

**SID**

SINGAPORE  
INSTITUTE OF  
DIRECTORS

# DIRECTORS BULLETIN

QTR 4  
2024

## Directorship in Transition

12 Navigating the  
Complexities of Leadership  
Transition

40 Leadership Renewal  
in the Social Service  
Sector

74 Directorship in  
a Shifting ESG  
Landscape

# Making Diversity Work

BY **CHAN WAI LEONG**, Managing Director, ZRG Partners

**It is widely accepted that diversity in board composition can have a positive influence, enabling the expression of diverse viewpoints and robust debate. However, diversity in itself does not necessarily ensure effective processes. How can boards create conditions for optimal decision-making through cognitive diversity?**



Board diversity is generally acknowledged as a good thing. Most boards require a diverse set of functional, industry and geographical experience and expertise. Demographic diversity is seen as positive – especially if it mirrors the customer base, the overall workforce and the local community.

The objective (or hope) of board diversity is to ensure robust debate over multiple viewpoints and options, leading to better decisions.

As such, some countries have regulations promoting or mandating diversity on boards.

### Regulatory support

According to a report published by Council for Board Diversity (CBD) in November 2023, several jurisdictions, including the US, the UK, Australia, Hong Kong and Malaysia, have set board diversity quotas and minimum requirements.

For example, Hong Kong and Malaysia require at least one woman on the board. The UK calls for a 40 per cent quota of women on the board, with at least one woman in a senior board position and one from a minority ethnic background.

In Singapore, SGX Listing Rule 710A asks for “a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity” and “a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer”.

However, research on the correlation between visible diversity and performance is mixed. For example, a demographically diverse board with every member having the same educational background and the same personality profile might behave like a homogenous board at risk of groupthink. This example is admittedly an extreme case but highlights the real aim is to achieve diversity in thinking and problem-solving – encapsulated in the term “cognitive diversity”.

In general, cognitive diversity refers to the different ways that people approach issues. This includes how individuals perceive and interpret information, think about options, form opinions and arrive at conclusions or solutions. Each person is also affected by values and beliefs arising from personal, cultural, educational and social factors.

Just as there are behavioural and psychometric tests to identify how people tend to behave at work and how they might be motivated, there are specific cognitive assessments for distinguishing the thinking and problem-solving styles of individuals.

### Board diversity in action

Having a cognitively diverse board ensures that:

- Different viewpoints and perspectives are raised.
- Important but unnoticed patterns might be recognised.
- Outdated assumptions get challenged.

However, having a board with members capable of cognitive diversity is not always enough. Board members must speak up for the benefit of diversity to be realised.

Christopher Tuggle et al highlighted the challenges in moving from “seats at the table” to “voices in the discussion” in their paper published in the *Journal of Management Studies* (2021). On average, a single “minority” has it the toughest. If the person has well-known achievements, it gets better. If there are two or more “diverse” members, it also gets better.

There can be exceptions, of course. A solitary woman director who is well-prepared, punctual and asking sharp questions could well provoke some of the more complacent male board members to buck up.

But in general, as diversity can create conflicts and seems to be less time-efficient, new board members might be more reticent than they should or intend to be. Even accomplished individuals will feel the pressure to conform and gain acceptance within the group.

At the same time, board members must also know when to be divergent and when to be convergent.

In a study by Amir Goldberg, Associate Professor at Stanford University, teams that “become cognitively divergent for ideation but more convergent for coordination” are the ones most successful in delivering their projects. This will likely apply to boards as well, especially since they are always pressed for time.

In other words, cognitive diversity should be marshalled fully during the creative problem-solving phase. However, there comes a time when the majority – if not all – of the board members have to come together to agree on key decisions.

### Role of the chair

As such, the role of the chair is critical in setting the tone and the balance between incident details and strategic implications. The chair is ultimately responsible for ensuring the structure for board deliberations is in accordance with the agenda and time constraints.

As part of good governance, most boards adhere to good mechanics in terms of meeting protocols concerning frequency and record-keeping. However, the actual deliberations might not be so consistent.

Meeting effectiveness can vary widely. Board meetings should have well-defined agenda, with items prioritised. Board chairs should balance time management with giving board members the opportunity to voice their views. Individuals with strong views may jump in wanting to defend specific positions or challenge alternative ideas. It takes skill and diplomacy to harness cognitive diversity and arrive at the best outcomes.

If the dynamics are not managed with a clear objective to leverage cognitive diversity, time will be wasted. Some items may not be debated adequately and decision-making may be sub-optimal.

So, for boards to be effective, cognitive diversity amongst board members must be actively harnessed

in an environment where every board member can participate fully.

Towards that end, the chair may need to consider facility visits, informal dinners and director training. This can help board members build collective trust and genuine respect for each other’s diverse views as an accepted approach to achieving optimal results.

### Healthy board dynamics

Some tactics can be employed to exploit cognitive diversity including the allocation of time for self-reflection. For instance, the chair can ask for views to be written before each board member speaks, to minimise undue influence from others.

Other options include appointing someone to be the devil’s advocate to challenge assumptions; asking someone to play the role of the competitor or negotiating party; and discussing the pre-mortem where failure is imagined and possible reasons are evaluated.

In a study involving 150 senior leaders by Alison Reynolds and David Lewis (*Harvard Business Review*, 2018), the researchers examined how diversity and ease of speaking up correlated with agility and organisational success. The results are shown in the box, “Cognitive Diversity and Psychological Safety”.

### Succession planning

Given how quickly industries can be impacted by external changes, the complexion of boards needs to evolve continually and likely undergo more rapid changes than before. Board directors need not stay until nine years before they step away.

A CBD report published in June 2024 noted that first-time directors on the top 100 SGX-listed companies made up 66 per cent of all new appointments in 2023, up from 47 per cent in 2022. This is heartening.

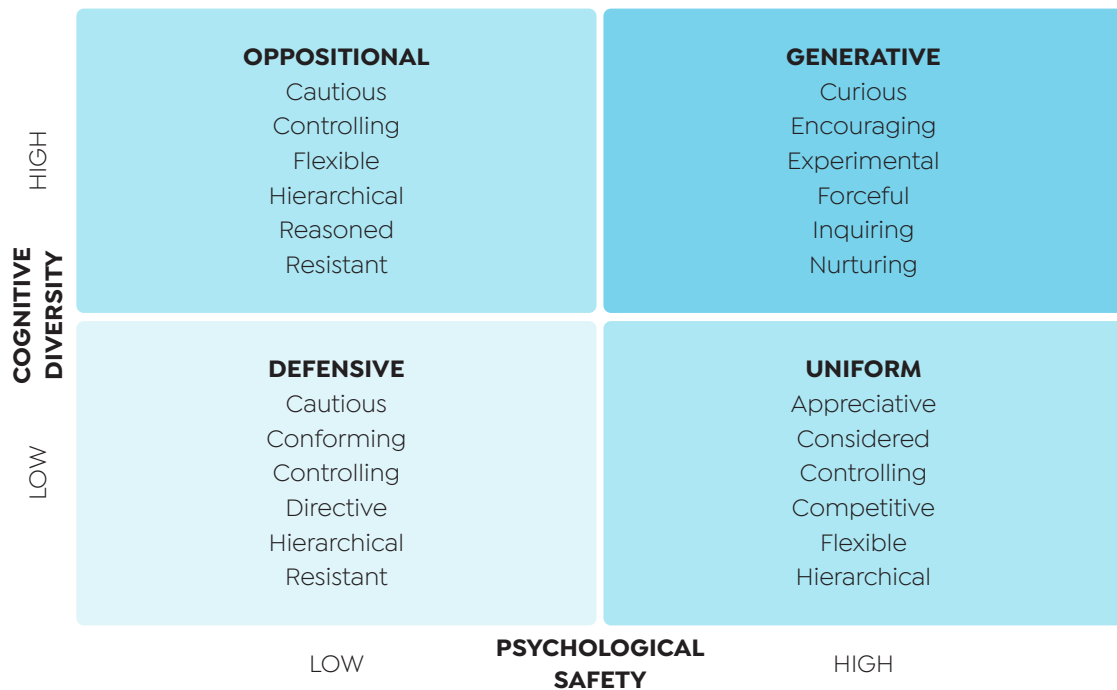
Proper succession planning and effective board assessment will ensure boards get refreshed. As part

## Cognitive Diversity and Psychological Safety

The most successful teams are cognitively diverse and psychologically safe. When cognitive diversity and the environmental suitability are high, for instance, the board tends to be curious, encouraging and experimental (“generative”).

If cognitive diversity is high but the psychological safety is poor, the board might

be cautious, hierarchical and controlled (“oppositional”). Conversely, if there is low diversity and high safety, the board might exhibit signs of competitiveness, controlling behaviour and hierarchy (“uniform”). Then, there is the board with low diversity and low safety, exhibiting signs of resistance, conformity and caution (“defensive”).



Source: “The Two Traits of the Best Problem-Solving Teams” by Alison Reynolds and David Lewis, Harvard Business Review, April 2018.

of the process, it is important that the board composition gets increasingly and appropriately diverse. This is a job for the nomination committee. There should be an ongoing view of the requisite skills and perspectives for the board in line with the future direction of the company – and all board directors should be assessed based on the future-oriented skills matrix.

Board meetings should be chaired and run optimally. Board assessments could help surface sentiments among the board members if that topic

is something that warrants attention. Board chairs should ideally lead by example in being thorough with their own assessment. If need be, a trusted and objective facilitator can be involved in such assessments.

Singapore-listed companies have made headway in improving their diversity scores in terms of board composition, reporting and commitment. For some, it may be useful to also look at whether there is actual cognitive diversity displayed during board meetings and if the full value is properly extracted. ●