

# Diversity of thought in the boardroom: An antidote to groupthink?

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## I. INTRODUCTION

**S**ignificant progress has been made in improving the diversity of corporate boards. Until now, however, the focus has been on the benefit of obtaining identity diversity, which is defined by Scott E. Page as someone's race, gender, age, ethnicity, religion or sexual orientation.<sup>1</sup> There has been plenty written about the benefits of having these diversity traits in the boardroom, but there has so far been a reluctance to critically examine the difference they make. This may be because of the assumption that having people from diverse backgrounds automatically equates to having diverse perspectives on a board.<sup>2</sup>

Board diversity, whether in terms of identity or thought, has been cited as the antidote to the phenomenon of groupthink which was first defined by the social psychologist Irving Janis in the early 1970s. He describes it as a faulty evaluative compass which can render a group incapable of forming quality decisions. Groupthink has been blamed for many corporate failures such as the collapse of Enron, the Volkswagen emissions scandal and the failures to forecast the global financial crisis. Out of these crises has come a more rigorous approach to corporate governance and the nearly universal endorsement of the proposition that a diverse board is better for business because it brings different perspectives – a critical requirement for effective governance.

Instead of focusing solely on obtaining identity diversity, boards should seek out diversity of thought or cognitive diversity<sup>3</sup> (that is, the different ways in which a person thinks) in order to transform the board's performance and guard against groupthink. Page refers to the advantage that diversity of thought can give a board as a "diversity bonus". He explains that diversity bonuses result from having differences in what we know, how we perceive the world, the frameworks and models we use to organise our thoughts and the way we generate ideas.<sup>4</sup>

In order to harness the advantage that cognitive diversity can give a board, a business should appoint directors who not only appear to be diverse but who are also capable of thinking and communicating diverse thoughts and opinions. Unlike what many assume, these two traits are not intrinsically linked – identity diversity is not a proxy for diversity of thought, and hiring for diversity of backgrounds does not necessarily yield different perspectives.

This paper will examine the role of corporate boards and the increasing challenges they face as they navigate the emerging risks associated with 21st century connectivity. It will explore the phenomenon of groupthink and the role it played in the collapse of Enron. It will go on to examine research on the power of diversity of thought, before making some recommendations on what corporate boards need to do to adopt it.

## II. EMERGING RISKS AND THE NEED FOR BOARD DIVERSITY

There is no doubt that corporate boards today are operating in an increasingly challenging environment. Globalisation, the rapid deployment of technology and an increasing need for risk management<sup>5</sup> have left companies facing a wider range of risks than ever before. Airmic has stated that, increasingly, risk registers are dominated by external threats to an organisation that are often hard to detect, difficult to assess and easy to ignore, rather than the more obvious, immediate and easier to explain traditional risks, on which many business leaders prefer to concentrate.<sup>6</sup> Evidence of this can be seen in **Figure 1** below which shows data security to be the current top concern in the boardroom. Boards fear that with an expanding digital infrastructure comes an increasing risk of severe data breaches and cyber attacks that could lead to regulatory action across multiple jurisdictions, heavy fines and scrutiny of boardroom responsibility.<sup>7</sup>

\* This paper was awarded the distinction of best dissertation by the Airmic assessment panel for the 2019 Airmic Leadership Programme, delivered in partnership with the Business School at City, University of London (formerly known as Cass Business School).

<sup>1</sup> Scott E. Page (2018) *The Diversity Bonus. How Great Teams Pay Off in the Knowledge Economy* (Princeton: Princeton University Press), p. 133.

<sup>2</sup> Lissa L. Broome, John M. Conley and Kimberly D. Krawiec (2011) "Dangerous categories: narratives of corporate board diversity," 89 *North Carolina Law Review*, p. 805.

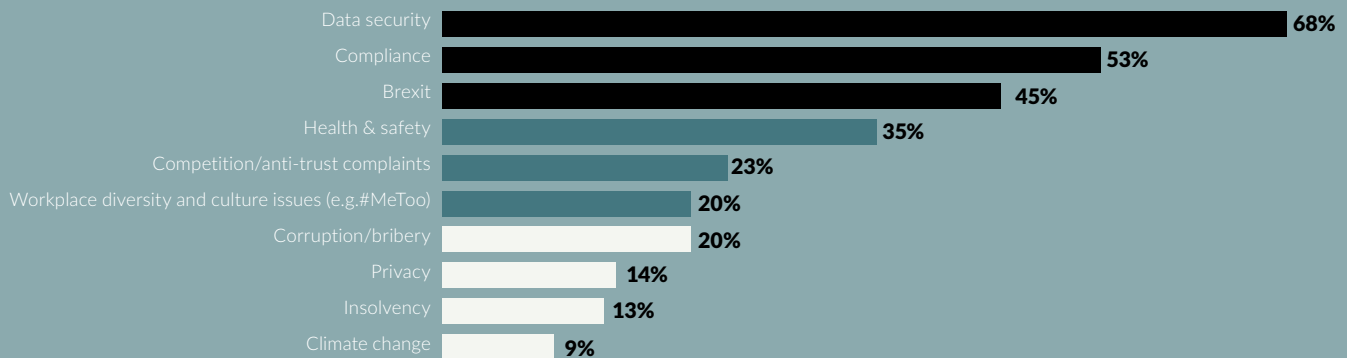
<sup>3</sup> Page, p. 11.

<sup>4</sup> Page, p. 133.

<sup>5</sup> Russell Reynolds Associates, "Different is better: why diversity matters in the boardroom." Accessed online at: <https://www.russellreynolds.com/insights/thought-leadership/different-is-better-why-diversity-matters-in-the-boardroom>

<sup>6</sup> Airmic (2019) "Emerging Risks. New World, New Solutions: A Guide for Airmic Members," p. 4. Accessed online at: <https://www.airmic.com/system/files/technical-documents/Airmic-guide-Emerging-risks.pdf>

<sup>7</sup> The UK Corporate Governance Code, July 2018, p. 9. Accessed online at: <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF>

Figure 1: Top concerns in the boardroom<sup>8</sup>

It is this challenging environment that reinforces the need for diversity of thought. These risks are complex, and no single person can master all the relevant knowledge.<sup>9</sup> A cognitively diverse board will not only find it easier to see risk from many different angles, it will also be able to facilitate a wider debate of the consequences and implications of a variety of actions.

The Financial Reporting Council recognises that the environment in which boards are operating today is rapidly changing, and so on 1 January 2019, an updated UK Corporate Governance Code came into effect. The updated code sets out what is expected from a corporate board and places a greater emphasis on the alignment and monitoring of corporate culture, as well as the importance of diversity and inclusion.<sup>10</sup> The code specifies that “both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths”.<sup>11</sup> Whilst it is positive that cognitive diversity is mentioned, not enough emphasis is placed on the transformative power that it can have on a board’s ability to fulfil its role in determining “the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives”.<sup>12</sup> The code advocates that half of the board should be made up of non-executive directors who can provide constructive challenge, offer specialist advice and hold management to account.<sup>13</sup> Unless these non-executive directors bring different perspectives, their power will be diminished and the risk of unanimous decision-making and groupthink will still prevail.

### III. THE PERILS OF GROUPTHINK

Several corporate collapses have been attributed to groupthink amongst board members. Perhaps the most famous case study is the collapse of Enron, which went from being a hugely prosperous company with a board widely regarded as one of the best in corporate America, to a bankrupt enterprise in less than three months.<sup>14</sup> As a result of Enron’s collapse, thousands of employees lost their jobs and retirement savings, while shareholders lost billions of dollars.<sup>15</sup>

It is important to convey how little diversity there was on the Enron board. The board members all had the similar social, educational and career backgrounds of the power elite in corporate America.<sup>16</sup> This was partly because Kenneth Lay, the CEO of Enron, had selected board members from those who had business relationships with Enron or whose organisations had been beneficiaries of Enron’s political or charitable donations.<sup>17</sup> The group was unlikely to challenge the dominant long-standing chairman to whom it owed so much and, as a result, Lay had created an environment that became a breeding ground for groupthink.

The first symptom of groupthink is a group’s feeling of invincibility, which creates overconfidence and leads to excessive risk-taking. Specifically, group members may come to believe that they can do no wrong, particularly when the group is powerful and has achieved past success.<sup>18</sup> This tendency is common because it relieves stress and fosters a “can do” atmosphere. In Enron’s case, there were several factors that contributed to a

<sup>8</sup> Airmic-KPMG (2019) “Transforming Insurance for Tomorrow’s Risks”, p. 12. Accessed online at: <https://www.airmic.com/system/files/technical-documents/Airmic-Survey-Report-4-emerging-risks.pdf>

<sup>9</sup> Page, The Diversity Bonus, p. 23.

<sup>10</sup> Airmic-AIG (2019) “The Value of Boardroom Engagement,” p. 6.

<sup>11</sup> The UK Corporate Governance Code, p.8

<sup>12</sup> The UK Corporate Governance Code, p.10.

<sup>13</sup> The UK Corporate Governance Code, p.6.

<sup>14</sup> Marleen A. O’Connor (2003) “The Enron Board: The Perils of Group Think,” *University of Cincinnati Law Review*, Vol. 71, p. 1.

<sup>15</sup> Marleen A. O’Connor, p. 2.

<sup>16</sup> O’Connor, p. 31.

<sup>17</sup> Airmic-Cass Business School (2011) *Roads to Ruin: A Study of Major Risk Events - Their Origins, Impact and Implications*, p. 6.

<sup>18</sup> O’Connor, p. 38.

feeling of invincibility. Firstly, Enron had an extraordinary track record of success, with Jeffrey Skilling, then group chairman, once boasting that “Enron has reported 20 straight quarters of increasing income. There is not a trading company in the world with that kind of consistency.”<sup>19</sup> Secondly, Enron frequently described itself as the world’s leading trading company. Thirdly, the culture promoted the idea that the company was untouchable and that it was the employees’ responsibility to improve the glowing record.

The second symptom is related to the first – a belief in the group’s inherent morality.<sup>20</sup> In Enron’s case, this was evident in the failure of the board to question the risks associated with Enron’s transition to become an energy trading company. Court hearings state that “it appears that the (Enron) board of directors continued to perform its duties as if Enron were still an old-line conservative energy company, at a time when it appears, they should have been far more probing.”<sup>21</sup> The feeling of invincibility came from the fact that as a result of Enron’s financial success, the board believed that Enron executives were “some of the most creative and talented people in business”<sup>22</sup> and that to question their decisions would be to withhold them from their continued success.

The third symptom is collective rationalisation, that is, the ability for a group to rationalise away warning signs that would otherwise lead members to revise their positions. This can happen when a board is homogenous in its belief that the business is doing the right thing. This symptom was rife on the Enron board. The US Senate report on the Enron debacle included 13 red flags over two years that the Enron Board should have seen.<sup>23</sup> The board was certainly under pressure from the executive, with Andrew Fastow, the former CFO of Enron, making it clear that without those deals that the US Senate Report subsequently flagged up, Enron could lose its superstar status.<sup>24</sup> No one on the board was willing to step out and question the warning signs. A prime example of this was when the auditing firm Arthur Anderson identified the risk that the authorities would challenge the accounting treatment used in the deals as “H” (for high risk). Instead of acting on the warning sign, the Enron board members did nothing. In later questioning, an Enron director said that he had viewed the “H” for “high risk” as really meaning “I” for “important”.<sup>25</sup>

The fourth symptom is ‘outgroup stereotyping’ – the sentiment that “either you are with us or against us”.

Janis explains that this stereotyping process causes cohesive groups to view those opposing the decision as weak-minded for “not getting it”.<sup>26</sup> This is an easy symptom for board members to fall foul of, especially if they are not industry or financial experts. For Enron, this symptom was largely as a result of its culture. Externally Enron had a “we’re smarter than you attitude” toward analysts.<sup>27</sup> Internally, Enron’s culture of negative stereotyping and its adamantness that its financial statements were not complicated, affected the board’s willingness to inquire about complicated related party transactions for fear of either being seen as afraid of risk and of “not getting it”.<sup>28</sup>

The fifth symptom is the illusion of uniformity – the appearance that there is group consensus amongst the board, which pressurises members to accept decisions. This can happen on a board that has a powerful chairman and an autocratic culture that leaves members in fear of rocking the boat. There was clear evidence of this on the Enron board. The Senate report noted, “Enron Board Members said that Board votes were generally unanimous and could recall only two instances over the course of many years involving dissenting votes”.

The sixth symptom is self-censorship, which can be present in hierarchical boards where directors are reluctant to be the lone objector and therefore remain silent even if they disagree. There was evidence of this on the Enron board when the board failed to ask how much money Fastow and other executives were making from the transactions. One Enron director did claim to have asked a senior compensation officer for data on all the officers, but having failed to receive it after asking twice, they dropped the matter. An Enron employee later stated, “you don’t object to anything, the whole culture at the vice-president level and above just became a yes-man culture”.<sup>31</sup>

The seventh symptom of groupthink is that of direct pressure on dissenters. This transpires when a board member questions a proposal and instead of accepting the line of questioning, the board makes light of the query and labels the questioning individual as not being a good team player. There is no concrete evidence that the Enron board caved in to managerial pressure, but it could be argued that there was never an opportunity when the directors felt able to express any objections in the first place.

<sup>19</sup> Ibid.

<sup>20</sup> O’Connor, p.42.

<sup>21</sup> O’Connor, p.43.

<sup>22</sup> O’Connor, p.45.

<sup>23</sup> O’Connor, p.48.

<sup>24</sup> Ibid.

<sup>25</sup> O’Connor, p.49.

<sup>26</sup> O’Connor, p.52.

<sup>27</sup> O’Connor, p.53.

<sup>28</sup> O’Connor, p.54.

<sup>29</sup> O’Connor, p.55.

<sup>30</sup> O’Connor, p.57.

<sup>31</sup> O’Connor, p.58.

The final symptom of groupthink is the presence of ‘self-appointed mind guards’ that is, members of the board who take it upon themselves to protect the group from adverse information. This could take the form of a board member reporting back to the chair if they sense dissent on a future board discussion item. There is no direct evidence of this at Enron, but again, this was largely because of the homogeneity of the board in supporting the executive. Fastow was apparently so confident in the support of this board that he completed much of the negotiations before even approaching the board for approval.<sup>32</sup>

The case study of the Enron board shows that groupthink is a dangerous phenomenon that can diminish the abilities of some of the most intelligent people and that all boards can be susceptible to this phenomenon under certain conditions.<sup>33</sup> At Enron, it was the lack of diversity and the toxic corporate culture that proved fatal. Had the board included members from a variety of different industries and backgrounds, and operated within a more egalitarian culture, then perhaps the resulting cognitive diversity could have prevented the collective rationalisation, self-censorship and unanimous decision-making that led to the company’s collapse.

#### IV. THE POWER OF DIVERSITY OF THOUGHT

It is clear from the Enron case study that having the right board composition is key to effective governance. With the near universal acceptance of the benefits that diversity can bring to a board, companies have focused on the recruitment of traditional diversity traits. Whilst this is undoubtedly a positive development, recruiting solely for race or gender will not necessarily deliver the level of cognitive diversity that is required to protect against groupthink.

Juliet Bourke believes that diversity of thought is what makes a group shine. Whilst it cannot replace expertise, capability and experience, it can enable breakthrough thinking and strong risk identification.<sup>34</sup> This is because with diverse perspectives and opposing opinions, there will be a more robust and challenging discussion that will result in three advantages – a deeper understanding, a new or better solution to the problem and the possibility of new areas of inquiry.<sup>35</sup>

In her research, Bourke evidences how easy it is for a board to be at risk of reviewing problems from only one or two angles. She believes that a complex problem typically requires input from six different mental frameworks or ‘approaches’:

- Evidence
- Options
- Outcomes
- People
- Process
- Risk.

Of the executives Bourke surveyed, 93% said that one of those frameworks was more important than the other, while 7% said two of the frameworks were most important to them.<sup>36</sup> Perhaps more crucially, when she surveyed senior business leaders, the majority of them said that outcomes and options were the most important things to focus on when solving a problem (**Figure 2**), meaning that the other equally important elements of finding a solution are given much less attention.

The results from these surveys have led Bourke to advocate the importance of diversity of thought. As she rightly points out, no single person is equally good at all six frameworks. Without diversity of thought, the team may look like a group, but it will behave like an individual.<sup>37</sup>

Research by Alison Reynolds and David Lewis evidences that a high degree of cognitive diversity amongst a team generates accelerated learning and better performance in the face of new, uncertain and complex situations. In their experiment, they ran an exercise with executive groups which focused on managing new, uncertain and complex situations.<sup>38</sup> The exercise required the group to formulate and execute a strategy to achieve a specified outcome against the clock. Contrary to their belief that the most diverse teams in terms of age, ethnicity and gender would prove the best, they instead found that the teams with diversity of knowledge, processes and perspective (as indicated by the larger standard deviations in **Figure 3**) completed the task quickest.

Team F was a start-up biotechnology company. The team was mixed in terms of gender, age and ethnicity but was homogenous in terms of how it preferred to

<sup>32</sup> O’Connor, p.60.

<sup>33</sup> O’Connor, p.61.

<sup>34</sup> Juliet Bourke (2016) *Which Two Heads Are Better Than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions* (Sydney: Australian Institute of Company Directors), p. 124. Accessed online at: <http://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/book-store/pdf/which-two-heads.ashx>

<sup>35</sup> Page, *The Diversity Bonus*, p.203.

<sup>36</sup> Juliet Bourke, “How to be smart and make better choices,” 25 April 2016, Tedx Talks. Accessed online at: <https://www.youtube.com/watch?v=MZCyUANqYyw>

<sup>37</sup> Juliet Bourke, p.121.

<sup>38</sup> Alison Reynolds and David Lewis, “Teams Solve Problems Faster When They’re More Cognitively Diverse,” 20 March 2017, Harvard Business Review. Accessed online at: <https://hbr.org/2017/03/teams-solve-problems-faster-when-theyre-more-cognitively-diverse>

**Figure 2: Six building blocks and senior leader profiles in three organisations**

	Outcomes	Options	Evidence	Process	People	Risk	Other
A (finance)	42%	31%	15%	12%	0%	0%	n/a
B (commodities)	44%	35%	9%	3%	3%	7%	n/a
C (government)	47%	24%	2%	12%	8%	3%	4%
Average	44%	30%	9%	9%	4%	3%	

engage and think about change. The team members were all PhD scientists, and with little cognitive diversity, they had no versatility in how to approach the task. As a result, they didn't finished it in the allotted time.

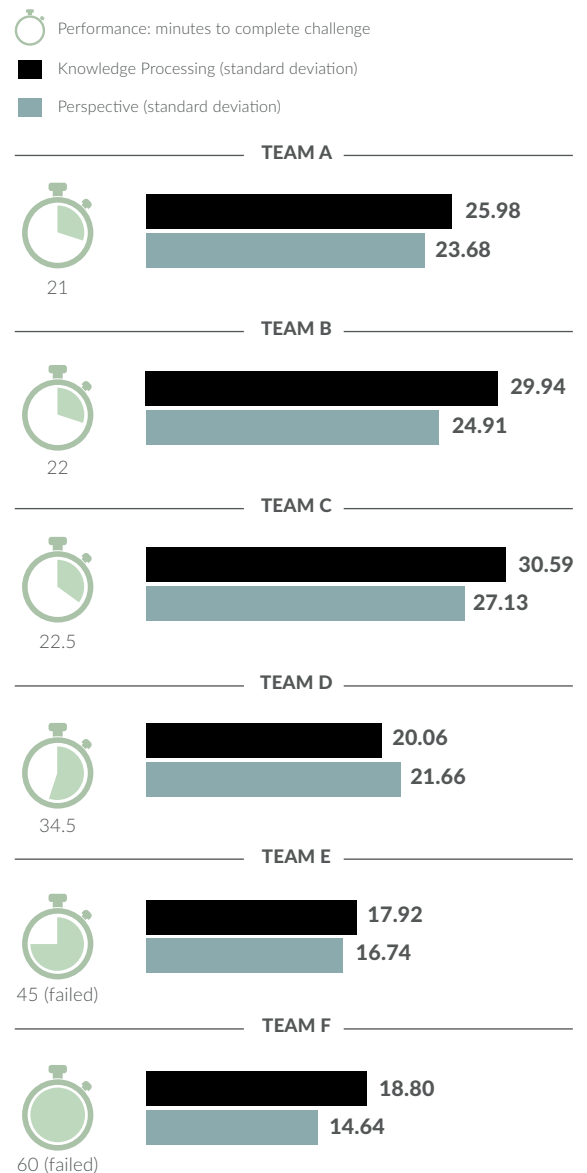
Katherine W. Phillips carried out a research project, the 'Out-Group Advantage', which looked at the effect that disrupting a homogenous group would have on the quality of decision-making.<sup>39</sup> In the experiment, participants from university fraternities and sororities were divided into 50 same-gender, four-person groups. Each group was asked to perform the same task: to read a set of interviews conducted by a detective investigating a murder. The participants were instructed to decide on the most likely suspect individually before entering their groups to discuss their decision. In each group, three individuals were always members of the same fraternity (old-timers) and the fourth member was a new-comer from either the same fraternity or a different one. The old-timers were given 20 minutes to come to a consensus on the most likely murder suspects, but five minutes into the discussion, a new-comer joined the discussion.

After the discussions were finished, each member rated their confidence in their group's decision as to who the murder suspect was.

The biggest discovery was the sheer advantage a newcomer gave a group. Although diverse groups with outgroup newcomers felt less confident about their progress, they guessed the correct murder suspect with far greater frequency than the homogenous groups. The homogenous groups exhibited the groupthink symptom of collective rationalisation. They were more confident in their decisions even though they were more often wrong in their conclusions.

Both these experiments demonstrate the positive effect that introducing cognitive diversity can have on a group's performance. When asked in an interview to confirm whether she had witnessed the positive effects of cognitive diversity on a corporate board, Clare Chalmers, CEO of Clare Chalmers Limited (a board effectiveness review company), recounted that on one occasion she had worked with a healthcare specialist board who had

**Figure 3: Higher cognitive diversity correlates with better performance**



Note: Cognitive diversity is calculated as standard deviations in thinking styles present on each team.

Source: Allison Raeynolds and David Lewis using the AEM Cube, a tool that assesses differences in the way that people approach novel situations

<sup>39</sup> Kellogg Insight, "Better Decisions through Diversity, Heterogeneity can boost group performance," 1 October 2010. Based on the research by Katherine W. Phillips, Katie A. Liljenquist and Margaret A. Neale. Accessed online at: [https://insight.kellogg.northwestern.edu/article/better\\_decisions\\_through\\_diversity](https://insight.kellogg.northwestern.edu/article/better_decisions_through_diversity)

deliberately hired for cognitive diversity. She said that it added enormous value to how the board worked. The most significant change was that instead of viewing all the discussion items through a finance lens, the presence of an HR director meant the group also viewed discussion items through a people management lens.<sup>40</sup>

There is much compelling evidence that supports the argument that a board with diversity of thought will be better equipped to navigate the challenges of corporate governance today. However, as Chalmers confirmed, only a few companies are actively pursuing diversity of thought on their boards. In the next section, I will outline what companies can do to bring this diversity trait to their boards and highlight the important role that a collaborative culture plays in a board's ability to realise 'diversity bonuses'.

### V. ACHIEVING DIVERSITY OF THOUGHT ON A CORPORATE BOARD

Driving the uniformity in board composition are antiquated recruitment practices. An overwhelming number of companies turn to their own directors for board member recommendations. Although this reliance on familiar individuals in existing networks assures a level of qualification and competence amongst board members, the practice ultimately limits the breadth of skills and experiences that guide a company's governance. In the instances where companies are seeking to build diversity on their board, they are frequently let down by their reliance on traditional recruitment approaches that only focus on one or two diversity variables at a time.

To build a cognitively diverse board, the aim should be to recruit board members with a mix of skills, experience and different thinking styles. Instead of focusing recruitment on finding the best individual performers, boards should look for talent that is multi-dimensional. In his book *The Difference*, Page illustrates how achieving this requires recruiters to employ recruitment practices

that not only evaluate whether the candidate has the technical competency for the job but also pose questions that enable the identification of diversity of thought.

Page illustrates this in an experiment in which three candidates were interviewed for two vacant positions on a research team. All candidates were asked the same 10 questions. Jeff correctly answered seven out of 10, Rose six out of 10 and Spencer five out of 10 (see **Figure 4** below). Many organisations would have hired Jeff and Rose for two reasons. First, these two candidates got the highest cumulative score. Secondly, they would have felt reassured by the fact that these two candidates thought the same way. What they may have missed is that Spencer, the lowest overall scorer, correctly answered every question that Jeff, the highest scorer, incorrectly answered, therefore indicating that Spencer would bring a different way of thinking.<sup>41</sup>

Unfortunately, many recruitment processes would stop there. They tend to solely evaluate candidates as individuals when their real value is in how they perform as part of a team. As Page states, on complex tasks, no single test can evaluate the best team.<sup>42</sup> The reason for this is that the diversity a person contributes will be relative to the existing group and the given task. The same person may add diversity to one group on one task but not add diversity to a different group on a different task.<sup>43</sup>

Whilst the development of psychometric tests and advances in neurological research have made it easier for boards to understand how a board candidate thinks, it is still quite rare to see these tools employed in the recruitment process. Clare Chalmers believes that this is because of the age profile of many of the proposed non-executive candidates. They have typically been in business for 30 years and feel that they have a good understanding of their strengths and weaknesses, and what they can bring to the board.<sup>44</sup> However, boards should be wary of relying on these self-evaluations, because whilst a lot of people are confident that they can bring diversity of thought, the reality is that they are often very similar to their peers. This is exemplified

FIGURE 4

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Spencer			●	●	●			●	●	
Jeff	●	●			●	●	●		●	●
Rose	●	●				●	●		●	●

<sup>40</sup> Author's interview with Clare Chalmers, CEO of Clare Chalmers Limited, 7 August 2019.

<sup>41</sup> Anesa "Nes" Diaz-Uda, Carmen Medina, Beth Schill, "Diversity's new frontier Diversity of thought and the future of the workforce," 24 March 2013. Deloitte Insights. Accessed online at: <https://www2.deloitte.com/insights/us/en/topics/talent/diversity-new-frontier.html>

<sup>42</sup> Page, *The Diversity Bonus*, p.219

<sup>43</sup> Page, *The Diversity Bonus*, p.8.

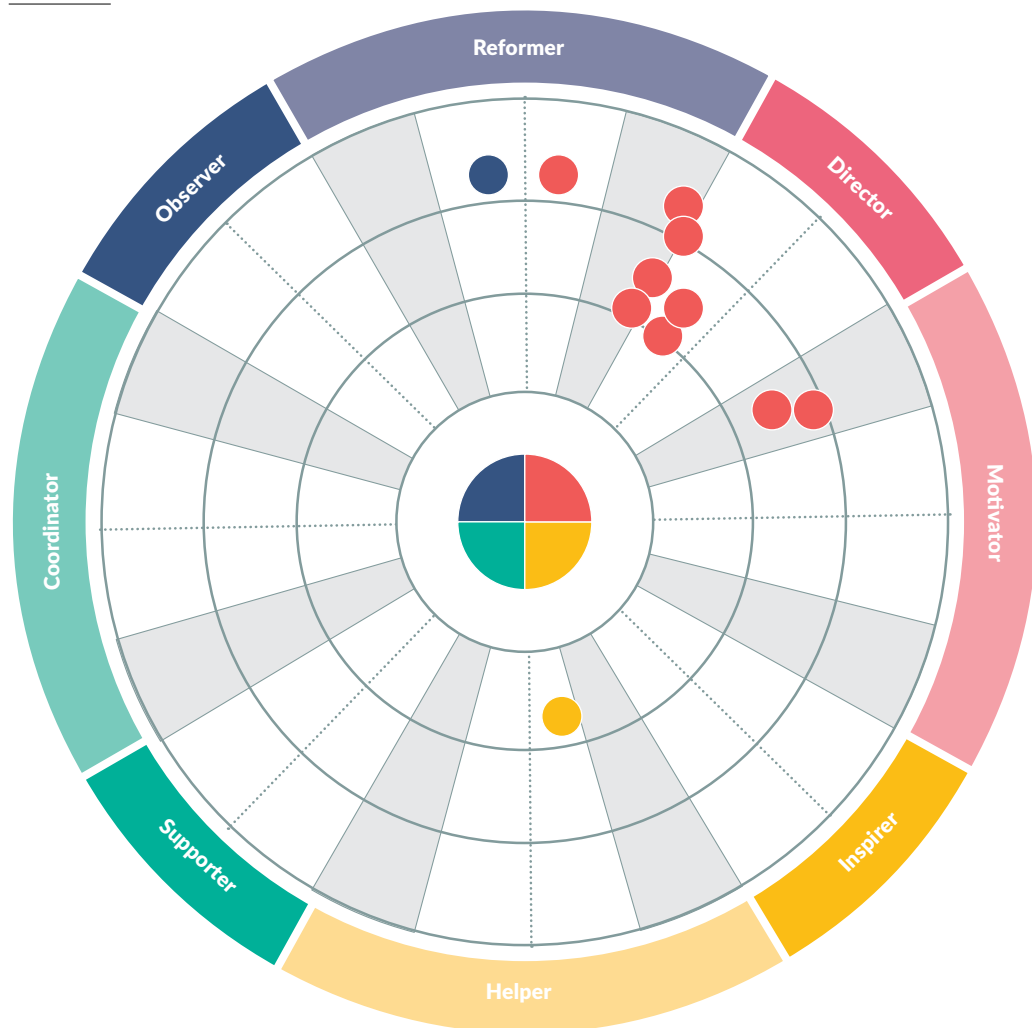
<sup>44</sup> Author's interview with Clare Chalmers, CEO of Clare Chalmers Limited, 7 August 2019.

in **Figure 5**, which shows a breakdown of the personality types of one corporate board, a board unknowingly dominated by “directors”.<sup>45</sup>

Bourke was surprised to discover this in an exercise she carried out when working on the Australian army’s personnel development plan. In the first part of the experiment, the participants were required to fill in a self-assessment survey that questioned their preference for three cognitive states – certainty versus ambiguity, thinking versus acting, caution versus risk-taking. The results showed that most of the participants had a moderate tolerance of ambiguity, a high preference for thinking and thought of themselves as open to risk-taking rather than being cautious. In addition to the self-

assessment survey, the participants took part in a second online assessment that was designed to measure: (i) a preference for certainty or ambiguity and (ii) a preference for caution or risk-taking. The assessment tool was designed to measure what they unconsciously preferred through a word association task that measured the speed at which the participants associated two words. The results from the second online assessment were confronting; far from being tolerant of ambiguity and open to risk-taking, the participants had a stronger preference for certainty and a cautious mindset. Bourke comments that it was almost as if the self-assessment results reflected who they wanted to be and the online assessment reflected who they really were.<sup>46</sup>

**FIGURE 5**



<sup>45</sup> Graphic provided by Radius360, Identity of board withheld.

<sup>46</sup> Bourke, p. 121.

For boards to obtain diversity of thought, it is crucial that the use of psychometric testing is more widely adopted. These tests can provide companies with a true understanding of an individual's and a group's thinking styles. The failure to correctly self-identify and address diversity of thought can be the difference between an effective and challenging board, and a board that is unknowingly blinded by homogeneity.

The final recommendation for boards looking to take advantage of diversity of thought among their members is the need for a collaborative board culture. The Enron case study clearly links the problematic company and board culture to the prevalence of groupthink. The Enron board operated as a hierarchy – the CEO dominated discussions and the other board members feared challenging these discussions. Boards can undertake a lot of work to obtain diversity of thought, but unless there is an environment of fairness, non-discrimination, respect and trust, access to the benefits of cognitive diversity will be blocked. It is important for the board chair to recognise that a person who thinks differently from others controls the right to reveal that thinking or self-censor, and when board members do not fully contribute, the power of cognitive diversity is left unrealised and groupthink can emerge.<sup>47</sup>

## VI. CONCLUSION

There is no doubt that many companies today are having to transform the way they operate in order to maintain relevance in this increasingly connected and data-driven world. Corporate boards, in their role to promote the long-term sustainable success of their company, are faced with the challenge of identifying and providing solutions to an evolving list of intangible and unpredictable corporate risks. To excel in these complex environments, boards need to be able to harness diversity of thought. When a board can draw upon a broad assortment of competencies, priorities and insights, it sparks creative abrasion, a process in which potential solutions are generated, explored and altered through debate and discourse. So whilst a cognitively diverse board may produce less immediate representativeness than a homogenous board, it is more likely to succeed in guarding against the threat of groupthink, expert overconfidence and internally generated blindness, all of which continue to threaten boards today.

<sup>47</sup> Susan Woods (2008) "Thinking About Diversity of Thought", Henderson Woods, LLC. Accessed online at: [https://www.utdallas.edu/diversity/documents/thinking\\_about\\_diversity\\_of\\_thought.pdf](https://www.utdallas.edu/diversity/documents/thinking_about_diversity_of_thought.pdf)



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