Investment Committee Decisions:
Potential Benefits, Pitfalls, and Suggestions for Improvement

John W. Payne
Duke University

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Introduction

Investment committees (teams) are responsible for many billions of dollars in investments worldwide. Included in the decisions made by investment committees are asset allocations, judgments about market future market conditions, choices regarding specific investments, and the hiring (and firing) of money managers. Most committees or teams meet face-to-face, and use a “strength in numbers” decision rule (e.g., majority or consensus type scheme). Committee or team-based decision making is also common in other areas of financial decision making. For example, it has been estimated that almost 60% of the actively managed equity mutual funds are managed by teams, up substantially from just 30% or so in 1992 (Bliss, Potter, and Schwarz, 2008).

There are a number of reasons why committees or teams might be used to make financial decisions. For instance, in the area of nonprofits, it has been suggested that having a number of important people on an investment committee helps fund raising because such people will be more likely to give, and to get others to give. There is related evidence that the more members of a group are involved the making of a decision, the greater the commitment to the implementation of that decision. In the area of mutual fund management, it has been suggested that teams provide a more stable management structure than an individual (Kovaleski, 2000). That is, funds managed by committee are less subject to the impact of a single manager leaving the company. Another reason that has been offered for group or committee decision making is the diffusion of responsibility for a poor decision.

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1 A consensus decision rule is often a 2/3ths majority rule in practice. That is, once 2/3ths of a group decide on a judgment or choice that tends to become the “consensus” decision.
The primary reason for committee decision making, however, is clearly the view that committees or teams will make better financial decisions. With teams, committees, or groups it is felt that there will be more knowledge or information to be shared. This information argument for committee decision making appears even more compelling as the world of financial decision making becomes more complex and dynamic. Consequently, it becomes less likely that any single individual will have sufficient information and skills for good decision making, and thus the growing need for committee decisions. Teams also are seen as providing “error” checking of the facts or the reasoning being presented. In the case of reasoning there is a recognition that simply having all the relevant information is not enough. Information must also be processed in the right way. For example, individuals frequently neglect base-rate or distributional information when making probability judgments. The hope is that a member of a committee might “correct” such an error in reasoning by another member of the committee. In addition, humans are subject to random “slips” and “mistakes” in judgments. If the judgments of individual members of a group include random error or “noise” then a statistical combination those judgments will cancel out those errors and lead to the “wisdom of crowds” ( ). Finally, committees provide a way to incorporate different values, such as risk attitudes or a concern with social responsibility, into a decision. All of the reasons above suggest that investment committees have the potential of being a good way to manage investments. Also, there is empirical support for the superiority of group decision making. For example, Binder and Morgan (2005) find that group decisions are on average better than individual monetary policy decisions.
On the other hand, some view investment committees much more negatively – “they don’t meet often, they act slowly, and when they act, they tend to make the wrong decisions” (Robert Jaeger, 2004, Foundation and Endowment Money Management). Substantial empirical support for this more negative view of group decision making also exists. For example, Barber and Odean (2000) report that investment clubs performed worse than individual investors. To make the empirical results more unclear, Bliss, Potter, and Schwarz (2008) recently reported “no statistically or economically significant differences in performance between individually-managed and team-managed mutual funds” (p. 115). Thus, the empirical evidence on the performance of team-based versus individual financial decision making is mixed; although, the overall pattern of results do suggest limits of group decision making. For a recent review of the quality of group decision making in general, see Kerr and Tindale (2004).

The quality of investment committee decisions are likely to matter most when the investment decisions involve more subjective forecasts and valuations, and when there are significant constraints on arbitrage possibilities. Examples of such decisions include investing in newer companies, new types of financial instruments, extreme growth stocks, and hedge funds.

This chapter asks, and answers, three questions regarding the quality of team or investment committee decision making. 1) When and why do collections of individuals perform better than the average individual judge? 2) When and why do groups perform worse than the average decision maker? In particular, when might groups amplify, not mitigate, decision biases? 3) How might the processes of investment committee decision making be improved?
The rest of this chapter is organized as follows: First, a simple model of individual judgment is presented followed by a classical model of group judgment. Next an illustration of how groups can outperform the average individual judge is presented. Third, a number of examples are presented where groups amplify, not mitigate, decision biases. Reasons why poor group decision making happens are discussed in terms of cognitive, emotional, and social factors. The chapter concludes with suggestions for improving committee or team financial decision making.

**Truth, noise, and bias**

**Individual judgments.** Individual judgment can be thought of in terms of three components. The first is “truth”. That is, the part of a judgment that reflects the true state of the world or coherent preferences. Judgments also frequently include an element of random error or “noise”. That is, unpredictable deviations from truth. Typically this is modeled by an error term that is generally assumed to normally distributed with a mean value of zero. The third component is bias or predictable deviations from truth. Over the past four decades a growing body of research has shown that human judgments and choices frequently exhibit predictable biases. Ariely (2008) refers to such biases as “predictably irrational” behaviors. An example of a “bias” that is of great relevance to financial decision making is the overconfidence that people often show in the precision or accuracy of their judgments. Another “bias” is the tendency to search for confirming rather than disconfirming evidence of an initial hypothesis. A third bias related to preferences is the context dependence of choice behavior.

To the extent that a judgment only includes a truth component plus random error (or the bias component is relatively small) than a group judgment is typically better than
the average of the individual judgments. This is because the group judgment will “cancel out” the noise component - the larger the group the better. This is the fundamental principle behind the “wisdom of crowds” ( ). Although, it turns out than going from a single judge to even a small group (n=3 or better) can improve judgment substantially\(^2\). Note, this positive feature of “group” decision making does not require that the collection of individuals defining a group even meet. One could take a collection of individual judgments and just combine those judgments statistically (a simple average works well). An example of the wisdom of even small groups of judges is given below.

On the other hand, to the extent that a decision is subject to substantial amounts of individual biases in judgment or choice is does not appear that making that decision as a group often mitigates the amount of bias seen in a decision. Instead, as reviewed below, group decision making can actually amplify biases in judgment and choice.

**Group judgment.** The classic model of group performance (Steiner, 1972) sees the actual performance of a group as a function of the potential productivity of the group members minus “process loss” components that cause a group to perform at a level below its potential. One might also include the possibility of “process gain” due to the positive or synergistic aspects of a group of individuals working together. Group potential is a function of the number of “independent” judges with task-relevant information making up a group. The concept of independent judges is stressed above because simply adding more and more members to an investment committee is not going to help if the added members shared common background (knowledge, beliefs, and values) with existing committee members. Generally diversity in knowledge and thought processes is more

\(^2\) A survey of investment committees by Arnold Wood (Martingale Asset Management) found that investment committees ranged from 3 to 12 in size with the median being 7 members.
important in group composition than the size of the group. An example of a “process loss”, to be discussed later, is when a member of a group does not fully share the information that he or she might have that is relevant to a decision. Error checking of the facts or the reasoning being presented by one person by another member of the group is an example of a potential “process gain”. According to Kerr and Tindale (2004), the ubiquitous finding across decades of research is that groups usually fall short of their potential productivity – they exhibit process loss. While process loss may be a common result with group decision making it does not occur in all cases or at least it is not significant. There are situations (tasks) in which groups do come close to their apparent potential and process interventions in group decision that can, at least, mitigate process losses. Kerr and Tindale (2004) report that “process gains”, where group performance is better than any individual or combination of individual member efforts, have proven elusive or modest at best. On the other hand, as discussed below, there are a number of studies showing that group judgments are frequently better than the average individual judgment.

**Example of Group Accuracy in Judgment- N heads can be better than one.**

Figure 1 shows a picture of a container full of nickels. How much money, in total, do you think is in that container? Now imagine that three individuals were asked that question as individuals. How well do you think the average individual (one of those three judges picked at random) would do on that estimation task? How well might the group of all three individuals do if asked to reach a consensus estimate? How well might that group judgment do in comparison to a simple averaging of the three individual estimates?
Recently two colleagues (Jack Soll and Lehman Benson) and I asked 177 undergraduates to estimate the amount of money in the container, first as individuals and then as part of groups of three persons. The correct answer is $21.55. A measure of how close an estimate is to the correct answer is provided by the absolute deviation from the true answer. At one extreme, a randomly selected individual was found to deviate (+ or -) from the truth by an average value of $8.33. Most people underestimated the amount of money in the container. At the other extreme the average estimate of all 177 respondents deviated from the truth by $4.55 (average estimate of $17.05). That is, there is a 45% improvement in the estimate by moving to the “wisdom of crowd” provided by the average of all 177 respondents. Picking three judges at random, averaging their estimates, would lead to a 28% improvement in the estimate as compared to the randomly selected individual. The mean deviation for the average of three randomly selected individuals (a small group) was $6.02. Interestingly, the actual performance of the interacting groups of size three was worse, with an average of $6.77 (a 19% improvement). In part, this decrease in performance seems to have been the result of the behavior of groups were there were two people with similar estimates and one person with a substantially different estimate, discounting the opinion of the third judge whose estimate was further away. That is, the process used effectively reduced the size of the group from 3 to closer to 2.

The results described above are common in the judgment literature. Groups do outperform a randomly selected individual. However, interacting groups frequently do worse than a simple average of the individual judgments. Groups both are better in a statistical sense but also show evidence of “process loss”.

**Why a committee might perform poorly: Sources of process loss**
There are many sources of “process loss” in group or committee decision making. Some of the sources are more cognitive and include poor information sharing and the amplification of biases like the search for confirming information. Other sources are more motivational and include a lower of effort levels when one is part of a group (“social loafing”) and the introduction of goals such as the desire to conform to a group opinion. Also, influence in a group may a function of factors not related to knowledge or skills. For instance, people who talk a lot may have more influence on a group than is actually warranted. Or, one may treat opinions that are most similar to yours as necessarily being more valid. Finally, there is an illusion of group effectiveness that often exists.

**Do committees mitigate cognitive biases?**

As noted above, there have been many biases in individual judgments and choices identified over the past four decades. A number of studies have been conducted investing whether or not group decision making mitigates or amplifies or has no effect on the existence of biases in decisions. Below are a few illustrations of this research.

**Overconfidence in judgment.** Overconfidence in the accuracy and precision of one’s knowledge is sometimes viewed as possibly the greatest deterrent to rational investment (J. Clements, Wall Street Journal, 2/27/2001). To illustrate one type of question asked in overconfidence studies consider the following: Over the next year, what do you expect that the average S & P 500 return will be ______%? Obviously the return could be lower. Please give a lower bound to your estimate such that there is a 1-in-10 chance that it will be less than ____ %. On the up side, please give an upper bound to your estimate such that is a 1-in-10 chance that the return will be greater
than ____%. Another form of overconfidence question takes the following form: Next year (12 months from now), the competitor (in your industry) with the largest market share will have a) less than or equal to 30% of the market, or b) greater than 30% of the market? What is the probability (.5 to 1.0) that you are correct? A frequently used measure of the quality of such subjective judgments is to assess the proportion of times events said to have a certain probability of occurrence (e.g., .8) do in fact occur. A “well calibrated” probability assessor would be one where the frequency of occurrence was, in fact, 80%. Similarly, a “well-calibrated” 80% confidence interval around an estimate, such as the percent return of the S & P 500, should contain the actual return about 80% of the time.

People are not well-calibrated, in general. In a study of eye-witness confidence, for instance, people who said they were 80% confidence where only about 68% accurate. In a study of 7000 forecasts of the S & P 500 returns by top corporate executives (Ben-David, Graham, and Harvey, 2007), only about 38% of the forecasts where within the 80% confidence interval. Overconfidence effects are particularly strong when the task involves the assessment of confidence intervals. Further, it appears that the gap between confidence and accuracy grows wider as the amount of information available to the judge increases (Tsai, Klayman, & Hastie, 2008). That is, confidence goes up quickly with more and more information but accuracy increases at a much slower rate.

Do groups mitigate the overconfidence effect? Several studies have investigated this question. One by Plous (1995) nicely illustrates the findings. Individuals and groups of those individuals were asked to assess 90% confidence intervals for ten questions. Assuming perfect calibration one would expect that for 9 questions the true answer would
fall within the 90% confidence interval. This did not happen for individuals or groups. Instead of 9 out of 10, for only about 3.1 of the items did the true answer lie with the confidence intervals assessed by individuals. Interacting groups assessment were only slightly better (4.2 out of 10). Had the individual judgments been combined statistically, the performance would have been much better (7.4 out of 10) indicating a lot of “process loss”. Interestingly, the groups thought they would be better, on average, than the individuals. That is, people thought that groups would be much better than individuals than they actually were.

Planning fallacy. A common bias related to overconfidence is the planning fallacy (Buehler, Griffin, & Ross, 1994). Planning here is defined in terms of the estimate of the time need to complete a project. One result from studies of the planning fallacy is people who were 70% confident in their estimates were only correct about 40% of the time. Another result was that when asked to give optimistic and pessimistic estimates of the time needed to complete a task, it has been found that less than 50% of the projects are actually completed in less than the pessimistic estimate. One reason for the planning fallacy seems to be that thoughts are focused much more on the path to likely success of a project than on potential impediments and actual outcomes experienced in the past.

If anything, this “planning fallacy” seems slightly stronger when groups make the estimates. For example, Buehler et al. (2005) found in one study that individuals tended to underestimate the time need to complete a project (estimate = 45.16 days, actual = 59.31 days). Groups were even more optimistic (estimate = 42.25 days). Similarly in another study the actual task completion time was 2.30 days, on average, and the individual estimates were 1.87 days and the group estimates were 1.07 days.
To summarize, groups do not seem to mitigate common judgmental biases much, if at all. There are even times when groups seem to amplify the biases. In the next section this amplification effect is illustrated with preference tasks.

**Sunk costs.** One of the most common decision biases is the “sunk cost” phenomenon. This phenomenon is also known as the “escalation of commitment”. Essentially the phenomenon refers to the observation that people frequently persist in a project more than might be justified on the basis of projections regarding future costs and benefits because of prior costs or investments in that project. It has been suggested that the “sunk cost” effect is due in part to the reluctance of people to admit mistakes. One way to hide a little mistake is to bury it under a bigger one.

Whyte (1993) has studied the frequency of sunk cost related decisions made by individuals and by groups. In a control condition, a project was presented to both individuals and groups without any reference to a prior investment (sunk cost). Based on the description of the project 29% of the individuals and 26% of the groups were in favor in going ahead with the project. However, in the case of a different set of individuals, when some sunk cost information was presented, about 69% of the individuals decided that going ahead with the project was the preferred option. For groups, the sunk cost effect was even stronger. In that case, 86% of the groups voted to go ahead with a project when sunk cost information was presented.

Looking at minority influence, in groups where the members of the group initially in favor of escalation of commitment were a minority, about 50% of the decisions ended up in favor of continuing the project. In contrast, groups with an initial minority in favor of abandonment of the project only had about 2% decide in the direction of the minority.
This suggests that an incorrect form of economic reasoning was actually more persuasive than the more correct form of economic reasoning.

**Context effects in preference.** Context-independence refers to the assumption that the relative ranking of any two options should not vary with the addition or deletion of other options. This is sometimes called the principle of “independence of irrelevant alternatives”. It is often viewed as a fundamental property of rational choice behavior. Despite its logical appeal, decision makers do not always satisfy context-independence in their choices. For example, Simonson and Tversky (1992) report a study in which given a choice between $6 and a Cross pen, only about 36 percent of the people selected the Cross pen. However, when a clearly inferior pen was added to the choice set (a pen selected only about 2% of the time), the percentage of people selecting the Cross pen over the $6 rose to 46%.

Slaughter et al. (2006) recently explored whether or not this effect would occur with group decision making. The task was to select an employee based on ratings of sales and service potential to consumers. One candidate (named Johnson) had an average rating in terms of sales but a high rating in terms of service. Another candidate (named Smith) had a high rating in terms of sales but only and average rating in terms of service. For half of the individual decision makers and half the groups, the choice problem was to select between Johnson, Smith, and a third candidate (named O’Brien - J) who was clearly inferior to Johnson. O’Brien - J had a similar high rating on service as Johnson but only a low rating on sales. For the other half of the individual decision makers and groups, the choice problem was to select between Johnson, Smith, and a third candidate (named O’Brien – S) who was clearly inferior to Smith. O’Brien – S had a similar high
rating on sales as Smith but only a low rating on service. The percentage of individuals choosing Johnson over Smith when the third option was dominated by Johnson (O’Brien – J) was 83% compared to 59% when the third option was dominated by Smith (O’Brien – S). A clear example of what is called the asymmetric dominance effect (Huber, Payne, & Puto, 1982). This effect was slightly stronger with group decisions. Ninety percent of the groups selected Johnson when that was the dominating candidate compared to only 49% when Smith was the asymmetrically dominating candidate.

Finally, what about risk attitudes and group decision making? As noted earlier, one reason for group decision making is the ability to bring to bear on a decision a diversity of attitudes and values.

Polarization of attitudes. There has been much study of the effects of group discussion of the expressed attitudes of a group towards such issues as risk-taking. The evidence is clear that groups often lead to the polarization of attitudes, not the mitigation or compromising of attitudes. That is, if you have a committee made up of a majority of slightly risk-taking people, the committee decisions will often exhibit even more risk-taking. On the other hand, if you have a committee made up of a majority of slightly risk-averse people, the committee decisions will often exhibit even more risk-aversion.

In the next section of this chapter a few of the reasons why groups might exhibit process loss and the amplification of decision biases are discussed. The reasons are divided into cognitive factors and motivational factors although actual committee decisions will typically include a variety of both types of factors.

What causes process losses?
The sharing of information is viewed as perhaps the strongest reason for group decision making over individual decision making, however, it is becoming increasingly clear that groups do not always realized the potential of having diverse sets of information distributed among its members. Below work initiated by Stasser and Titus (1985) on the sharing of information is reviewed.

Poor information sharing. For groups to be most effective there needs to be both different information held by the different members of a group, and that the different information be shared among the group members. Different information held by different members of a group affects the group potential. Sharing the unique and different information held by different members of a group is an important part of the decision process. Consequently, over the past two decades there has been much research devoted to investigating the role of shared versus unshared information on decisions.

To illustrate this type of research, imagine that Kate, Ken, and Keith are members of a three person investment committee who have the task of selecting between one of three candidates (A, B, and C) for a position as a money manger. There are eight items of information (x1 to x8) about the candidates on job dimensions considered relevant to the selection task, e.g., a rating of technical skill. To make things easier, assume that each item of information is either positive or negative/unknown. Now consider two information conditions – shared and unshared. In the shared condition Kate, Ken, and Keith know the following complete information about each candidate. Candidate A has positive ratings on all eight job dimensions. Candidate B has positive ratings on dimensions x1 to x5 and negative ratings on dimensions x6 to x8. Candidate C has negative ratings on dimensions x1 to x4 and positive ratings on the remaining four
dimensions. Knowing all the information, it is clear that candidate A is the superior choice. Often however information is not fully known to all members of a committee. Instead some members know more about some things and other members know more about other things. Image therefore that Kate knows the following information: Candidate A has positive ratings on dimensions x1, x2, and x3. However, Kate knows nothing about the ratings for candidate A on the other dimensions. Candidate B has positive ratings on dimensions x1, x2, x3, x4, and x5. Candidate C has positive ratings on dimensions x5, x6, x7, and x8. Committee member Ken, on the other hand, knows the same information about candidates B and C but only knows that candidate A has positive ratings on dimensions x4, x5, and x6. Finally, committee member Keith shares the information on candidates B and C but knows only that candidate A has positive ratings on dimensions x6, x7, and x8. This information condition is called the “unshared” condition.

If the committee members in the unshared condition described above were to fully share all their information then the group would then be back in a full, shared, information condition. Again the choice of candidate A would be obvious. Unfortunately that is not what often happens. Instead, choice of candidate A becomes much less likely. Instead candidate B, and sometimes candidate C, become more likely to be selected by the group. The reason is that people tend to share the information first that is already known to everyone. Shared information is also discussed more. People also seem to adopt more of a position of advocating the candidate they think was best initially, i.e., candidate B, rather than sharing all their information. The bottom line is that all the information known to the members of the group are frequently not shared during the decision making
process. This failure to completely share unique information is an important source of “process loss”.

Poor information sharing of unique information is a robust phenomenon. However, the effect is less by a leader taking an active role managing the information sharing process.

The search for confirming information. One of the most common, and important, “biases” in human judgment is the tendency of people to search out information that tends to confirm (rather than disconfirm) previously held beliefs. As Francis Bacon noted “The human understanding when it has once adopted an opinion (either as being the received opinion or as being agreeable to itself) draws all things else to support and agree with it. And though there be a greater number and weight of instances to be found on the other side, yet these it either neglects and despises, or else by some distinction sets aside and rejects, in order that by this great and pernicious predetermination the authority of its former conclusions may remain inviolate.” Information that supports a position tends to be subject to a “can I believe it” test. Information that does not support a position tends to be subject to a much more stringent “must I believe it” test. Further, if an item of information that is ambiguous in its meaning tends to be interpreted as supporting the already held opinion.

Unfortunately, this strong tendency towards a confirmation bias seems to be amplified during group decisions. Schulz-Hardt et al. (2000), for instance, found that the confirmation bias in the search for supporting rather than conflicting information was significantly stronger for groups than for individuals. Individuals did show the
confirmation bias but to a lesser extent. Further, the larger the majority in a group that was in favor of the initially preferred option, the stronger the confirmation bias.

More recently, Kerschreiter, Schulz-Hardt, Mojzisch, and Frey (2008) demonstrated that one factor contributing to a confirmation bias in group information seeking is the high confidence groups can develop in the correctness of their decision. Highly confident groups show a strong confirmation bias. Further, groups that are more homogeneous in their initial preferences are more confident. To the extent that a group’s high confidence in the correctness of their decision reflects overconfidence the impact of confidence on confirmatory information seeking is likely to amplify poor decision making.

Social conformity. Poor group decision making can result from social conformity pressures and other factors related to social interactions. Often, for example, people will modify their opinions in the direction perceived to consistent with opinions held by others in a group. The classic demonstration of a social conformity effect is by Asch ( ). In that work Asch showed that even a straightforward perceptual judgment (the line of a line) can be influenced by the wrong opinions expressed by other people in a group. There is also some evidence that social conformity pressures can lead group members to suppress divergent opinions, decide quickly in order to avoid unpleasant tensions within a group, and defer to a respected leaders position. McCauley (1998) has argued in a similar vein that poor group decision making results from seeking to preserve friendly relations in a group based on the personal attractiveness of group members. Often criticism of ideas is seen as criticism of the individual’s behind those ideas, and thus something to avoid. More generally, see the special issue in Organizational Behavior and Human

**Summary of Quality of Group Judgments**

This chapter has provided some examples of when groups do better and poorer than individuals in decision making. In this section of the chapter a summary of the results from the extensive literature on group performance is provided. First, when groups are faced with tasks where once a correct solution is proposed the answer is clear then groups then to do better than individuals in solving such “intellectual” or “Eureka” tasks. The major danger in such tasks is when the shared conceptual model of what is correct is flawed. During the late 1990s, for instance, many people shared the view that a “new” internet economy had emerged in which old rules no longer applied. Second, on forecasting or estimation tasks where the primary source of error is random noise then groups tend to be better than the average individual. However, it may well be for such tasks that you are better off simply taking a statistical average of a collection of individual forecasts or estimates rather than have the members meet and reach a “consensus” forecast. Interacting groups, compared to statistical groups, tend to add noise, which lowers the validity of judgment. An exception to the recommendation for statistical averaging is when you have individuals with very different levels of forecasting ability and you are well able to identify the better forecasters. In that case adding the opinions of the poorer forecasters through statistical averaging will “hurt”. However, there is evidence to suggest that people are not that good at identifying the better versus poorer forecasts. For instance, we often tend to view that people whose forecasts are more in agreement with our own are “better”.

19
Suggestions for Improvement

While there are clearly reasons to be skeptical regarding the promise of investment committee decision making is unlikely that investment committees will disappear. Nor is it even clear that would be a good idea. There are also good reasons for team or group decision making, particularly as the financial world becomes more dynamic and complex. One recommendation for investment committees is simply to become more aware of the pitfalls that can affect group decisions. In addition, the literature on group decision suggests a number of ways in which groups might make better judgments and choices. In this section of the chapter a few of best established suggestions for improving committee or group decision making are discussed. Recognize that there has not been much research done on investment committee decisions as opposed to group decision making in general.

Selection of committee members. Arnold Wood and I did a survey a few years ago of investments committees and found that investment committees were very homogeneous in membership. Over 90% of the members were white males, with most of those 60 years or more old. An interesting question, for which we do not have data, is how homogeneous the committee members were in educational backgrounds and other experiences. However, given that group formation tends to be guided by the principle of similarity among potential group members, a high degree of shared backgrounds, experiences, and viewpoints is likely to be the case. The more the backgrounds and experiences of a committee’s members are shared, the more likely it is that there judgments will be correlated. That is, they will exhibit shared biases in their judgments. This has implications for how to go about selecting the members of an investment
committee. For instance, there are some modeling results regarding group judgments suggesting that you would be better off with a smaller committee (n = 4) with less correlation in judgments (e.g., r = 0) than with a much larger committee (n=16) with even modest levels of correlations (e.g., r = .30). Thus, one suggestion if you are involved in putting together an investment committees is to put your limited resources into trying to find a small number of relatively independent judges than in spending those resources on getting a lot of people on a committee. This suggestion is also consistent with the old idea that an increased size of a group can be a curse in terms of coordination costs. Note, this suggestion is in terms of the accuracy of judgments that might be made. One might want a larger committee if that is related to fund raising, not the quality of the decisions to be made.

Training of committee members.

Management of information sharing.

Accountability for process.

Conclusion
References


Figure 1