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Homogeneous board = groupthink = risk

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Data show that the Executive Boards and the Supervisory Boards of Dutch listed companies repeatedly show similar demographic details. This article argues that a too homogeneous board leads to group think and tunnel vision and that these form a threat to well balanced decision making.

Homogeneous board

The Dutch Female Board Index shows among the Dutch listed funds, only 6 female Board Members and 41 female Supervisory Board Members. This comes down to 2,0% and 7,7% respectively of all 296 Board Members and 535 Supervisory board members.^[i] 94,7% of all Board Members and Supervisory Board Members therefore is male. A further analysis of the women with listed companies teaches us that most of the women are the only woman on their Board. This is in any case so for the six female Board Members, there is not one Board with more than 1 woman. In addition 22 of the 41 female Supervisory Board members are the only women in their Supervisory Board.

The average Board member / Supervisory board member is a man, he is on average 58 years old and 72% has the Dutch nationality. In addition the National Supervisory Board Member Research ('Nationaal Commissarissen Onderzoek') indicates that 70% of the Supervisory Board members was promoted via their own network.^[ii]

A homogeneous group of Board Members and Supervisory Board Members. Now what does this mean for the group process?

Groupthink

A homogeneous group is more inclined to (unconscious) groupthink and to create tunnel vision. Groupthink is a way of decision making where the search for unanimity within the group is more important than the motivation to take into account all

available alternative options.^[iii] The resulting decisions are often based on incomplete data and are taken without evaluation of all alternatives and risks.

Janis (1972) defined the eight symptoms of groupthink as follows:

1. **Illusion of invulnerability:** Group members ignore danger, take extreme risks, and are too optimistic.
2. **Collective rationalisation:** The dismissal of warnings that are opposed to the groupthink.
3. **Illusion of morality:** The belief in the moral justness of decisions and the ignorance of the ethical consequences thereof.
4. **Excessive stereotyping:** The group has an image of negative stereotypes of other kinds outside the group.
5. **Pressure for Conformity:** Arguments by group members against stereotypes, illusions, or obligations, are perceived as disloyal.
6. **Self-censorship:** Group members keep differing opinions and contra arguments to themselves.
7. **Illusion of unanimity:** Incorrectly it is perceived that everybody agrees, silence is seen as consent.
8. **Mindguards:** Some group members protect the group against negative information, that could be a threat to the group-self esteem.

Risk

The eight symptoms of groupthink bring along three risks: excessive self esteem (1-2), the creation of a tunnel vision (3-4) and a strong pressure within the group to come to agreement (5-8). All three risks threaten the independent and critical view needed to maintain good governance (the Supervisory Board) as well as provide good management (the Board).

And this whilst independent governance is one of the pillars of the two-tier board model in the Netherlands (the Board and Supervisory Board as 2 independent Boards).

(A part of) the solution

The solution is obvious: break the homogeneous make-up of the board and break the groupthink. Remember that groupthink is an unconscious process that influences the selection procedure for new group members. Aim consciously at a more diverse make-up of the board. Use to that extent selection criteria that prevent an unconscious decision for the next member that fits like a glove within the present group culture. Make a profile outline and outsource the search for new members.

In the next episodes:

- diversity as part of good governance, an international comparison
- rolemodels, stereotypes and 'excuus truzen'

[i] Lückcrath-Rovers, M. (2009), The Dutch Female Board Index 2008, Erasmus Instituut Toezicht & Compliance, ISBN 978-90-5677-067-9

[ii] De Bos, A. en M. Lückcrath-Rovers (2008), Nationaal Commissarissen Onderzoek 2008, Erasmus Instituut Toezicht en Compliance, ISBN 978-90-5677-066-2

[iii] Janis, I. (1972). Victims of groupthink; a psychological study of foreign-policy decisions and fiascoes. Boston: Houghton, Mifflin.