It paid off financially, too, with the second half of 2020 showing the kind of economic recovery de Cremiers views as reward for how well – how ethically – they managed

the crisis. “It was all very rich in learnings for us as leaders at the time. But we went with what felt right for us, our teams, our distribution centre, and of course, our retail partners. Because of what we did – putting ethics for our people and our partners at the forefront of every decision – everyone felt really engaged in that second half of the year, and it showed in our results.”

That ultimately meant de Cremiers and her team avoided any tough decisions about redundancies. “But our first instinct was definitely to reassure, to keep everybody in place, and make sure we found solutions.”

Supporting customers

Those financial results were likely boosted because as part of caring for its customers, de Cremiers and her team went well beyond the expected. With hairdressing salons closed for 52 days in a row, L'Oréal's professional products division couldn't call on salons directly. Displaying impressive agility in response, L'Oréal New Zealand helped salon owners here develop e-commerce platforms to sell products to homebound customers desperate for haircare.

“We also offered our Employee Assistance Programme (EAP) to our salon clients, in case they wanted counselling support,” says Harper. “Most are small business owners, and this was a very stressful and uncertain time for them. This was about caring for the people in our entire ecosystem.”

L'Oréal also proactively worked with the local industry association to develop “hygiene dossiers” for the whole hairdressing industry to adopt as COVID-safe practising guidelines, which enabled hair salons and barbers to reopen safely alongside other business. In addition, the company launched a digital media campaign and incentives to stimulate consumers to return to salons.

Ethics at work – and away

Both Aurelie de Cremiers and Sarah Harper say that while they are intrinsically ethical people, working at L'Oréal means they can live their values even more fully. “Being an Ethics Correspondent has had a profound impact on my life, both in the way I manage myself and my team, and even how I parent,” says Harper. “It's allowed me to articulate in a very practical, everyday sense the values I have always held very closely. That's very fulfilling – and when the times get tough, they come to the fore even more.”

“When you're in charge, you feel the responsibility to behave ethically,” says de Cremiers. “You think, ‘Am I setting the right example for my team?’ As a leader, I bring my values to life in everything I do. That's a great responsibility.”

L'Oréal's Top Five Takeaways

1. Talk about ethics and ethical behaviour every day – ethical values should be a natural reflex.
2. It takes courage to do the right thing – it's never sustainable to do otherwise.
3. Big corporations have a responsibility for the future of the planet, along with everyone else.
4. Have safe ways for people to speak up openly about ethical issues without fear of retaliation.
5. Be prepared to listen actively to what is said – and act.

No Animal Testing

L'Oréal stopped testing its products on animals in the late 1980s, long before it was required to meet public opinion and the law. One of its 36 brands, Garnier, is now approved as a "cruelty-free brand" by Cruelty Free International. Today, L'Oréal tests its products on Episkin, a recreated human skin the company developed to mimic real skin.

That L'Oréal stepped away from animal testing so long ago shows its ethics aren't "bolted on", says Sarah Harper, General Manager of Marketing for L'Oréal New Zealand, and this country's Ethics Correspondent. "L'Oréal started thinking about the ethics of animal testing back in the 1970s, when there were no other alternatives for product safety. But L'Oréal asked itself the ethical question: 'It's not illegal to test on animals, but is it the right thing to do?' We started looking for alternatives and by the late 1980s we stopped testing on animals."

However, some countries still require some cosmetic products to be tested on animals before human use. L'Oréal's website says: "Certain health authorities may nevertheless decide to conduct animal tests themselves for certain cosmetic products, as is still the case in China. L'Oréal has been the most active company working alongside the Chinese authorities and scientists for over 10 years to have alternative testing methods recognised and permit the cosmetic regulation to evolve towards a total and definite elimination of animal testing."



Photo: Matthew Waters

Speaking Up at L'Oréal

An integral part of L'Oréal's ethical ethos is ensuring its people can voice their concerns – or whistle blow – without fear. Along with the Ethics Correspondents and Ambassadors in each country advising and educating on ethics, the global beauty company's online platform, Speak Up, allows employees to anonymously raise the alarm directly with their management committee or Ethics Correspondent. Unusually, the Chief Ethics Officer, Jean-Christophe Sautory, can report directly into the global board without navigating layers of management.

"We encourage our retailers and stakeholders to use the Speak Up platform too," says Sarah Harper, L'Oréal New Zealand's Ethics Correspondent. "We then take those concerns through to a full investigation if required. Speak Up is protected by very, very strict confidentiality and non-retaliation provisions."

As a yearly check-in, the company's annual employee satisfaction survey includes two questions around ethics: "I could report ethical behavior without reprisal, or fear of reprisal", and "My direct manager's behaviour is consistent with L'Oréal's ethical principles". "These questions are strong indicators of whether things are working well or not," says Aurelie de Cremiers, L'Oréal's Country Manager for New Zealand. "It's very sensitive, so when things are not well, we can see it drop. Then we know there's an issue and we investigate. We feel confident we can raise issues with the Paris head office if required, and they will be acted on."

Find out more about L'Oréal's ethical commitments, including its code of ethics, at www.loreal.com under the Group tab, then Our Ethical Principles. Described as a "living document", the code has been developed using real dilemmas the company has encountered and handled in accordance with its values and principles, and includes practical answers to those ethical issues.

As the code's introduction says: "Ethical issues are rarely simple. Our strength is to have the courage to address them. Do not keep these questions for yourselves: speak up and ask for advice. You will always be supported in this process."

If you hear someone say any of these, you can expect something unethical is about to happen!

It doesn't matter how it gets done as long as it gets done.

It sounds too good to be true.

Well, maybe just this once.

No one will ever know.

Don't worry, it's part of the culture here.

Everyone does it.

Shred that document.

We can hide it.

No one will get hurt.

What's in it for me?

This will destroy the competition.

We didn't have this conversation.

I don't want to know.

– Emmanuel Lulin

Former Global Senior Vice President
and Group Chief Ethics Officer at L'Oréal



Ngāti Toa – Unbounded for the Future

Helmut Modlik is “a change guy” – a man who’s devoted his career to creating prosperity through change, most latterly for his people, his iwi, Ngāti Toa Rangatira.

As he took over as chief executive of Te Rūnanga o Toa Rangātira Incorporated – the rūnanga for Ngāti Toa, tangata whenua in northern Wellington – two days before the 2020 COVID-19 lockdown, Modlik knew he had a big job on his hands. But, with 30 years as a change specialist behind him, and a whakapapa that runs deep in Ngāti Toa, Modlik’s hands were exactly the right pair to guide the iwi to greater well-being and prosperity.

“It’s the ultimate change task to take a community with an enormous change and development imperative, taking all the financial capital and human capital and opportunities available to us, then leveraging them to create a brighter future for my people, our children, our moko, which aligns with our own aspirations and dreams,” he says, from the iwi’s headquarters, a stone’s throw from Porirua Harbour.

Modlik’s life began six decades ago beside this same harbour. Despite the very European name that attracted “a lot of cheek” during his first school days, the first Pākehā to enter his whakapapa since the mid-1800s was his father. In 1951, the German came to New Zealand to build state houses in Titahi Bay. Soon after he married Modlik’s mother, although the marriage broke up when Modlik was only five years old.

“I grew up with a very strong mother, surrounded literally in every direction by uncles, aunties, and cousins. My mother is one of 14, so I had uncles to burn and I really didn’t notice the gap in a male role model. I come from a mix of traditional Māori historical, cultural background and foundations, but at the same time, there’s an injection of European blood, history and some sense of what that means. My journey from there was trying to discover what it meant to be a young Māori man, when for the first 20 years of my life there was no mention of the Treaty of Waitangi.”



Ngāti Toa's CEO is determined his iwi will prosper by planning intergenerational projects, unhampered by the "bounded logic" that sees so many leaders focus on short-term prosperity.

Māori values valuable in business

Modlik began that journey by "escaping the factories of Porirua" for Victoria University of Wellington, completing first a Bachelor of Commerce and Administration, then in his late 20s an MBA. "As I came to my thesis selection, I wanted to examine whether I could be an entrepreneur and businessman as a Māori person, or did I have to adjust my values and be somebody else? My thesis was, 'New venture success from a Māori perspective', specifically looking at the correlation between Māori traditional values, and the actions and characteristics that have a high correlation with new venture success."

Finding that, almost entirely, traditional Māori values enhanced those actions and characteristics that tend towards successful business and economic development, Modlik has used that approach throughout his career so far – including public and private sector roles – and into the job he has today. Working in the private sector, he still feels very much in service to his people, and is sure he can deliver better outcomes for Māori than he could from within government.

"I just don't believe our constitutional arrangements and the machinery of government, as currently constituted, are designed to deliver any universal or ubiquitous outcomes. Not in a single area – not freshwater or food, not health, not education. I detected long ago that governmental action at any level, central or local, is not a primary path for making a difference. It has its place, but it's on the ground where differences are made. I am blessed to have a unique opportunity within an iwi that's remarkably unified post-settlement, and is solidly capitalised at a point where there is clearly an appetite for leaving the colonial era and mindset behind, where there's opportunity locally for social and commercial enterprise, and entrepreneurship and innovation."

Ethics = tikanga

Modlik says, as bad as the pandemic has been, it's "loosened the soil" and created opportunities for change and growth, and that "if we are wise, intentional, and ethical" the stars are aligning to support commercial endeavours that are compatible with ethics.

"My version of that word 'ethical' is to pursue the tikanga – the values – that come to us from our old people. That's the view that nothing has meaning beyond the outcomes we create as they impact on, and relate to, people and this place we have been given to occupy for a time. From the perspective of Ngāti Toa, our mission is, 'Empowering our whānau, reclaiming our own iwi self-determination, revitalising our environment through leadership, innovation, connectedness, and exercising our rangatiratanga.' It's about enhancing the prosperity and well-being, and the mana of our people, within the boundaries of our domain of influence and control."

Modlik says Ngāti Toa's tikanga avoid what he calls "bounded logic", which results in deciding actions that appear to help in the short-term, but have long-term negative consequences. "I've seen the impact of historical endeavours where people have used bounded logic to pursue a particular course. By being so limited, or bounded, in their thinking they have created a hell of a mess. The climate change crisis, I argue, is precisely because of that kind of bounded logic. That's why the Amazon rainforest is burning."

"Looking locally, in my childhood the Porirua Harbour was our food basket. Us young ones would be sent there to get pipi and cockles and flounders because manuhiri, or visitors, had come. But there's nothing there anymore. Why? Because people, apparently wiser than us, thought it was a good idea to have the run-off from industry and housing waste up the valley flow into our harbour. Now we have a beautiful but polluted and sedimented pond. I'm involved with a regeneration programme here in Porirua that's ripping out and replacing infrastructure and housing that was created when I was a boy. That's one adult lifetime ago. Yet here we are, having to do it all again. What the hell is that? That's bounded logic."

Investing in social housing

Modlik says a key current example of government failing to deliver a universal outcome for the community is the housing crisis, which Ngāti Toa is therefore having to focus on. Part of that has seen Ngāti Toa buy 24 leaky townhouses in Porirua, fixing them up for iwi members to tenant on a rent-to-buy basis. The iwi also plans to buy many more council-owned houses to ease the dire housing need in an area that's chalked up some of the most expensive rents in the country. Buying those houses is in addition to the 900 Kāinga Ora (formerly Housing New Zealand) houses Ngāti Toa's community housing provider, Te Āhuru Mōwai (Homes for Whānau), took over management of in October 2020. In addition, Ngāti Toa is re-acquiring large tracts of land and investing in a vertically integrated set of businesses to sustainably develop and build affordable, healthy homes for its people.

The housing focus is in addition to the many other community, cultural, and social support services the rūnanga provides to its people, including its Ora Toa (Primary) Health Service that offers high-quality, but low-cost, primary health care to Māori and non-Māori.

Modlik's avoidance of bounded logic means he will contemplate business opportunities for his iwi only if they match tikanga – so, will support the people and their environment. "Take the father who works day and night to provide for his family but ignores his children and wife, that's a bounded logic path. He thinks, 'I've got to have money to pay the bills for my family, but in so doing I'm destroying my family'. Creating something that will fill your belly but burns the house down – how does that make sense? To avoid making those mistakes, everything we do must make sense across the full spectrum of values."



Tips for Starting an Ethical Business

Wait until you are ready – read and learn all you can about your business to build capacity, minimise mistakes, and avoid reinventing the wheel.

Get alongside someone you trust and respect, who's been where you want to go – glean as much knowledge and support as you can.

Know your end point – starting is easy, sticking with it is hard, but knowing where you want to get to, and having some skin in the game, can keep you going.

Understand that building a new venture is “a whole lot of damn hard work” – you must be determined, realistic, and well resourced.

Avoid bounded logic by staying true to your “why” – in life and business, your “why” for what you are doing must be compelling, inspiring, and energising.

Know your end point

Modlik is “a forest man”, explaining that he sees the trees and the forest, so can grasp the big picture. That ability helps him focus on the solution to a problem, then he plans a path to reach that in a way that's consistent to his values.

“Again, take climate change. What can we say to our children that will make what we've done to our planet okay? Nothing will make what has happened, okay. The reflection from me on dealing with impossibly complex conundrums or dilemmas, is always to keep the end in sight. Know what the end is and create an intentional narrative to take you there that is consistent with your values. It's sometimes hard to see, and things aren't always black and white, but think about standing in that future day – will your actions be defensible?”

“Very few people consider the end and work backwards to create a life or a path that intentionally takes them where they want to go. We tighten up a bit when we get to positions of responsibility, but we still generally ignore the wider context of what we are actually doing this for. Bounded logic has a lot to answer for.”

Being open – to challenge and change

Modlik says when his management of an ethical situation hasn't gone so well, looking back he can see he didn't follow tikanga. Then he makes it right. “I learned as a young boy that if I immediately confessed and apologised, I got far less punishment. So I am honest about my mistakes – I say sorry and we can move on.”

He says he did find stepping into the CEO role somewhat overwhelming at first, not least with the immense pandemic pressures. However, he says guidance from “the old ones” is a great support. “I pray for wisdom and humility – wisdom to understand the complexity in front of me, and the humility to listen and be open to, rationally and intuitively, sensing the right thing to do. And, over the last year or so, there have been a number of times when I've been inclined to do something and I've felt my old people ‘nudge me’. It doesn't happen very often, but it has happened, and in every single case there's been an extraordinary outcome.”

Helmut Modlik is optimistic that, generally, people in developed countries are leaning towards living a more ethical, values-driven life. “I'm grateful to live at a time when people have conversations that tap into some of our own wisdoms to create a happier, better way of life. Not long ago, if I had talked about that professionally I'd have been laughed out the door.

“We have an extraordinary opportunity at this juncture in our young nation's history to be really transformative so our children and our moko will look back with gratitude and pride that we had the foresight, wisdom, and courage to do it. That's why this will be the last job I'll ever have.”



Ngāti Toa's Values

- **Manaakitanga** – enhancing mana through excellence, generosity, and hospitality
- **Kotahi tātau** – inspiring unity and connection
- **Whakatau tika** – acting with honesty and integrity
- **Kaitiakitanga** – sustaining our people and our resources
- **Wairuatanga** – our connection to te ao wairua
- **Whānaungatanga** – connectedness and kinship
- **Ahi kā** – sustainability of our Ngāti Toatanga
- **Rangatiratanga** – visionary and courageous leadership



We hope you enjoyed the read and found some insights and tools that you can think about and use in your day-to-day lives or with your next ethical dilemma!

Thank you to all the interviewees and people involved in putting this together. If you would like to learn more, stay in touch or get some additional support. Here is some information about the authors

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MOTIF is an investment and advisory firm focused on creating a more ethical and sustainable world.

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The Brian Picot Chair in Ethical Leadership | Aritahi is a professorial Chair at the Wellington School of Business and Government.

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