

DIRECTOR SELECTION

How 'rational' are our choices for new directors?

By Gary M. Cook

Most of us believe we strive to make the best possible choices when we add or replace directors. The question is: how rational are we really?

Our selection processes for new directors are subject to a host of subtle and often unrecognized biases, the result of which can create much less diverse and effective boards than most members realize.

Biases in determining the pool of candidates

One of the most obvious biases directors face in identifying and recruiting candidates is the bias relating to our "known associates," that is, those people who we know well enough to consider as candidates.

Age is probably the most insidious factor. I've known boards where, as the average age has risen so has the average age of director candidates advanced for consideration. Why? Because as board members themselves age, their natural cohort of contacts and colleagues tends to age as well. Perhaps there is nothing inherently wrong with this. But there are numerous situations where this is distinctly unhealthy, among them:

- Where the organization's natural stakeholders (be they customers, indirect customers, or enablers) are of a different age cohort. A good example would be a credit card company with a natural constituency of younger credit card holders: Having at least one or two individuals on the board from that age group can obviously add much to the richness of discussion.

- Where the organization sees itself as a long-term player in its market. It seems obvious, but building talent for the future at the board level is every bit as important as doing it for the underlying business the board serves. However, whether the CEO is the board chair and does the selecting, or the roles are separated, boards typically have difficulty bringing on younger talent.

Another factor that tends to distort a direc-

tor candidate pool is diversity. Like it or not, in the drive inherent in most boards to "be diverse" is the hidden challenge of what diversity actually should mean for that board. It is easy to say that a board "needs more women" or "should have more people of color." But the precedent question that should be asked is, "What kind of diversity can most help us?"

Biases in choosing among director candidates

Then there are the biases affecting selection of directors once a pool has been established. Among these are:

- **Ingroup bias:** Though the motivation for preferential treatment of members of one's own group may seem obvious, there exist certain kinds of ingroup bias that operate completely on an unconscious level. This kind of automatic bias is especially dangerous because its effects are so little noticed. As Anthony Page writes in *Unconscious Bias and the Limits of Director Independence*, "Members of high status or high power groups generally have higher levels of automatic ingroup bias than members of groups with lower status or power."

What does this mean? For our purposes, simply that board directors who view themselves as being of a special class or competence, either directly or as viewed by others, tend to view others from the same "class" as being better board members than other candidates. So, for example, directors with a legal background may have an unconscious bias favoring director candidates with a legal background.

The challenge is to deal with that bias. One way is to make sure there is a mix of backgrounds among those on the board selection committee. Another is to ask an outside firm (for example, a search firm) to rank the top five candidates before the board interviews them.

- **Motivated reasoning:** Psychologists and

researchers note that "motivated reasoning" often taints decision-making processes, in that an end goal can affect the reasoning used to reach it. For example, a director's unconscious desire for gender diversity may affect her decision on candidates without conscious understanding that it is happening. Her ability to choose the "best" candidate may be subtly compromised in favor of the gender-diverse candidate.

The real question is, "How do we deal with biases that may compromise our determination to rationally choose new directors?" As in most cases of potential bias, the first step is to help directors be self-aware. This is not easy, as many of us know. As Mark Twain said, "It

ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." The second is to discuss bias openly, and either acknowledge your own biases and encourage others to do the same, and/or to try to offset bias with the opinions of others, not those perceived as being "unbiased" (because this is highly unlikely) but with different biases.

As one can see, ironically, the best defense against bias is to have diversity in thought and opinion in the first place — a challenge for any board!

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