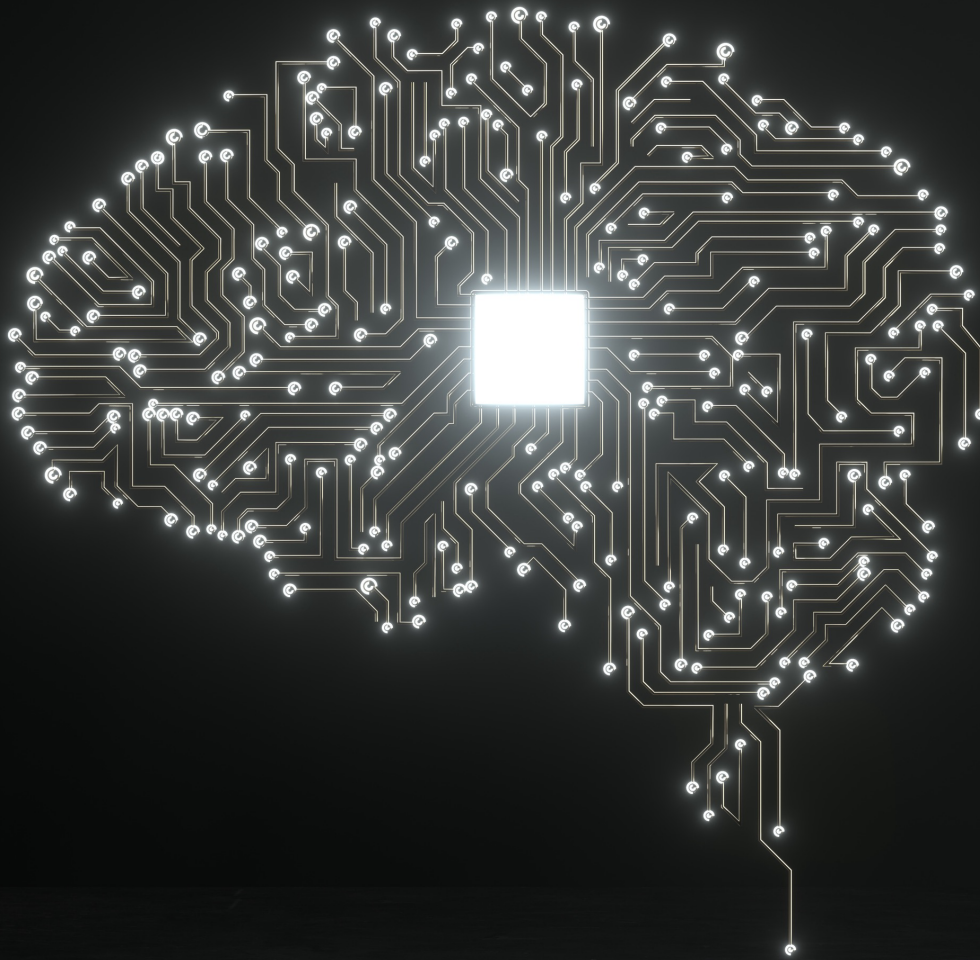


# COGNITIVE BIAS AWARENESS TOOL

Have you ever thought about how potential biases can impact board effectiveness?





“ THE CONFIDENCE PEOPLE HAVE IN THEIR BELIEFS IS NOT A MEASURE OF THE QUALITY OF EVIDENCE BUT OF THE COHERENCE OF THE STORY THE MIND HAS MANAGED TO CONSTRUCT ”

DANIEL KAHNEMAN (2011)<sup>1</sup>

# OUTSMART YOUR BIASES

## BIAS AWARENESS CAN IMPROVE PERFORMANCE

Cognitive biases are unconscious mental processes that systematically influence judgment and decision-making. They help us make decisions quickly but can impair our ability to make rational judgments. The challenge for boards is that cognitive bias is an intractable and invisible trait of human behaviour. Flawed decisions can be made with the best intentions, and competent directors may believe passionately they are making sound judgements when they are not.

Smart boards know that bias awareness and decision-making capabilities are a key measure of a board's effectiveness. Most importantly, evidence shows there is a high correlation between decision effectiveness and financial results, where companies with better cognitive awareness and decision processes outperform the rest<sup>2</sup>. For example, top-quintile companies on decisions and bias awareness generate average total shareholder returns nearly 6 percentage points higher than those of other companies<sup>3</sup>.

### Did you know?



McKinsey Study (2010)<sup>4</sup>



## BOARDS ENCOUNTER BIAS EVERY DAY

THERE ARE OVER 200 BIASES DOCUMENTED OF WHICH 30+ REGULARLY PERMEATE BOARDROOMS.

### EXAMPLE BOARDROOM BIASES

**Groupthink Bias:** Directors will set aside their own personal beliefs and adopt the opinion of the board to preserve harmony and conformity within the group.

Impact: This creates a dynamic within the group that stifles creativity and individuality to avoid conflict.

**Confirmation Bias:** Directors seek evidence that confirms their beliefs and discounts evidence that goes against their view.

Impact: Directors are less likely to engage with information which challenges their views resulting in flawed decisions.

### CBAT PURPOSE

The survey instrument has been designed to identify improvement opportunities through better bias awareness and decision-making processes that improve board engagement, decision quality and effectiveness.

The primary purpose is to enhance a Chair's ability to guide, coach and lead their board. CBAT is designed to supplement the Chair's intuition, experience and judgement with data-centric insights into the boards group-based decision-making behaviors, not previously measurable.

### RELIABLE DATA

CBAT is based on in-depth research into cognitive bias, adaptive leadership and synchronized decision-making. The research involved a multi-year review of over 150 academic and practitioner-based articles, multiple interviews with board specialists, board advisory consultants: as well as serving Chair's and non-executive directors.



## SURVEY QUESTIONS

The survey consists of 15 polarized questions. The first 10 assess the board's awareness across 10 categories of concealed bias that impact board effectiveness. The second set of 5 questions assesses the degree of the board's beliefs across 5 categories of concealed bias that impact their effectiveness as a board and their organizations performance.

### SAMPLE CATEGORIES OF CONCEALED BIAS THAT ARE ASSESSED BY CBAT:

CATEGORY	EXAMPLE QUESTION	ASSESSMENT FOCUS
1. Meta-cognitive awareness	How aware is your board of the impact that mental biases could ...?	Decision styles, reflection and biases
2. Stakeholder accountability	How confident is your board with the increasing requirement to justify ...?	Increasing transparency and accountability. The defensible decision requirement
3. Diversity	With increasing board diversity, how would you describe the calibre of debate ...?	Maximizing diversity of thinking



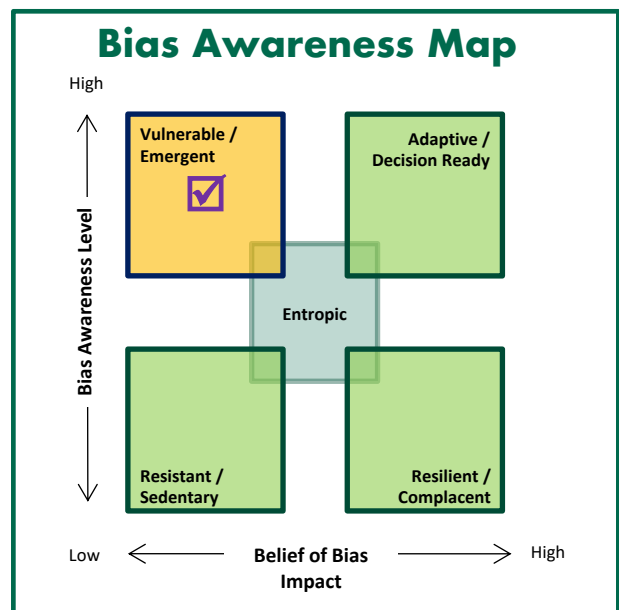
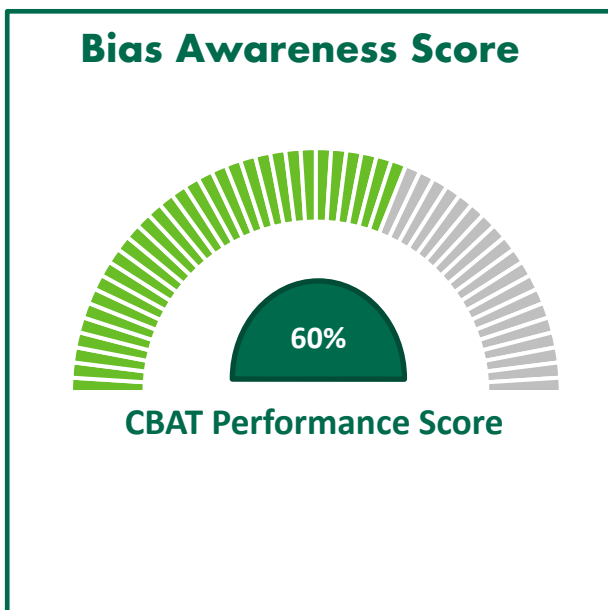
**CBAT has interactive capability**

## CBAT IS A LEARNING TOOL

### Unique and proprietary insights

CBAT's unique methodology and algorithms measure and quantify bias awareness and its potential to impact a board's performance. CBAT provides your board with a snapshot of its current level of cognitive bias awareness and suggests areas for further consideration.

### What's your score? And What type of board are you?

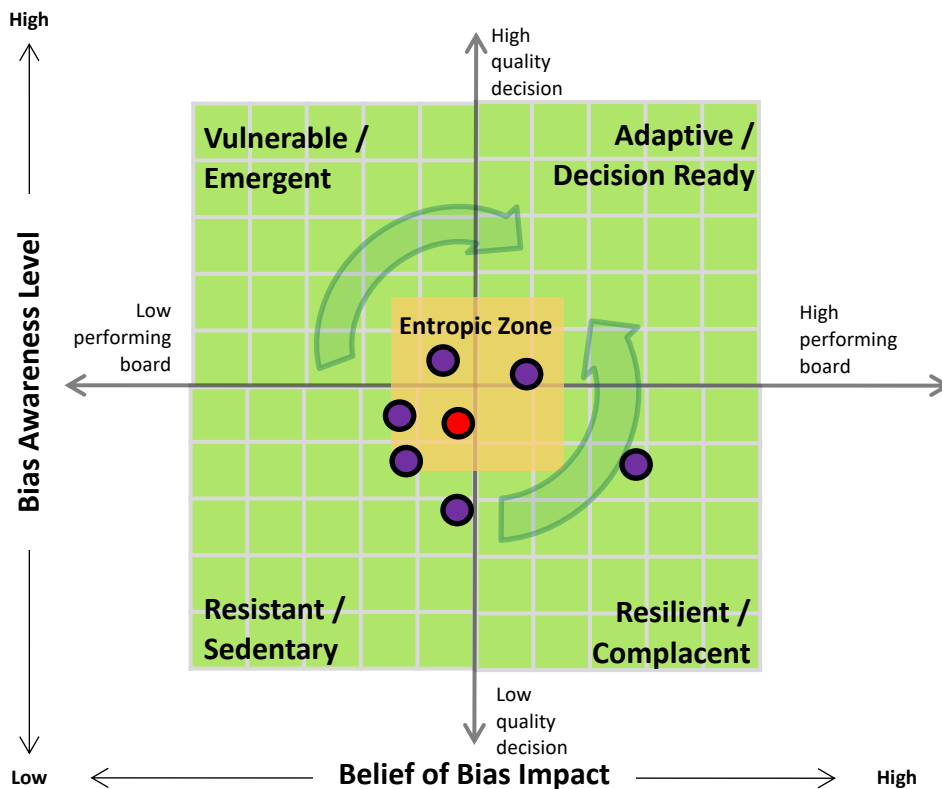


## VISUAL GRAPHICS MAKE LEARNING EASY

CBAT is designed to be a stand-alone tool to assist Chairs better lead their board, optimize synergies and more effectively harness the collective energy of their boards. CBAT utilizes visual graphics to discuss key concepts and solutions.

### HOW DOES YOUR BOARD'S DECISION-MAKING STYLE IMPACT PERFORMANCE?

#### Bias Awareness Map



#### Board Average & Distribution

**LEGEND:** ● BOARD AVERAGE ● BOARD MEMBERS



## FUTURE-PROOF YOUR LEADERSHIP

- An overall bias awareness score for your board
- A bias awareness map that compares your board's awareness of bias relative to your belief about its value
- Bias and decision-readiness charts that score your board's group status
- Key recommendations using CBAT's proprietary algorithms and IP
- A core set of emerging issues for the Chair and board to consider and the impact of bias on those issues, such as the board's:
  - ✓ Cohesiveness
  - ✓ Leadership capability
  - ✓ Agility
  - ✓ Culture and dynamics
  - ✓ Strategic alignment

The survey tool may also provide a calibration tool for recruitment and/or onboarding of new directors.

### CBAT PROVIDES THE CHAIR WITH GREATER INSIGHT AND LEADERSHIP CAPABILITY

Powerful yet easy to use. The survey tool takes less than 5 minutes to complete and provides timely feedback for your board.



**CBAT helps you  
on your journey**



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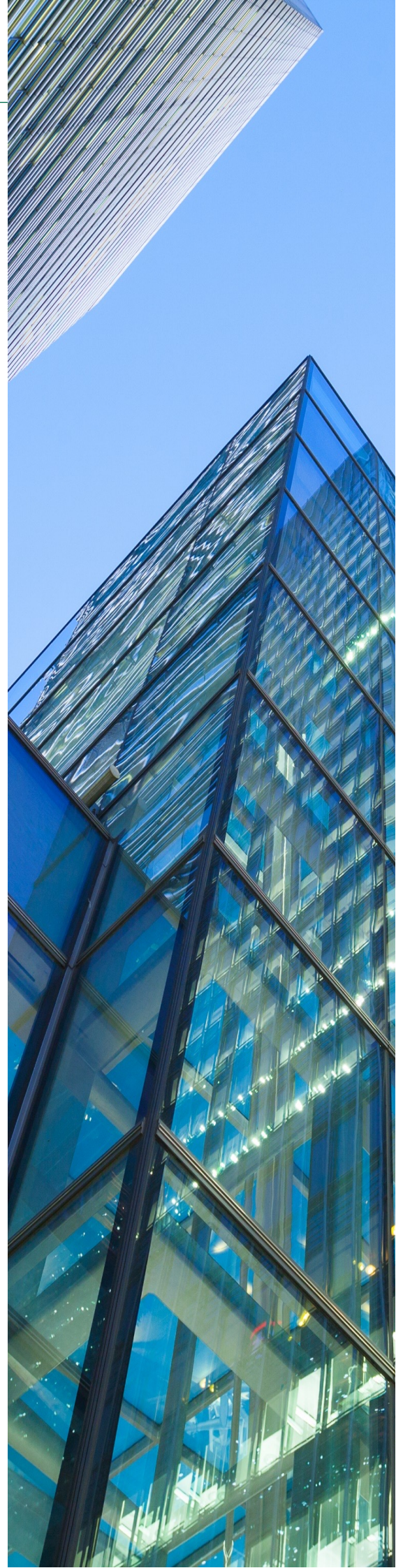
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*Exclusively prepared by*

