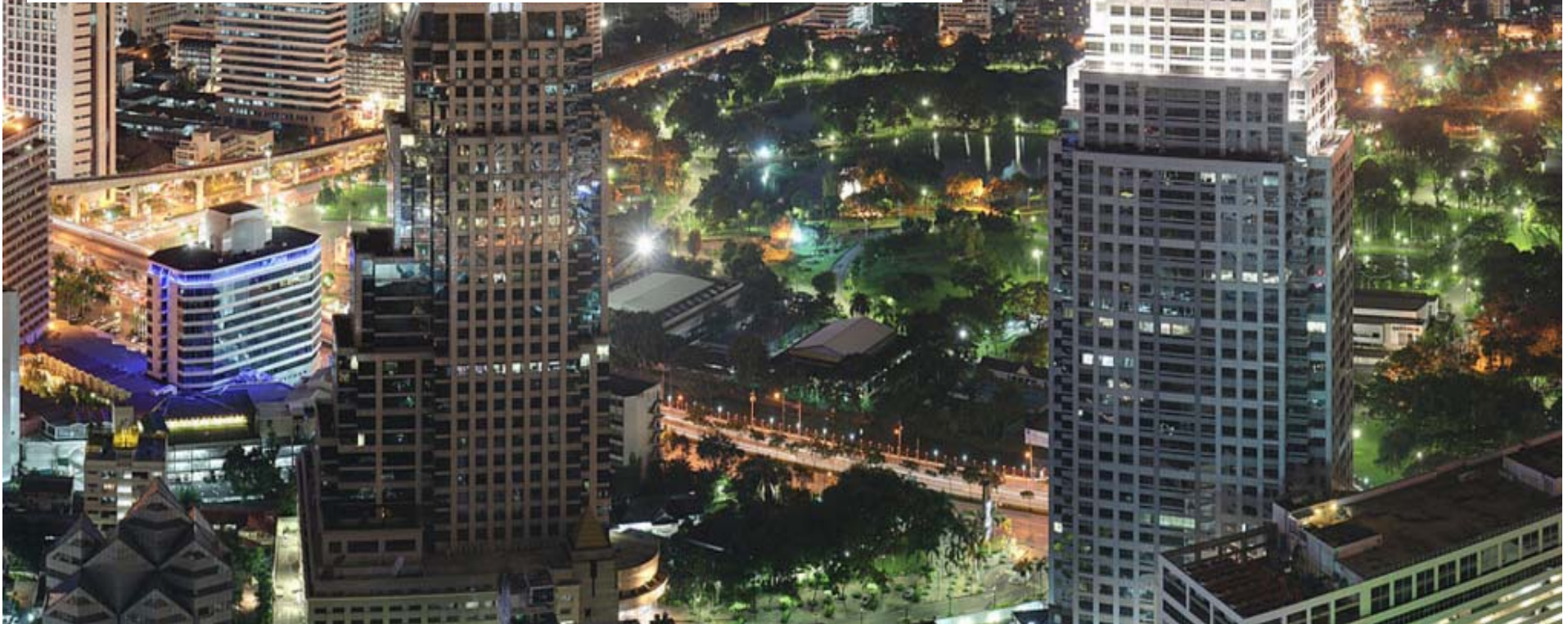


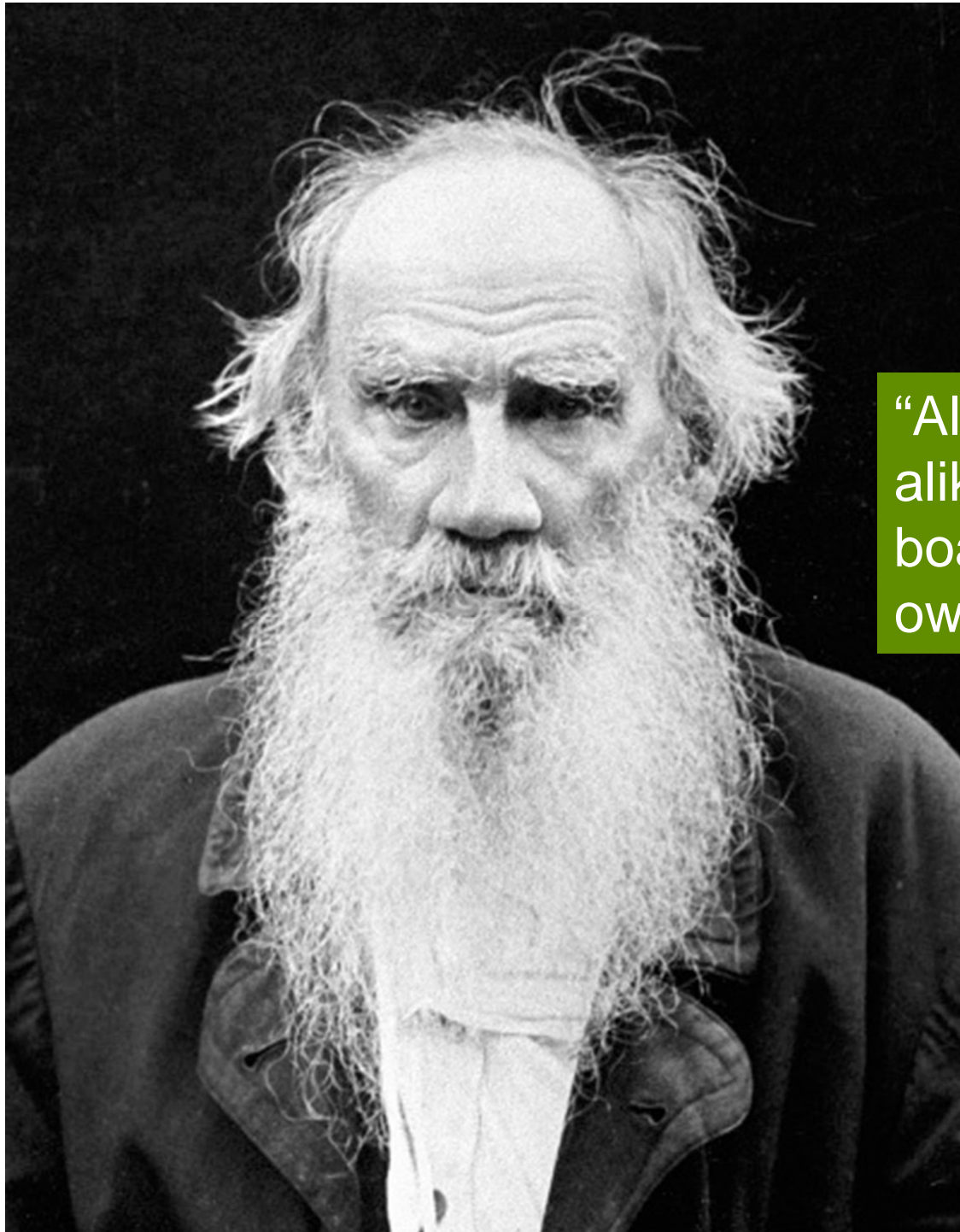
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When Conflict Strikes

Managing Conflicts in the Boardroom

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Deloitte Global Center for Corporate Governance
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“All happy boards are alike. Each unhappy board is unhappy in its own way”

There is a difference between conflict and dysfunction.



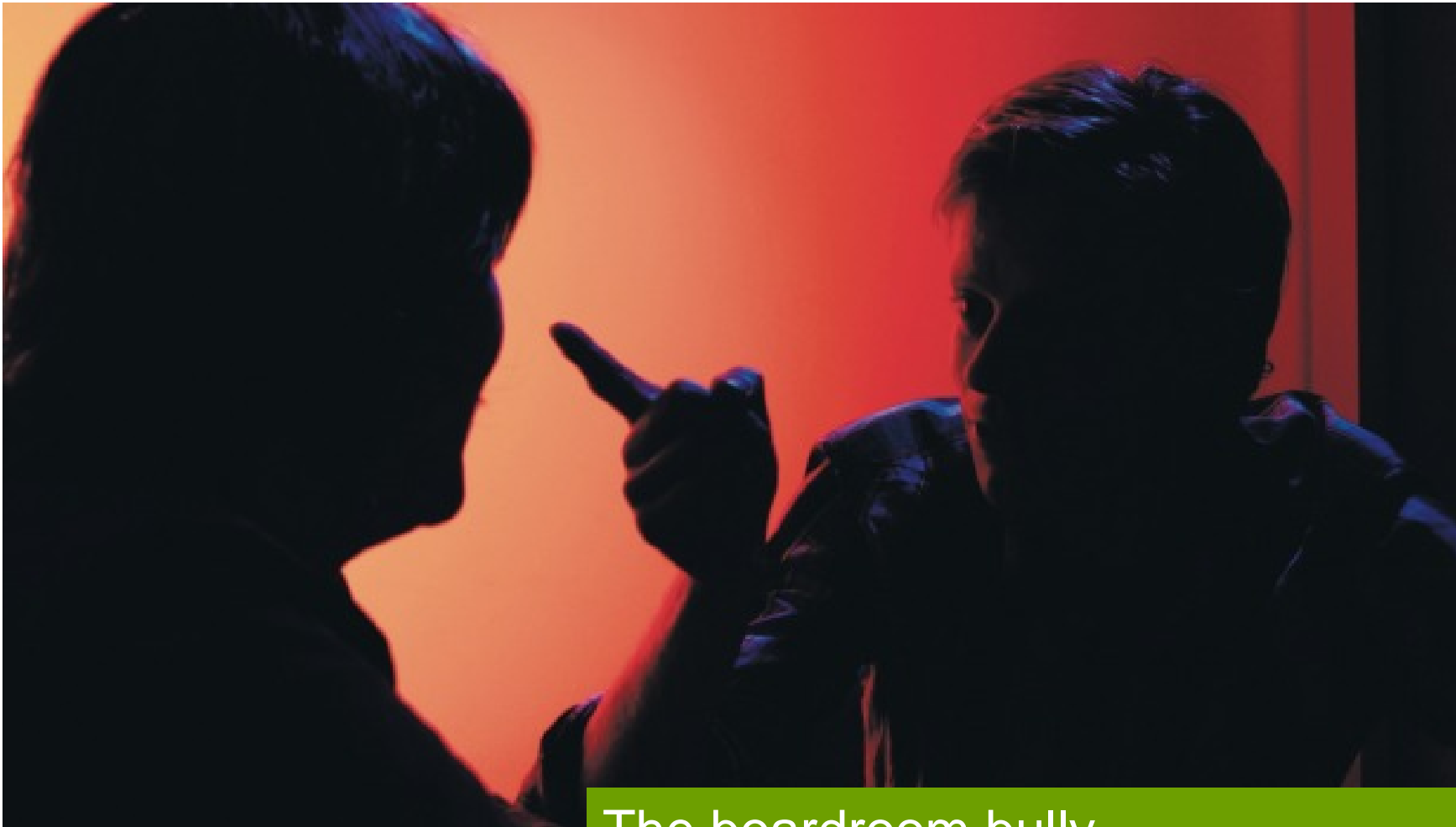
To some extent, conflict is normal. It is the dysfunctional board that never experiences conflict.

Types of board conflict






A dysfunctional or 'political'
boardroom culture



The boardroom bully



Conflict about structure and what to do

A close-up photograph of a person's hand holding a small, rectangular white card. The card is tilted and contains the text "Don't worry about the stock market. Invest in family." in a black, sans-serif font. The background is dark and out of focus.

Don't worry about the stock
market. Invest in family.

Conflict with the CEO

INSTRUCTIONS.

1. CHILDREN UNDER 41 YEARS ARE NOT ALLOWED TO USE THE ELEVATOR EXCEPT IN THE COMPANY OF ADULTS.
2. THE LOAD INDICATED MUST NOT BE EXCEEDED.
3. IF FOR ANY REASON IT IS IMPOSSIBLE TO LEAVE THE ELEVATOR, PLEASE OPERATE THE ALARM BUTTON.
4. IN CASE OF FIRE USE OF THE ELEVATOR IS FORBIDDEN.
IN CASE OF ELEVATOR MALFUNCTION CALL:
1-800-434343
08-6378117

Conflict with the founder



Sources of Conflict

- Different expectations of board service
- Bad or inconsistent information
- Dysfunctional or under-performing chairman
- Sense of entitlement
- Lack of trust
- Different ideas of what kind of board we are

Sources of Conflict (cont'd)

Different ideas of what kind of board we are

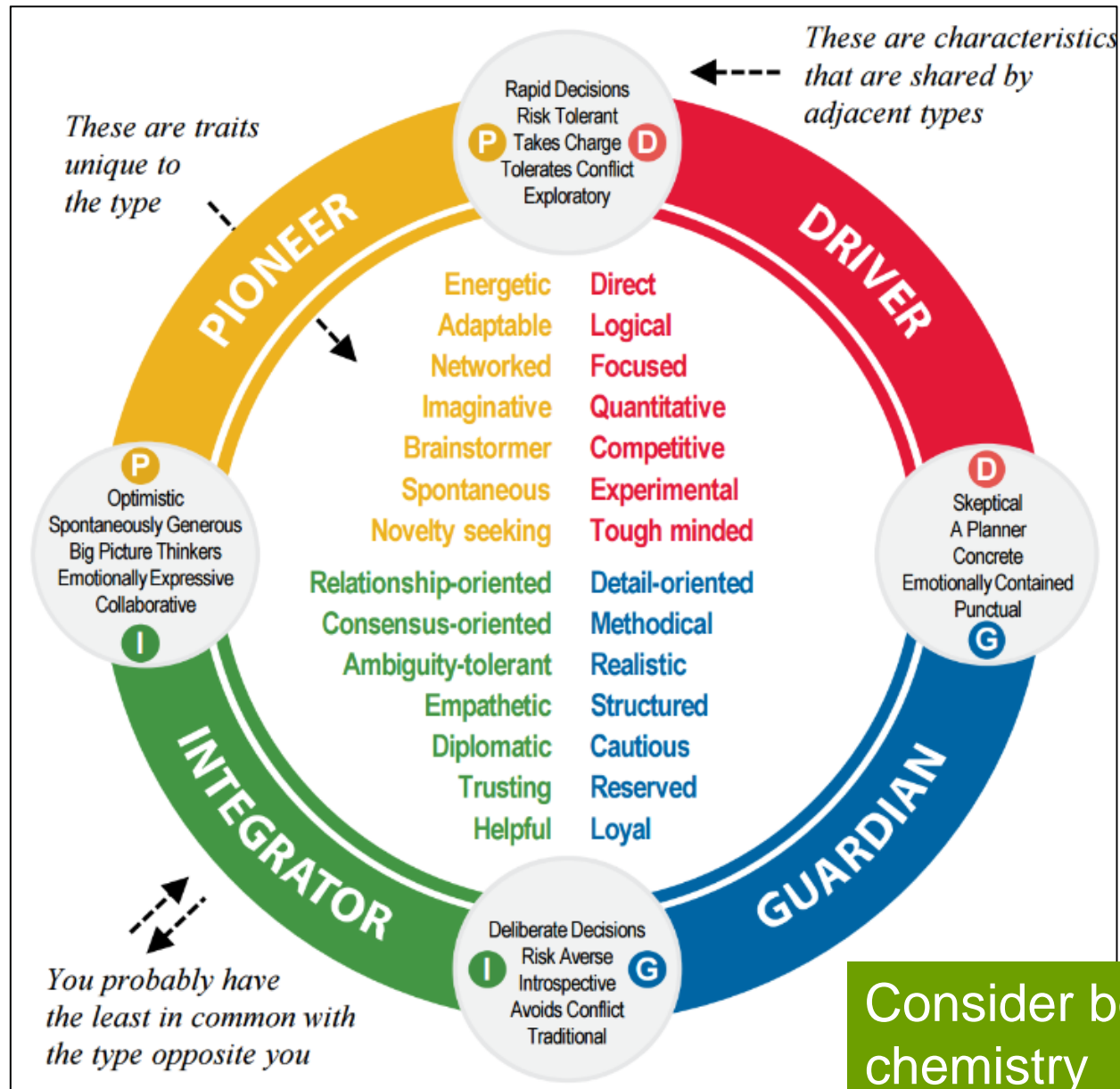
| ← Least Involved | | Most Involved → | | |
|---|--|---|---|--|
| The Passive Board | The Certifying Board | The Engaged Board | The Intervening Board | The Operating Board |
| <ul style="list-style-type: none"> • Functions at the discretion of the CEO • Limits its activities and participation • Limits its accountability • Ratifies management's preferences | <ul style="list-style-type: none"> • Certifies to shareholders that the CEO is doing what the board expects and that management will take corrective action when needed • Emphasizes the need for independent directors and meets without the CEO • Stays informed about current performance and designates external board members to evaluate the CEO • Establishes an orderly succession process • Is willing to change management to be credible to shareholders | <ul style="list-style-type: none"> • Provides insight, advice and support to the CEO and management team • Recognizes its ultimate responsibility to oversee CEO and company performance; guides <i>and</i> judges the CEO • Conducts useful, two-way discussions about key decisions facing the company • Seeks out sufficient industry and financial expertise to add value to decisions • Takes time to define the roles and behaviors required by the board and boundaries of CEO and board responsibilities | <ul style="list-style-type: none"> • Becomes intensely involved in decision making around key issues • Convenes frequent, intense meetings, often on short notice | <ul style="list-style-type: none"> • Makes key decisions that management then implements • Fills gaps in management experience |

Source: Building Better Boards by David A. Nadler Harvard Business Review, April 2004.

How to tackle conflict?

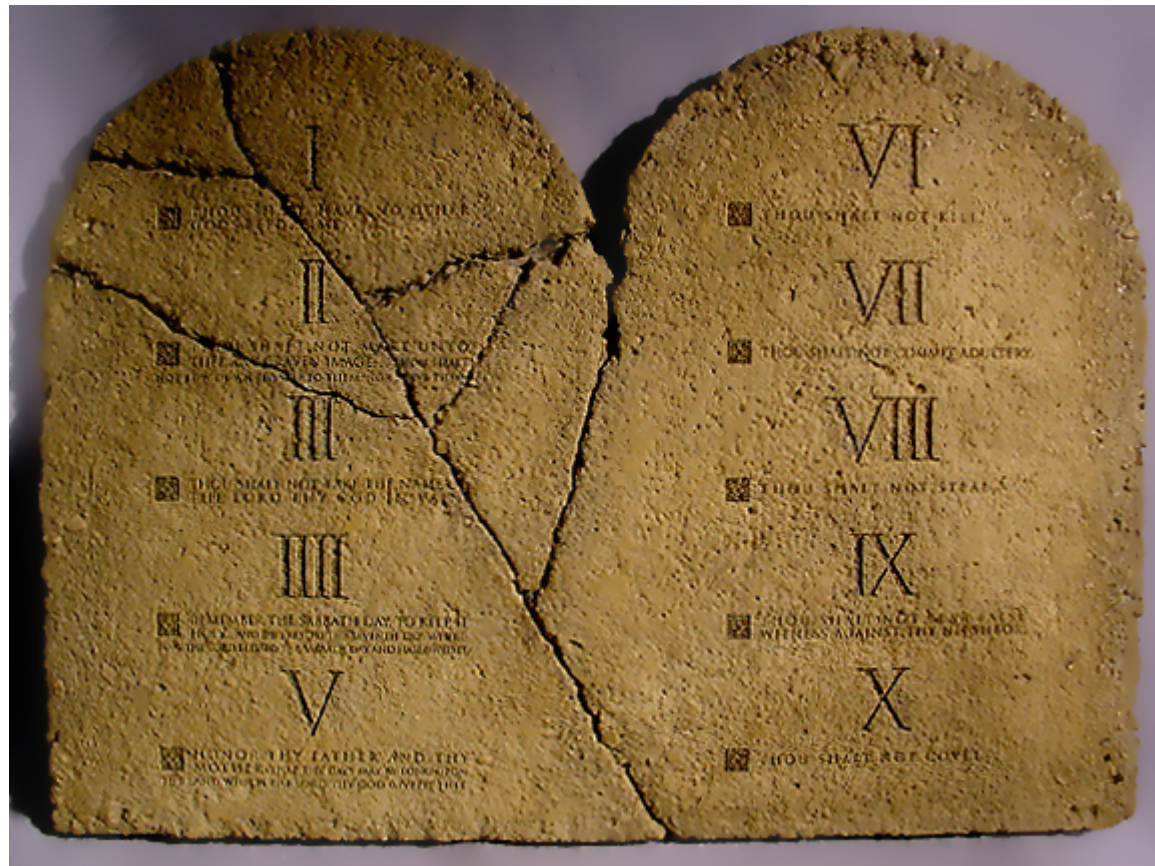
- The Chair
- Executive sessions
- A board 'Lab'
- Consider boardroom chemistry
- Examine underlying causes
- A change of scenery
- Board 'refreshment':
Dismissal and removal
- Compromise
- Consider board 'rules of the road'

How to tackle conflict?



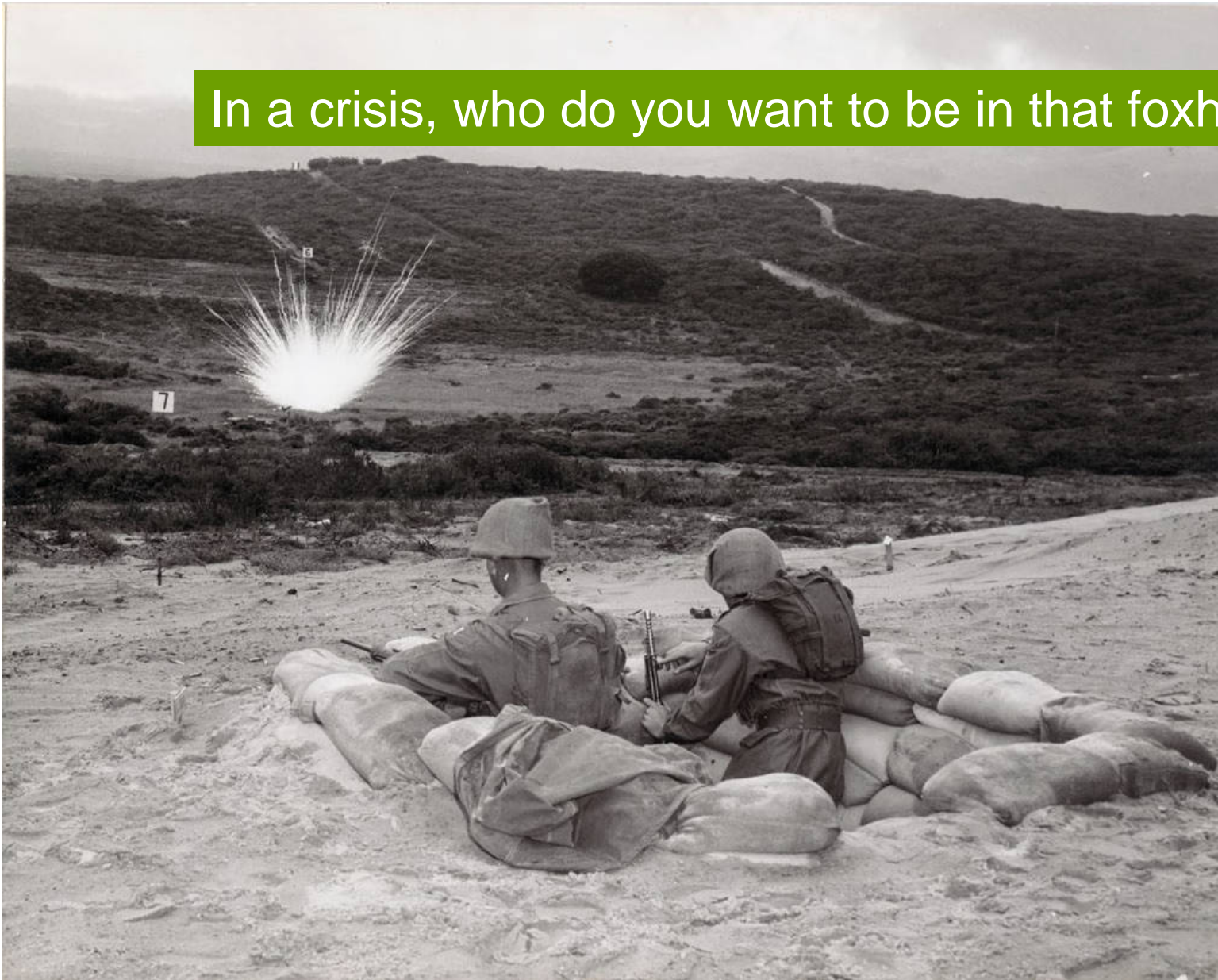
How to tackle conflict?

Consider board 'rules of the road'



'Conflict & Crisis'

In a crisis, who do you want to be in that foxhole with?



Appendix

Board codes of conduct

Code of Conduct for Directors – Example 1

Directors will adhere to the following guiding principles:

- **Confidentiality** – Directors will maintain confidentiality of discussions of the Board.
- **Integrity** – We will apply the highest standard of professional judgment in all our discussions and dealings with one another. **Questions, discussion and listening to one another are a key part of the process to ensure we benefit from all points of view.**
- **Active Listening** – Directors will receive and complete pre-reading materials in advance of meetings, which are intended to provide sufficient background to foster active participation and prompt healthy debate. **Directors are expected to listen and respond to one another in a respectful manner, but which does not compromise free discussion.**
- **“One Board”** - The recommendations will reflect the judgment of the entire Board once decisions are made. The judgment of the Board will be based on what its members believe is in the best interest of the company. We will present a united voice to all shareholders as a result of our deliberations.
- **Personal Bias** - All Directors are here to contribute to the Board governance process on behalf of the company as a whole and are not members invited to represent specific shareholders or relationships.
- **Conduct** – **Directors will be present at meetings and will refrain from working on their computers or other personal electronic devices.** The Chair will endeavor to include suitable breaks throughout the day to allow for Directors to complete phone calls and deal with business of the Firm.

Behavioral Norms and Expectations

With respect to ourselves

- **We maintain a high level of trust.** We have our debates in the open, not behind the scenes as one off discussions. We hold confidences and protect confidential information brought to the board.
- **We continually improve.** We stay current on new developments in corporate governance and actively seek ways to enhance the impact of our actions.
- **We lead by example.** We embody our values and core beliefs; our behaviors and actions set the example.

Behavioral Norms and Expectations

When we are together

When we are meeting together, we expect certain behaviors and norms:

- **We respect each other.** The conversation is candid and collegial. We listen and seek to hear all views. We pay attention to and are engaged in the meeting proceedings.
- **We are prepared and informed.** Board members come to meetings prepared and ready to discuss matters in an informed and thoughtful manner. Agenda and prereads will be circulated with sufficient time for review. Committees should socialize the progress and preliminary conclusions broadly with stakeholders (e.g., Board members, leadership, etc.) before presenting final reports to the Board.
- **We make our views known.** All Board members have a right and responsibility to make their views known. Additionally, Board members allow time for others to provide their own views so a collective and informed decision can be made.
- **We respect the role of the Chairman.** The members expect the Chair to manage the business of the Board and apply this Code of Conduct to enable a high performing Board.

Contact us

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