



Leveraging Diversity of Thought for Better Board Decision-making



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About the Author

Lloyd's mission is to support decision-making groups facing complexity.

He leads DOT Scorecard, a consultancy that works with boards, executive teams and other decision-making groups to understand potential for wide-ranging diversity of thought and develop the decision-making culture that is required to realise diverse thinking.

Lloyd has held governance roles associated with the health, housing, transport, entrepreneurship, membership organisations and governance education. He was previously a co-founder and the Managing Director of a regional healthcare provider. He holds master's degrees in Audiology and Business Administration.



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Your board is likely to be facing complex decisions

David Snowden and Mary Boone introduced the Cynefin framework in their 2007 Harvard Business Review article, “A leader’s framework for decision making”. This framework differentiates four contexts: simple, chaotic, complicated and complex.¹

The first two contexts have only limited relevance to board decision-making. Simple (or clear) contexts and systems are characterised by established best practice – for example witnessing legal documents. Beyond ensuring that best practices are being adhered to, such matters should not require board decision-making input.

In chaotic contexts the relationship between cause and effect is shifting constantly, so attempting to work out the right answer is not the best use of time and resources; instead, acting without delay to impose some order and limit negative consequences should be the priority. The time lost obtaining the views of each board member or convening an extraordinary board meeting, could well exacerbate the harm regardless of the decision. Therefore, the initial response in a chaotic situation such as a serious health and safety incident, or major operational failure, would usually be delegated to the chief executive, or someone closer to front line.

Complicated and especially complex contexts are likely to be of the focus of governance boards.

Complicated systems are characterised by a clear relationship between cause and effect. They may have many interacting parts but if you can understand the inputs, you can reliably predict the outputs. An example of a complicated task for boards is overseeing the preparation of audited financial statements, where individuals or groups with relevant expertise will provide greater value than others.

The outputs from complex systems cannot be reliably predicted, as all the inputs may not be clear and there may be no definitive ‘best’ solution. Historically, many situations facing boards are complex, such as predicting changes in markets, selecting a new CEO or deciding where to allocate resources to respond to contrasting stakeholder preferences. Current examples of facing complexity could include your board’s decision-making around Climate Change, Social Movements such as Black Lives Matter and formulating your organisational strategy in the context of the COVID-19 pandemic.

When boards can differentiate between complicated and complex matters, they can ensure they allow sufficient time on their agenda for thorough discussion on agenda items that are important and complex. Where decisions concern complicated matters, boards can allocate less time to them and may delegate decision-making to people with the most relevant expertise.

1. Snowden, D. J. & Boone, M. E. (2007). A leader’s framework for decision making. Harvard Business Review. 85(11), 68–76.

What diversity of thought means for boards

To achieve diversity of thought (DoT), governance boards need to achieve two critical elements.

Firstly, potential for different thinking amongst themselves and any others involved (i.e. management, board advisors). Secondly a culture and practices that allow this potential to be realised.

Your board's diversity of thought is based on:²

1. Board group composition

The inherent potential of individual group members to think differently from each other, which may be based on experiences, beliefs and the way they prefer to address problems. This element has also been described as Cognitive Diversity³

2. Board group culture

The attitudes, practices and group dynamics that influence whether individual participants are open to unreservedly sharing their thoughts and whether they actively attend to (listen and consider) the perspectives of others

Context is fundamental to the potential for different thinking based on board composition. An individual board member is not inherently diverse or non-diverse in their thinking. Instead, the presence or extent of an individual's DoT depends on who an individual is compared to. For this reason, you cannot assume that someone who increases potential for diverse thinking in one board will do so in others. Nor is there a 'type' that defines a diverse thinking board member.

Differences between boards' practices and culture may help them realise DoT or hold them back. Therefore, what an individual will share as part of one board may differ markedly from what they contribute within another board.

2. Retrieved from <https://dotscorecard.com/diversity-of-thought>

3. Reynolds, A. & Lewis, D. Teams solve problems faster when they're more cognitively diverse. Retrieved from <https://hbr.org/2017/03/teams-solve-problems-faster-when-theyre-more-cognitively-diverse>

How diversity of thought adds value for boards

The potential for diverse thinking can benefit boards in two different ways.

Specific diversity of thought brings subject matter expertise

It is generally accepted that boards benefit from having members who differ in their experiences (vocational or lived), functional skills and/or network connections. This specific diversity of thought can bring expertise that is a good fit with particular complicated matters where a particular type of expertise is essential – a ‘horses for courses’ approach. Boards readily manage specific DoT by mapping their strategic requirements to a attributes and skills matrix to ensure they currently have or can recruit people with the attributes they are looking for.

However, it is important to note that increasing diversity on one or more attributes is only guaranteed to increase a decision-making group’s capability for diverse thinking around the represented attributes. It will not necessarily increase diverse thinking more broadly: experiences, perspectives and thought preferences may actually be similar across the group.

Wide-ranging diversity of thought adds value when facing complexity

Boards and other decision-making groups are best placed to address complex problems when they have wide-ranging diversity of thought and are allowed to experiment so that creative solutions can emerge.

American social scientist Professor Scott E. Page⁴ and his colleagues used computational experiments to study the decision-making performance of different groups with complex decisions. They found that random (‘diverse’) groups of problem solvers can routinely outperform experts.⁵

In a great range of real-world examples of decision-making – from speculating about future outcomes of elections and other world events based on different information sources, to guessing the weight of a cattle beast at an agricultural show – the group average is reliably more accurate than any individual expert.⁶

This happens because experts tend to take a consensus approach to problem solving, whereas a diverse group is likely to use a much broader range of tools and tactics. The diverse group can conceptualise problems in new ways and increase the number of potential solutions available to them. Such groups can also avoid ‘groupthink’ and stale discussions by making decisions based on facts instead of influence, authority or group allegiance. Diverse groups are also likely to have greater ability to address the differing needs of various stakeholders.

4. Scott E. Page is the Leonid Hurwicz Collegiate Professor of Complex Systems, Political Science, and Economics at the University of Michigan, Ann Arbor.

5. Hong, L. & Page, SE. (2004). Groups of diverse problem solvers can outperform groups of high ability problem solvers. Proceedings of the National Academy of Sciences. 101, 16385–16389.

6. Surowiecki, J. (2004). The wisdom of crowds. London, UK: Doubleday.

Including independent opinions that are often both diverse and contrasting is fundamental to the success of a group's predictions.⁷ The 'wisdom of crowds' phenomenon works by averaging independent opinions to cancel out non-systematic errors. Particular opinions may appear to be outliers but when the views of a group are averaged, including those 'outlier' opinions regularly moves group predictions towards greater accuracy.⁸

Experts can still play a role in addressing complex problems. This could be through bringing together experts who think differently to each other, or pooling experts with other group non-expert members who have greater cognitive diversity.

Other studies, involving tertiary students,⁹ exercises with business executives¹⁰ and longitudinal observation of boards,¹¹ suggest that the reasons why groups with greater DoT achieve a superior performance are that they have greater cognitive potential to generate alternative solutions, to communicate unique insights between group members and, importantly, to reduce the risk of unchallenged decision-making.



7. Gigone, D. & Hastie, R. (1997). Proper analysis of the accuracy of group judgments. *Psychological Bulletin*. 121(1), 149–167.

8. Larrick, R. P. & Soll, J. B. (2006). Intuitions about combining opinions: Misappreciation of the averaging principle. *Management Science*. 52(1), 111–127

9. Phillips, K. W., Liljenquist, K. A. & Neale, M. A. Better decisions through diversity. Retrieved from https://insight.kellogg.northwestern.edu/article/better_decisions_through_diversity

10. Reynolds, A. & Lewis, D. Teams solve problems faster when they're more cognitively diverse. Retrieved from <https://hbr.org/2017/03/teams-solve-problems-faster-when-theyre-more-cognitively-diverse>

11. Landlaw, J. (2020). How diverse is your board really? Retrieved from <https://hbr.org/2020/06/how-diverse-is-your-board-really>

Measuring wide-ranging diversity of thought in boards using the DOT Scorecard®

The Diversity of Thought Scorecard™ (DOT Scorecard®) is a psychometric tool that has been developed from first principles to evaluate the potential of a particular decision-making group, such as a governance board, to achieve wide-ranging DoT as well as the extent to which the group is enabled to realise their DoT.

Measuring a board's potential for diverse thinking

To evaluate a board or another decision-making group on its inherent potential for DoT, each group member completes an online questionnaire where they self-report on the experiences, perspectives and thought preferences that underlie their mindset and worldview. A proprietary algorithm evaluates the representation and overlap of these within that particular group. The algorithm determines a score for the group on an index from 0 to 100. Higher scores indicate greater potential for the assessed wide-ranging DoT.

The input questionnaire includes questions and statements such as:

“How would you describe your socioeconomic status during your teenage years?”

“How often would potential negative consequences from a decision prevent you from taking action?”

“When addressing a problem, I prefer to find an entirely logical solution based on facts (instead of a completely new solution).”

Measuring a board's realisation of diverse thinking

To evaluate a board or other decision-making group on its current realisation of its DoT, the DOT Scorecard® includes a further set of statements to respond to. The aim is to understand the group's decision-making culture, in terms of inclusion in decision-making, psychological safety and independence.

The input questionnaire includes statements such as:

“Perspectives like mine are included in decision-making when they should be.”

“Even when other board members have different opinions to me, I share my thoughts openly and fully.”

The responses are converted into an overall group decision-making culture score between +100 and -100 using a methodology similar to that used for Net Promoter Scores (NPS).¹² Higher positive scores indicate the group is more likely to actually realise their inherent potential for DoT.

About the DOT Scorecard®

The DOT Scorecard® is a psychometric tool for evaluating group diversity of thought. It has been developed from first principles by a multidisciplinary project team since 2017. It is used by a boards, executive teams and other decision-making groups to evaluate current group composition, inform recruitment decisions and support a culture where diverse thinking is realised. It is available globally for commercial use by English-speakers.

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¹² Measuring your net promoter score. Retrieved from <https://www.netpromotersystem.com/about/measuring-your-net-promoter-score/>

Increasing your board's potential for diverse thinking



Some boards can have a lower potential for diverse thinking

Boards differ substantially in their inherent potential to apply DoT to complex decisions. The DOT Scorecard® has revealed that the highest board group scores tend to be in the 70s, three times higher than the lowest scores in the 20s.

If boards with reduced potential for diverse thinking are facing complexity, they should look for opportunities to increase their DoT. The DOT Scorecard® is used to evaluate the prospective impact of different candidates on a board's DoT at the shortlisting stage of the recruitment process.



Prioritise different thinking over a larger board

Board size matters when it comes to DoT. On average, larger boards have higher diversity of thought group scores. Although this only explains part of the difference between high and low DoT potential boards – the degree of difference between board members' mind sets and world views is also highly influential.

Boards can intentionally develop wide-ranging DoT through increasing board size. However, larger boards tend to have greater challenges when it comes to establishing and maintaining the factors that underpin a successful decision-making culture. Larger decision-making groups are more difficult to coordinate, provide with the necessary information and manage with confidential or commercially sensitive information. If group members are financially remunerated, involving more people also has direct financial cost.

Therefore, selecting board members with relevant skills and experience alongside wide ranging DoT, should be prioritised over too higher board head count.



Make the most of your board's outliers

The DOT Scorecard® also evaluates the contribution each board member makes to a particular board's group DoT score. This is a relative measure and is entirely dependent on context.

For example, on one board an individual may be representative of the board – sharing very similar experiences, perspectives and thought preferences to other board members. Yet on a second board the same individual's experiences, perspectives and thought preferences may be radically different to those of the other members. As a result, they are a potential outlier in this context who could markedly increase that board's potential for diverse thinking.

By understanding who the outliers are on your board, the Chair can ensure that they are engaged when discussing more complex matters and encourage them to actively contribute to these even if they are newly appointed, or would usually be less forthcoming.



Ensure that your board committees sufficient potential for diverse thinking

Boards routinely delegate work to committees. Whereas an Audit Committee might focus on more complicated matters, the remit of a People and Culture Committee, or Risk Committee is likely to include a degree of complexity.

If boards consider the topics addressed by different committees and the level of DoT allocated to each committee, they can ensure that the committees tackling more complex matters have greater potential for diverse thinking.



Challenge your thinking with those who are less likely to agree with you

Whether you believe you have ‘the answer’, or you’re simply trying to speed-up a decision-making process, it is tempting to share your thinking in the first instance with someone who is most likely to agree with you and proceed to push towards a rapid consensus.

This approach is likely to have the advantage of being more efficient. However, there is a risk that by missing out on a diverse range of views from the start and limiting constructive challenge, the output of your process will be inferior, or even critically flawed.

Therefore, wherever possible you should challenge your thinking in the first instance with those who are less likely to agree with you

Tips to improve your board’s potential DoT

Beyond looking for the specific skills and experiences you need, seek to recruit board members that have other different personal and vocational experiences

Encourage the recruitment of, and engagement with, board members who frame situations in different ways, have different preferences for solving problems and come up with atypical options

When facing particularly important complex decisions consider including others from within, or outside, your organisation into your decision-making process

Limit the size of your board to the smallest headcount required to achieve a good level of DoT

Actively include the views of your outliers when your board is facing a complex decision

Challenge your thinking more often with the board members and others, who are less likely to agree with you.

Enabling your board's diversity of thought

Inclusion: Building an inclusive board culture

For diversity of thought to be realised, all board members need to be appropriately included in decision-making. To achieve this, board members must have space to contribute to the conversation and be willing to speak up, and others must be prepared to listen.

Although board members are collectively accountable for the board's resolutions and actions, it is not realistic, or desirable, for every board member to be equally involved in every decision.

It is helpful if board members take time to classify different types of decisions and decide how each type of decision will be made. An established framework such as Cynefin¹³ introduced above, provides a common language and a consistent logical approach to support this. Once decisions have been categorised, it is easier for boards to be clear on the level of involvement each particular board member should have in each decision.

To achieve inclusion in decision-making, a board meaningfully brings board members into the process when their contribution may add value. Individual board members should feel that they are both readily able and duty-bound to contribute. It is often important to include all board members when facing complexity.

Tips to improve your board's appropriate inclusion in decision-making

Use the induction process for new board members to set expectations around participation and conduct that will support your board to realise diversity of thought.

Discuss how the board will take different approaches to making different types of decisions.

Do not assume silence around your boardroom table means agreement.

Encourage contributions from any outliers who might present a different view or challenge your board's thinking.

If your board agrees too readily on an important complex matter, take time to challenge your assumptions.

Be open to board members sharing concerns instead of always asking questions, which may not capture what they are really looking for.

Allow sufficient time for everyone to form their view and be heard, otherwise you risk a longer process through revisiting decisions.

¹³. Snowden, D. J. & Boone, M. E. (2007). A leader's framework for decision making. Harvard Business Review. 85(11), 68-76.

Psychological safety: Ensuring all of your board members can make an authentic contribution

Psychological safety, which Professor Amy C. Edmondson has championed and popularised,¹⁴ is a critical element in team performance, as demonstrated in different contexts including Google's Project Aristotle.¹⁵ Psychological safety is the shared belief that a group is safe from interpersonal risk taking. It is about being able to be and show one's self without fear of experiencing negative consequences to self-image, status or career. Psychologically safe board members will feel both accepted and respected.¹⁶

Boards can develop an environment of psychological safety by being curious about what other board members and management are thinking and why they hold a particular perspective. This practice encourages empathy and also supports an inclusive culture. It reduces the risk that particular board members may dominate the boardroom discussion and, in that way, stymie the opportunity to benefit from independent thinking and the full range of views present.

Tips to improve your board's psychological safety

- Start by building trust and respect inside and outside of the boardroom
- Have a shared set of values and a clear vision to support constructive discussion
- Proactively prevent someone from dominating your board discussion
- Encourage curiosity instead of allowing defensiveness
- Frame decision-making as a team sport, not a win (or loss) for the individuals whose ideas are supported (or discarded)
- Support the psychological safety of your management team too

¹⁴ Edmondson, A. C. (2018). *The fearless organization: Creating psychological safety in the workplace for learning, innovation, and growth*. Hoboken, NJ: John Wiley & Sons.

¹⁵ Duhigg, C. (2016). What Google learned from its quest to build the perfect team. *New York Times Magazine*. Retrieved 19 February 2020 from <https://www.nytimes.com/2016/02/28/magazine/what-google-learned-from-its-quest-to-build-the-perfect-team.html>

¹⁶ Kahn, W. (1990). Psychological conditions of personal engagement and disengagement at work. *The Academy of Management Journal*, 33(4), 692–724. Retrieved 20 February 2020 from www.jstor.org/stable/256287

Independence: Achieving independent thought and expression

Including independent opinions that are often both diverse and contrasting is fundamental to the success of boards seeking to realise their diversity of thought.

Each board member should strive to form an independent view by seeking additional information and insight through their own sources, applying their individual problem-solving preferences and seeing things in the context of their personal experiences and beliefs.

They should then convey their view to the rest of the board without moderation, or modification. In this way, the board has the opportunity to consider the member's genuine independent thinking, whether it is aligned to, or divergent from the views of other board members. After the board member has conveyed their perspective and heard the independent perspectives of others, they are entirely free to change their mind.

Tips to improve your board's independence

Board members should strive to develop an independent view and share it in the boardroom

Chairs and CEOs should be especially careful not to unduly influence board members' independent thinking

Your whole board has a role in supporting board members to share their independent thinking

When your board is facing an important complex decision, use a disclosure technique (e.g. a poll or providing a written response) that allows each board member to share their view before they are exposed to the views of others

If a prior discussion with a fellow board member has changed your view, share that this has happened and why you changed your mind with the rest of the board. This allows them to benefit from both your previous and current viewpoints

Summary

Your board is the ultimate decision-making group for your organisation. Board members are rightfully asked to address and take responsibility for the most complex matters you will ever face.

DoT adds value when facing complexity. Boards should therefore aspire to a higher level of DoT than other organisational groups. This requires boards to consider their composition based on DoT, alongside the typical skills, experience and representative diversity.

Boards also need a strong decision-making culture to realise their potential DoT. To support this, board chairs and other board members should actively seek to develop and maintain an inclusive decision-making, psychological safety and independence.

About BoardPro

We exist to increase boardroom productivity and create better functioning boards. We don't believe good governance processes should be left to the domain of larger companies. We know that all parties in a board/management relationship want to use their time and resources most efficiently and productively. We found that a product that helped with the processes, workflows and guidance to work on the right things was missing from the market. So we developed BoardPro in partnership with some of the best independent directors and most progressive CEOs.



www.boardpro.com