

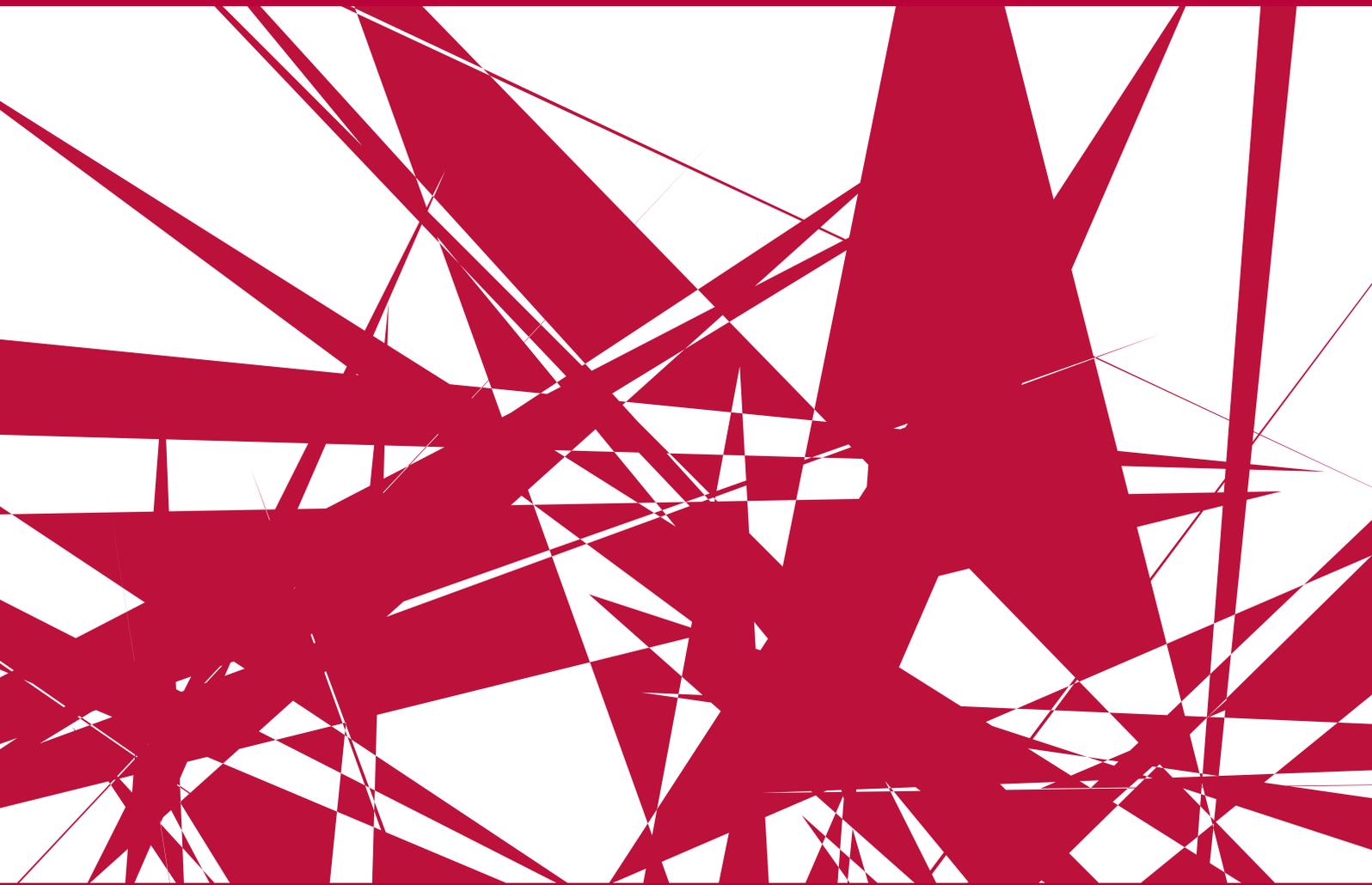


The Governance
Institute



Conflict and Tension in the Boardroom

How managing disagreement improves board dynamics



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Foreword

When I was Lord Mayor of London from 2013 to 2014, I was particularly delighted to be appointed a Fellow of ICSA: The Governance Institute. Coming from a corporate and finance background, I have spent nearly 30 years designing new governance structures for reformed electricity industries, always looking for improvements. Happily, I had excellent relationships with both ICSA and members of the Worshipful Company of Chartered Secretaries and Administrators, who kept me in touch with current thinking. My own experience as a non-executive director was useful in many ways, not least in the way that boardroom scrutiny, challenge and debate could be both healthy and create tension and conflict with outcomes that were less than satisfactory.

It was during the Rivers Lecture of the Worshipful Company of Chartered Secretaries and Administrators in 2016, on the subject of mediation and dispute resolution, that it occurred to me that I could do more to explore how these techniques might be applied to boardroom tension and conflict. During the question-and-answer session, I asked a question about how much work had been done and what literature there was on the subject. Happily, Simon Osborne, ICSA's CEO, took up the mantle and commissioned this report.

I have been a champion of diversity and inclusion, not least on boards, for a very long time – perhaps since before some readers of this report were even born! I always felt that variety in the boardroom had a significant role to play, not least in challenging groupthink and coming up with new solutions. However, as a lawyer, I somehow felt that we were missing a trick if we did not apply fairly conventional dispute resolution techniques to boardroom conflict. This report's excellent evidence and analysis provides new thinking and gives some findings that I was not expecting.

Alderman Dame Fiona Woolf DBE JP DL FCIS

Introduction

Challenge and debate in boardrooms are part of the effective oversight of management and the decision-making process. From time to time, these discussions may tip over into confrontation, giving rise to tension and even conflict. For a board to move forward as one body in the best interests of the organisation, personal differences and opinions need to be managed effectively by the chairman and their right-hand person – the company secretary.

This report is a natural sequel to ICSA's last collaboration with Henley Business School and Professors Andrew and Nada Kakabadse, their 2014 report *The Company Secretary: Building trust through governance*, which focused on the unique, important and strategic role of the company secretary. With a privileged seat at the boardroom table, company secretaries have hands-on knowledge and experiences of the types of tension and conflict which can impair effective boardroom practice. They are often called upon to act as peacemakers, managing areas of tension, sometimes before others are even aware they exist.

The findings of the Henley Business School team are very interesting. Understanding why tension and conflicts arise is vital if organisations are to manage them better. For our part, ICSA will be developing a series of training courses and events to help members build some of the skills that this report identifies. I encourage all organisations, irrespective of sector, to consider and reflect on the ideas outlined in this report.

Simon Osborne, Chief Executive of ICSA: The Governance Institute

Focus, approach and methodology

This study focuses on conflict and tension in the boardroom. It is a collaborative piece of work between ICSA: The Governance Institute – the professional body for governance and the membership and qualifying body for company secretaries – and Henley Business School. The findings are informed by 35 face-to-face interviews with eleven chairmen, ten CEOs, seven company secretaries, three CFOs, three NEDs and one general counsel. Each interview took an average of 70 minutes to complete, followed by a detailed thematic analysis of the results. Select interviews have been drawn from a parallel study by the research team.

Respondents discussed their personal experiences of boardroom conflict and tension in a privileged look into the internal workings and dynamics of boards. This report delivers invaluable insight for those managing conflict and dispute.

Executive summary

It has long been recognised that challenge, scrutiny and robust debate can lead to disagreement, tension and conflict in the boardroom.

However, our respondents for this unique study on *Conflict and Tension in the Boardroom*, stress that tension and conflict are not only inevitable, but also play an essential part in effective boards.

It is only by understanding and embracing this process, they tell us, that the best possible decisions can be reached. As one board member notes: *'If everybody is thinking and behaving in exactly the same way, it's utterly pointless.'*

But what happens when tension escalates? What characterises conflict and tension in the boardroom? And how can board members engage effectively when pressures run high? In this report we explore the nature of boardroom conflict – its different forms, role and the strategies that can be applied to resolve conflict and optimise opportunities for 'healthy tension.'

Previous studies in this area, using Kakabadse's unique database of 12,500 top teams and 5,500 boards, have identified that boardroom conflict primarily involves clashes over the organisation's purpose and competitive advantage.

Top managers can rightly hold varied views on what constitutes competitive advantage and almost one-third of organisations worldwide find that they cannot agree on this. As a result their boards become politicised as views become entrenched and teams try to work out their differences.

In these circumstances, some board members dare not raise uncomfortable issues for fear of exacerbating already tense situations and, more often than not, a culture of paralysis can emerge.

This report considers in detail the nature of conflict and how boards can improve their handling of contentious challenges. Differences of opinion on organisational purpose can split the board and if the governance apparatus fails then the rest of the organisation can find itself in serious trouble.

These findings challenge the fundamental assumption that conflicts should always be aired, discussed and addressed in the boardroom.

Drawing on the personal experience of board members working in a variety of roles, we have identified that robust debate, open dialogue and tackling uncomfortable issues head-on explicitly benefits boards' decision making and actions.

 *I used to talk about boards as being like an orchestra. You want different instruments who together make, not a discordant noise, but a harmonious noise. Not too harmonious.'* (Chairman)

The theme of the board being like an orchestra emerged from a number of our interviews. Each individual member acts as a soloist, but also collectively works with others as an ensemble capable of making decisions in the best interests of the organisation.

Each board member brings their own expertise, roles, responsibilities, goals and agendas. They may even take pride in their own levels of independence and objectivity. Despite these attributes, they must ultimately work as part of a wider team that is responsible for the organisation's long-term interests.

As such, effective boards should be places of harmony and collaboration as well as challenge and independence. Boards ideally act as environments in which each individual member can respect and incorporate the views of others and, when necessary, retain their independence and challenge fundamental assumptions.

'It's very rare that somebody comes to a board and says, "I've got a really good idea, it's this, this, and this, let's just do it," and everybody goes "oh yeah, do it".' (Company Secretary)

In reality, this is not always the case, and often board members rate their performance higher than the management do, which prompts the question 'Is the board sufficiently in touch with reality?' What was once hidden behind the scenes has been open to increased public scrutiny in recent years, particularly following the financial crisis of 2008. As a result of this, and of growing scepticism and media pressure, there have been increased calls to hold companies, CEOs and boards to account for the decisions they make.

Boardrooms would be far less effective places without a degree of constructive tension. Both the management oversight and decision-making roles of the board benefit from an atmosphere of constructive challenge and the freely-expressed views of board members. If NEDs are properly to hold management to account, they must not be shy about expressing their views, testing assumptions or challenging groupthink. The key issue for the chairman, supported by the company secretary, is to ensure that the tension generated by this constructive challenge does not develop – or degenerate – into destructive conflict.

Many more people are genuinely committed to contributing to the success of the organisation, and are prepared to provide a stronger degree of scrutiny than was the case in the past. I don't know whether it's that they're less trusting, but I think they've learnt to be more sceptical, which I think is a positive thing'.

(Company Secretary)

Key findings

- 1 Our interviewees characterise tension as disagreement, which is often uncomfortable but can be resolved by healthy debate. Conflict, on the other hand, is regarded as aggressive tension that usually escalates to extreme and unresolvable levels.
- 2 Tension is also seen as a positive and necessary force for any effective board, while conflict is disruptive and detrimental. When conflicts do occur they can fundamentally alter the dynamics of the board in ways from which it can prove difficult to recover.
- 3 Tension and conflict are most likely to emerge during decision making, or be linked to people, personality and historical issues, such as changes in board structure.
- 4 Structural tension occurs as a result of the conflicting demands of different roles. However, this is largely seen as positive and necessary to the function of the board.
- 5 Tension is most likely to lead to disruptive conflict when disagreements and concerns are left unresolved for too long. This can also be the case where board member disagreements become personal and it becomes difficult or impossible to find any middle ground.
- 6 Board diversity is viewed as positive and facilitates healthy tension. It is not an issue that is likely to lead to unresolvable conflict.
- 7 Strategies for managing tension and minimising conflict in the boardroom include:
 - explicitly acknowledging concerns during board meetings;
 - face-to-face conversations; and
 - depersonalising tension by reminding board members of their 'higher purpose'.
- 8 Conflict resolution, including of personality clashes, most effectively takes place outside the boardroom as informal discussion between board members.
- 9 Strategy and decision issues are more appropriately resolved inside the boardroom.
- 10 A good board is one with managed tension, while a dysfunctional board allows unresolved tension to fester and escalate into conflict situations.
- 11 The chairman, company secretary and senior independent director (SID) are perceived as playing the most important roles in managing tension and conflict resolution.
- 12 Company secretaries play a critical role in conflict resolution, facilitating and maintaining boards' ability to function.

The nature of conflict

Conflict v tension

Conflict immediately conjures up scenes of disagreement, opposition and contradiction. Most of the respondents whom we interviewed felt conflict is a strong and negatively-loaded term, involving situations which are detrimental to the workings of the board.

They further described conflict as having ‘multiple dimensions’ and involving ‘extreme’ circumstances where there was a ‘fundamental mismatch’ between board members. These situations were characterised as being ‘explosive’, ‘emotional’, ‘hostile’ and having a ‘clear winner and loser.’

Board members to whom we spoke distinguished between conflict and tension, describing conflict as always being undesirable, while tension can be either negative or positive. As one respondent explained: *‘Conflict is undesirable. Conflict means outright hostility, but tension is good.’*

We were told that conflict should only be reserved for more extreme and relatively rare situations that occur in boardrooms, while tension was appropriately described as the more commonplace ‘robust debate’, which many see as an integral part of a functional board.

‘Tension is a better word because you can use it to describe a similar situation without the emotional loading that goes with the word “conflict”. It’s a diplomatic response but it’s very important.’ (Company Secretary)

There is a clear distinction between healthy tension and unhealthy conflict. Tension describes situations where disagreements are resolved, concerns are adequately addressed, and a positive impact is made on the decisions and overall function of the board. Conflict represents unhealthy tension, where concerns or issues remain unresolved and potentially escalate to disruptive levels, having a negative overall impact on the function of the board.

How conflict and tension manifest in the boardroom

Respondents explained that conflict in the boardroom shows itself in a number of different ways, including:

- passive aggression:
 - refusing to engage in discussion;
 - *‘A strange form of passive aggressive tension where people will be icily polite in their responses to probing questions’;*
 - *‘Trying to push debate out of the boardroom by wanting to discuss things ‘offline’ as the saying goes, or wanting to catch up separately’;*
- emotional responses, including anger, frustration, hostility or disapproval;
- repeating a point;
- overtly interrogative questioning; and
- physical behaviours such as leaving the room, slamming doors and even resigning.



On the other hand, tension manifests itself as:

- robust debate;
- open exchange of information;
- discomfort;
- discussion of difficult issues;
- questioning;
- energy and momentum;
- diverse perspectives; and
- engagement.

Conflict inside and outside the boardroom

Not all conflict between board members takes place inside the boardroom. In fact, as this research shows, many conflicts are resolved outside the boardroom. With this in mind, how can a chairman recognise when conflicts are developing, and how should they set boundaries around what is discussed inside and outside the boardroom?

Many respondents reflected on the importance of the informal discussions that take place outside formal board meetings, both as an indicator of unresolved or rising tension and as a method of conflict resolution.

‘The pressure tended to come outside the board meetings. We came under huge pressure to make product commitments that couldn’t be delivered. That tended not to be in the board. It tended to be outside it.’ (CEO)

‘I think as a chairman you know if the internal chief executive is not working well. If [...] the employees choose to confide in you, if your investors come and talk to you about why they haven’t confidence in the chief executive, and if the board meetings are not happening in a constructive manner, there’s tension in the boardroom. You know you’ve got a problem.’ (Chairman)

‘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 it, and what needs to be dealt with outside the business completely. Those boundaries need to be clear.’ (Chairman)

‘Chairmen have a very difficult job. I’ve been round a board table where it has been all white middle-class, middle-aged public schoolboys, and they’ve all been terribly polite. Then you’ve gone outside and realised this was all stitched up down the pub at lunchtime before we actually got in here, because before this meeting you were all coming at this from a different point of view.’ (Company Secretary)

Causes of conflict in the boardroom

Respondents' experiences suggested three recurring themes that cause tension and conflict in the boardroom. These involve:

- people and personality;
- historical disputes; and
- decision making.

The biggest issues are represented by people and personality conflicts, in particular clashes resulting from a 'good old-fashioned lack of chemistry', closely followed by disagreements over remuneration and performance.

People and personality tension

Many respondents highlighted clashes of personality as the major cause of boardroom conflict:

'People are always the sensitive issues. People, recruitment, promotions, remuneration, those sorts of things are the big issues on the board, and everyone has a different opinion.'
(Chairman)

Tension resulting from remuneration also emerged as a strong theme:

'The only area of tension was remuneration.' (Chairman)

'The chair of the company permitted the chair of the remuneration committee to get slightly out of line with what the accepted view was, and challenge in a way which was not easy for the chair. The chief executive was not intuitively happy because we were making it more difficult for him to earn money.' (Chairman)

Despite the apparent problems, these tensions are mostly seen as resolvable, and remuneration is not an issue which would typically escalate into full-blown conflict.

Other important people issues include respect, and the manner in which board members address one another. Direct, interrogative and aggressive questioning styles are often recognised as triggers for conflict:

'So there's a real art of asking a question, timing the interjection and working that out. The question can land very differently depending on who's asking it and who they're directing it at.'
(CEO)

Most respondents noted underperformance as a key trigger for tension and conflict in the boardroom.



Performance issues include a variety of scenarios, from not being on time for board meetings and late presentation of papers and proposals, through to poor management of board agenda items and moving meetings forward, weak performance against targets and differing expectations about individual roles and the function of the board:

'I think a board that doesn't have a cohesive view of its own role is setting itself up for conflict, or at least tension.' (Company Secretary)

Personality clashes are more difficult to resolve and likely to escalate into situations of conflict. There are many circumstances where relationship breakdowns and personality clashes result in one of the aggrieved parties either resigning or being asked to leave:

'There was a very traditional problem with the characters of the two people. The CEO was a hard-nosed businessman. He'd been in the military and had a very command structure approach to things. The CFO was a very likeable person, very much into consensus, and the two didn't get along.' (CEO)

'Where you've got to make a trade-off and your personal trade-off is driven by your value set, and my personal trade-off is driven by my value set, somebody's got to make a decision. Too often the decision is influenced by personality and loud speaking.' (CEO)

'A bad board member tries to force his will or personality on people and a very bad one does that without real knowledge of the subject he's talking about. So he hasn't listened and tries to force it through.' (SID)

When it comes to poor performance, there is a sincere desire by board members to understand its causes, which often relate to the CEO. At the same time it is recognised that repeated underperformance will lead to the CEO being asked to leave.

It was felt that dominant CEOs do not give other executives the opportunity to respond to NED questioning, and so emerge as a possible source of conflict:

'Whenever a question came up, he answered it, always him. For him it was like personal politics: "I want to be the person who's seen to be running this and who's got all the power." I used to counsel him and say: "How are you going to develop these people? You've got to let them speak, I assume they are doing stuff in the business, but it looks as though you're taking all the decisions and this can't be good for it.'" (SID)

Historical issues

Study participants noted that conflict often emerges when a change in board structure is made. Anything which disrupts the status quo, existing role expectations or established pecking order can cause significant upset:

'Historic tensions that you don't always know about lead to conflict in the sense of real differences. Obviously this manifests when there's a decision to make.' (Chairman)



Historical conflicts also occur in relation to an individual's strong emotional attachment to projects:

'It's often where someone has been deeply involved in delivering something earlier in their career and they feel passionate about that project, which now is to be discontinued or changed, and therefore nobody quite sees that as a conflict of interest. But you have an emotional attachment to something.' (Company Secretary)

'You can end up with a dynamic where the existing, longer term, independent directors may feel more emotionally attached to a decision, and then start arguing to "go native", as the saying goes.' (Company Secretary)

The data suggests that an important dimension of conflict and board interaction is that it can be strongly influenced by the past. Unresolved and sub-surface issues develop incrementally over time as part of a repeated set of interactions. In these instances conflict results from past unresolved tension, rather than present-day dynamics.

Decision making

Board tension inevitably arises when tough decisions are being made. Our respondents consistently referred to the value of 'constructive criticism', 'challenging fundamental assumptions,' and 'holding executives to account'. These are fundamental responsibilities of a well-performing board.

Ultimately boards seem to feel the best decisions are reached when concerns are fully aired and multiple, sometimes conflicting, perspectives are offered. Adequate opportunity needs to be given to scrutinise papers, challenge proposals and ask necessary questions.

Conflict and unresolved tension can come from a decision-making process where board members feel, sometimes on reflection, that they have not been provided with 'full and transparent information,' or when they have not been able to fully contribute to the discussion.

Our respondents report that concerns which are either not heard, or not listened to, often plant the seeds of future conflict:

'If you have a series of these things and they all get brushed under the carpet, then the board will become dysfunctional because it says "what's the point in raising these things, nobody ever listens, nobody ever wants to get to the bottom of things?"'
(Chairman)

Interviewees further described how conflict arises in situations where specific board members, again usually CEOs, feel strongly about particular decisions or stress a direction they believe should be followed.

Overbearing personalities can railroad the board into taking a particular path. Conflict can result when board members feel that there has been insufficient debate and that their concerns are overlooked in decision making.

Conflicting roles: structural tension

Some boards are like orchestras where no-one stands out, except the chairman and the chief executive who's, let's say, the first violin. But others really have the quality of an ensemble, like a quintet, where there's a more fluid sense of shared leadership. And then you have the ones who are really a bunch of soloists.'

(Chairman)

Each board member has different and sometimes competing responsibilities. This can lead to a certain level of tension and conflict, which is necessary to achieve the best decisions. The main 'role' conflicts exist between CEOs and chairmen, executives and NEDs, and CEOs and CFOs.

Tension between these different roles is seen as essential, while conflict evidenced by relationship and communication breakdowns is disastrous for the function of the board.

'The most important relationships in a board are the relationships between the chief executive and the chairman, and the relationship with the chief executive and the finance director.'
(CEO)

Tension and conflict between the CEO and chairman

The relationship between the CEO and chairman is critical. A dynamic where the chairman can scrutinise and hold the CEO to account through regular conversations conducted in a manner that both parties understand, that occur, as one respondent described it, 'with frequency and a drum beat', enable essential and healthy tension, according to our respondents.

A lack of tension between the two roles is viewed as detrimental to the board's function. If there is a weak and ineffective chairman versus a strong CEO, or if the relationship is 'too cosy' and without adequate challenge or scrutiny, a negative outcome is predicted.

'If everybody is too friendly and cosy, there's no real scepticism or challenge. Then you end up with a group that self-deludes and ultimately ends in disaster. The only debate is how soon that happens. If they are at loggerheads it's even more damaging because they're part of a team but they're playing different roles.' (Company Secretary)



'You want somebody who's going to be supportive, but you can't have somebody who just says yes to everything, or never challenges or asks a difficult question.' (CEO)

Conflict between a CEO and chairman is characterised by a lack of, or breakdown in, communication.

An unbalanced dynamic where the chairman is straying from their leadership responsibilities and interfering in operational matters, or where a lack of healthy tension exists with the CEO, is indicative of a 'bad board.'

'If you haven't got clarity, and it's down to the chairman and chief executive, then it can become incredibly dysfunctional very quickly, allowing people to come into a boardroom without being clear beforehand.' (Chairman)

'That tension is going to be there and you've got to be prepared to manage it, because a good chief executive is a very strong, controlling leader. And controlling leaders want to have a very high degree of space and independence.' (Chairman)

The CEOs in our sample indicated that conflict can be triggered if they feel the chairman is putting them under undue pressure and stopping them from getting on with the job.

'The chief executive's job should be to focus on the short-term delivery of strategy and goals. The chairman's role is to hold the reins and ensure the way it's done, the tone, the purpose, the values, and that the strategy is achieved consistently.' (Chairman)

'The CEO didn't particularly like too much board involvement. He saw all of this as being CEO-led, rather than board-led. So quite a bit of tension. But the chair is very patient and strong.' (CFO)

Tension and conflict between executives and non-executives

Many respondents talked about the tension between executives and NEDs. They referred to a 'doctrine of CEO infallibility' that NEDs follow to hold executives to account and ensure that they act with 'due care' and 'have done their homework'.

'There are natural, conventional, healthy tensions between a board and an executive. The board set standards and aspirations, and the management say 'hang on, let's talk about the art of the achievable.' (General Counsel)

The challenge for NEDs is to create a healthy and useful dynamic. However, respondents also say these tensions have the potential to escalate and distract board members from what is best for the company. In these circumstances, board members are described as 'alpha males locking horns'.



Conflict for me is where people are fighting their own ground rather than looking at what's best for the company.'

(Company Secretary)

'Non-execs can get very defensive. One of the things I noticed was there were all these problems in one of the divisions, and it suddenly wasn't their fault. Their role in the board was more about being defensive than actually helping the company solve the problem, and that was a real drawback.' (CEO)

Unhealthy conflict between these two roles is usually caused by a lack of understanding and clarity over the purpose of NEDs. Conflict in these situations was characterised by overly defensive CEOs who saw NEDs as 'interfering busy bodies' getting in the way of their work.

'If a board member crosses that non-exec to exec line... I think people have to respect the boundaries.' (CEO)

NEDs play an important role in making sure that the 'pathway to decisions' has been well-considered by challenging and supporting decisions.

'A non-exec is there to ensure that everything has been considered, to contribute ideas and to challenge how decisions have been made.' (CEO)

Respondents viewed conflict as being more likely to occur when executives see the NED role as being one of 'challenge', 'interference' or 'meddling'.

'Some chief executives find the board a pain. The non-executive board are interfering busybodies who don't know enough about the business, and they often think the chairman's job is to keep the board quiet. A chief executive has to learn not to be defensive or show irritation when they have comments from non-executives.' (Chairman)

A healthy tension is more likely to develop if executives see NEDs as taking on the responsibility of checking decisions, while also providing valuable insight, experience and support.

'The word missing from the UK Corporate Governance Code is "support" ... it's not there. The fundamental role of the non-executive is to support the executive in doing the right thing for the company.' (Company Secretary)

Conflict is overtaken by healthy tension when NEDs are self-aware enough to recognise when they have overstepped their authority, and executive directors understand when an issue needs to be reviewed by the board.



Tension between CEOs and CFOs

'They always say to let your CEO pick the CFO. I'm not sure whether that's good advice because, depending on how the CEO is, he or she may want to pick somebody that listens. In this case we had a very complementary, sometimes positively conflicting model, where the CFO would say "here is the financial requirement".' (Chairman)

CFOs are inherently more cautious and risk averse than CEOs. Their primary function is to 'pull back on the reins' at the first sign of any reckless behaviour.

'There is always a natural tension between the chief executive and finance director. Finance directors tend to be relatively cautious, so they will see more of a downside in many situations. They won't always perceive the potential strategic benefit of going in a particular direction.' (CFO)

This type of tension is typically seen as manageable, resolvable and beneficial to the overall function of the board:

'I would say there was pretty creative tension between the CEO and CFO.' (Chairman)

'I have no problem telling the CEO what I think he's doing wrong. I think one of the reasons people don't interact well is because they don't say what they want to. My CEO is a big optimist. You could be hanging off the edge of a cliff by one hand and my CEO would see positives in it. When you're guiding the market, you're saying "Well we think we can do this".' (CFO)

'People used to know that I argued with the finance director. Sometimes they could hear us. But they say "OK, once we'd made a decision, it was cabinet rules and responsibility. There's no backsliding".' (CEO)

In other situations, the CFO left because of their incompatibility with the CEO:

'I became the CFO because I just got into the detail of everything, and the CEO was much more strategic, which was rather unhelpful in a period of difficulty.' (CEO)

The role of tension in the boardroom

Healthy tension: the essential element of effective governance

'...in order to create energy, you need friction.' (Company Secretary)

Healthy boardrooms are characterised as places where all board members are actively engaged in robust debate, and where they can air concerns, ask questions and challenge fundamental assumptions. Disagreements are openly discussed as part of a transparent exchange of information.

So what does 'healthy tension' add to the function of the board? The board members whom we interviewed described the benefits in their own words:

- 'Preventing "group think"'
- 'Encouraging constructive criticism'
- 'Keeping board members engaged'
- 'A tone that allows big decisions to be questioned and conflicting viewpoints expressed'
- 'Resolving difficult issues'
- 'Preventing passive aggression'
- 'Stimulating ideas'
- 'Holding executives to account'
- 'Creating shifts in thinking'
- 'Momentum'.

'Disagreement is good....a board where you're allowed to disagree comfortably, to me, is the crux.' (Chairman)

 *Healthy tension is essential. That's what good governance is built on. I want to encourage that tension.'* (Chairman)

'All boards should have some tension. There should be tension about the remuneration of your chief executive, or when executives have set targets which they've abysmally failed to deliver on. To insist that questions are answered; it's essential that difficult issues are addressed.' (Chairman)

The common thread for all of these insights is that the resolution of difficult issues needs space to allow for healthy tension, which can sometimes feel uncomfortable. Effective governance requires adequate time to air concerns, ask difficult questions and directly address problematic issues.

Our respondents generally agree that 'comfortable' or 'cosy' boards are ineffective, because questions that need asking are not being asked and board members are likely to be disengaged and lacking in energy.

Tension and the decision-making process

'Investors look at the quality of the board and decisions they take. They're becoming more interested in how robust and challenging those conversations are and the key questions that were asked.' (Company Secretary)

Tension is seen as having a direct impact on the quality of board decisions and there is an increasing interest in what decisions are taken, as well as how these decisions have been reached:

'Investors are definitely more interested in understanding and making sure there is enough challenge going on at the table. They don't want group think.' (Company Secretary)

Healthy tension alerts the board to all possible risks, and the potential outcomes of not making decisions. This is particularly important where actions are not straightforward and demand different perspectives and experiences to be fully understood.

This is a desirable part of the decision-making process and demonstrates that board members are fully engaged and actively thinking about the issues at hand.

'There's a danger of people trying to rush through what might appear to be a simple and obvious decision, without fully appreciating the impact. There's a huge gap generally in terms of not using a true devil's advocate so that you have a genuine debate.' (CEO)

The tipping point: when tension becomes conflict

Many respondents referred to the point at which tension becomes more indicative of unhealthy and disruptive conflict, revealing a number of core themes in the process:

Timing

'It can be surprisingly quick for tension to escalate to the point of being disruptive and damaging. It can happen in the blink of an eye, because it comes back down to an emotional response.' (Company Secretary)

Tension can transform into conflict quickly, and the tipping point is almost always the result of a situation becoming emotionally charged. It is important to deal with potential conflicts rapidly to avoid an irreparable breakdown of trust and loss of respect.

Once tension reaches a level of disruptive conflict the dynamics of the board are fundamentally changed, putting all members in extremely difficult territory.

When things get personal

Tension around people and personality is far more likely to trigger conflict than disagreements regarding events and issues.

Conflict often occurs when people believe they are being attacked personally, are caught out or feel vulnerable. A natural response for some board members is to become defensive or immovable from their views, particularly if they are emotionally engaged in a decision.

‘It’s solved one-on-one. Nobody loses face and everything continues. It doesn’t mean that you should never have conflict in the boardroom, but you should be careful.’ (Chairman)

Another key dynamic triggering conflict in the boardroom is when individual board members, typically NEDs, form cliques in an attempt to ‘take on’ the management. This creates a scenario in which perspectives are polarised and there is little opportunity to find common ground.

A further tipping point arises when genuine business tension occurs too frequently and is left unresolved. This leads NEDs to shift their perception and begin to see such tension as a question of executive ability. As a result they become more challenging in their questioning:

‘When questions about genuine business issues come up so often you begin to ask yourself: “Is this just the way of the world, or are these people not on top of the business they are running?” The executive will feel challenged and threatened, and the non-executive starts to ask whether this is about the business of executive competence.’ (SID)

Unresolved tension

If tension doesn’t have an opportunity to be openly reviewed and resolved it is highly likely this will lead to conflict. The most difficult issues to address include:

- personality clashes;
- long-standing issues which have festered over time or relate to organisational strategy; and
- situations where there is limited scope to find a middle ground, usually because of divergent opinions.

‘The argument went away, but actually it left quite a nasty residual taste because there was distrust left between what I thought I’d agreed as an executive, and what they thought they had agreed.’ (CEO)

Tension is part of a process which attempts to find a conciliatory position. Conflict occurs when the resolution means taking either one position or the other, with little or no opportunity for middle ground.



The issue of diversity: board diversity and conflict

'The worst thing you can have is a board that is all thinking the same way. If you go to a pub quiz and you're all the same age, gender and race, you're not going to win. There are too many questions which are nothing to do with the way you think.' (CFO)

Diversity in skills and experience

It was clear from respondents' views that diversity is seen as a positive asset for any board:

'Diversity makes things less comfortable and familiar, increasing the chance of somebody asking a so-called "stupid question" which is usually quite profound in its impact. Often people won't have considered something from that perspective.'

(Company Secretary)

'There was never really a breakdown of relationships with the board. It was just different perspectives and challenges. What emerged was a much more rounded company. It was more balanced in its decision making. We considered a wider range of views so it was a healthier place for decisions to be taken.' (CEO)

Diversity creates healthy tension, particularly in terms of thinking, skills and experience. This translates into an ability to improve decision making and provoke robust debate using challenge and insight, without conflict.

'A different perspective is only helpful to that board, and if people are suggesting that this will increase tension and that's a bad thing [they are wrong]; it's increasing tension, but in a good way. It's constructive tension.' (CFO)

'Between the chairman, senior independent director and CEO - one comes from the sector, one is from finance, and the other is from a big industrial business, but not in the sector. They come at things from different perspectives, which is good because it allows the debate to play out.' (CEO)

Gender diversity

Skills and experience diversity was seen as more important than gender diversity in terms of building positive tension in the boardroom:

'She always asked the questions no one else had thought of, and this is an excellent example of how diversity works. It wasn't because she was female, it was because she was a lawyer in a room full of accountants and looked at things differently.' (Company Secretary)

However, there were conflicting views as to whether women are valued equally on boards. Some respondents believed women are often ignored or cut-off in board meetings, and that their presence is a 'token gesture.'



'In my mind diversity has got absolutely nothing to do with either gender or race, it's to do with thinking patterns. And the problem that you have around board tables is a lot of people have come through the sort of school that we've been through. You're either a professional accountant or you're a lawyer that's had a similar sort of background and training. And we tend to tackle problems in a very similar way and it is very, very helpful to have people around a board table on a subcommittee who just say: "Why? Why don't we do this?" And you generally get that lateral thinking, as I call it, from people with a different background coming through'. (Chairman)

'[Cultural diversity] it's a very powerful weapon if you understand it and understand how to use it. And the issue of gender I feel rather differently about. I think the fundamental principle should be complete gender neutrality'. (Chairman)

In effect, the contrasting perspective is that of diversity of thinking, a phenomenon unique to the individual arising out of their experience, development and philosophy but not bound by their gender or race.

‘*Making that unique difference is what counts. This has nothing to do with being man or woman or [from an] ethnic background. It is what you can do here!’* (CEO)

Diverse thinking combined with taking sensitive account of context is paramount. That telling contribution varies according to meeting the challenges of circumstances and in this sense gender and ethnic diversity on their own make little difference to addressing tension or overall board functioning.

Cultural diversity

One aspect of diversity which respondents believe does provoke tension in the boardroom is culture. Many speak about culture clashes between British and non-British board members. British culture is, they say, 'overly polite' in multicultural contexts and 'difficult to interpret'. This ultimately comes down to differences in styles of communication that can interfere with discussion and conversation. As one respondent noted:

'There is a peculiar English way of demonstrating tension and displeasure with icy politeness, which can be very difficult for foreigners to understand.' (Company Secretary)

Non-British board members are conversely described as being 'blunt', 'rude', 'very direct', 'playing their cards close to their chest' and 'used to more collaborative ways of working'. Greater cultural diversity can increase tension, but there is little evidence to suggest that this will lead to conflict. This indicates 'healthy tension', which is resolvable, non-destructive and brings value to the decision-making process and function of the board.

A further critical point raised is that the value gained from multiple perspectives requires the expertise of a good chairman:

'You can have the most diverse board on paper, but unless it's well chaired it's still not going to get the benefits of diversity, experience, knowledge and background.' (Company Secretary)

Managing conflict in the boardroom

Strategies of engagement: how to engage when tensions run high

There are a number of ways to engage in the boardroom to prevent tension causing issues.

Acknowledging issues and concerns

Many respondents referenced the importance of acknowledging other board members' concerns. This does not necessarily mean agreeing with them, but it does allow others to voice their views and have them acknowledged.

'Just acknowledging you've understood, I think that's the key thing. You can't just [ride] roughshod over them and dismiss them. You have to listen.' (Company Secretary)

This may involve a point being recorded in the minutes, or the chairman indicating they have heard and understood a point. This also prevents the unnecessary repetition of points, disengagement from the conversation or the gradual escalation of unresolved tension.

Truth and reconciliation

One-to-one conversations, where members really listen to one another to try to fully appreciate why others feel so strongly about an issue, are referred to by some as like 'peeling an onion'.

'I think diversity, variety and a lot more emotional intelligence around the boardroom would help with resolving conflict.'

(Company Secretary)

Active listening is a vital skill in getting to the root of the problem:

'A truth and reconciliation type process is sometimes necessary to get people to really articulate clearly what their issue is.' (Company Secretary)

This is a key role of the company secretary. Sometimes it means:

'Just sitting them down with a cup of coffee, and letting them speak to see what comes out, and then play it back to them.'

(Company Secretary)

Important questions to ask include 'why do members feel so strongly about the issue?' and 'what are their real concerns?'

‘What would give you the assurance that you need to view this more positively? I put the emphasis on “more positively”, not just “positively”, so at least we can start that process.’

(Company Secretary)

Respondents also referenced the value of ‘having a quiet word’ with any board members whose engagement is considered ineffective, or attempting to discuss with them how they can make exchanges more helpful.

Depersonalising tension: reminding members of their ‘higher purpose’

‘There’s a fourth party in the room which is invisible and that’s the actual company [itself].’

(Company Secretary)

The importance of depersonalising exchanges and taking the emotion out of the situation cannot be overstated. This is best achieved by reminding board members of their ‘higher purpose,’ or what the meeting or company is trying to achieve.

Getting individuals aligned behind the common purpose of the board, and providing a sense of perspective that the goals of the company are greater than the needs of any individual members is crucial.

Working through misalignment of interests requires reference to that common purpose and in this sense the company is the silent (or invisible) fourth party with the company secretary as its spokesperson if necessary.

In our 2014 report, *The Company Secretary – Building trust through governance*, we noted the role of the company secretary as an independent bridge between the executive and non-executive board members. This position, sometimes described as ‘the conscience of the company’, enables the company secretary to work with the chairman to remind board members, where necessary, of their statutory responsibility ‘to promote the success of the company for the benefit of its members as a whole’, while having regard to the likely consequences of any decision in the long term and the interests of other stakeholders.

Practical management of conflict avoidance: the importance of seating

There are a number of practical aspects of conflict avoidance in the boardroom, including such simple measures as seating arrangement. Sitting opposing members next to each other, rather than opposite, is a tactic often employed to prevent tension from escalating.

‘When you’ve got a meeting with two people who are likely to light the blue touch paper because of each other’s presence, make sure they’re in a position where they can’t have eye contact. I used to sit them side-by-side. It was quite something, and they never had a row.’ (Company Secretary)

'If they're going to be difficult sit them on the same side as the chairman, because it makes for easier discussion. Seating is quite important.' (Company Secretary)

Resolving conflict outside the boardroom

'There's no substitute for the informal discussions that happen between board members.' (CFO)

Tension is more often resolved beyond the boardroom. There is enormous value in informal discussions between directors outside formal meetings.

Conflict resolution outside the boardroom is achieved by targeting individual directors with concerns about specific issues ahead of group meetings. This allows more time to explain things and answer questions individually, as well as informally seek others' opinions and gauge their support on specific issues.

Informal discussions outside board meetings also have the power to shape the conversations which take place inside board meetings. Respondents stated that chairmen often know about these secondary talks ahead of time and have a general feeling about the board's opinions on certain issues.

If there is a sufficient degree of concern about tension, items are sometimes pulled from the agenda altogether.

'The natural human tendency to talk and discuss informally is very powerful when associated with any board matters.' (CFO)

Other contributors suggested a more nuanced understanding, questioning whether differences of opinion are best addressed in, or outside, the boardroom.

People issues, such as personality clashes or a lack of fit, are better solved outside the boardroom. Addressing personal issues during board meetings is seen as inappropriate and bad practice.

However, technical differences of opinion are best resolved inside the boardroom as it is important to have the entire board involved and satisfied with the outcome.

Spending time together outside board meetings

It is important for board members to have the opportunity to communicate informally, making use of briefing calls, breakfasts or dinners and pre-meetings. This is critical and gives NEDs the space to talk freely in the absence of executive directors.

'You need to understand and learn about the people. Why they're there, what their skills are, what their background is and what interests them. Spend personal time with them so you understand each other and why you're there.' (SID)

'The board dinner will often be me with the non-executives. We'll be entirely free flowing and strategic: what's happening, what do we think about the environment, what do we think other companies are [doing], where are the big, scary issues?' (CEO)

It is also apparent that semi-social events help avoid conflict by improving relationships between board members, and encouraging courtesy inside the boardroom:

'They may not want to be best friends with these people, but they see the value of members spending time together outside of the boardroom in pre-meetings or having dinner beforehand.' (Company Secretary)

Taking decisions to a vote

One method of resolving disagreements is to vote on a decision, although there is mixed feedback in terms of how common this practice actually is. The majority view is that a vote occurs only in extreme situations where agreement cannot be reached through normal debate.

The need for a vote also indicates that tension is unresolved or, at the very least, has escalated to a point where no middle ground can be found.

 *'Conflict would normally be something where a chairman felt compelled to take it to a vote.'* (Company Secretary)

Taking matters to a vote suggests failure on the part of the board to reach a decision through the usual processes of nuance, debate and opinion:

'To vote looks too black and white, and it's just a little bit too glib to proceed to vote.' (CEO)

More typically, common ground is found through the implementation of controls or checks that help alleviate concerns.

'You wouldn't get a conflict because you'll make sure you resolve each of the questions and queries people have, get everybody happy, and then decide whether to go ahead or not.' (Company Secretary)

Key roles in conflict management

The most significant roles of those playing an active part in boardroom conflict management are the chairman, company secretary and SID.

The role of the chairman

'It's a bit like verbal aikido. It's turning that momentum into something which is more positive and useful.' (Company Secretary)

The ultimate responsibility for resolving conflict and tension falls heavily on the shoulders of the chairman, who occupies a privileged position. It is the chairman who possesses the greatest knowledge of all those on the board when it comes to resolution and diplomacy.

It is the chairman's responsibility to ensure that all opinions are expressed, to get the right people involved through the nomination process, to keep discussion on the issues and to remind people what they are actually there for.

Furthermore, the chairman must diffuse emotion, take things offline and adjourn meetings when necessary. It is undoubtedly a challenging task to find the correct balance between debate and decision. Setting the tone for healthy debate, while avoiding being drawn into conflict yourself, is undoubtedly a complex task.

'Board members rely very heavily on the chairman, because he inevitably knows the chief executive better. He sees him, understands his operational style and can put into context what he's hearing from the investors and employees in particular.' (Chairman)

'The chairman's job is to make sure that concerns get surfaced in the meeting and that there is then collective decision making. It's also the chairman's job to manage their own conflict with people round the boardroom in private.' (Chairman)

 *A good chairman should be an ambassador for the business, be able to listen to and know what people are saying and thinking, should be able to gauge the temperature.'* (Chairman)

'The job of the chairman is making sure that issues come on the table and people collide. You would love to think there will be no conflict, but actually there are issues to discuss, otherwise you will make a wrong judgment. The executive team need that supportive guidance, and that doesn't just mean saying yes.' (Chairman)

'Who creates the challenge? The chairman. The sub-committee has a responsibility to explore the envelope, explore the limits of what people really think.' (SID)

'Where the board is divided, the chair's eternal challenge is how much rope do you play out and say "Enough already, we're making a decision"? I've heard everything.' (Chairman)

'An ideal chairman is one who dissipates waves, not extenuates them in either direction.' (CEO)

The role of the company secretary

The experiences of our respondents suggest that many company secretaries play a critical role in conflict resolution and are the unsung heroes of the boardroom.

A good company secretary will exert their position above and beyond administrative duties to help manage relationships between board members, both preventing and resolving conflicts.

'What you're trying to do is to make sure you can support the management and the chairman, so that when they've got the board meeting you're creating the most effective discussion possible.' (Company Secretary)

Company secretaries occupy a privileged position, because they are the one person in the boardroom who truly works for the board as an honest broker and who consequently everyone trusts.

Company secretaries often find themselves in the position of being a sounding board for the worries and concerns of executives, NEDs and chairmen. They can act as a confidant for board members and smooth the edges of tension in the boardroom.

They are also alert to informal conversations, enabling them to pick up on and inform the chairman of any developing tension.

'The non-exec directors come into the office and chat away. We see the operational side of it much more clearly than the chairman. We talk to the finance director, the finance team, the chief executive and the operations team. We start to hear when people are uncomfortable in the office. This gives us the opportunity for open dialogue that people don't always get with the chairman.' (Company Secretary)

'I've had many occasions where a non-exec director has come into my office, closed the door and said, "Can I just talk to you about..."' (Company Secretary)

Company secretaries use this intelligence to help strengthen the relationships between executives and NEDs and prepare the chairman for any sticking points ahead of meetings. Some act as a go-between for board members and the chairman or support board members who are experiencing a disagreement.

'Company secretaries work behind the scenes. We're very quiet, we sit at board meetings, observe and think "I'll speak to X about that afterwards, I'll speak to Y about that, I'll just try and get them onto the same page"' (Company Secretary)

Company secretaries also describe the mentoring and coaching role they play, in terms of prepping executives beforehand on possible questions that may emerge and even on the engagement style of other board members.

'They're a coach in a way. They should be saying that you seem to have more to say than you're saying, or the points you're making are at the wrong time, or in the wrong place in proceedings and perhaps give some advice.' (SID)

A final theme demonstrated by the data is that the company secretary plays a role in signalling tension to the chairman.

Interviewees spoke about the importance of gauging and signalling tension during meetings by observing and assessing the body language and expressions of other board members. This includes signalling to the chairman when someone hasn't had the opportunity to speak but wants to, or highlighting when it might be a good time to take an issue offline and reconvene.

I'm forever making sure that the chairman is taking into account the views that people have. If there are signals or behaviours that suggest somebody's got something to say, but they haven't been given a chance then I absolutely make sure the chairman is prodded to take this into account.' (Company Secretary)

 *I always want to sit where I can make eye contact with the chairman, so the odd hard stare or raised eyebrow can be quite helpful in terms of flagging something up.'* (Company Secretary)

The company secretary's ability to leverage their privileged position ultimately depends on the quality of their relationship with the chairman, although chairmen do not always appreciate the level of internal intelligence that company secretaries possess:

'The role of the company secretary is dependent on what it's allowed to be via the chair. There are chairs who are very open to the company secretary playing a key role and there are chairs who, unfortunately, think that the secretary is in a support or administrative role.' (Company Secretary)

'I see good chairmen [as those] who really achieve things in the face of adversity. It's been where they can talk openly with the company secretary, because it's a lonely position and the company secretary often sees things that the chairman doesn't.' (Company Secretary)

'The best company secretaries hold the ring between the chairman and chief executive. They're the person everybody trusts and they have the most appreciation of that necessary tension and can help explain it and interpret behaviours.' (Company Secretary)

The role of the SID

Two main themes emerged from respondents regarding the role that SIDs play in conflict resolution. Some felt that SIDs are only involved in 'extreme' situations, where the chair was either part of the problem or conflict, or was unable to resolve the conflict themselves:

'If the chairmen are part of [the problem], then you have a senior independent director and they're supposed to sort it. If they're part of it [as well], it's a disaster.' (Chairman)

'Things have got pretty serious if the senior independent director is being called into action.' (Company Secretary)



'If the chairman is part of the problem, then you need to find a different coping mechanism. Traditionally, that's now where a senior independent director might come in.'
(Company Secretary)

The SID is particularly valuable in situations where there is a weak chairman who is not up to the job and where there is significant dysfunction on a board.

'The senior independent [director] has to be astute about issues on a board. They have to assess what the chairman's doing, be clear about plusses and minuses in terms of the chairman, and be prepared to address that.' (CFO)

'The senior independent [director] role is an easier check and balance on the chairman than the chief exec, because the chief exec doesn't necessarily want to be saying to the chairman, "I don't think you should be doing this". If the senior independent [director] sees an issue between the chairman and chief exec then that's something he needs to resolve.' (CFO)

'If the non-executives were getting uneasy about the direction the board was going, about the leadership, the senior independent [director] would often act as a spokesman on their behalf and say to the chairman "Look, there are some concerns about what's happening here".'
(SID)

The second key theme according to the data is that, rather than being called in to take over the role of an inadequate chairman, the SID is actually there to offer counsel to the chairman in times of need. This view emphasises the importance of the relationship between the SID and chairman and the SID's valuable function as a sounding board and support mechanism.

'I think the chairman-SID relationship is very good. It's a sounding board. "I'm thinking of doing x, y, z, what do you think? Is that the right thing, how would you do it, how would you play it?"' (Company Secretary)

'If the SID has a good relationship with the chairman that's ideal because they can support the chairman and give them the confidence to be stronger. It's the dynamics of the individuals but yes, it can be very helpful.' (Company Secretary)

'The role of the SID has become more important. Do SIDs understand the role they are taking on? Not always. Expectations institutionally of SIDs are heightened given some of the governance failures we've seen, certainly in the UK.' (Company Secretary)

Skills of the effective chairman

'We shall govern wisely. You do not want a chairman who has a love of power and a desire to please.' (Chairman)

In the context of conflict resolution the most significant board members are the chairman and company secretary, which begs the question: what skills are required in these roles to successfully manage board tension? The following comments typify the most desirable qualities:

Diplomacy

'Drawing different views out, seeking to find consensus, and then having the integrity to respect there may be differences while requiring that a conclusion is drawn.'
(Company Secretary)

'Ensuring there is a balance in terms of nobody being dominant and speaking all the time, and everybody being allowed to participate equally.' (Company Secretary)

'He's very aware that if somebody has strong views, he's been able to have a discussion or make sure that the key points are addressed early on to avoid conflict.' (Company Secretary)

Emotional intelligence

'It's not just intelligence that marks you out. It's more about the emotional intelligence, EQ, rather than IQ. It's your ability to pick up on how, for a chairman, the rest of the room might be feeling and making sure everybody's had a chance to express their view.'
(Company Secretary)

'He's got a great sense of how to diffuse the situation, or how to move it on to reach a decision. It's emotional intelligence.'
(Company Secretary)

Authority

'Charm with menace – somebody who is charming, but ultimately you know that they will take the necessary actions.' (Chairman)

Communication skills: articulating, reflecting and paraphrasing

'When they've had a lengthy discussion about something, a good chairman sums it up and is clear about what the board's agreed. The worst thing is to have ten directors walk away from a meeting all thinking they've agreed something different.' (Company Secretary)

'He's very good at giving everyone the opportunity to express their views and then, if there is tension, finds a way to take the edge off in the way he sums it up and brings the alternative views together.' (Company Secretary)

Composure

'Not being threatened by people around him.' (Company Secretary)

'He's very calm.' (Company Secretary)

'When these situations arise people want to look at somebody who's got the confidence and calm to get on and deal with it.' (Chairman)

Momentum

'Moving things on sufficiently quickly to keep everybody engaged, to keep it alive.'
(Company Secretary)

'He's very good at keeping things moving.' (Company Secretary)

Listening and fostering trust

'A lot of it is about listening, distilling, encouraging, fostering trust, and not having a big ego. These are the qualities a chairman needs to lead a board and in the pivotal relationship he or she has with a chief executive.' (Chairman)

Skills of the effective company secretary

Humility

'Not having a strong ego is probably an asset.' (Company Secretary)

'You can't really have ego in this job.' (Company Secretary)

Integrity

'You have to know what integrity is and what it means to you. Compromise is a really important part of being a chartered secretary, a soft skill that is actually the most fundamental part of doing your job. If you can't do that then you can't resolve tension in the boardroom.'
(Company Secretary)

Discretion

'Wisdom is knowing what not to say.' (Chairman)

Independence

'What matters is that you stand alone as an independent person, servicing a board, company, shareholders and every other constituent you have.' (Company Secretary)

 *'There's an element of resilience that's needed, but also being able to be very direct with people.'* (Company Secretary)

'You have to be independent and, like a referee, be able to say here's what the rules are.'
(Chairman)

'You've got to deal with personalities and individuals who have a very firm view that what they're doing is right. You've also got to be firm and say, "Not everyone is with you on this".'
(Company Secretary)

Emotional intelligence

'Being able to see and sense the range of views that different stakeholders have. Also making it very apparent that you're a channel for all views, executive and non-executive, and making sure these are being played back to the chairman, CEO and senior independent director are critical skills.' (Company Secretary)



'Having emotional intelligence is a really important skillset. You need to be efficient and build a good network, making sure you know the key operators in the business and that they see you as adding more value than just running a board agenda.' (Company Secretary)

'You've got to have a very good understanding of two things. One is the organisation and how it operates commercially and secondly the personalities, because clearly you have a range of different personalities in any board.' (Company Secretary)

Efficiency

'My job is to keep things moving and to find a way of making sure that things don't get stuck.' (Company Secretary)

'...you're the heightened antennae and also you're the oil on the wheels. But you are the person to keep things moving and to make sure ... [that where blockages arise] ... you can think of creative solutions to unstick them.' (Company Secretary)

Key recommendations

Preparation

Preparation comes in numerous practical forms, such as ensuring that proposals and papers are presented in full, on time and insisting that everybody has read them before the board meeting.

It also happens with the building of relationships in pre-meetings, particularly between the company secretary and chairman. Mentoring, coaching and being aware of the important issues that are emerging in offline conversations are all crucial elements of the preparation process.

This intelligence can be utilised to facilitate open dialogue inside the boardroom, focus discussion on unresolved tension, and ultimately increases the potential for healthy tension while minimising conflicts.

Managing board meetings

Checking in

Helpful behaviours inside the boardroom include making sure everyone has had their say. Taking time to cool down by breaking for coffee or lunch, or even bringing issues back to the table once greater information or clarity has been provided, are all simple but important parts of conflict avoidance and management.

 *When you know you're not actually getting anywhere take a break. "Everybody, go and have a cup of coffee and then come back and reconvene." Just making sure everybody understands they're working to one goal.'* (Company Secretary)

'If you're a reflective individual in a board full of extroverted people, you may feel intimidated. It's up to the chairman to go round the meeting to make sure everybody's been heard, allowed to have their view and isn't shouted down.' (SID)

Adequate time

Making sure there is adequate time allowed to actually discuss the important issues is critical in resolving tension. There is a danger of rushing through meetings to reach decisions at the cost of tackling the difficult issues head on:

'Decisions take however long they need to take. I think there's no prerequisite to make excessively rapid decisions, but equally you can't take a leisurely approach.' (CFO)

'Do they have adequate time to discuss the right things, have a chance to review succession planning, organisational structures, strategies?' (Company Secretary)

'Making sure that there is genuinely enough time for constructive debate, not just from the chairman but from everybody.' (Company Secretary)



Reflection

Many respondents placed value in reflecting on board meetings after the event during executive sessions or meetings of NEDs without the executive present. They consider what has been left unanswered, review decision making, debate what has worked and what hasn't and critically analyse each of the choices that have been made.

'We go through the impacts on each stakeholder group. It legitimises the process and in any good board you should have someone who is the voice of the customer, your employees and supply chain. That's why diversity also brings tensions.' (Chairman)

Encouraging courtesy in the boardroom

Our respondents highlighted the importance of semi-social pre-dinners, meetings and breakfasts in the context of identifying potential tension, but also for facilitating a healthy respect between board members and fostering courteous behaviour in the boardroom:

'Having semi-social events is important. It's relationship building, so they treat each other properly in the boardroom. You don't get antagonisms and people treat each other with respect.'

(Company Secretary)

Conclusion

There is a clear distinction between conflict and tension. Tension is an important part of the board discussion, while conflict should be handled outside the boardroom.

The chairman's prime responsibility is to realise engagement, regardless of any misalignment of interests, and ensure that they have a functional and cohesive board. The chairman's skill must determine manageable tension and decide when alternative strategies should be pursued to resolve conflict.

The company secretary's role is to advise the chairman when tension is positive and when it is likely to escalate into conflict. The company secretary should also facilitate conversations and build trust with all parties.

If all else fails, the SID is required to address board differences, but ultimately has to use the skills of chairmanship because the circumstances are still the same as those that face the chairman.

It is critical to keep the board together through all of these challenges. The governance and leadership of the enterprise must be trusted by management, shareholders, the wider stakeholder community and the media. It is for this reason that certain conversations have to be taken offline so that internal and external stakeholders continue to buy into the governance of the company.

In conclusion and to let our respondents speak for themselves:

'A previous generation of directors would not have welcomed tension. They would want a smooth meeting with no conflict or argument. A light, considered, well informed debate, and then move on. The generation of chairs that are starting to come through now have a different appetite and are likely to be more demanding. Hopefully this means we will see boards evolve in a more dynamic way so that actions are fit for the purpose we need.'
(Company Secretary)

 *'I wouldn't necessarily bill or label tension as being a problem that has to be fixed or eliminated.'* (CEO)

'I think we all agree that boardrooms are not, and shouldn't be, too comfortable, but equally they shouldn't be uncomfortable. Healthy tension is a good febrile environment.'
(Company Secretary)

The importance of the relationship of the company secretary with the directors, especially the NEDs, for whom they will be the principal point of contact with the company, cannot be overstated. The company secretary is, in a sense, the constant presence of those NEDs in the company, which gives the company secretary real insight when supporting them in contributing to an effective board.



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The Governance
Institute

Conflict and tension are not only inevitable, but play an essential part in effective boardrooms. This collaboration between ICSA: The Governance Institute and Henley Business School endeavours to understand how, when tensions arise, chairs and company secretaries can guide their boards away from conflict and harness healthy tension to achieve better outcomes for their organisations.

Drawing on the personal experience of board members working in a variety of roles and sectors, the report identifies that robust debate, open dialogue and tackling uncomfortable issues head-on can benefit boards' decision making. Findings also challenge perceived wisdom that conflicts must always be resolved directly in the boardroom, and explore how relationships can be strengthened, shaped and supported outside it to facilitate better understanding of board roles and relationships.

The report offers a simple set of principles to guide boardroom practice and insights that will illuminate the thinking of chairs, directors and company secretaries who are working towards making their boardrooms places of harmony and collaboration, as well as challenge and independence.

*'...in order to
create energy,
you need friction.'*

Company Secretary



Institute of Chartered Secretaries
and Administrators

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