



BOARDROOM INNOVERSITY

Column by Susanne Justesen, INNOVERSITY RESEARCH, October 2004

In a time where organisations are increasingly aware of the importance of corporate governance and the role of boards in determining the future of the organisation; I wish they would also take a closer look at the problems associated with homogeneity (lack of diversity) and the likely consequences of such homogeneity when it comes to innovation.

Many boards are already struggling with the transition from being merely reactive and compliance-oriented toward instead becoming more strategic and performance-based. It is certainly not an easy task – but it is none the least an important one, if we want our organisations to truly benefit from having a board at all.

So instead of the existing rigid board structures and processes, we need more dynamic boards. We need boards that can accommodate the requirements of a highly complex society which are able to navigate in a rapidly changing market space. We need diversity, innovation and innoversity, and we especially need it in the boardroom.

Diversity in organizations has been studied mainly with regard to employees, but many of the conclusions about the value of diverse workforces can be assumed to apply also to diverse boards.

So instead of boards populated by the same old guard, that is, men around and above the age of 45 in grey suits, who conduct standardized meetings once a month, acting as

sounding boards to management, we need diverse boards with independent members and different perspectives. We need innovation and innovative thinking to enter the boardroom.

If board members are too similar, they will tend to agree too much with each other, and probably also with management. A diverse board, on the other hand, will be able to offer new perspectives, bring in new knowledge and different viewpoints, and none the least actively enhance the value of the strategic capabilities of the board

A diverse board thereby also means that management can actually benefit by listening to and by engaging with the board, because of what it has to offer in terms of different professional backgrounds, perspectives, countries, cultures, backgrounds, age, sex, hierarchical positions and different disciplines.

In many organizations, management expects the exact opposite: compliance and silence, which makes their lives as managers so much easier. Unfortunately, such compliance makes the survival of the organization equally difficult.

RECRUITING NEW BOARD MEMBERS

If boards of directors want to be respected for the decisions they make and the work they do, the selection process for board members should be as professional as it is for company executives. Most boards are still very often composed of members from the chairman and / or the CEO. This is a problem because we know that networks usually emerge among very similar people, because we as human beings usually prefer to interact with others similar to ourselves.

A board that is not conscious about this, is therefore very likely to consist of very similar looking, thinking, speaking and acting individuals – which is likely to result in groupthink which can be highly detrimental to both good corporate governance, but even more so to the strategic future of the company, and the innovation thereof.

If everyone is thinking in the same way, there is very little ground for checks and balances, and because diversity is usually associated with greater receptivity to change and to higher levels of creativity and innovation, board members in a diverse board are much more likely to offer and challenge different points of view.

HOW TO ACHIEVE INNOVERSITY IN THE BOARDROOM?

Achieving a diverse and more innovative board is not to be done overnight: it requires a high degree of commitment and work in the existing board, but will soon pay off in terms of more interesting, inspiring and meaningful board meetings. So what can be done in order to actively pursue a higher degree of innoversity within the boardroom? These would be my recommendations:

First of all – take a good look at the composition of the board in your organization. How similar / different are the members from the CEO / Chairman (the person largely responsible for composing the board) on different measures such as age, profession, educational background, sex, interests, psychological profile, nationality, cultural background etc.

Set up a meeting with the board to discuss what kind of diversity you would need in order to obtain more different and contrasting points of view, a larger pool of different skills and competences, and none the least, different fields of expertise which will make sure that you have access to as many different domains of knowledge as possible. It is especially important to look at the differences / similarities between CEO and Chairman, and make sure that they are not too similar, which seems to be one of the primary pitfalls.

Set goals for the innoversity needed and make sure that someone truly dedicated to the task will take up the challenge of finding the people you need to obtain your goal. Try to look for suitable candidates all year long, not just a month ahead of the annual assembly.

Make sure that conflicts arising from opposing views are dealt with when they arise, to prevent them from developing further. Since the overall commitment of the board towards the need for innoversity is what makes innoversity possible in the first place, it should also be the very same commitment that would allow conflicts and disagreements to be dealt with in a professional manner.

But let me end this column with a quotation from Professor Winfred Ruigrok, who recently conducted a large study of corporate governance in Switzerland – and concluded the following about innoversity in Switzerland, which is more than likely to be in the very same in boardrooms in the rest of the world as well:

“Swiss boardrooms are populated pre-dominantly by industrialists, bank representatives, and lawyers. Because one typical criterion for new entrants is that they fit into the board or corporate culture, firms run the risk that new board members resemble existing members. The result may be a cozy board that scores high on team orientation and homogeneity yet low on task orientation and diversity of scope and skills. Homogeneity of boards fosters groupthink, reduces the scope of inputs and, at least for firms facing challenging business environments, ultimately reduces the quality of decision-making.”