Chartered Governance Institute

Diversity of Thought

How you can prepare your board for complex decisions

December 2020

About The Chartered Governance Institute

The Chartered Governance Institute is the premier global qualifying organisation for professionals aspiring to become a Chartered Secretary and/or a Chartered Governance Professional. With over 125 years of history, we assist company secretaries, governance advisers, non-executive directors and others in the development of their skills, knowledge and experience. The Institute is an international organisation with nine local institutes in its network and 29,000 members living and working in over 80 countries. Most importantly, it brings its influence to bear on international trade bodies, governments, regulators, non-government organisations and companies to represent the views and current thinking of those involved in governance.

Chartered Governance Institute

Diversity of Thought
How you can prepare your board for complex decisions

Author Lloyd Mander
DOT Scorecard

Thought Leadership Committee members

- Peter Greenwood – Chair (Hong Kong)
- John Dinner – (Canada)
- Dr Syed Abdul Hamid Aljunid (Malaysia)
- Sabrina Paxton (Southern Africa)
- Dr Rosanne Hawarden (New Zealand)
- Ferida Matambo (Zimbabwe)
- Catherine Maxwell (Australia)
- Peter Swabey (UKRIAT)
- Mohan Datwani, Technical advisor (Hong Kong)

President's Foreword

The Thought Leadership Committee of The Chartered Governance Institute has a particular role to play within the Institute's broader work in the promotion and implementation of good governance practices.

To do this, the Committee publishes papers on challenging aspects of governance and then promotes further debate and thought development through the Institute's e-community. In that spirit, I welcome this latest paper on "Diversity of Thought". This has been authored by Lloyd Mander in collaboration with Governance New Zealand and then subjected to critical review by the members of the Committee.

In the context of boards, diversity of thought is often conflated with diversity of membership. Conversely, when the distinction between the two is recognised, their relationship can be subject to quite different interpretations. For example, there is a view that diversity in terms of physical board composition is just a means to an end, with the ultimate aim being to create diversity of thought and contribution amongst the board. On the other hand, some commentators feel that diversity of thought is one outcome of successful diversity of board membership, but should not be a target in itself.

Lloyd notes the role of the Chair in creating an environment which encourages the expression of diverse views. I would like to supplement those remarks with some observations from my own experience as a senior non-executive director and Chair.

In this context the role of the Chair is pivotal to achieving the best possible performance and outcomes from any group of people, including importantly, diversity of thought. This is not because the Chair is superior or of an elevated status as such but because this person has the specific role of managing the affairs of the group to achieve the best possible outcomes for shareholders and the wider group of stakeholders.

The Chair in many senses is a manager of people.

Boardrooms can be quite fragile environments. They involve people, emotion, differing points of view, personal dislikes, entrenched positions and different character traits and more. Some directors seek to dominate, some hold back, some are more engaged than others, and, sometimes people just don't get along for whatever reason. It is the role of the Chair to bring all of this together, to make sure the board is looking forward and that the board's agenda is, at all times, relevant and value adding not just compliance and historically based.

It is particularly important for the Chair to ensure that the board's collective wisdom, experience and mentoring capability is available to the management team and that the board and management team are working as seamlessly and productively together as possible.

President's Foreword

Achieving the best possible diversity of thought should be a high priority aim for any Chair as the airing of different views and perspectives will help to best interrogate any topic, identify all available options and choose the best option in each case for shareholders and all relevant stakeholders.

Not just myself, but many of us, perhaps all of us, will have had our own experience with boards, committees or other decision-making bodies where we will have seen varying levels of contribution from individual members. We will have formed our own views on the performance of the group and the underlying reasons for this. Those views may well have been formed in a subjective or instinctive way. A particularly thought-provoking aspect of this paper is that Lloyd suggests that diversity of thought can be measured and then proposes a tool for doing so.

I thank Lloyd for his generosity in making his ideas widely available through the Thought Leadership Committee and look forward to the further debate on this important, challenging, and possibly even controversial, subject of diversity of thought which this paper should prompt or provoke.

Peter Turnbull AM FCG
International President
The Chartered Governance Institute

Table of contents

Introduction

The concept of diversity of thought (DoT) continues to grow in prominence in governance and other group decision-making contexts. This trend is greatly encouraging. DoT holds the potential to improve both the composition of boards, by bringing together different perspectives, and the way that boards address complex challenges and opportunities.

To date, however, three factors have held back the potential usefulness of DoT:

1. **The lack of a consistent definition for DoT**, making it more difficult to identify whether DoT is present (or absent)
2. **Poor dissemination of research findings** that provide insight into when DoT is likely to have a positive (or negative) impact on group decision-making
3. **The absence of an effective method for evaluating whether decision-making groups have sufficient DoT** and an ability to apply it – you can only manage what you can measure

This paper addresses all three of these limitations. Supported by data from a sample of New Zealand boards, it offers boards advice on good governance practice relevant to DoT now, as well as making some predictions about how DoT will impact governance in the future.

A definition for diversity of thought

A broad dictionary definition of 'diversity' is: *"the condition of having or being composed of differing elements"*. A more specific definition typically emphasises observable differences between people: *"the inclusion of different types of people (such as people of different races or culture) in a group or organisation"*.[1]

Yet the understanding of diversity has now extended beyond observable characteristics into the domain of thought, which has created challenges. It might seem like both a well-intentioned and common sense comment from Nick Bitel, Chair of Sport England, that:

"Organisations with diverse boards [gender, ethnicity, disability and LGBT+] have a diversity of thought."[2]

But this is not necessarily the case. While individuals that differ in one, or even a few, specific characteristics may have had some different life experiences, which may well impact on their thinking, other factors that affect thinking may be similar. For example, adding a male accountant to a group of female accountants who otherwise have a similar background is only assured to increase potential for diverse thinking on the dimension of gender experience. Yet, even without considering vocational background, greater DoT would be expected if people came from different parts of the world.[3]

I propose a definition containing two principle components that underpin the *potential for* and *realisation of* **diversity of thought** for decision-making groups such as governance boards:[4]

1. **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
2. **Group culture:** The attitudes, practices and group dynamics that influence whether individual group members are open to unreservedly sharing their thoughts and whether they actively attend to (listen and consider) the perspectives of others

Context is fundamental to group composition. An individual 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 group will do so in other groups. Nor is there a 'type' that defines a diverse thinking person.

Cultural differences between groups may help them realise DoT or hold them back. Therefore what an individual will share as part of one group may differ markedly from what they contribute within another group.

Question for boards

- Are you considering diversity of thought from the perspective of not only who is on your board but also how your board members share their thinking and make decisions?

1 Merriam-Webster. (2020). Dictionary definition for diversity. Retrieved from https://www.merriam-webster.com/dictionary/diversity
2 Sports Management. (2019). Lack of diversity in British sports leadership 'unacceptable'. Retrieved from https://www.sportsmanagement.co.uk/Sports-news/latest/Lack-of-diversity-in-British-sports-leadership-unacceptable/343095
3 Nielsen, B. B. and Nielsen, S. (2013). Top management team nationality diversity and firm performance: A multi-level study. *Strategic Management Journal*. 34(3), 373–382.
4 Retrieved from https://diversityofthought.co.nz/diversity-of-thought

Diversity of thought adds value when facing complexity

American social scientist Professor Scott E. Page[5] 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.[6]

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.[7]

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.

Including independent opinions that are often both diverse and contrasting is fundamental to the success of a group's predictions.[8] 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.[9]

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

Other studies, involving tertiary students[10], exercises with business executives[11] and longitudinal observation of boards[12], 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.

---

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

6 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.

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

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

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

10 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

11 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

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

How to identify the complex problems that diverse thinking groups should address

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.

The first two contexts are of limited relevance to board decision-making. *Simple (or clear) contexts and systems* are characterised by established best practice; such matters should not require extensive 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 to impose some order should be the priority.

Complicated and complex contexts are likely to be of the greatest interest to decision-making groups such as 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. The best people to take on complicated tasks such as performing heart surgery or preparing financial statements are therefore individuals or groups with expertise in the relevant area.

However, 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. Many situations facing organisations are complex, such as predicting changes in markets, selecting a new CEO or deciding where to allocate resources to respond to contrasting stakeholder preferences. 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.[13]

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

Question for boards

- Is your board delegating complicated decisions, or relying on the relevant expertise (internal or external) to inform the decisions it makes?
- Do you allocate less time to complicated decisions on your meeting agenda than to complex ones?
- Are you bringing your greatest potential for diverse thinking to bear on important complex matters?

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

What about the value of skills, knowledge and experience?

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 problems where a particular type of expertise is essential – a 'horses for courses' approach. Organisations readily manage specific DoT by mapping their strategic requirements to a 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 specific 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.

Question for boards

- Are you assuming that diversity in one or a few dimensions – perhaps age, ethnicity or gender – will inevitably translate into diverse thinking in other dimensions?

How boards can realise their diversity of thought

If a board is comprised of individuals who differ in their mindsets and worldviews, that membership should give it the inherent potential for DoT. However, to realise this potential, the board must also have a culture that supports individuals prepared to share what they are thinking in addition to carefully considering what others say. All board members should not only have a seat at the table but a genuine voice too. Inclusion, independence and psychological safety are essential elements of this culture.

The board chair has an essential role in leading a culture within the board that ensures DoT will be realised. However, sustained performance will ultimately rely on each and every board member's positive contribution to this culture.

Inclusion in decision-making

If a board member is completely excluded from the decision-making process, provided with inadequate information and given no opportunity to be heard, their perspective, however diverse, will not greatly improve the quality of the board's decisions.

It is not practical or advisable to include each board member in every decision. When a board is addressing *complicated* rather than *complex* matters, it would be reasonable for it not to prioritise including members who do not have relevant expertise. With complex matters, however, all board members should be included, especially those who are most likely to hold different views.

Independence of mind and expression

In this context, independence does not necessarily align with the definition of an Independent Director (a director who is not an employee of the organisation). Instead, to function independently and realise DoT, board members should:

- Consider information such as board meeting papers free from the influence of other board members or management. Board members should avoid forming alliances with one another or discussing how they will approach a certain matter before the meeting.
- Add to any supplied information by seeking out information from other reliable sources that the rest of the board and management may not have access to – for example, additional context from a network connection.
- At the designated time of the meeting, share with the other board members what they have been independently thinking, including ideas and favoured options. Each board member should do so regardless of what others have shared to date and even if the board member has, after hearing others' views, changed their mind. Ideally, in sharing these views the board member should also explain the values and rationale behind the thinking. After that, they do not necessarily have to continue to hold to or defend what they have shared. Instead they, and other board members, should consider the ideas, opinions and options as shared property of the decision-making group.

Psychological safety in the boardroom

Psychological safety, which Professor Amy C. Edmondson has championed and popularised[14], is a critical element in team performance, as Google's Project Aristotle demonstrated.[15] It is the shared belief that a group is safe from interpersonal risk taking. It is about being able to be and show

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

one's self without fear of experiencing negative consequences to self-image, status or career. Psychologically safe group members feel both accepted and respected.[16]

Having psychological safety is essential to allow board members to feel able to share what they are really thinking, allowing them to operate independently as described above.

Boards can develop an environment of psychological safety by being curious about what other board members are thinking and why they hold a particular perspective. This practice encourages empathy and 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 the full range of views present.

When boards achieve a high degree of psychological safety, they have fertile ground for independence of mind and expression, and openness to constructive challenge. These are hallmarks of the best board decision-making processes.

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

Measuring wide-ranging diversity of thought in boards

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 has realised it.

Measuring group 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 experiences, perspectives and thought preferences 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 group realisation of diverse thinking

To evaluate a board or another 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).[17] Higher positive scores indicate the group is more likely to actually realise their inherent potential for DoT.

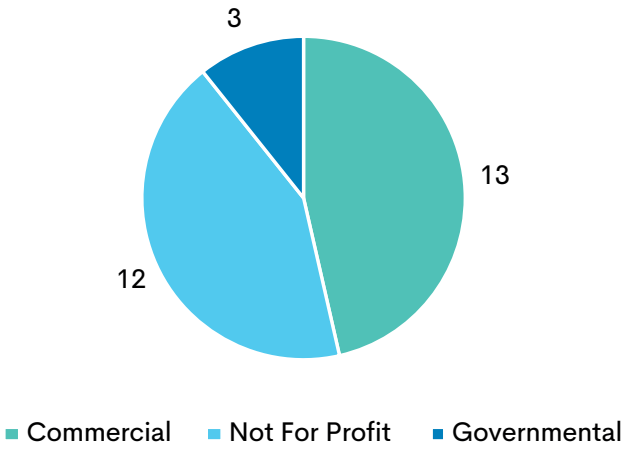
17 Measuring your net promoter score. Retrieved from https://www.netpromotersystem.com/about/measuring-your-net-promoter-score/

Findings from a sample of New Zealand boards

About the sample

The study sample consists of 28 New Zealand boards evaluated between mid 2018 and early 2020. Most are boards of commercial and not-for-profit organisations (see **Figure 1**). They are involved in a range of industries including agriculture, healthcare, science and technical services, social services, professional services, property and utilities. The size of these board groups ranged from five to 15 members and the CEO (or equivalent) was included in each board group evaluated.

Figure 1. Types of organisations in the sample

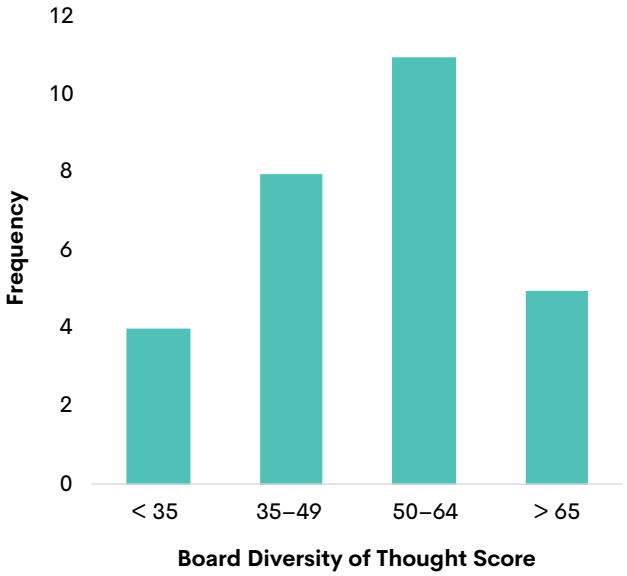


Potential for diverse thinking varies considerably across boards

The group scores showed that the boards' inherent potential for wide-ranging DoT follows a pattern similar to a normal distribution (see **Figure 2**), with the average score (mean) close to **50**.

The highest scores are in the **70s**, three times higher than the lowest scores in the **20s**. These findings indicate boards differ substantially in their inherent potential to apply DoT to complex decisions. If boards with lower scores are facing complexity, they should look for opportunities to increase their DoT.

Figure 2. Distribution of board DoT group scores from the sample



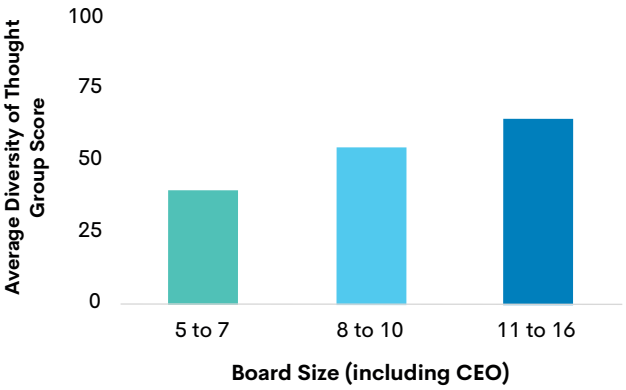
Question for boards

- Does your board have sufficient DoT to address the complex decisions you need to make?

More heads, more diversity of thought

Board size matters when it comes to DoT. On average, larger boards have higher diversity of thought group scores, as **Figure 3** shows.

Figure 3. Relationship between board size and average DoT group score from the sample



Across all groups evaluated in 2018 and 2019 (including boards, executive teams and other groups) there was a moderate **0.6** correlation between group size and group score. However, the fact that the correlation is not stronger indicates another factor – to do with differences in what's going on in board members' heads – is also influential.

Based on these findings, boards can intentionally develop wide-ranging DoT not just through increasing board size but also through choosing members with a greater variety of worldviews and mindsets. Yet, although this is an important consideration, the next section will reveal that larger boards have greater challenges when it comes to establishing and maintaining the factors that underpin a successful decision-making culture.

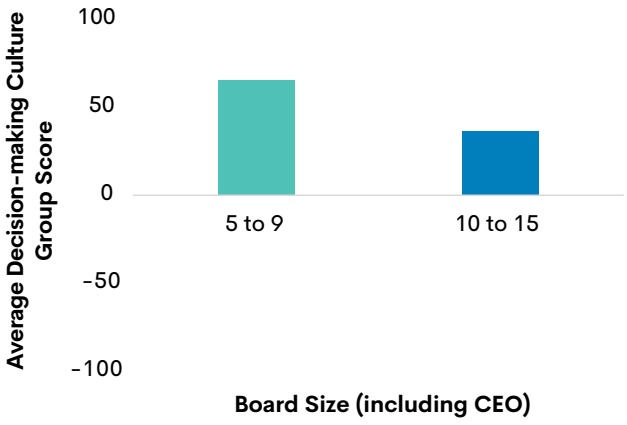
A big board can be detrimental to decision-making culture

Larger groups are more likely to include individuals that have had different experiences, hold different perspectives and have different problem-solving preferences. However, as the personal experience of board members generally will no doubt confirm, 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 a further, more direct cost.

A subset of the sample of boards also completed an evaluation of their decision-making culture. Their scores showed a very strong negative relationship (**–0.9** correlation) between increased board size and the average decision-making culture group score, consistent with **Figure 4** below.

From these findings, it is clear that an effective way to achieve usable DoT on a board is to limit the head count to a size that provides the necessary skills and experience while selecting individuals who will maximise wide-ranging DoT.

Figure 4. Relationship between board size and average decision-making culture group score from the sample



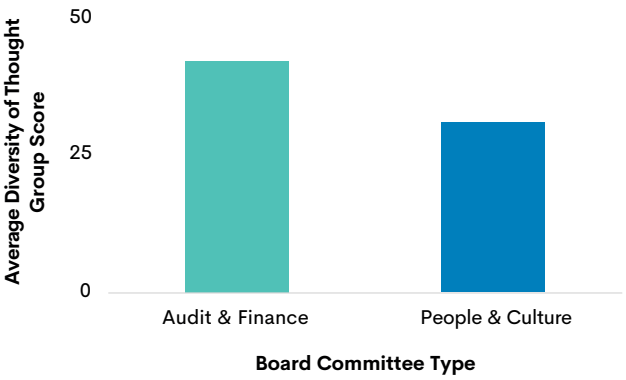
Consideration of board committees

For many boards, committees are delegated responsibility for a wide range of board functions and responsibilities. These include receiving in-depth information and making recommendations for decisions that are likely to be ratified by the board. The composition and functioning of committees has a critical impact on how DoT is sought and propagated.

Board committees can be independently evaluated for their DoT. Consistent with my argument earlier in this paper, I propose that board committees addressing largely *complicated matters* such as audit or regulatory compliance do not need high levels of DoT whereas committees addressing *complex matters* such as people, capability and culture, or risk, would benefit greatly from it.

Figure 5 shows that among the sample board committees, those addressing the complexities of 'people and culture' actually have a lower average group DOT score than those addressing the more technical and complicated 'audit and finance' issues. These results highlight an opportunity to reconsider which members to allocate to each committee to increase the DoT capability of committees that deal with complex matters.

Figure 5. Relationship between board committee type and average DoT group score from the sample



Question for boards

- When allocating board members to a committee that addresses more complex matters, do you consider whether they increase the potential for diverse thinking on that committee?

Potential contribution to board diversity of thought is not evenly distributed

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 or committee an individual may share very similar experiences, perspectives and thought preferences to other board members and therefore make a small contribution to the group's DoT score. Yet on a second board or committee the same individual's experiences, perspectives and thought preferences may be radically different to those of the other members. As a result, they would make a much larger contribution to the group DoT score and potential for diverse thinking.

The graphic (**Figure 6**), inspired by Niels Bohr's 1913 planetary model of an atom, illustrates how each board member's contribution to the group DoT score relates to their associated degree of similarity to (or difference from) the board as a whole.

The group member whose inclusion makes the lowest contribution to the DoT score is used as a reference point for the 'nucleus'. Consistent with a level of significance of five points, board members that have a five-point or greater impact on the board's score compared with the reference individual are represented as 'electrons'.

Among the sample boards, all but one board contained one or more electrons who were significant individual contributors to their board's potential wide-ranging DoT. These electrons are typically a minority of group members (see **Figure 7**), although within the sample between one and seven board members (representing between 13% and 80% of each board) were recorded as electrons.

Figure 6. Example of the atomic representation of individual contributions to a group's DoT score

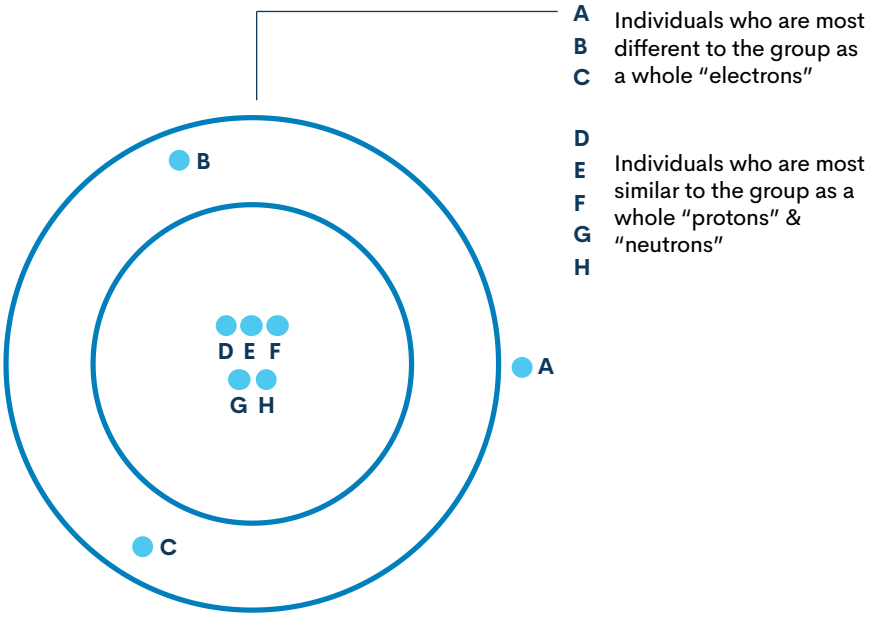
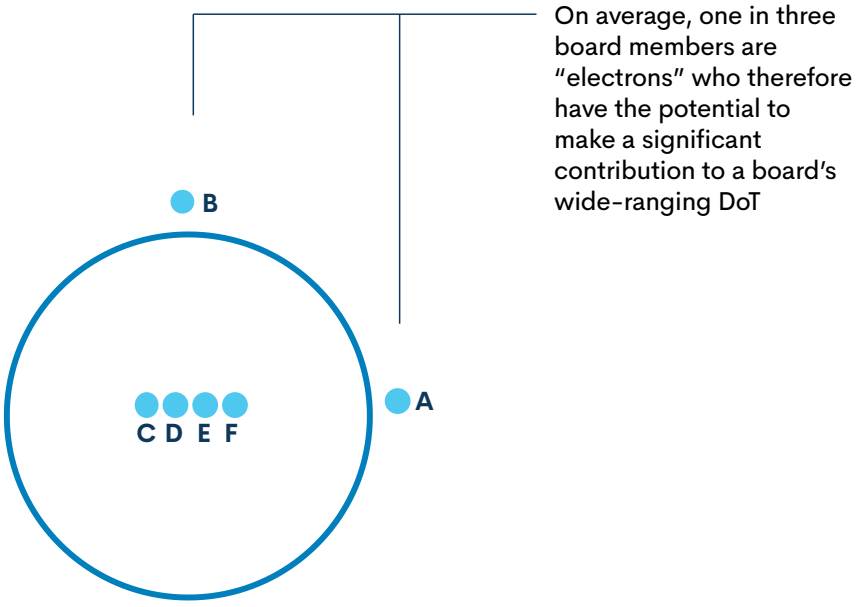


Figure 7. Boards typically contain a minority of individuals who make a significant contribution to potential wide-ranging DoT



With this information, a board can consider which individual members have greater potential to contribute to its overall DoT.

Boards are able to include DoT as a factor when convening new committees to address complex matters, considering the impact of a board member's retirement or considering shortlisted candidates for board membership.

To use their role to develop DoT on the board, the Chair can ensure that those identified as electrons are present for discussion of complex matters and encourage them to contribute to these even if they are newly appointed or are not readily forthcoming.

Question for boards

- Do you include those who are likely to make the greatest contribution to your board's DoT in complex decision-making?
- Does your board think about the impact on wide-ranging DoT when current board members retire, or when it is considering candidates for board appointments?

Boards are not realising their potential for diverse thinking

Boards can only achieve the advantages that DoT offers if their decision-making culture permits or enables it.

Results from the board sample reveal that over half of the boards contain between one and five board members who perceive that they are not appropriately included in decision-making, are not able to share what's on their mind or, if they do speak-up, modify or moderate what they say and so are not presenting their independent view.

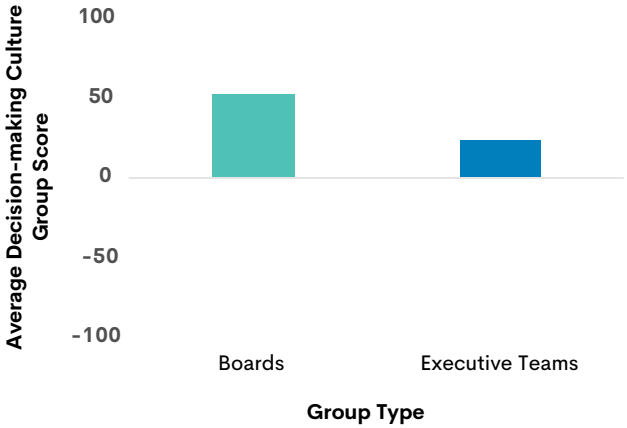
As these results suggest, even where boards have a higher inherent potential for wide-ranging DoT because they have a balanced representation of experiences, perspectives and thought preferences, they face a material risk of not realising this potential. Boards have an opportunity to reduce this risk through routinely monitoring and managing their decision-making culture. For some boards, this will include replacement of board members that are obstructive of the desired culture.

Question for boards

- Do you monitor your board's decision-making culture?
- Does your board actively work towards creating an inclusive, psychologically safe environment to increase the likelihood that every board member will share their independent view without moderating or modifying it and constructively challenge others when required?

Perhaps it is some consolation that boards do tend to have a more positive decision-making culture than executive teams (see **Figure 8**). This may be because boards conventionally are more likely to be established as a unified decision-making group, with less of a hierarchy and less risk of being removed than executive team members.

Figure 8. Comparison of average decision-making culture group score between boards and executive teams



Diversity of thought for boards in the future

In keeping with the increasing demands on boards from regulators, activist shareholders and other stakeholders, boards now face greater expectations about the professionalism of their members, as well as about their composition and culture.

Boards are more routinely evaluating and defining the skills and experience they require to make the best governance decisions. The results of these activities guide board recruitment decisions. The search for board candidates regularly extends beyond the networks of the board and senior management to include advertising the roles and engaging professional board search firms.

A board is the ultimate decision-making group for its organisation. Members are asked to address and take responsibility for the most *complex* matters their organisation faces. Given the importance of DoT in this context, it would be unsurprising if regulators and stakeholders regularly come to expect an appropriate degree of DoT. To meet this expectation, a board would need to measure, manage and report on its inherent DoT alongside other board composition metrics such as gender and ethnicity. Board member recruitment decisions will likely involve DoT as a consideration alongside skills, experience and demographics. The most progressive boards are already including DoT as a key component of their recruitment strategy.

Boards need a good decision-making culture to realise their potential DoT. To support this, board chairs and other board members may be held more directly accountable for developing and maintaining an effective decision-making culture.

Evidence for a board's current DoT status, along with its progress towards and commitment to a positive decision-making culture, may therefore need to be provided through routine external monitoring, evaluation and formal training in decision-making.

Now, and into the future, boards have an incredible opportunity to apply DoT so that they can make the best possible decisions when they are facing complexity. This paper has provided an effective definition for DoT, shown where it adds the most value and demonstrated how DoT can be measured and managed to support improved board performance.

About the author: Lloyd Mander

Lloyd's mission is to support decision-making groups by providing them with research-based tools so they can face complexity with confidence.

He leads DOT Scorecard, a consultancy that works with boards, executive teams and other teams 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.

Contact details:

Email: lloyd@diversityofthought.co.nz

Web: diversityofthought.co.nz

LinkedIn: www.linkedin.com/in/lloyd-mander

About the tool: 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 boards, executive teams and other teams 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.

Contact details:

Email: service@dotscorecard.com

Web: dotscorecard.com

Disclaimer and copyright

The Chartered Governance Institute, c/o MCI UK
Durford Mill, Petersfield, Hampshire, GU31 5AZ
United Kingdom

T +44 1730 821 969
cgioffice@mci-group.com
www.cgiglobal.org