



The curse of group-think in a board of directors

A perennial challenge facing all boards is the curse of group-think whereby the board settles in to a comfortable groove, disruptive & innovative ideas/discussion & genuine challenge fade or are discouraged, the board members are happy to “show-up” and unless operational performance goes off the rails, quite content to go through the motions. With the vast majority of marketplaces now changing at a hyper velocity, a stale board that is not challenging itself and the executive team is doing a dis-service to itself and more importantly the shareholders & overall stakeholders.

Board evaluations have shown in many cases that executives and non-executive board members can slide over time into a cosy equilibrium whereby the genuine vibrant constructive challenge to the executive team fades and non-executive directors often end up effectively rubber-stamping or cheerleading the executive team.

This problem is particularly acute in the area of company strategy and overall direction whereby the executive team present the strategy to the board almost in a fait-accompli fashion rather than genuinely engaging the board members at an earlier stage in the process to maximise the collective expertise, insights and capabilities of all the board members. *This problem is particularly prevalent in the case of boards who have a very dominant CEO who effectively discourages out-of-the-box thinking from board members and genuine robust challenge of key areas like overall organisation strategy.*

Group-think is quite a common problem even for experienced board members and can often result in the following problems ;

Excessive risk taking – this is the most serious manifestation of a group-think problem and was seen extensively in the global financial crisis. Often in this scenario, the chairman and non-exec board members lose sight of their responsibility to genuinely challenge a high-risk aggressive strategy being proposed by a CEO & executive team.

Sleepwalking & Blindness to serious risks and threats – a board that is not genuinely challenging its strategy, its understanding of the dynamics of the marketplace, its competitive position, serious potential risks on the horizon etc. can be very vulnerable to a serious disruption in their marketplace.

Zero risk taking – this might seem a bit paradoxical but many organisations have failed to deliver on their potential because of a suffocating comfort zone that permeates the board whereby the board goes through the motions and either misses or refuses to engage in properly exploring significant opportunities to seriously increase shareholder value. This is not to be confused with a situation whereby shareholders have mandated a very conservative approach to new market opportunities.

Lack of challenge and debate – where each board member around the table effectively thinks in a similar way often ends up in a situation whereby the level of genuine robust and left-field challenge at the board is very weak which really impacts on a board's ability to excel as a high-performance board.



Group-think is primarily caused by a lack of diversity at the board whereby there are no board members who are prepared to genuinely challenge the status quo as well as put new disruptive thinking on the table. A chairman colleague of mine recently shared a very interesting experience he had on the board of a large organisation. In an environment of increasing focus on gender diversity on boards, this particular board of nine male board members with very similar professional backgrounds, appointed their first female non-executive director.

At her second board meeting, the female non-executive director challenged the CEO on a critical company strategy decision that he was pushing through the board. At the time, all the board members including my chairman colleague felt that the strategy made sense but after the new non-exec had articulated some fundamental flaws, the board and the CEO collectively decided to abandon the particular strategic move in the marketplace. The key factor here is that it didn't matter whether the new director was male or female, what mattered was that she had a different fresh way of thinking, looking at the market, the company's positioning and bringing a critical new perspective to a board that had a lot of directors with very similar mind-sets and expertise.

Non-executive directors and in particular the Chairman have a critical role in helping a board avoid a group-think problem. It's when the non-exec board members lose that spark of genuine challenge, independent left-field thinking and robust debate with the CEO & executive team that the seeds of group-think are sown.

"While group-think at the board in many cases has affected a company's progress in various ways, in extreme cases it has led to an organisation drifting onto the rocks and damaging/destroying shareholder value. A vibrant genuine policy of board member rotation/renewal has been shown to be a strong counter to the curse of group-think impacting on a board's performance. As the saying goes, *"variety is the spice of life"* and in a board's case, *"variety of thinking"* is certainly extremely healthy!"

Kieran Moynihan is the managing partner of **Board Excellence** (www.board-excellence.com) – supporting boards & directors in Ireland, the UK and internationally, excel in effectiveness, performance and corporate governance.

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