

## Governance & Management

# High Voltage Harmony

The clean contact strategies of Genesis' Brian Corban and Murray Jackson



Brian Corban and Murray Jackson: generating a strong working chemistry.

**Australian born and bred engineer and Genesis chief executive Murray Jackson and his Auckland born chairman, lawyer and historian Brian Corban make, on the face of it, an unlikely business ensemble. One's a self confessed Aussie Rules fanatic. The other's an avid follower of rugby. But scratch beyond their trans-Tasman differences and divergent professional disciplines and the similarities make for a strong working chemistry.**

**The son of a Geelong farmer, Murray Jackson paid his own way through engineering school by earning AS\$1 an hour**

loading hay. Meanwhile across the Tasman, Brian Corban was putting himself through law school and driving trucks for the family's Henderson Valley-based wine business. Their rural grounding would, in time, provide a curiously compatible alignment with what became one of New Zealand's largest energy companies.

The rustic values they grew up with are reflected in the way they care about communities. The 20 people lined up outside the Huntly Power plant the day after the decision to proceed with the latest turbine development 18 months ago brought home to them the impact an organisation like Genesis can have on smaller communities. "It's given me great respect for the fact there's a role for everyone within

any organisation or community and the importance of nurturing individual talent,” says Jackson.

### **CORPORATE BUILDERS**

What also unites these two boys from the land is, says Jackson, a mutual commitment to building good companies. A former commissioner of the Snowy Mountains Hydro Electric Scheme with over 30 years experience in the Australian power industry, Jackson spent the first 20 years of his career building power plants and the last 10 building teams. What Corban, a professional company director, brings to Jackson’s industry expertise is his experience of successfully leading companies through restructuring and deregulatory changes across different sectors.

That combined experience has proved invaluable. Genesis was born out of the turmoil of New Zealand’s electricity industry reforms. And Corban’s “mana” with Maori, earned as a member of the Waitangi Tribunal, has ensured the company’s ongoing consultation with iwi – especially in relation to renewable resource consents – is conducted appropriately.

The evolution of Genesis as one of the three state-owned enterprises (SOE’s) emerging from the government’s split-up of the Electricity Corporation (ECNZ) six years ago brought Corban and Jackson together. Corban was on the original Genesis board charged with appointing a CEO when it began operations in April 1999.

Five years on, the barometer of the success of their CEO/chair working relationship, which in Corban’s mind sets the tone of any boardroom, is how Genesis has boot-strapped its retail business over those years. It is the country’s largest electricity retailer with more than 585,000 residential electricity and gas customers and 2200 large commercial/industrial customers.

The dual fuel – gas and electricity – provider is also a generator with six hydro power stations, a thermal power station, a wind-farm, and two co-generation plants all capable of servicing more than 20 percent of the country’s electricity requirements.

### **MUTUAL COMMITMENT**

So what are the key personal and job-specific ingredients for their successful partnership? Both Jackson and Corban agree it has less to do with being chummy and is more about sharing a mutual commitment to growing the business. “We may not go on skiing trips or have three course lunches together, but we’re both straight shooters and share an understanding of what we’re trying to achieve,” says Jackson.

They are both now Auckland-based, but see remarkably little of each outside Genesis Energy. Between monthly board meetings they keep in regular phone contact to review and discuss progress. Regular presentations keep the board fully briefed on industry developments and environmental issues.

And the two claim to know and respect the correct separation of their management and board roles. This understanding limits any danger of the two “living in each other’s pocket”, according to Corban who also believes their personalities complement their respective roles very well. “The relationship also works because I tend to be reflective, whereas Murray is more action-oriented,” he adds.

The governance processes may be well prescribed in any good organisation but, says Corban, it is up to the CEO and the chairman to set the right tone for the constitutional behaviour. Jackson’s frank and open style allows management to get considerably closer to the board than many firms or chairmen feel comfortable with.

It’s not uncommon for directors and managers to attend regular site visits together. The company’s annual two day off-site workshop brings the eight directors and eight members of Jackson’s senior management team together to exchange views on a range of key company issues.

Corban supports Jackson’s upfront and open style by refusing to get hung-up on demarcation lines. Even though board and management roles are defined within the organisation’s operating culture – and outlined in policy manuals – he doesn’t think being 100 percent black and white about the limits of their respective delegations is always possible.

Once the board has delegated authority, Corban expects management to get on with running the business. What’s needed in the absence of strict lines between board and management is, he says, a sensitive balance to ensure directors don’t dabble in management’s business.

The lines between board and management may sometimes blur but, says Corban, clearly defining the respective roles in governance terms ensures that board members don’t undermine the executive. Management has the freedom to develop strategy that’s innovative, but Jackson recognises it must be sound enough to withstand the rigours of boardroom scrutiny.

### **DELIVERING OPTIONS**

Jackson has long since learned that while boards appreciate grappling with problems, they also expect management to deliver options. To his mind, this approach honours one of the vital differences between governance and manage-

ment. Managers must be humble enough to realise there's always another way. "Collective board wisdom in the early days showed that some proposed investment opportunities weren't where we wanted to be," admits Jackson.

Knowing where the company wants to be keeps self-interest off Corban's agenda and delivers outcomes that are in the company's best interests. "The board's role is to review and approve. It is management's role to ensure its proposals are well researched, eliminating gaps for the board," says Jackson.

Genesis directors can't hold any office within the company beyond their board involvement. But, says Corban, it is up to the chairman's people-handling skills to ensure that robust director scrutiny doesn't turn into unacceptable delving. Unacceptable delving by directors can, he adds, be deflected if the chair sets the right context for addressing issues.

Chairmen should state issues in a broad perspective. Corban believes, for example, that a shared responsibility to effectively manage the environment and all community stakeholders – especially when moving into a new catchment area – should ensure managers and directors are on the same philosophical wavelength.

#### EXTRA CAPACITY

Genesis officially abandoned its controversial Aqua project in March, half way through the company's last annual workshop. It was, says Jackson, a defining moment which left the board with the pressing reality that it would have to do something about future generation capacity. Not surprisingly, generation is now a key issue for Genesis in future.

The board decided to demonstrate its commitment to generation by accelerating the commissioning programme that saw the 40MW open cycle gas turbine – at the Huntly Power Station – successfully synchronised to the national electricity grid on June 4. Jackson expects the new turbine to meet a third of the country's projected growth in electricity demand – expected to be 120MW annually – and provide additional security of supply ahead of commissioning the 385MW combined cycle gas turbine in 2006.

#### SOCIAL RESPONSIBILITY

Corban is quick to point out that as an SOE, Genesis is continually confronted with social responsibility issues that few other boards face. Genesis' licence (defined by the State-Owned Enterprises Act 1986) requires the company to be as profitable and efficient as comparable private sector businesses, without undertaking anything that would embarrass the Crown or other stakeholders.

Their mutual understanding and respect for this social responsibility ensures the relationship between Corban and Jackson isn't compromised. It also explains why the board has chosen not to get caught up in any prolonged industry criticism of regulatory and environmental hurdles, especially in relation to the growth of its renewable energy generation portfolio (biomass and wind farms).

Genesis prefers to invest time in ensuring the full environmental impacts of its business are scientifically investigated and openly discussed. By investing time and resources, Corban believes Genesis gets higher-quality outcomes. His examples are the wide consultation process over the Tongariro Power Scheme resource consent renewal and the wind farm built to power 2000 homes in South Wairarapa that doesn't disturb the natural environment.

So what are the board's and management's priorities going forward? Critical to the capacity issue, says Corban is the need to secure fuel availability. Genesis has entered into a coal contract with Solid Energy for 11 million tonnes of coal over eight years to 2011. Genesis also decided to fast-track the development of the Kupe oil and gas field to deliver gas in 2007 and ensure gas customers aren't adversely affected by the run down of Maui. Also in the pipeline is a second wind farm for the Counties Manukau region and plans to double its residential gas market.

Competition in the retail energy market has increased. Genesis is therefore focused on improving network efficiency and retail effectiveness. Delivering power, predominantly hydro-electricity, is old technology. But when it comes to unleashing the technology now available at the consumer level, the company is starting some exciting developments. New technology under trial is expected to deliver greater payment flexibility. "There's a lot about electricity that's yesterday's technology, but we're trying to change that at the retail level," says Jackson. "The industry is moving from a manufacturing mindset to the customer service-oriented solutions deliverer."

What distinguishes Genesis Energy from the 13 other enterprises Corban chairs? With \$1.4bn in assets and \$1.3bn in turnover, size is the difference. But Genesis epitomises the classic people-centred company, says Corban. New entry trainees represent around 10 percent of total staff numbers (322), while training programmes account for 10 percent of the company's labour bill. And then there's the "unique, highly competent and mature CEO" Murray Jackson. "He's managed to bring a company that was seen by many as not having a future six years ago to become an industry leader." 

By Mark Story, an Auckland-based freelance business writer.