



## Compulsive homogeneity

‘These factors make it easy for people who are in positions of power to define what it means to be “impressive” in terms of their own strengths and for others to genuinely agree. This is dangerous as it can create a singular narrative of what good looks like that prevents them from getting the mix of skills and expertise required to work together effectively.’

*Justine Lutterodt*

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## The broken audit

‘The audit process in the UK has ingrained, long-term institutional issues which the Government’s consultation document skirts round. What the audit process needs is root and branch reform – a revolution and not an attempt at a patch up job.’

*John Harte*

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## Compulsive homogeneity

In the third Report coming out of her research **Justine Lutterodt** considers how to avoid ‘compulsive homogeneity’ in the boardroom by creating a healthier flow of power.

Is your boardroom ‘bubble bound’? Do those sitting around the table tend to resemble each other – in terms of lived experience (demographics, education, etc) and professional expertise? Does an individual’s perceived status, rather than the value of their perspective, determine whether they are invited to contribute to decision-making? If the answer to any of these questions is ‘yes’, your organisation may benefit from creating a healthier flow of power, based on research findings from a report that the Centre for Synchronous Leadership (CSL) recently published, in partnership with The Chartered Governance Institute UK & Ireland.

The Report is the third of a three-part series entitled ‘Mindful Exclusion’ (see page 8 of *Governance* Issue 322 June 2021 for the scope of the series) that uses insights from social psychology to interrogate the quality of boardroom decision-making.

Mindful Exclusion is a concept that CSL has been using to spark meaningful dialogue and transformation in the business sector since 2015. I have been writing about it since 2016 when it was first featured in the World Economic Forum’s leadership magazine *Developing Leaders*. The central premise is that exclusion matters. The cognitive shortcuts that we rely on to navigate a world of unlimited options are often infused with biases and social norms that we are unaware of. These can distort our judgement, leading us to operate within insular bubbles that result in significant blind spots. It is only when we begin to notice what issues are *not* getting prioritised, what messages are *not* being conveyed and which people are *not* being invited to contribute, that we can break out of these bubbles and learn how to ‘exclude better’. For this mindfulness is required.

### The bubble of ‘impressive’ people

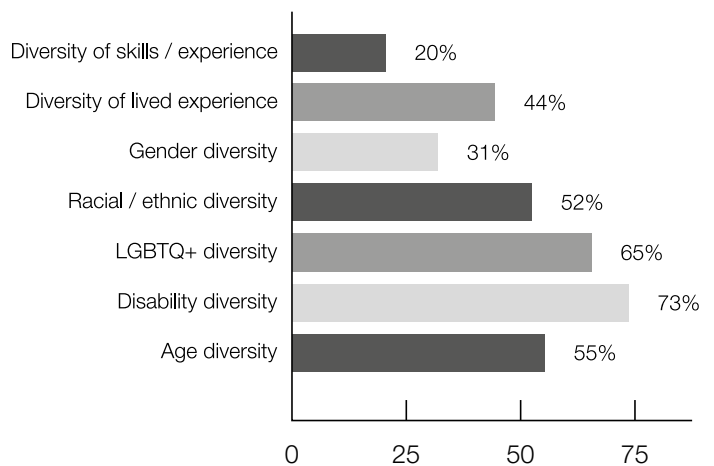
In this Report your focus was on boardroom composition. We first examined whether certain types of people had been mindlessly excluded from boardroom positions prior to Covid-19. From Round I of the study, we found evidence that boards and executive committees were struggling to select members whose profile in terms of lived experience and professional expertise did not resemble their own. Although most board directors believed that improving diversity would lead to better decision-making, few appeared willing to make it a priority – particularly if this involved challenging the norms of candidate selection that had resulted in their own appointment.

For instance, prior to the pandemic, one industry report showed that the most common approach to finding diverse candidates was to seek referrals from existing board members. Another revealed that while almost all directors believed that financial expertise was ‘very important’, less than a quarter

placed a high value on information technology (IT) expertise, and even fewer did so for human resources (HR) expertise. Through qualitative interviews, we heard stories that brought these statistics to life, including several examples of organ rejection in response to norms being challenged.

The results of our survey in Round II helped to clarify the extent of the problem. Forty-four per cent of respondents indicated that their board or executive committee had insufficient demographic diversity for relevant perspectives to be represented in decision-making. Nineteen per cent reported that the mix of skills/expertise in the boardroom was not well suited to the needs of the organisation. These figures mirrored the extent to which diversity had been disregarded prior to the pandemic (see Chart 1).

**Chart 1.** Which types of diversity were excluded from consideration prior to Covid-19?



*% indicating that this type of diversity was never or rarely treated as a priority*

In Round I we discovered a similar hesitancy when it came to challenging individual members in relation to board performance. Few boards were willing to subject themselves to external scrutiny when it came to board assessment or to hold individual members to account based on the assessment findings. And yet, half of directors felt that at least one colleague should be replaced. Half of directors also expressed the view that there were major barriers to board refreshment.

Interestingly, there was a subjective dimension to these judgements. Older directors, whose performance was more likely to be questioned, were much less likely to believe that board refreshment was a problem. IT executives were twice as

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likely as CEOs and CFOs to believe that two or more directors should be replaced, and three times as likely to rate board effectiveness as poor or fair. Thus, even amongst those already sitting in the boardroom, individuals appeared to have a biased view of what characteristics were valuable based on their own profile.

As a result of Round I, we suspected that there was a deeper psychological issue at play: attachment to power. The academic research on power shows that when individuals have power, they tend to hold on to it, and the prospect of disrupting the pecking order becomes particularly stressful. Power also tends to make us over-confident, worse at perspective-taking and more likely to stereotype people with less power. Ironically, it has the opposite effect on those with less power, making them more likely to perceive individuals with power as competent.

These factors make it easy for people who are in positions of power to define what it means to be ‘impressive’ in terms of their own strengths and for others to genuinely agree. This is dangerous as it can create a singular narrative of what good looks like that prevents them from getting the mix of skills and expertise required to work together effectively. Moreover, when those in positions of power possess a similar profile, this narrative can extend to include meaningless characteristics which we start to implicitly associate with power. Height is one example of this. It is not an accident that CEOs tend to be significantly taller than the general population, and yet this characteristic has no bearing on CEOs’ skill in performing their role.

Our hypothesis was that companies whose boards and executive committees did not have practices in place to prevent attachment to power would be more likely to suffer from ‘compulsive homogeneity’. To test this theory, we divided respondents into four segments, focusing on three practices that served as a proxy for preventing attachment to power: embracing refreshment, creating effective accountability and cultivating a pipeline.

A reminder of how the segments were defined:

The *Bubble Bound* were the most insular segment. They were defined by their failure to embrace boardroom refreshment.

*Bubble Breakers* were willing to go beyond their bubble to some extent, but not beyond the scope of traditional norms. They were defined by the practice of embracing refreshment, but lacked effective accountability.

*Mindful Managers* were willing to go beyond their bubble and were unconstrained by traditional norms. They were defined by the practices of embracing refreshment and creating effective accountability, but they had poor pipeline cultivation.

*Mindful Movers*, the most proactive segment, reshaped their bubble to align with their values and larger objectives. They were defined by the practices of embracing refreshment, creating effective accountability and cultivating a pipeline.

Survey results supported our hypothesis. The *Bubble Bound* were the least satisfied that their diversity was fit for purpose. Thirty-nine per cent of this segment stated that their mix of skills/expertise was not well suited to organisational needs versus just 4% of *Mindful Movers*. Sixty-six per cent of the *Bubble Bound* stated that they had insufficient demographic diversity to represent relevant perspectives in decision-making versus 29% of *Mindful Movers*. It is interesting to note that the gap between these groups was almost identical for these two very different forms of diversity. Moreover, these figures were mirrored by the extent to which diversity of skill/expertise and diversity of lived experience had been disregarded prior to Covid-19.

The *Bubble Bound* appeared to rely on a singular narrative of who was ‘impressive’ based on perceived status. They were by far the least likely to seek out alternative viewpoints or capture ideas from staff at different levels, and the most likely to have individuals dominate during meetings. *Mindful Movers*, in contrast, went out of their way to ensure that marginalised groups had a voice. They were also the most likely to disrupt their own status quo by making time to discuss blind spots, giving and receiving feedback during meetings and subjecting themselves to external assessment.

Ultimately, *Mindful Movers’* commitment to creating a healthy flow of power appears to have paid off in spades. Seventy-four per cent were confident that they had the ideal composition for governance versus a mere 25% of the *Bubble Bound*. *Mindful Movers* were also the most confident that they had ideal group dynamics for governance and that they were effective at prioritising issues for the agenda.

In conclusion, the unhealthy homogeneity that is observable in many boardrooms appears to be driven – at least in part – by a deeper attachment to power. This is a natural human phenomenon and must be tackled with vigilant practices that create a healthier flow of power. Only by addressing the underlying issue can boards and executive committees ensure that the criteria and norms used for candidate selection evolve to keep up with the dynamic needs of their organisation. In doing so, they also reinforce good stewardship.

There is, however, one form of homogeneity amongst members that all boardrooms should aspire to obtain: the courage to recognise the limitations of one’s own bubble.

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 Justine Lutterodt is Managing Director of the Centre for Synchronous Leadership and author of the *Mindful Exclusion Report*. All three Reports in the *Mindful Exclusion series* can be found here: <https://www.cgi.org.uk/knowledge/research/mindful-exclusion>

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place to invest and do business in, post-pandemic, and as the country finds its feet after Brexit. To achieve this the audit process needs radical reform and not tinkering around the edges. The Government would not go far wrong to look back to the nineteenth century to find the answer for the best way to deliver an auditing process that delivers on what it's supposed to.

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