

# New Zealand boards and frontier firms

## Summary

NEW ZEALAND  
PRODUCTIVITY COMMISSION  
Te Kōwhiri Whai Hua o Aotearoa



Boards with the right mix of skills and experience can help management build frontier firms. Two reports shed light on how corporate governance practices can help firms survive and thrive.

### REPORT 1

#### What directors told us about their roles in helping firms grow

The Productivity Commission interviewed 22 New Zealand directors to understand how skilful boards can best overcome challenges and succeed.

##### Key findings

- High-performing boards have the right diversity of thinking, skills and experience
- Board composition should be matched to the company's life-stage and strategy
- Directors with commercial, industry/domain and international experience are particularly valuable
- Experienced directors can help firms access capital
- Internationally-experienced directors can help firms avoid common missteps when expanding overseas
- Directors with the appetite for calculated risk-taking can spur growth and innovation
- Long-term investment horizons and tolerance of failure are also important
- They must also be prepared to "lean in" to support management in times of crisis
- It's important to carve out time for forward-looking conversations that advance value creation

Boards with the right mix of skills and experience can help raise the ambition and sophistication of firms. They can help firms weather the storms, and overcome the challenges of a small, isolated economy.

##### READ ONLINE:

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### REPORT 2

#### How boards with strong dynamic capabilities can lift firm productivity

A companion report from the BRG Institute explains how boards with strong "dynamic capabilities" can help firms innovate and thrive in a challenging and deeply uncertain environment.

##### Ordinary capabilities

- Adopting industry best practices and technologies across basic business functions
- Can be readily acquired (eg, by imitating others or using technical consultants)
- Provide a short-term lift in productivity by more efficient practices ("doing things right")

##### Dynamic capabilities

- Forward-looking, strategic decisions about why and what a firm does, as well as how it does it ("doing the right things")
- Involve sensing and seizing opportunities, and transforming the company as technology, consumer preferences and competitors change
- Firms with strong dynamic capabilities are more resilient and productive

Boards with dynamic capabilities are outwardly focused – aware of changes in technology, consumer trends and competitors. They support management to be entrepreneurial leaders, who can build dynamic capabilities through the organisation.

##### READ ONLINE:

New Zealand frontier firms: A capabilities-based perspective

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***"Now, more than ever, boards need to favour the future, tolerate mavericks, support bold investment, and remove complacent managers to help shift lacklustre businesses towards the domestic productivity frontier and catapult the best New Zealand firms toward the global frontier."***

David Teece, Executive Director of the BRG Institute and Professor in Global Business at the University of California, Berkeley