



In praise of board conflicts

Managing conflicts in the boardroom

IOD Director Forum 2016

Bangkok

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23 August 2016

THAI IOD SURVEY: INTRODUCTION

“Conflict is unavoidable whenever individuals or group of individuals congregate. Thus, it is inevitable that conflict would occur when people work together. However, conflict is often viewed in a negative connotation. But if we were to take a different perspective, we can view conflict as a necessary step needed to achieve unity or a consensus position. Conflict can be viewed as a process whereby parties table different arguments and viewpoints to achieve a meeting of the minds. Conflict management requires the joint cooperation to achieve an optimal outcome for all parties. Therefore, if conflict exists in manageable level, it can lead to creative and positive change for the organization.”



THE GOAL

“Good boards are pretty uncomfortable places and that’s where they should be.”

– Sir Christopher Hogg (2010)
Former Chairman, UK Financial Reporting Council
Former Chairman of Reuters, GlaxoSmithKline, and Allied Domecq



BOARD MEMBERS DON'T ALWAYS LIVE UP TO THEIR RESPONSIBILITIES (1/2)

“I have been on 19 public company boards and have interacted with perhaps 250 directors. Most of them were ‘independent’...These people, decent and intelligent though they were, simply did not know enough about business and/or care enough about shareholders to question foolish acquisitions or egregious compensation.

My own behavior, I must ruefully add, frequently fell short as well: Too often I was silent when management made proposals that I judged to be counter to the interests of shareholders. In those cases, collegiality trumped independence.”



BOARD MEMBERS DON'T ALWAYS LIVE UP TO THEIR RESPONSIBILITIES (2/2)

“Serving as an outside director is like being a guest of honor, so outside directors don't say straight things like 'you should change'...It's more like a social club.”

– Tomoyo Nonaka, former Chairman,
Sanyo Corporation (2008)

“The vast majority of outside directors are ‘kibitzers,’ passive participants who do not believe it is their role to challenge management beyond asking a few questions at board meetings.”

– US executive/outside director (2009)

“Boardrooms have been too reactive, passive and accepting of what's proposed by the executive.”

– Sir David Walker, Chairman,
Barclays Bank (2012)

FOCUS ON DIFFERENT BOARD PARTICIPANTS AND RELATIONSHIPS

- Non-executive directors
- Outside directors and management
- CEO and executive directors
- Chairman and CEO

OWNERSHIP MINDSET OF WELL-GOVERNED FAMILY FIRMS PROVIDE AN INSPIRING MODEL FOR LISTED COMPANY BOARDS

“Directors with an ownership mindset – whether from the family or outside – have passion for the company, look long-term, and take personal (as distinguished from legal) responsibility for the firm. They will spend time to understand things they don’t know and not pass the buck to others. They will stand their ground when it is called for. Ultimately, the success of the company over the long-term matters to them at a deep, personal level.”

– Chairman of a family-owned European construction firm founded more than 100 years ago



IT TAKES IMMENSE COURAGE TO GO AGAINST THE GRAIN (1/2)

News › Business › Business News



Barclays' former pay chief Alison Carnwath argued against Bob Diamond bonus

James Moore | @TheIndyBusiness | Wednesday 30 January 2013 |



“Ms Carnwath said she felt there were some Barclays directors who were ‘sympathetic to my point of view’ but said that they ‘generally went with the chairman (Mr Agius).”

“Barclays former pay chief today said she had called for no bonus to be paid to the beleaguered bank’s previous chief executive Bob Diamond and described some bankers’ pay as ‘obscene’.”

“Alison Carnwath told the Parliamentary Commission on Banking Standards that she was ultimately over-ruled by the remainder of the board.”

“She publicly confirmed that before the Commission, in an unusual display of candour by a non executive director. Such people only rarely put their heads above the parapet despite their role in overseeing executives on behalf of shareholders.”

IT TAKES IMMENSE COURAGE TO GO AGAINST THE GRAIN (2/2)

FORTUNE

HP should have listened to its CFO

by James Bandler

NOVEMBER 20, 2012, 8:12 PM EST



“Lesjak’s move was shocking — but ultimately she didn’t carry the day. In August 2011, the board, approved the Autonomy deal unanimously.”

“In the summer of 2011, Lesjak earned the wrath of then CEO Leo Apotheker when she forcibly opposed the Autonomy takeover — not because she suspected fraud, but because she believed the valuation absurd.”

“Unable to get Apotheker to see her way, she took her case to the boardroom in a highly unusual and dramatic plea to scotch the deal.”

“‘I can’t support it,’ she told the directors, according to a person who was present. ‘I don’t think it’s a good idea. I don’t think we’re ready. I think it’s too expensive. I’m putting a line down. This is not in the best interests of the company.’”

DIRECTOR'S KNOWLEDGE: THE CHALLENGE

“Although I appreciate the diverse skill set and experience of the directors, there are not enough miners on the board. As a result, it is difficult to engage them in the way that would be most helpful to management.”

– CEO, Global mining company

“The problem was not insufficient flow of information to the board. Rather, the board reluctantly accepted management’s judgment – even though management’s responses were not convincing – because the non-executives felt they did not have adequate understanding to keep pushing.”

– Chairman, European bank

“Even though I have been on the board for several years, this is a complex business and I am still on a massive learning curve.”

– Chairman, global telecommunications firm

“Assuring an adequate and accurate flow of information from the lower level [of management] to the upper is a significant challenge. Atop this management structure sits the board of directors.”

– Jay Lorsch, Harvard Business School

Thank you.

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