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Risk, dissent and decision-making



A recent *Governance* webinar presented by members of *The Board Effectiveness Guild* – entitled ‘Risk, Dissent and Decision-making’ – considered the need for board diversity to be backed up with real challenge and even dissent. In this and a subsequent article next month, four of the presenters explore different perspectives on how boards can use all their resources, and emotions, to reach more robust decisions.

The diversity dilemma

Firstly, Chris Stamp examined the relationship between the role of dissent in the boardroom as a mechanism for enabling the benefits of board diversity to translate into board decision-making. Four questions underpin the need for this discussion:

1. Why do boards continue to make bad decisions and poor assessments of risk?
2. Can it really be shown that diversity has improved the quality of board decision-making?
3. How can the dangers of groupthink be mitigated?
4. What, therefore, is the role of dissent in the board discussion?

The relationship between diversity and dissent

In considering these questions further, there does seem to be a case for saying that diversity of thought or indeed any other category cannot, in and of itself, be the solution for creating a more holistic and effective environment for wide-ranging decision-making. It needs to translate into challenging discussion which is where dissent comes into the equation. If board composition is diverse but the views expressed in discussion remain like-minded and homogenous, the likelihood of novel ideas or important risks being identified will be reduced. Dissent is the seasoning that enlivens a discussion and gives it potency. It is an important ingredient, but it must always be used proportionately and appropriately. Good board culture and good chairmanship are key to creating the right environment for effective discussion and a safe space for dissent to be voiced. This can be done by promoting the attributes that enable the divergent views to be voiced whilst working to ensure that they are received well.

Creating the right conditions for dissent to work well

Promote confidence: To bring their perspectives to discussion and decision-making, directors’ views need to be voiced. Many directors have the confidence to speak up but the culture in some boardrooms can be a deterrent to divergent opinions and arguments. Recently appointed directors may show deference to or feel intimidated by their more senior and/or experienced colleagues. Similarly younger directors and those from relatively underrepresented backgrounds can be a little daunted by the prevailing board environment, even though they are often the directors who have been appointed to bring more diverse views into the boardroom. It is not just a matter of seniority. Quieter directors are often acknowledged to be the most insightful contributors.

Promote individualism: Dissent is often associated, quite negatively, with passion, outrage or outspokenness. A better way to look at it is to recognise it as an opinion that needs to be evaluated. The best boards are often the ones where directors are keen to hear what their colleagues have to say and welcome the different approaches and personality that they bring to the discussion. There is an important role for the Chair in exercising careful judgement so that both diversity of thought and passion can fully express themselves but within a framework of collaboration. Within a pressing board agenda, this is not always easy. However, the key is to allow opinions to be fully expressed whilst still ensuring that discussion is steered back towards objective debate.

Promote constructive dissent: Most observers will acknowledge that challenge in the boardroom can be constructive but will also be able to quote examples of unhelpful behaviours and attitudes which quickly turn constructive challenge into destructive dissent. Poor interpersonal skills, lack of respect and intellectual arrogance can all contribute to this. So too can the desire to be seen to be different or a disruptive thinker. Sometimes, non-execs in particular can enjoy being contrarian or playing devil’s advocate a little too much. However, this does not mean that dissent has to be destructive. In the same way that a coach uses harsh challenge to urge an athlete to reach new levels of performance so directors can bring their perspective to bear in a way that brings out the best thinking in their board colleagues.

Of themselves, neither diversity or dissent will prevent boards from making mistakes or missing the facts and opinions that they most need to pay attention to. Nevertheless, diversity will achieve effective board discussion and decision-making if dissent and challenge are encouraged within a constructive cultural context. In the second half of this article Alison Gill makes the case that emotions play an important part in creating that cultural context for effective decision-making.

The importance of emotion in decision-making

There is a well-voiced mistruth that decisions should be made by taking the emotion out of the decision. To suggest that we take the emotion out of decision-making is a fundamental misunderstanding of human physiology works. Emotion is vital information and emotional literacy literally powers smart thinking. In the intricate tapestry of human cognition, emotion is a vital thread that weaves through every aspect of decision-making. While traditional perspectives often advocate for rational, logic-based approaches, contemporary research underscores the indispensable role that emotions play in shaping our choices. Understanding the symbiotic relationship between emotion and decision making can lead to more holistic and effective decision-making processes.

Continued on next page.

The interplay between emotion and reason

Historically, emotion and reason have been viewed as opposing forces, with reason often lauded as the superior guide for making sound decisions. However, this dichotomy is increasingly seen as a false one. Emotions are not the antithesis of reason but rather a complementary force. They provide valuable information about our environment and our internal states, influencing our preferences, judgements, and actions.

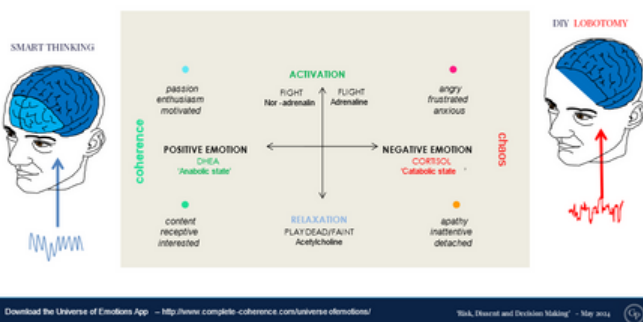
From an evolutionary standpoint, emotions have developed as adaptive responses to environmental challenges. Fear, for instance, triggers a fight-or-flight response essential for survival, while happiness encourages behaviours that enhance social bonds and well-being. These emotional responses have been fine-tuned over millennia to help humans navigate complex social landscapes and make decisions that enhance survival and well-being. There is now considerable scientific evidence that mismanaged emotion is the 'super-highway' to illness and unhappiness.

Neuroscientific insights

Neuroscience has provided compelling evidence of the interplay between emotion and decision-making. The work of Antonio Damasio, particularly his somatic marker hypothesis, illustrates how emotions are integral to decision-making processes. According to Damasio, somatic markers – emotional responses associated with different scenarios – help individuals quickly assess the potential outcomes of their decisions. Patients with damage to the ventromedial prefrontal cortex, an area of the brain involved in emotion regulation, often struggle with making advantageous decisions despite having intact cognitive abilities, underscoring the crucial role of emotions.

There are a whole range of emotions that impact how we feel, think, and behave. Chaotic physiology and turbulent emotions cause the frontal lobes of the brain to literally shut down. So, it is vital that boards master their emotional state (not suppress it) to create coherent physiology, and the ability to identify different emotions and understand what information they are telling you and why. This facilitates clear thinking and the ability to develop ideas, yourself and therefore the business.

The universe of emotions



Enhancing decision quality

Incorporating emotions into decision-making can enhance the quality of decisions in several ways:

1. **Risk Assessment:** Emotions help in evaluating risks and rewards. Fear can signal potential dangers, while excitement might indicate rewarding opportunities.
2. **Motivation and Persistence:** Positive emotions like hope and enthusiasm can motivate individuals to pursue goals and persist in the face of challenges. Conversely, negative emotions like disappointment can prompt a re-evaluation of strategies and goals.
3. **Empathy and Social Decisions:** Emotions play a critical role in social interactions and decisions. Empathy allows individuals to understand and predict others' feelings and actions, facilitating cooperative and prosocial behaviour.
4. **Moral Judgments:** Emotions are fundamental in moral and ethical decision-making. Feelings of guilt, shame, or pride can guide individuals towards ethical behaviour and adherence to social norms.

Emotional Intelligence

The concept of emotional intelligence, popularised by Daniel Goleman, highlights the importance of recognising, understanding, and managing emotions in oneself and others. High emotional intelligence can improve decision-making by allowing individuals to harness their emotions constructively. It involves self-awareness, self-regulation, motivation, empathy, and social skills – all of which contribute to better decision-making outcomes.

Practical ways to enhance board decision-making

1. Promote whole brain-body thinking.
2. Develop emotional literacy – in self and others.
3. Develop the SHIFT skill – the ability to name what you are feeling, understand what has prompted that and if necessary, shift to a different, more positive emotional state.
4. Use emotional heatmaps to improve collective understanding of what the board is feeling and why. You can download an App to do this from www.complete-coherence.com/universeofemotions/

Emotions are an integral part of the decision-making process, providing valuable information that complements rational thought. Far from being irrational or disruptive, emotions enhance our ability to make nuanced and adaptive decisions. By acknowledging and harnessing the power of emotions, non-execs, boards, and organisations can improve decision-making outcomes, leading to more successful and satisfying results. Embracing the complexity of human emotion is not a sign of weakness, but a profound strength in navigating the intricate landscape of choices we face every day.

In the next article from the webinar Alex Cameron and Ian White discuss how boards can increase the level of constructive challenge and embrace discomfort to get to a deeper understanding of risk and make more robust decisions. The webinar can be viewed in its entirety here: <https://youtu.be/32GfmK05A80>

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