

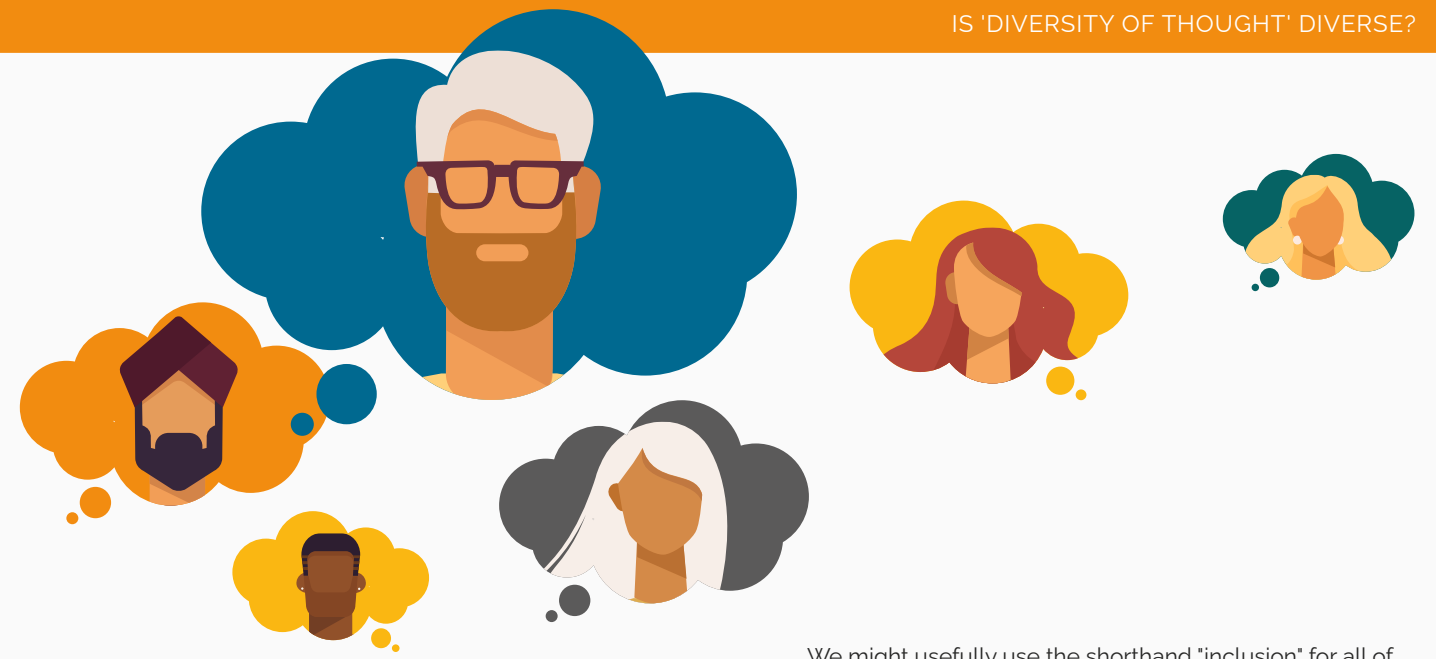
# IS 'DIVERSITY OF THOUGHT' DIVERSE?



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**Discussions about equality, diversity and inclusion (DE&I) in the Pensions industry and beyond are increasingly centring on "diversity of thought". We look at what different people mean by this phrase, how trustees and other decision-makers can tackle "groupthink", and why this matters for our industry, for members, and for the success of Environmental, Social and Governance (ESG) initiatives.**

It is widely (though not uniformly) acknowledged that diverse groups that operate in an inclusive way, including trustee boards, are likely to make better decisions. The Pensions Regulator has made clear its views in its DE&I guidance. There's lots of evidence of strong correlations between diverse corporate boards and good financial results. There's a lot less pensions-specific evidence than you might expect for a roughly £2 trillion industry. However, there is a wealth of research into human group decision-making, including "groupthink", and what measures help to improve this. It's difficult to think that the same principles would not apply to groups of pension scheme trustees.

There is an increasing focus in financial services and pensions on the notion of "diversity of thought" as an antidote to groupthink. Which all sounds very useful, doesn't it?

Our industries include, as you might expect, a diversity of opinions. Which is generally always healthier than groupthink. And we love using jargon and shorthand for complex ideas. But sometimes important detail risks being lost in the debate. So let's take a closer look.

## What does "diversity of thought" really mean?

The phrase is sometimes used to refer to "neurodiversity" or more specifically "neurodivergence". It can absolutely be true that people who are not "neurotypical" can add fresh perspectives and new ways of thinking to decision-making, with the potential for more innovative and effective results. Recognising this is a wonderful and inclusive step.

But this is probably not the most common understanding of the concept.

"Diversity of thought" can sometimes be used to claim that a group is more diverse than the actual range of characteristics of its members. Which is, arguably, quite convenient when a group is not particularly diverse.

You might have heard complaints that there is no point adding a woman to a board if she is from a more privileged background. This type of statement could suggest that a person is merely a token diversity hire, who should necessarily tick as many boxes as possible. It also implies that being 'only' a woman is not important enough. Maybe this would be justifiable if a board is already properly gender diverse but is lacking other types of diversity such as socioeconomic characteristics. But that is rarely the case.

Surely, a more diverse and inclusive approach to diversity and inclusion would be preferable?

The notion of "diversity of thought" as an antidote to groupthink can sometimes be misplaced. Particularly when the sort of diversity or neurodiversity that some are most comfortable with is of the sort: "Steve follows cricket, but Mark is more of a rugby man".

What really is the antidote to groupthink, a psychological concept that has been studied for at least 50 years?

From our own observations and experience, it is crucial for a group to have diversity of characteristics and lived experiences. There is evidence to back this up. For instance, in one experiment (Sommers, 2006), racially diverse mock juries were better able to sift through the facts and less likely to make errors than homogeneous groups of white jurors.

Pension beneficiaries and savers are often diverse groups, so diverse trustees are likely to be better able to understand their situations and reach reasonable conclusions.

But psychologists may tell you that the solution to groupthink is also about making sure a group encourages dissenting views, guards against one or more people dominating, and ensures that everybody gets a chance to speak. Which reminds us of the trustee boards we have advised that have very skilled chairs.

We might usefully use the shorthand "inclusion" for all of that. Diversity is essential, often a legal requirement, and of course the vast majority of people believe it is the right thing to do in a varied society where everybody should have a fair chance. So genuine diversity, rather than "diversity of thought", must be the primary goal.

But it seems the best chance of improving decision-making is when a trustee board combines diversity of characteristics with inclusive culture and practices. It's not enough just to let somebody new and different sit at the table. We also need to make sure we listen to them, and that they really are contributing to decision-making.

The Pensions Regulator's guidance includes lots of great suggestions about ensuring inclusivity — including the crucial role of the chair in making sure everybody participates, adjustments are made for different needs and working styles, and the culture is open and supportive of difference.

We owe this not only to each other but also to pension scheme members and savers, as DB trustees face ever more challenging decisions about endgame, while DC players consider the challenges of underfunded and unequal pots.

DE&I is also crucial for both the 'S' and the 'G' in ESG. We increasingly expect DE&I factors about investee companies to be considered. We also need to become more practised in examining how investment choices are made. Who is making them, and how?

Other areas that still need development include looking at DE&I when assessing the strength of an employer's covenant.

Ultimately, ensuring diversity and inclusion is common sense and the decent thing to do, which can benefit both pension outcomes and the world in which members and savers live. We're seeing lots of encouraging developments, but there is more to do. Changes should be genuine and impactful and not simply badged with the word "diversity".