



Research & Commentary » New survey findings on investment committee leadership styles

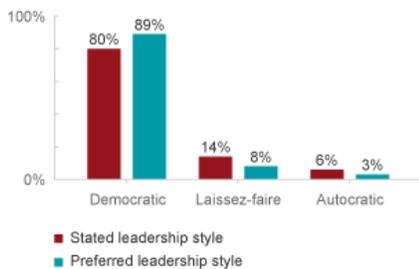
New survey findings on investment committee leadership styles

Vanguard | 05/26/2011

While leadership styles on investment committees may vary, the democratic style is most common, according to a new Vanguard survey—*Do leaders matter?: Investment committee decision-making study*.

"The clear majority of respondents not only describe their committee's leadership style as democratic, they also said they strongly desire this type of structure," said Catherine Gordon, who leads Vanguard Institutional Advisory Services® (see figure below). She added that we were surprised to find that committees' decisions and behaviors were largely similar across leadership styles.

Stated and preferred leadership styles



The survey was conducted in November/December 2010 and solicited responses from more than 200 institutional investors overseeing defined benefit, defined contribution, and nonprofit assets. In addition to leadership styles, the survey also looked at best practices, factors considered when selecting and evaluating managers, committee attributes, group decision-making, and the use of external consultants.

This is the third of Vanguard's annual investment committee surveys and is part of our broader research agenda to better understand the dynamics of decision-making by investment committees. "There is a strong appetite and need for this type of research," Gordon said. "Research helps us put some data behind what can often be more anecdotal."

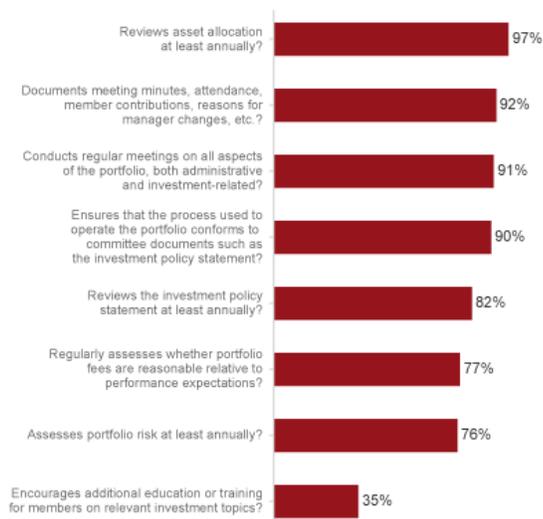
The full results from the survey will be available in June.

Best practices

Previous Vanguard research examined how best practices can help improve the productivity and effectiveness of investment committees.

"In this survey we wanted to take it a step further to see how best practices aligned with leadership styles," Gordon said. The results overall were strongly encouraging with respect to the level of best practices (see figure below).

Best practices and committee behavior



"Of course, there is room for improvement in a couple of areas, including more focus on fees and on encouraging continuing

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[Group decision-making: Implications for investment committees](#)

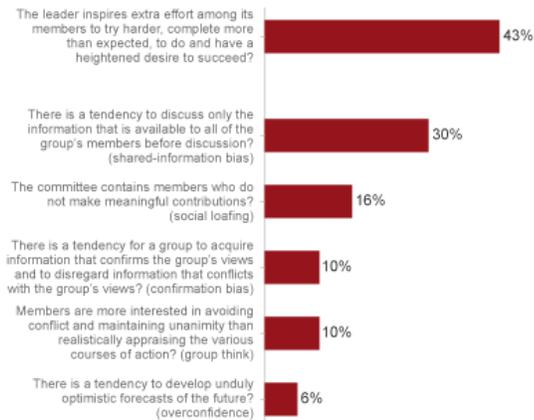
education relevant to investments," Gordon said. "Committees do have some control over costs, and our experience shows that minimizing investment fees and expenses can make a real difference over the long term."

"As for continuing education, it deserves more attention in many committees as well, especially given the level of scrutiny fiduciaries are under today and the need to keep up with regulatory changes," Gordon said.

Group decision-making behavior

As part of the survey, committee members assessed their own group dynamics, and two findings are worth noting: the level of shared information bias and the extent to which the leader inspires extra effort (see figure below).

Group decision-making



"Shared information bias means that the committee members follow an insular process and don't seek out new information from each other that may broaden their perspective and inform their decision-making," said Jill Marshall, an investment analyst with Vanguard Investment Strategy Group and a coauthor of the leadership styles study. "As for the leader's ability to get the most out of committee members, this is definitely an area to pay attention to since the demands on investment committees are so great."

Resources:

Committee members may find these sites helpful.

- [The Nonprofit Fiduciary Resource Center](#), a convenient one-stop location for forms, tools, and other useful resources for nonprofit investment committees.
- [The Defined Contribution Resource Center](#), offering essential advice on fiduciary topics such as organization of the committee, investment selection and monitoring, administrative oversight, and plan costs.
- [The Defined Benefit Resource Center](#), designed to help pension plan sponsors address the multitude of funding and compliance issues they face.

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