

DEVELOPING INCLUSIVE BOARDS: WHAT DIRECTORS SHOULD KNOW ABOUT THE POWER OF THE UNCONSCIOUS

The success of any business rests on its decision-making ability and ultimately, it is this capability that determines the effectiveness of a Board.

As human beings (and we must accept that that does include Board directors) we are not as rational as we believe we are. We may think we are making decisions driven by logic, but actually we are often rationalising the intuitive conclusions we have already reached (in Daniel Kahneman's terms, more system 1 thinking than system 2 - "Thinking Fast & Slow").

Some causes of poor decision-making

What the relatively new field of "decision neuroscience" is showing is the powerful role of the unconscious in determining what information we do (and don't) take into account in making our decisions.

As Andrew Campbell, Jo Whitehead and Sidney Finkelstein point out: "*Flawed decisions start with errors of judgment made by influential individuals.*" ("Why Good Leaders Make Bad Decisions").

The first thing to note is our propensity to take note of data that support our initial view. Back in 1979, research at Stanford showed how this tends to operate. Students were divided into two groups, one that was pro-capital punishment and the other that was against. They were given case studies (fictitious as it happens) to read about the effectiveness of the death penalty as a deterrent (one concluding that it was effective, the other that it was not). The impact of reading the very same case studies was contradictory - each group became more convinced of its own position.

This is known as **confirmation bias** - we take note of the data that confirm our presuppositions and we set higher hurdles for the data that challenge them.

There are other ways too in which our unconscious mind shortcuts our more laboured decision-making

processes. We use **pattern recognition** - in other words, we relate a current decision to a previous situation and make assumptions based on what worked last time.

We have **emotional "tags"**. We have had good experiences with a person in the past, so it is likely that s/he gets an easier ride. Or, conversely, we have had a bad experience with someone in the past and therefore, we are deaf to the advantages of their proposal this time around. And this all is before we even start to think about other biases such as "loss aversion" (being more fearful of loss than valuing gain) the "anchoring effect" (the impact of our initial estimates) and the fact that we are routinely over-confident in our own abilities.

So, what implications does this have for Boards?

The first is perhaps simply to accept that this happens. Once there is this acceptance, then the key is to create an inclusive environment in the boardroom where constructive challenge is the norm. That is how we shine a light on our unconscious assumptions and see them for what they are. This is a critical role for Non-Executive Directors.

It is also, of course, why boardroom diversity is so important. We all have blind spots, a diverse boardroom makes it less likely that everyone around the table shares the same ones.

This is the first in a series of articles on "Developing Inclusive Boards," drawn from our broader work with Boards on diversity and inclusion.

For more information see www.schneider-ross.com or contact Robin Schneider - robin.s@schneider-ross.com or call +44 (0) 1264 882 400.