



2023 Green shoots of change

Reviewing the 2022 bold moves in the boardroom report

CASE STUDY 2: Banking on a human capital skillset for board success

The following case study is part of a series entitled 'Green Shoots of Change' which builds on insights from the 2022 report, Bold moves in the boardroom: skills and capabilities fit for the future. That report challenged boards to broaden their composition to include more board members with backgrounds in HR, marketing and digital. The purpose of this series is to highlight recent appointments of non-executive directors from diverse backgrounds so as to inspire other boards to act.

Bring Human Capital and other diverse experience to the table

As a customer-owned bank that prides itself on putting customers and communities first, Newcastle Greater Mutual Group (NGM Group) knows that people are its strength.

This understanding is one of the reasons that Chair Wayne Russell and his board were so determined to include human capital expertise – an often-ignored skillset on boards – as they finalised their director lineup as part of the March 2023 merger of Greater Bank and

Newcastle Permanent in the Hunter region of NSW. It's one of Australia's leading customer-owned financial institutions that delivers banking services to more than 600,000 Australians.

"We looked at the skills that we thought we would need, not only for today, but for tomorrow," Russell says. "A customer-owned bank is owned by its customers and our people ... so the human capital side of the business is a very important one."

During its recent merger, Newcastle Greater Mutual Group's (NGM Group) board quickly realised that the bank's people-focused culture meant that human capital expertise was a prerequisite on its board to complement traditional finance-based experience.

The secret sauce of the non-financial metrics

"Most boards these days operate on some sort of dashboard-style reporting. And these include all sorts of numbers ... and there's data there around human capital. When you get a specialist like (NGM Group non-executive director) Sam Martin-Williams with her human capital background, they're able to interpret that data that you're getting better than a generalist. That's where the real benefit comes in."

Martin-Williams, an experienced human capital professional who sat on the board of Newcastle Permanent before being appointed to the new entity is one of a small but growing cohort of directors from fields such as human capital and marketing who do not fit the stereotype of directors. It's a development championed in the Bold Moves in the Boardroom report, which called for boards to access a broader range of technical capabilities beyond those derived from traditional finance and operations experience.

An audit and assurance expert himself, Russell says it was a "no-brainer" to appoint Martin-Williams to the new board to guide the business on culture, especially during the merger.

"When you look at any company, it's all about managing risks, managing systems, managing controls. These don't just happen automatically – they're all managed by

people," he says. "So, it all comes back to human capital. And if you get that wrong, then your whole system will be undermined and it could fall apart."

A professional non-executive director who also sits on the boards of Newcastle Airport and the Supply Chain & Logistics Association of Australia, Martin-Williams, is conscious of using her skills in human capital and industrial relations to help drive the success of NGM Group, a bank headquartered in regional NSW with about 1600 employees. "It's in this landscape that I thought I could really add value," says Martin-Williams, who is chair of the People Culture & Remuneration Committee at NGM Group.

Globally, Martin-Williams says directors are worried about risk – the risk of not diversifying products, the risk of not delivering projects, the risk of not meeting customer needs. Such threats relate closely to factors such as talent attraction and retention, upskilling, reskilling, future strategies, performance framework, consequence management and reward management.

"So, there needs to be some really clear understanding (at a board level) about all of those different pieces, how they come together and how you can mobilise your staff," she says.

Lay the groundwork for a well-rounded executive team

Following its merger, NGM Group is positioning the institution to continue to be competitive and expand and grow into key markets, while also preserving a reputation for trust built on more than two centuries of collective history between Greater Bank and Newcastle Permanent.

Russell says inviting and integrating Martin-Williams on to the new board has gone smoothly given her existing knowledge of the business and a clear understanding from her fellow directors of the benefits of being able to draw on specialist human capital skills from their peers to guide the executive during such an important period in the organisation's history.

While selecting and onboarding new directors can sometimes be challenging for chairs, Russell says in Martin-Williams' case it has been an easy process. "The board realised right from the start that human capital was so important in bringing together two large and successful organisations with a large number of employees – to bring them together and to form that new culture that we wanted."

Challenge outdated perceptions of requisite board skills

The Bold Moves in the Boardroom report reveals that human capital experience is so insignificant on most boards that it cannot not be counted in terms of the career profile of ASX 200 board members.

Martin-Williams suggests that human capital has a "branding issue", with too many executive teams and directors seeing the function as "a lot of soft stuff and a bit of admin". This view neglects the reality that during

their career many human capital executives, like Martin-Williams have been involved in mergers, acquisitions and divestments, and have led organisational strategies in areas such as remuneration and compliance.

The limited perception of human capital must be challenged, according to Martin-Williams, who questions what message the absence of human capital specialists sends to a business's workforce and customers.

A common board oversight: tech without human capital

Martin-Williams welcomes the fact that many boards are going to market for digital directors in order to create a better understanding of issues around cybersecurity, artificial intelligence and data enablement. "That has absolute value," she says. "But without a really good understanding of the intersection between people and data, or AI and data, the financial and the non-financial outcomes aren't really realised."

Russell agrees there is a need for balance on boards at a time when directors must be across so many complex issues. "You can't afford to just have generalists," he says. On the flip side, overloading the board with specialists could be counter-productive, too, and create a scenario whereby directors "are too narrow in their views". It's about having a mix of both.

Final words

As the Bold Moves in the Boardroom report reminds us, the challenges and opportunities that boards face are complex and dynamic, so boards require a greater breadth of perspective to ensure they are future fit and that organisations govern for success.

Without human capital experts having a seat at the table, chairs are likely to have more sleepless nights, not less. A strength of human capital specialists, according to Martin-Williams, is that they are close to the daily actions and challenges of a business and its people.

"Every year, on a board, or in a management team, priorities really change," she says. "Is it operational efficiency? Is it culture? Is it something else? Staying close to the action and understanding what the issues are so that a board can really add value is an important part of my own professional development and an important part of how I show up on board day."

With NGM Group's merger, she believes having voices around the board table that truly represent "our people" has expedited the early benefits of the alliance.

"We've been able to mobilise our people with a vision, value and purpose that is lived. They can see representation on the board. That's been a really positive lesson."

Martin-Williams has no doubt that human capital skills will be crucial for boards in the years to come. "(They're) probably even more important today because of the war that we have for talent and the expectations of boards to be across a whole raft of issues and what their customers want."

Moreover, Martin-Williams sees a strong alignment between emerging governance topics requiring disclosure, such as ESG and modern slavery, and matters of interest to staff, customers and shareholders. She argues, "I think those that are nervous may not have had ESG at the centre of what they've done over the course of their business life, either as an individual practitioner or as a business", but appointing human capital directors to boards can help ensure that boards are in step with the times.

For more insights on boards of the future, click [here](#) to read the Bold Moves in the Boardroom report.



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