Committees play an important role in many organizations. They can set strategy, determine budgets, and create succession plans. Committees also frequently oversee the organization’s investment portfolio. Any decision-making group faces its own challenges, but groups making investment-related decisions should be particularly aware of some behavioral dynamics that can influence the quality of those decisions.

This assessment tool is designed to help you:
- Identify behaviors that can negatively affect group performance—the first step toward improving a group’s overall quality of performance and decision-making.
- Understand and apply some possible techniques for addressing opportunity areas.

Definitions and examples of suboptimal behavior
Attitudes and behaviors that get in the way of effective decision-making among committee members can take a variety of forms. This section will help you determine the current state of your investment committee in terms of recognized group behaviors.

Groupthink
A style of thinking in which the desire for group harmony discourages healthy dissent, leading to ineffective decision-making.

Symptoms include:
- Close-mindedness; committee refuses to discuss alternative ideas (e.g., real estate, passive management).
- Pressures toward uniformity; an environment where dissent is unwelcome and self-censorship may occur.

Assessing the risk of groupthink
- Do committee members speak their minds?
- Do committee members feel free to question group decisions?

Confirmation bias
A tendency among groups to acquire information that confirms preconceived ideas and to disregard contrary views or data.

Symptoms include:
- Seeking more information that supports—rather than challenges—preconceived beliefs.
- Withholding or ignoring evidence that conflicts with prevailing group views.

Assessing the risk of confirmation bias
- Does your committee aggressively seek information supporting ideas it likes?
- Does your committee seek out information that conflicts with prevailing views on the committee?

Group polarization
A situation that occurs when groups as a whole make decisions that are either riskier or more conservative than the leanings of its individual members.

Symptoms include:
- Arriving at a final outcome that is more extreme than would have been expected, given group members’ individual views.

Assessing the risk of group polarization
- Does your committee make riskier decisions than you would make on your own?
- Does your committee make more conservative decisions than you would make on your own?
Shared-information bias
A phenomenon that occurs when information is shared before the discussion but not considered during the discussion.

Symptoms include:
• The perceived expert doesn’t feel it’s appropriate to add opinions because not everyone else is an expert.
• Someone shares information, but it’s discounted because others don’t know about it.

Assessing the risk of shared-information bias
• Do committee members welcome fresh insights during meetings, beyond the information that is shared in advance?
• Do committee members withhold information if it hasn’t been previously circulated?

Herding
The tendency for groups as a whole or group members as individuals to resist being outliers, to make decisions based on what others do.

Symptoms include:
• Constantly benchmarking against others in the industry.
• Frequently overriding the investment policy on such issues as rebalancing to conform to what others are doing.

Assessing the risk of herding
• Does your committee benchmark investment decisions against others in the industry?
• Does your committee override its investment policy if others in the industry are following another direction?

Social loafing
The tendency of individual group members to put forth minimal effort in a group setting.

Symptoms include:
• Multiple BlackBerry users at meetings.
• Members who attend meetings but do not make meaningful contributions.
• Members who skip majority of meetings but remain on committee.

Assessing the risk of social loafing
• Do all committee members attend scheduled meetings?
• Do all committee members make significant contributions to the group?

Techniques to address suboptimal behaviors on committees
If you suspect that your committee is not operating effectively, at top effectiveness, see below to discover which kinds of strategies could potentially address these group behaviors. We have grouped these techniques into three categories—structure, process, and information access and review—and identified the relative value of each strategy in addressing the behaviors that may stand in the way of committee effectiveness.

• Read through the examples to determine whether your committee exhibits any suboptimal behaviors.
• If so, explore the suggested techniques to identify those most suited to your committee.

Structure
Diverse members—Ensuring the group has diverse members in terms of knowledge, skills, abilities, personalities, attitudes, and backgrounds. Ethnicity, race, and age can also be considered. Diverse groups can draw on a wider range of knowledge and skills, which improves flexibility and innovativeness and may encourage productive debate.

Group size—A group should be large enough to include diverse insights and experiences but small enough to keep organization and coordination manageable and to keep members motivated. Research indicates committees typically benefit from having six to ten members (Investment committees: Vanguard’s view of best practices, Vanguard Investment Counseling & Research, May 2010)

Process
Decision-making tactics—The process of how a group goes about making decisions. Are decisions made before the meetings? Useful techniques include cataloguing pros and cons or reviewing “what if” scenarios.

Devil’s advocate—A devil’s advocate can challenge inherited wisdom and the voice of the crowd. The role of devil’s advocate should be assigned to a committee member. This role should rotate and should not always be the same person. Note that an institutional consultant or advisor may also play this role.

Leadership style—Techniques leaders can use to help avoid suboptimal group behaviors include basic meeting management practices: Set a regular meeting schedule, distribute an agenda in advance, recognize member preferences about how they want to interact, and encourage attendance.
It’s the leader’s job to make sure the group’s tasks are executed. This may be accomplished through a democratic leadership style, which allows members to vote on decisions and promotes an egalitarian atmosphere. Decision-making can also follow autocratic or laissez-faire models.

Some techniques leaders can use to help promote effective group behaviors include:

• Not stating an opinion before opening up discussion to the group.
• Encouraging the sharing of information and healthy debate.

**Information access and review**

**Leveraging member expertise**—Identifying and using the knowledge, skills, and abilities of group members. A best practice is making sure all group members have information about the backgrounds of other members to ensure each member’s abilities are known and formally acknowledged by the group.

**Outside expert**—A consultant or other expert who brings in expertise or a different perspective that doesn’t exist within the group. This individual can serve as a devil’s advocate, as the bearer of bad news, or as a creative antidote to stale thinking.

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**Techniques to address suboptimal behaviors**

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Technique effectiveness in addressing behavior: • Good  ●● Better  ●●● Best