

Boardroom Conflict

Professor Andrew Kakabadse
Professor of Governance and Leadership
Marketing and Reputation
Henley Business School

Previous Findings – Top Directors

- 34% no shared view on mission, vision, strategy
- 66% too uncomfortable to raise difficult but critical issue
- Most boards viewed out of touch

Reasons

- Diversity
- Complexity
- Competitive advantage
- Differentiation

Normality

- Conflict
- Tension
- Dysfunctionality

Why?

- Intelligent people reach different conclusions
- Unwilling to let go of clearly developed perspective

DISRUPTIVE DIVERSITY

ICSA / Henley study

- 35 interviews
 - 11 Chairmen
 - 10 CEOs
 - 7 Company Secretaries
 - 3 CFOs
 - 3 NEDs
 - 1 General Counsel

Findings

Conflict

- Deep disagreement
- Opposition
- Explosive
- Hostile
- Winners / Losers
- Unhealthy tension
- Paralysis
- Retreat

Handled

- Outside boardroom

vs

Tension

- Robust debate
 - Exchange
 - Questioning
 - Discomfort
 - Diverse perspectives
 - Engagement
-
- Inside boardroom

Conflict: Outside Boardroom

Destructive

Hostility

Damaging relations

- Chairmen sets boundaries about what / how to discuss
- The role of the Chair here is to be clear about what is properly discussed in the Boardroom, what needs to be dealt with outside and what needs to be dealt with outside the business completely. These boundaries need to be clear
- Relations need to be workable

Why?

Board needs to be a working entity which inspires confidence to those inside and outside the organisation

Causes of Conflict

- People

‘People are always the sensitive issue. People, recruitment, promotions, remuneration – the big issues on the board and everyone has a different opinion‘

- Chairman

- Performance
- Personality clashes – substance and style
- Legacy, consensus, especially facing up to day’s reality
- Decisions – fundamental concern over two or more contrasting logics
- Represents enterprise

Causes of Conflict

- CEO / Chairman

Tension - OK

Conflict - destructive

Critical Dyad

Central to strategy formation / execution

Previous Study

75% of Chairman/CEO relations dysfunctional

Breakdown of Communication

Causes of Conflict

- Exec / NEDs
 - Lack of understanding of role / contribution of NED
 - Defensive CEOs
 - Misinterpreting intent of NEDs - meddling, interference
 - Board owning the culture
- CEO/CFO
 - Rise of the ‘psychopathic’ CFO

Tension

- Healthy – negotiation of differences
- Generates energy
- Minimises group think
- Stimulates diversity
- Constructive criticism
- Prevents passive aggression
- Encourages decision taking

Addressing Conflict

- Diversity of thinking / skills
- Cultural / contextual diversity – each board different
- Engaging through misaligned interests
 - Acknowledge issues, concerns
 - Truth / reconciliation
- Referring to Higher Purpose
 - How many organisations can do this?
 - Mission or vision
 - Need to be opaque

Addressing Conflict (2)

- Conflict Avoidance
 - Change setting
- Keeping issues out of boardroom
- Time together
- Voting

Critical Roles

Chairman

- Good board is good chairman
- Most critical role
- IQ
- EQ
- Diplomacy
- Authority
- Articulating, reflecting paraphrasing
- Composure
- Trust / respect
- Stewardship
- Courtesy in the Boardroom
- Sets the tone

Critical Roles (2)

Company Secretary

- Honest broker
- Confident
- First to spot developing tensions
- Facilitate stranger relationships
- Mentoring / coaching
- Focal point of data / information
- Humility / integrity
- Independence
- Discretion
- EQ, but really IQ

Critical Roles (3)

Senior Independent Director (SID)

- Counter balancing with chairman
- Most vulnerable role on board

Conflict outside Boardroom?

- Cohesive / engaged board
- Enhance oversight capability
- Work through differences
- Shared perspective
- Stretching dialogue
- Workable – why?
- Engaging through multiple misaligned interests