



SNOWDON BEINN

diversity of thought in the boardroom

Ms. Vanessa Countryman,
Secretary,
Securities and Exchange Commission,
100 F Street NE,
Washington, DC 20549–1090.
Email: rule-comments@sec.gov

January 4, 2021

Dear Ms. Countryman,

Re: File Number SR–NASDAQ–2020–081

Snowdon Beinn Ltd. appreciates the opportunity to comment on the rules proposed by the Nasdaq Stock Market LLC (“Nasdaq”) and filed with the Securities and Exchange Commission (the “Commission”) in respect of board diversity and notably to (i) adopt Rule 5605(f) (Diverse Board Representation) and (ii) adopt Rule 5606 (Board Diversity Disclosure).

Snowdon Beinn helps boards globally bring greater diversity of thought to the board table and brings greater independence to the non-executive director search process. Snowdon Beinn is dedicated to assisting boards in assessing their performance, identifying board gaps, and in searching for candidates who increase the diversity of thought in the board room. We want to bring to boards candidates with skills, experiences and perspectives that will add to the rich nuanced understanding, interpretation, reasoning and solving of the problems they face. Snowdon Beinn believes that the resulting diversity of thought (and constructive dissent) contributes to a board’s collective intelligence and performance.

Snowdon Beinn applauds Nasdaq’s initiative and supports the new rules as set out in the proposal. The proposed rules ably address key segments of the social justice imperative cited by Nasdaq as well as provide a means for corporations to relate to the employees, consumers, suppliers and other stakeholders that make up its ecosystem.

However, in order to fully achieve the benefit to shareholders and other stakeholders (cited in the proposing release) of increasing the variety of fresh perspectives, improved decision-making and improved oversight, the concept of *cognitive diversity* (or diversity of thought) needs to be introduced into the rules. Academic research supports the view that while simple tasks may not benefit from (and may in certain cases be hampered by) increased diversity in a group, the solving of complex problems does benefit from cognitive diversity in the group¹ (or, in our present context, on the board) especially when board leadership is successful in ensuring effectiveness of debate and discussion of

¹ E.g., Jürgen Sauer, Tobias Felsing, Holger Franke & Bruno Rüttinger (2006) Cognitive diversity and team performance in a complex multiple task environment, *Ergonomics*, 49:10, 934-954

ideas² by making sure all board members feel comfortable sharing ideas, challenging each other, accepting others' opinions, or offering alternatives.³

It goes without saying that while public company boards deal with a spectrum of issues, the nature of these issues tend towards the very complex, and the solutions to these reverberate throughout the whole stakeholder (including shareholder) ecosystem. Boards, therefore, are prime candidates to benefit from cognitive diversity.

The identity diversity dimensions such as those proposed in the release (i.e. gender, LGBTQ+ and race) are among the many very rough proxies for deeper cognitive diversity. However, they are just that: rough proxies which may or may not correlate with actual cognitive diversity or diversity of thought. One has but to think of the introduction of people to boards who are seen as “identity-diverse” but share the same educational background at the same half dozen prestigious schools, belong to the same socioeconomic stratum, live in the same leafy suburbs and holiday in the same ways as the incumbents around the table. The perspectives, experiences, networks, and sources of information these people are exposed to are not going to bring true cognitive diversity to the board table. This is not to say that such identity-diverse persons should not be at the table any more than the majority incumbents⁴, but they (and the majority incumbents) do not necessarily contribute to the cognitive diversity of the board room.

In order to bring greater benefits to corporate boards⁵ (and by extension, to the ecosystem in which their companies operate), a disclosure rule should be introduced in respect of cognitive diversity. To this end, Nasdaq-listed companies should be required to:

- disclose how their boards plan to achieve or maintain cognitive diversity – differences in how its members perceive, encode, analyze, and organize the same information and experiences to interpret, reason and solve problems⁶ (which differences, in turn, are informed by, among many other things, the skill sets and knowledge they have acquired during their lifetime, values, beliefs, neurodiversity, and perspectives arising from members' life experiences as affiliates of specific categories defined by socio-cognitive variables⁷ such as nationality, gender, functional specialism, age cohort, educational attainment, socioeconomic status, disability, etc.);
- describe how cognitive diversity has operated at the board, providing appropriate examples;
- describe how the board leader(s) (whether the chair, lead independent director, or committee chair, as the case may be) has managed a cognitively diverse board/board

² Simons, T., Pelled, L., & Smith, K. (1999). Making use of difference: Diversity, debate and decision comprehensiveness in top management teams. *Academy of Management Journal*, 42, 662-673

³ Martins, Luis & Schilpzand, Marieke & Kirkman, Bradley & Ivanaj, Silvester & Ivanaj, Vera. (2013). A Contingency View of the Effects of Cognitive Diversity on Team Performance The Moderating Roles of Team Psychological Safety and Relationship Conflict. *Small Group Research*. 44. 96-126, 102.

⁴ We at Snowdon Beinn believe the late Professor Katherine W. Phillips of Columbia University had the right idea – i.e., that it should not be necessary for some people (ie non-incumbent majorities) to prove that their presence in a given environment is “beneficial” for the bottom line while others (ie the incumbent majority of white people, males, cisgendered people and heterosexuals) do not have that same burden of proof. At Snowdon Beinn, we help boards develop cognitive diversity – which means that all seats at the table (and not just new candidates to fill vacancies) are germane to the assessment. See Katherine W. Phillips's commentary “What is the Real Value of Diversity in Organizations? Questioning our Assumptions) in *The Diversity Bonus* by Scott E. Page (Princeton University Press, 2017) and Apfelbaum, E. P., K. W. Phillips, and J. A. Richeson. “Rethinking the Baseline in Diversity Research: Should We Be Explaining the Effects of Homogeneity?” *Perspectives on Psychological Science* 9, no. 3 (May 1, 2014): 235–244

⁵ See Scott E. Page, *The Diversity Bonus* (Princeton University Press, 2017) for a discussion of what Professor Page describes as the “diversity bonus”. Professor Page concludes that teams that include different kinds of thinkers outperform homogenous groups on complex tasks, producing what he calls “diversity bonuses.” These bonuses include improved problem solving, increased innovation, and more accurate predictions—all of which lead to better performance and results.

⁶ Ibid.

⁷ Somendra Narayn, Jatinder S. Sidhu and Henk W. Volberda, From Attention to Action: The Influence of Cognitive and Ideological Diversity in Top Management Teams on Business Model Innovation, *Journal of Management Studies* 0:1 Month 2020 (doi:10.11.11/joms.12668)

committee in order to optimize the benefits of cognitive diversity to the company and its stakeholders while managing group integration;

- set out clearly how their board assessments (including performance and skills gap analyses) are performed (with an obligation to disclose why no periodic external review is conducted if assessments are only internal) ;
- describe how (not whether) the nominating committee (or the board) considers cognitive diversity in identifying nominees for director;
- describe how the nominating committee (or the board) conducts searches for directors and how it selects a search firm to help it achieve cognitive diversity.

Should you have any questions about our position, we may be reached by email (contact@snowdonbeinn.com) and by telephone (+44 203 925 0304).

Sincerely,

Snowdon Beinn

Snowdon Beinn Ltd.