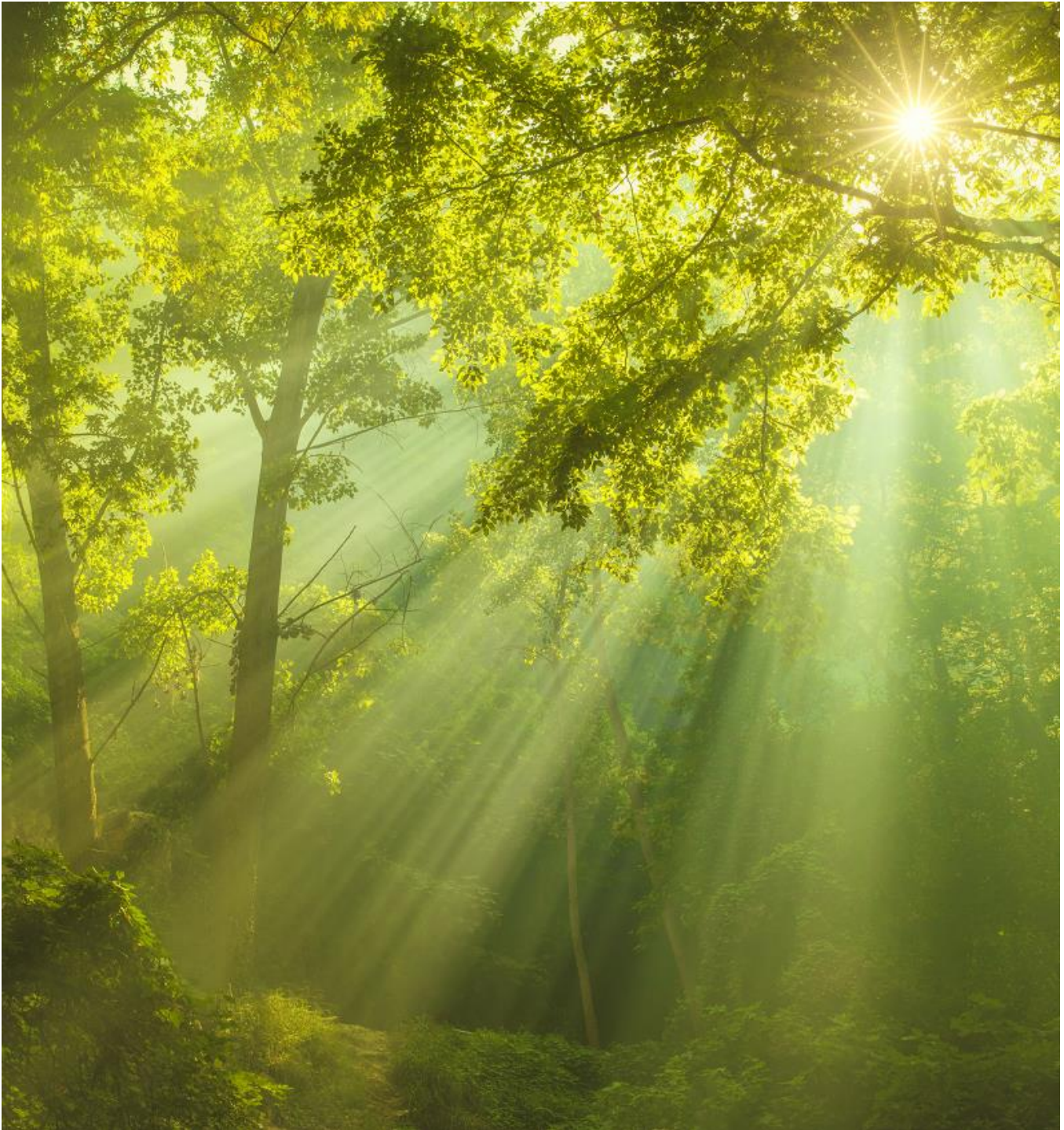


# Thinking Ahead Institute

## Collective decision-making in action

A case study from Willis Towers Watson's Global Portfolio Management Group



## Thinking Ahead Institute decision-making research

In 2018, a Thinking Ahead Institute (TAI) working group conducted a year-long exploration of collective decision-making. It drew on theory: academic research including management science; and practice: the collective experience of a range of senior investment professionals working in different roles within the industry.

One of the main findings was that, while group composition matters, it is far from the only thing that matters. Group interaction matters a lot. Strong decision-making emerges when the whole is greater than the sum of the parts. And this was the central focus of the research: how a group can effectively integrate individual thought processes, relationships, communication patterns and other aspects of interaction into superior collective judgement.

The working group published two papers (see exhibit 1). [How to choose? A primer on decision-making in institutional investing](#) describes the nature of the challenge and why it is so difficult. And [Better decision-making: a toolkit](#) draws on thinking from the first paper and focuses on better decision-making in practice.

Based on the findings of our research, a self-assessment questionnaire was created to allow a group to systematically assess its decision-making practice. The questionnaire comprises 35 questions, which are listed in the appendix. It covers a wide range of aspects that contribute to effective collective decision-making. In particular, a wise group tends to have the following four traits:

1. Members of the group have a wide range of perspectives and opinions – both diversity and inclusion matter
2. The group is very effective in sharing and processing the relevant information
3. Independence of individual judgement is preserved during the discussion
4. There is an effective means of combining individual opinions.

**How to choose?**  
A primer on decision-making in institutional investing

- How humans make decisions 101 - why it is so difficult
- The investment environment is particularly challenging for our brains
- Identifying two key areas for improvement: (1) the use of technology / machines and (2) the mechanics of groups

**Better decision-making: a toolkit**

15 tools for more effective collective decisions-making in the areas of

- Improving the quality of inputs to decisions (eg pre-mortem)
- Improving the processing of inputs (eg checklists)
- Improving group dynamics for decision-making meetings (eg co-chairing)
- Actually making the decision (eg vote-discuss-vote)

Exhibit 1: TAI decision-making research papers

## Global Portfolio Management Group (Global PMG)

Willis Towers Watson's Global PMG is a group of senior members of the investment business, including portfolio managers and representatives from the asset research and manager research team. The purpose of PMG is to build and manage investment portfolios for delegated investment service (also known as Outsourced CIO) clients globally and for the pooled funds operated by Willis Towers Watson. Specifically, Global PMG is responsible for establishing the portfolio management principles and the process through which investment portfolios are managed and setting asset allocation for global model portfolios, reflecting both longer-term strategic considerations and shorter-term dynamic views.

Given the magnitude of the asset base – currently over US\$120bn – for which Global PMG has ultimate responsibility, the effectiveness of its decision-making practice is critical. The group is a strong believer of the power of collective decision-making to improve outcomes, which made them an ideal candidate for seeking potential applications of the TAI decision-making research.

### Decision-making review process

A pre-review meeting between TAI and Global PMG was held in order to establish the context and content of the exercise and to agree on the scope of the review. Following this meeting, the TAI lead researcher (Liang Yin) attended two Global PMG meetings (September and October 2018) to observe the dynamics of the decision-making. During this period, 14 members of Global PMG completed the self-assessment questionnaire. A decision-making review and process-change recommendation report was produced, based on the findings of the independent observations and responses to the questionnaire. These recommendations were presented at a subsequent Global PMG meeting (November 2018). Members of the group spent a considerable amount of time discussing these findings and the process-change document was signed off at its next meeting (December 2018).

This exercise ran in parallel with a personality assessment exercise (based on Saville's Wave tool). This was used to identify individuals' motives, talents and working style as well as how these combined to influence group culture and characteristics. The two approaches provided complementary perspectives by examining group dynamics both from the bottom up (through the Wave personality assessments) and from the top down (via TAI's decision-making review). There was strong alignment between the recommended actions arising from the two exercises.

### Key outputs

Prior to the review, Global PMG already had a strong decision-making practice in place, including for example pre-voting and a strongly inclusive culture. This is probably not a surprise, as Global PMG makes hundreds of high-impact decisions every year, with each one of them requiring extensive consideration. Nonetheless, through the review process, the group identified a number of areas of potential improvement.

We highlight some key changes that Global PMG decided to adopt as a result of the decision-making review. They are grouped in four main categories:

## Inputs to decision-making

- Distinguish innovation meetings from decision-making meetings. Innovation sessions are designed to reach out to expertise and perspectives available outside the group, including those outside the firm, in order to generate a wide spectrum of ideas.
- The chair spends more time talking to quieter individuals in advance so inputs are not dominated by those who are naturally assertive and articulate.

## Meeting dynamics:

- Implement an additional social chair for each meeting, rotated periodically. The social chair is responsible for keeping the meetings to time; collating and arranging post-voting; and ensuring turn-taking and that those on the phone can contribute meaningfully.
- Encourage members to use Skype instant messenger when they want to raise a point but cannot get words in, especially when they have joined the meeting remotely.
- Recognise and respect that not everyone will agree. The chair of the meeting can call an end to debates and decide when a vote is due.

## Making decisions:

- Upscale pre-voting practice, allowing areas of debate to be identified to protect collective time from people's tendency to talk even if they agree.
- Use a decision-making checklist, including a requirement to rank the significance of a decision.
- More open questions will be asked and respondents are encouraged to give narratives as to why they voted a particular way.
- Introduce post-voting (vote-discuss-vote) to collate the final verdicts from individuals. Clarify rules on how post-votes convert to final collective decision in different scenarios.
- On voting itself, experiment with two different types of confidence voting and agree on one method after the trial period.

## Post decision-making:

- Improve how decisions are documented to include voting responses and the decision-making checklist in the decision log, as well as including decisions not made.

In addition, Global PMG will continue to explore the best ways to incorporate other ideas from the TAI research in its current decision-making framework. This includes: how and when to best use pre-mortems; the time and place for devil's advocate; checklists; as well as how to review and learn from decisions made. Global PMG also commits to a decision-making review on a regular basis and will recomplete the TAI questionnaire in a year's time.

We believe this exercise demonstrates the value of a guided decision-making review, focusing on improving *how* decisions are made as opposed to *what* should be the next decision. Most decision-making groups could benefit from such an exercise.

## Appendix – decision-making self-assessment questionnaire

For all individual questions, please answer “how much do you agree with the following with regards to your group’s decision-making practice?” on a five point scale – strongly agree, agree, neutral, disagree and strongly disagree (and “I don’t have a view”).

### Section A: diverse opinions

1. Members of our group have different perspectives and process information differently (i.e. our group is cognitively diverse)
2. In our group, we give a fair share of attention to all ideas, regardless of whose ideas they are
3. Our group offers psychological safe zones: people are not uncomfortable when expressing deviations from the house view
4. All members of our group are socially perceptive: they are sensitive to others’ emotional and mental states
5. We are effective in bringing out the opinions of all group members, including those who are not naturally assertive
6. Our group is able to disagree and debate without descending into heated personal arguments

### Section B: effective information sharing

7. For important decisions, our information sharing starts before the meeting
8. It is made clear what decisions need to be made so individuals know what privately-held information they need to share
9. Our group spends most of its time discussing information that is familiar to all rather than seeking out new information that might be relevant to a decision
10. We aim for all meeting participants to have an equal voice so actively promote those in a relatively weak position (e.g. junior people or people joining via telephone)
11. Body language is important information and we work hard to overcome the hindrance of remote participation (e.g. via video conferencing)
12. Our meetings are effectively chaired (interpretation, clarification, on topic, brought to a collective conclusion)

### Section C: expert and independent individual judgements

13. All members of our group have strong subject matter understanding
14. All members of our group have inquisitive minds and almost unquenchable curiosity
15. All members of our group demonstrate strong open-mindedness and do not tend to selectively search for, interpret or recall information that confirms pre-existing beliefs
16. We do not let the desire for harmony get in the way of surfacing and evaluating alternative viewpoints

### **Section D: an effective means of combining individual opinions**

17. Forcing a consensus is the primary mechanism for our group to reach a collective decision
18. Our group uses techniques such as pre-voting to bring out the full range of initial opinions before important decision-making meetings
19. We test for updates in individual opinions after discussion using confidential voting
20. We ask members to provide their confidence level alongside their opinions/votes
21. We regularly seek the perspective of those outside the group
22. When it comes to a final decision, only a few opinions from the most senior people count

### **Section E: additional aspects**

23. A lot of our decision-making meetings are too long and mentally draining
24. There is a lack of time, willingness or forum to discuss ideas to improve decision-making practice
25. We sometimes skip steps of an agreed process
26. We document the decisions that are made, and the reasons for them
27. Our group conducts periodic post-decision reviews to learn from past failures and successes
28. There is strong collective commitment to group decisions – debate stops once the decision is made
29. Our group has an established practice of monitoring pre-agreed signals/flags/milestones to review that the decisions made are still valid in a changing environment
30. The culture of our group is that we care more about the group being right than us individually being right or wrong
31. We are good at delegating decisions to outsiders or sub-groups if this allows them to be made more effectively
32. The amount of time we spend on each decision is appropriate to the impact and importance of that decision
33. Our group is systematic in gathering relevant data to support evidence-driven decision-making
34. As a group, we generally have good (volume and quality including variety, relevance, accuracy, granularity etc.) data for the decisions we need to make
35. Our group is effective at analysing data and drawing relevant insights

## Limitations of reliance

### Limitations of reliance – Thinking Ahead Group 2.0

This document has been written by members of the Thinking Ahead Group 2.0. Their role is to identify and develop new investment thinking and opportunities not naturally covered under mainstream research. They seek to encourage new ways of seeing the investment environment in ways that add value to our clients.

The contents of individual documents are therefore more likely to be the opinions of the respective authors rather than representing the formal view of the firm.

### Limitations of reliance – Willis Towers Watson

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## About the Thinking Ahead Institute

The Thinking Ahead Institute seeks collaboration and change in the investment industry for the benefit of savers.

It was established by Tim Hodgson and Roger Urwin, who have dedicated large parts of their careers to advocating and implementing positive investment industry change. Hodgson and Urwin co-founded the Thinking Ahead Group, an independent research team in Willis Towers Watson in 2002 to challenge the status quo in investment and identify solutions to tomorrow's problems.

What does the Thinking Ahead Institute stand for?

- Belief in the value and power of thought leadership to create positive investment industry change
- Finding and connecting people from all corners of the investment industry and harnessing their ideas
- Using those ideas for the benefit of the end investor.

The membership comprises asset owners and asset managers and we are open to including membership of service providers from other parts of the industry. The Thinking Ahead Institute provides four main areas for collaboration and idea generation:

- Belief in the value and power of thought leadership to create positive investment industry change
- Working groups, drawn from the membership, and focused on priorities areas of the research agenda
- Global member meetings
- One-to-one meetings with senior members of the Institute.