

# Chapter 8

## The Case for Group Heterogeneity

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### ABSTRACT

*In this chapter, the case for group heterogeneity in organisations, from a gender perspective, will be put forward. The chapter will argue that diversity within top management teams (TMTs) and boards is necessary to ensure the proper functioning of the group decision-making process, and also to increase innovation across the firm. Whilst gender is not a dichotomous variable, females do bring a level of difference to any given group. For decision-making, this level of difference is critical to prevent groupthink, cascades and polarisation. The chapter will also argue that ‘diversity’ cannot mean the ‘token’ introduction of one female, rather, diversity is most valuable when equality is achieved. Given that incremental increases are associated with diversity for innovation, the chapter will also argue that equality leads to better innovation. Overall, the chapter will aim to demonstrate that group heterogeneity and gender diversity results in better decisions, better innovations, and better overall performance for organisations.*

### INTRODUCTION

The last two decades of international business have seen pervasive, ubiquitous and dramatic change. Organisational top management teams (TMTs) and boards have never been under so much pressure to drive growth within their respective firms. The pressure that unrelenting change can bring has ensured that two areas have emerged as particularly important for today’s organisational leaders – their ability to make quality decisions that support the growth and strategy of the firm, and their ability to support and drive innovation. However, it is in these very areas that TMTs and boards may be failing, and one of the reasons posited for this is their lack of diversity; especially from a gender perspective. Despite the fact that most westernised countries legalised equal opportunities years ago, female representation in TMTs

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and boards, and in particular, equitable gender diversity in top leadership teams, has not been achieved (Davidson & Burke, 2012). Instead, organisational leadership teams continue to be dominated by homogeneous ‘bastions of aging white males’ (Ramirez, 2003, p. 838). Homogenous groups pose a particular risk to organisations from a decision-making perspective. They face a much greater risk of experiencing faulty decision-making phenomena, such as groupthink, polarisation, and cascades (O’Connor, 2002). The primary cause of these phenomena within a group of individuals is cohesiveness, where a group of individuals are too cohesive or similar in their background, attitudes and values, and hence cannot bring important, different, or dissenting views (Hogg & Hains, 1998). Decision processes and outcomes under these phenomena are typically poor, but more alarmingly, can also be unethical or illegal (Janis, 1972). As such, the homogeneity of TMTs and boards may be affecting their ability to make the quality decisions necessary to ensure their organisation’s existence and growth.

In addition to flawed decision-making, homogeneous groups may also be limited in their ability to support, and drive, innovation (Danilda & Thorslund, 2011). In today’s change-centric environment, the ability of a firm to innovate is integral to their continued success (Gopalakrishnan, 2000; McLeod, Lobel, & Cox, 1996). Evidence suggests, however, that heterogeneous groups far outperform homogenous groups in their ability to support and drive innovation (Chrobot-Mason & Aramovich, 2013; Rogelberg & Rummery, 1996). Heterogeneous groups enjoy their highest level of advantage at the ideas-generation stage of innovation, where more, and better quality ideas are generated within groups that are composed of diverse members, however, they also demonstrate advantages across the latter stages of innovation (Nathan & Lee, 2013). Therefore, a twofold benefit could arise from having more heterogeneous leadership teams within more organisations: they could ensure they protect themselves against faulty decision phenomena, ensuring better decisions, and they could also enhance their ability to drive and support innovation.

This chapter will explore the case for group heterogeneity from a gender perspective. Gender is both the most researched and also most widely recognised demographic variable, hence has been selected for this chapter’s discussion of group heterogeneity (Eagly & Carli, 2007). It must be noted, however, that other demographic variables, such as race and sexual orientation, may bring similar benefits to otherwise homogeneous groups, however exploring other variables is outside the scope of the chapter. Section 1 of this chapter will begin by answering the question: Just how homogeneous are our leadership groups? It will examine the demographic composition of TMTs and boards, highlighting their level of homogeneity from gender and other perspectives. It will discuss the concept of ‘gender’ and from a group perspective, and suggest what differences introducing more females into a group may bring. Section 2 will discuss the notion of ‘groupthink’ and other defective decision processes, such as ‘polarization’ and ‘cascades’ that are most likely to occur in homogenous groups. It will discuss how diversity can effectively act as a ‘control’ mechanism to ensure potentially poor decisions are challenged, and how, although the existence of one female may in essence break homogeneity, this is not the optimal diversity mix from a decision-making perspective. Section 3 will discuss the importance of innovation to firm performance, and how group homogeneity can benefit each respective stage of the innovation process. Finally, Section 4 will discuss some of the potential limitations of more diverse groups for decision-making and innovation, as well as some suggestions for overcoming these limitations. This chapter will conclude by discussing the fundamental importance of gender diversity in groups, to ensure both optimal decision-making and innovations.

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