

Navigating the Boardroom: Managing Conflicts and Tensions in the Boardroom

CS Julius Mwatu

Introduction

In the complex world of corporate governance, the boardroom serves as a crucible for decisions that can chart the course of organizations. This article explores the intricate dynamics of managing tensions and conflicts within this high-stakes environment. Our journey begins with an introduction to tension versus conflict, followed by an examination of governance failures and the root causes of conflicts in the boardroom. We will then delve into conflict resolution strategies and the pivotal roles that key players assume in managing these challenges.

Tension versus Conflict - An Introduction

To set the stage, envision the boardroom as an orchestra, where various instruments come together to create harmonious, yet not overly harmonious, melodies. This metaphor reflects the essence of managing tension versus conflict. Tension is a healthy aspect of boardroom dynamics, marked by resolved disagreements, addressed concerns, and positive contributions to decision-making. In contrast, conflict signifies an unhealthy tension, characterized by lingering issues that can escalate to disrupt the board's functioning.

A survey conducted by the Governance Institute of the UK & Ireland, encompassing board chairmen, company secretaries, and CEOs, emphasizes the importance of fostering constructive tension in the boardroom.

Introduction - Governance

Effective governance entails the board's primary responsibility of providing direction and control. It encompasses three critical dimensions:

1. **Self:** A board member's introspective journey involves questioning the rightness or wrongness of decisions and self-assessing trustworthiness.
2. **Internal:** Boards must establish clear structures, systems, and controls, defining roles with precision. The role of the Chair or Manager takes center stage in this context.
3. **External:** Governance extends to external facets, where boards need well-defined structures, systems, and controls. The role of the Chair or Manager continues to be pivotal.

Governance Failure

Governance can falter when boards exhibit certain behaviors:

1. **The Board as a Cheerleader:** Some boards excessively praise and defend the CEO, failing to hold them accountable for performance and resource utilization. This can lead to an imbalance of power.
2. **The Board is "Asleep at the Wheel":** Ineffective boards may lack a comprehensive understanding of their governance role,

receive inadequate information, fail to pose critical questions, or turn a blind eye to inappropriate behaviors.

3. **Board Members with “Fingers in the Till”:** In extreme cases, board members may become complicit in unlawful activities or enjoy unjustified perks and privileges, eroding their authority.

The Board as a Social System

Boards are living, evolving organisms, each developing its unique culture over time. This culture influences how the board perceives and responds to issues. Exemplary boards function as robust, effective social systems, encouraging open debates and accommodating diverse perspectives.

How Conflict & Tension Manifest in the Boardroom

Conflict and tension manifest in various ways:

- **Conflict:** Unhealthy conflict may entail passive aggression, emotional outbursts such as anger or hostility, overtly interrogative questioning, and even physical behaviors like leaving meetings or resigning.
- **Tension:** Healthy tension fosters robust debates, open information exchange, questioning, energy, and momentum. It thrives on diverse perspectives and engagement.

Causes of Conflict in the Boardroom

Several factors can precipitate conflict:

1. **People and Personality:** Recruitment, promotion, remuneration, and performance issues can spark conflicts. A lack of chemistry

among board members exacerbates tensions but is often considered resolvable.

2. **Historical Disputes:** Historical issues can disrupt the status quo, especially when emotional attachments to projects remain or unresolved tensions linger.
3. **Decision Making:** Conflicts often arise when boards hold executives accountable, engage in constructive criticism, or face structural tensions related to the delegation of authority.

Conflicts Between Key Parties

Conflict can emerge between various key stakeholders in the boardroom:

1. **Chairman & CEO:** The relationship between the CEO and chairman is pivotal. Healthy tension between these roles is essential for effective board functioning. A good CEO is an independent, controlling leader.
2. **Executive & Non-Executive Members:** Conflicts may stem from the delegation of authority and board-reserved matters. Issues related to the center of power can fuel conflicts.
3. **Executive & Auditors:** The Board's Audit Committee (BAC) plays a vital role in handling conflicts related to the independence of auditors and collaboration frameworks.

Conflict Resolution by the Board

Efficient conflict resolution within the boardroom requires specific strategies:

1. **Acknowledging Issues and Concerns:** Acknowledging understanding, even without agreement, prevents repetitive discussions and discourages disengagement.
2. **Truth and Reconciliation:** One-to-one conversations, akin to peeling an onion, enable active listening to uncover root causes of conflicts and improve engagements.
3. **Depersonalizing Tension:** Reminding members of their higher purpose can reduce personal conflicts. The introduction of an impartial fourth party or spokesperson can bridge divides.
4. **Practical Conflict Avoidance:** Seating arrangements can influence conflict dynamics. Seating opposing members next to each other fosters better communication.

Resolving Conflict Outside the Boardroom (Secondary Talks)

Informal discussions among board members outside the boardroom are invaluable for conflict resolution. Pre-meetings, addressing personality clashes, pulling agenda items, and resolving technical differences are best handled through secondary talks.

Taking Decisions to a Vote

Voting should serve as a last resort, signaling unresolved tension. It should be reserved for extreme situations where consensus remains elusive.

Key Roles in Conflict Management

Several key roles are pivotal in conflict management:

1. **The Corporate Secretary:** This trustee of the board acts as an honest broker, confidant, and sounding board for all concerns. They facilitate informal conversations and serve as mentors and coaches.
2. **The Non-Executive Independent Director (NEID):** NEIDs offer counsel to the chairman and assist in cases where the chairman is part of the problem or conflict. They provide an external perspective to resolve issues.
3. **The Chairman:** The chairman sets the tone for healthy debates, avoiding direct involvement in conflicts. They bear the ultimate responsibility for resolving conflicts, ensuring all opinions are heard, and diffusing emotions.

Skills of an Effective Chairman

An effective chairman possesses essential skills, including diplomacy, emotional intelligence, authority, communication, composure, momentum, and the ability to listen and foster trust.

Conclusion

In the labyrinthine world of the boardroom, effective conflict and tension management is essential. The choice of solution, whether inside or outside the boardroom, hinges on the root causes. The chairman plays a pivotal role in conflict resolution unless they are the source of the conflict. A well-managed board embraces healthy tension, while dysfunctional boards allow tensions to fester into conflicts. Boards should keenly observe non-verbal behaviors to discern unspoken concerns. Remember, each board member is a unique asset with the potential to offer

distinct solutions within the broader framework of a board as a social system.