

Directors Forum 2016



Managing Conflicts in the Boardroom



23 August 2016

Welcome Address



Dr. Bandid Nijathaworn

President & CEO

Thai Institute of Directors



Directors Survey Result Presentation

Managing Conflicts in the Boardroom: Perspective from Thai Directors

Ms. Weenarin Lulitanonda
Advisor, Thai Institute of Directors

The Survey Respondents



Survey Respondents = **173** (June – July 2016)



24%

76%

Gender

Over 50 yrs.	---	66%
41-50 yrs.	---	24%
30-40 yrs.	---	9%
Under 30 yrs.	---	1%

Age



61%

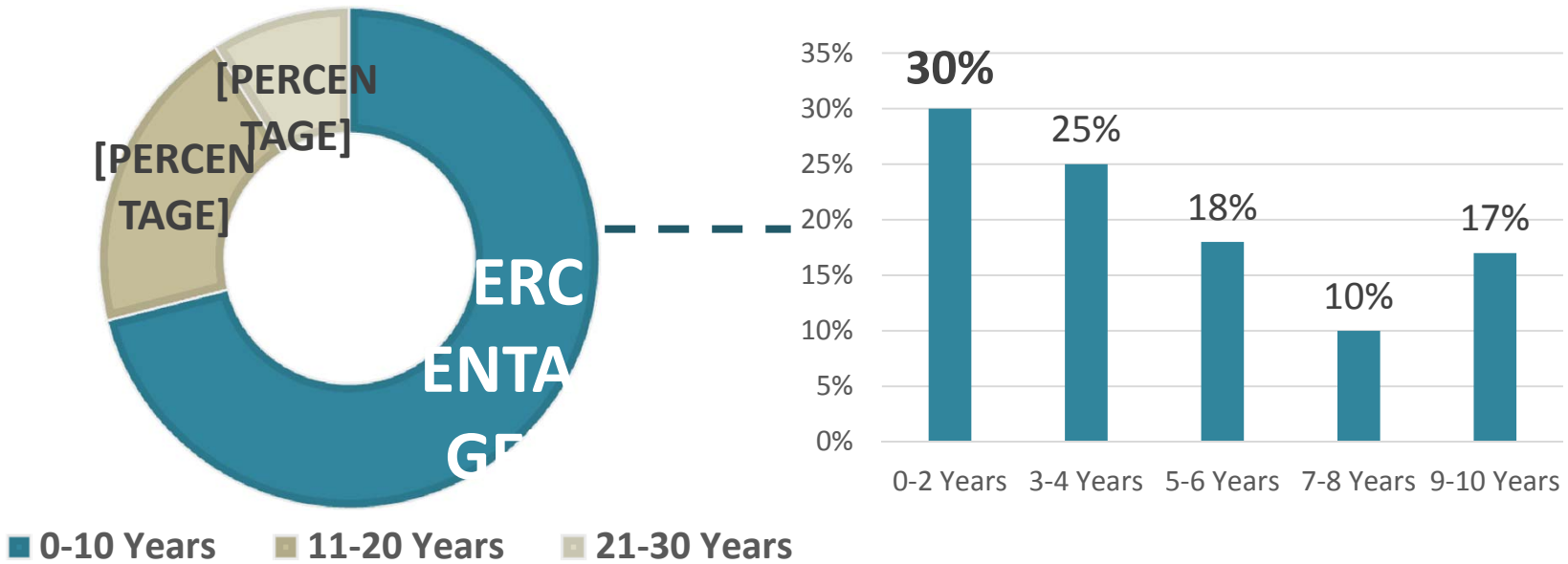
Master's degree

Education Background

The Survey Respondents



Length of Time Respondents Served on Boards

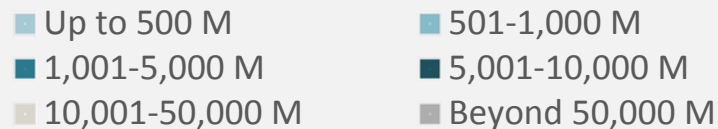
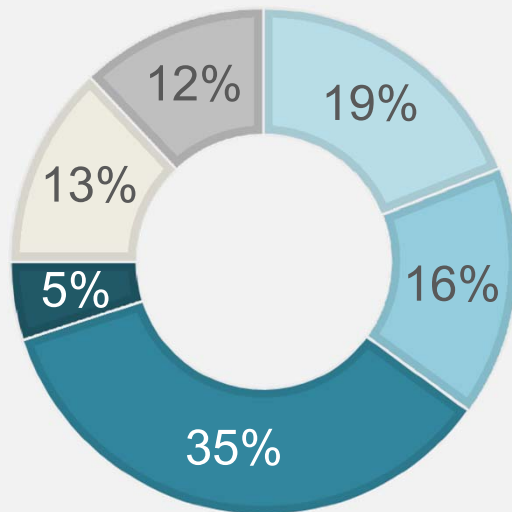


Type of Directorship Positions	% of Survey Respondents
Executive Director	57%
Independent Director	32%
Non-Executive Director	11%

The Survey Respondents



Annual Revenue of Respondents' Organization



Industry Sector of Respondents

21%

Services Industry

Approximately **13%** each

Financial Industry and
Property & Construction Industry

Approximately **11%** each

Consumer Products,
Resources, Technology
and Industrials

Boardroom Conflicts

93% “Boardroom disputes as a normal occurrence in all organizations.”

75% “Had experienced boardroom conflicts. (48% occur fairly infrequently and 32% occur with regular frequency.”

32% “Had experience with boardroom disputes that could not be resolved within the confines of boardroom meetings.”

Boardroom Conflicts



Common Subjects for Boardroom Disputes	Thai IoD Survey (%)
Organizational strategy	32%
Financial structure & investment	25%
Crisis management	12%
<u>Diverging incentive structure</u>	<u>8%</u>
<u>Separation of roles & responsibilities</u>	<u>6%</u>
Risk assessment & management	5%
Audit findings	4%

Common Subjects for Boardroom Disputes	IFC Survey* (%)
Financial, structural, or procedural workings of the org.	40.3%
<u>Personal behavior and attitudes of directors</u>	<u>38.4%</u>
Strategy development, including mergers and acquisitions	37.2%
Risk appetite and risk management	31.3%
Change and crisis management	30.6%
Audit findings	29.9%

* IFC & CEDR (2014) : Conflicts in the Boardroom Survey: Result and Analysis

Boardroom Conflicts

Common Causes



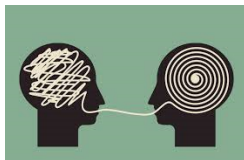
Inconsistent Information

36%



Difference in View
on Organizational Goals or
Strategic Focus

23%



Attitude & Disposition
of Directors

16%

Common Factors

31%
Work Experience

29%
Directors' Personalities

13%
Inability to Control Emotions

Disputing Parties



Common Disputing Parties in Boardroom Disputes	% of Survey Respondents
Conflict between each Director	29%
Conflict between Directors & Non-Executive Directors	24%
Conflict between Directors & Management	17%
Conflict between Directors & CEO	10%
Conflict between Directors & Independent Directors	10%
Conflict between Board Chairman & Directors	6%
Conflict between Board Chairman & CEO	3%
Others	1%

Impact of Disputes



Impact of Boardroom Disputes on Business	Thai IoD Survey (%) *	IFC Survey** (%)
Time-Consuming to Manage	27	49.3
Affects the Functioning of the Board	16	42.8
Diverts Attention from Core Business	16	44.9
Negatively Impact Relationships between Directors	16	32.4
Impact Business Operations	13	38.3
Reduces trust amongst Directors	6	42.8
Adversely impact on corporate long-term profitability	2	26.8
Wasting Financial Resources	2	29.5
Tarnish Corporate Reputation	2	23.5

* Percentage indicates the item had a “significant” or “very significant impact.”

** IFC & CEDR (2014) : Conflicts in the Boardroom Survey: Result and Analysis

Dispute Resolution



Most Effective Method to Preempt Boardroom Disputes

34%

Focus on common target and corporate strategy

33%

Having clear delineation of board and management authority, roles & responsibilities

20%

Establish regular formal and informal communication channels

** Percentage of respondents describing this method of dispute resolution as being most effective.*

Most Effective Method to Resolve Boardroom Disputes	% of Survey Respondents *
Assign Management to obtain more information to be resubmit later at another board meeting	53%
Organize a session where all opinions and views are listened to in order to achieve a consensus decision	22%
Use Voting Majority	16%
Delegate Selected Individual or Independent 3 rd Party to Mediate	7%
Others	2%

** Percentage of respondents describing this method of dispute resolution as being most effective.2*

Dispute Mediation



When faced with a boardroom conflict, reacted by:

- Trying to be the mediator between the conflicting parties 47%
- Get involved by exerting his or her opinion to sway and gain acceptance by other Board members 41%
- Avoid confrontation by withholding the need to express his or her view. 6%

The individual most placed to mediate boardroom conflicts are:

- Board Chair **75%**
- Independent Director 9%
- Chief Executive Officer 7%
- External Independent 6%
- Consultant
- Others 3%

Important Traits for Directors in Resolving Disputes	% of Survey Respondents *
Ability to be open to the opinions of others	52%
Ability to Control Emotions	21%
Ability to Mediate and Problem Solve	15%
Ability to Manage Different Personalities	8%
Negotiation Skills	3%
Others	1%

* Percentage of respondents describing this as being most effective traits.

Reality on the Ground



Existing Practice within each Survey Respondents' Organization

“Distinguishing between the Role of the Board & Management”

“Establishing board meeting protocol”

“Setting out clear guidelines on Board process”

“Facilitating more effective boardroom Dynamics”

“Employing Mediation Skills”

**Average
80%
and up**

Soliciting New Points of View	%	Soliciting New Points of View	%
Regular informal settings give directors the opportunity to know each other better	49%	Board’s by-laws and governance principles or guidelines include provisions on how disputes will be resolved	50%
Board Chair meets at least once a year with all the board members to solicit their opinions about the company and the function of the board.	45%	One or more directors of the board has undergone meditation training and/or is entrusted to play an internal mediation role, when needed.	24%
CEO meets at least once a year with each director to hear his or her view about the company, management and the CEO’s performance	47%	Board has a Code of Ethics that Directors sign in on during induction.	53%
Board undergoes regular assessments and evaluation	52%		
Board holds annual retreat outside company’s premises	43%		

Managing Conflicts in the Boardroom



Panelist



Mr. Dan Konigsburg

Managing director of corporate governance and public policy Deloitte Touche Tohmatsu Limited (New York)

Panelist



Mr. Simon Wong

- *Visiting Fellow at the London School of Economics (LSE)*
- *Adjunct Professor of Law at Northwestern University
School of Law*

Moderator



Mr. Pichai Chuensuksawadi

Editor – in –chief, Bangkok Post Newspaper

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