



FAR

The nonprofit
business leaders'
network.

The Seven Habits of Highly Ineffective Finance and Investment Committees

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Session Goals

- Identify Bad Habits
- Consider best practices
- Access useful tools
- Learn from each other
- Have fun!

Equipment Check

- Please rate your driving skills. Are you?

A.) Average

B.) Above Average

C.) Below Average

Audience Says...

Bad Habit #1

- Poor Group Composition
 - Knowledge & Perspectives
 - Domineering Members
 - Wrong Size

Knowledge & Perspective

- Lack of knowledge, abilities, and perspectives



Domineering Members



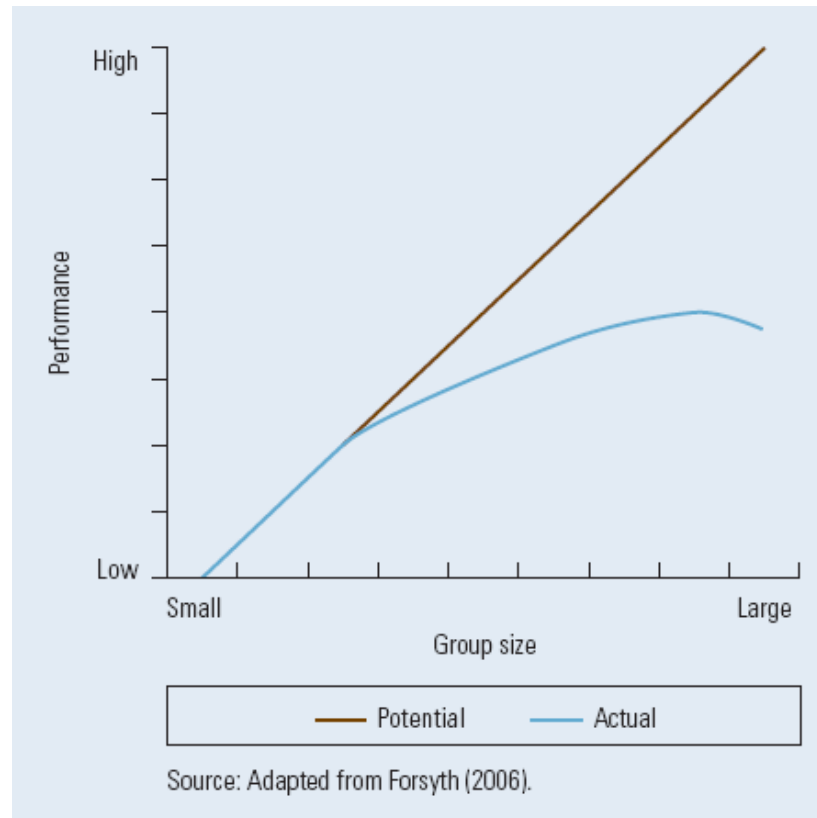
Size Matters

Poll

How many individuals serve on the committee that oversees your organization's investments?

- 1.) Less than 5
- 2.) 5-7
- 3.) 8-10
- 4.) More than 10

Size Matters



Bad Habit #2

- Poorly defined purpose
 - Charters/Bylaws
 - Roles and Responsibilities

Poorly Defined/Understood Purpose

- Charter
- Bylaws
- Roles and Responsibilities
- Does everyone understand?
- Is everyone on the same page?

An Example

- Poorly structured responsibilities
- Poorly defined roles

Sample:

“The investment policy of the XYZ, and XYZ Foundation, Board of Directors, Executive Committee, Finance Committee, and Treasurer is to prudently manage the investments of all organizations. The investment portfolio should strive for preservation of principal and total return within the bounds of this policy.”

Bad Habit #3

- Ineffective Meetings & Calls
 - Necessary?
 - Poor Preparation
 - Poorly Designed / Planned
 - Poorly Run
 - Frequency



Audience Poll

How often does your finance/investment committee meet to review investments?

- A.) Once a month
- B.) Once per quarter
- C.) Once a year
- D.) Don't know

Checklist for effective meetings



5 Practical Tips for Effective Meetings

I.
Agenda – Put Decision Points First
- Send in advance
- Solicit feedback

II.
Prewire Important Points
- Advance call or brief pre-meeting

III.
“Park” Off Topic Decisions
“Thank you for that point. Let me write that down and we can follow up...”

IV.
Leave with Action Plan
- Take notes

V.
Timing
- End on 50 (or 20)
- Give the gift of time

Bad Habit #4

- Action Bias

Action Bias



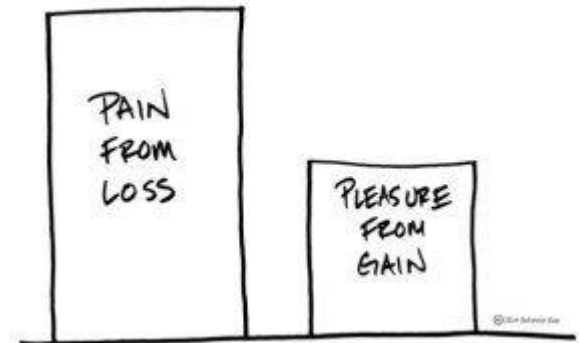
Audience Poll

Our committee would look to replace underperforming mutual funds after the fund has underperformed for?

- 1.) 2 Quarters
- 2.) 1 year
- 3.) 3 years
- 4.) 5 years
- 5.) 10 years

Bad Habit #5

- Human Behavior
 - Overconfidence
 - Loss Aversion
 - Disposition effect
 - Regret avoidance



Bad Habit #6

- Groupthink
 - Collective Rationalization
 - Self Censorship/ Illusion of Unanimity



Bad Habit #7

- Poor Preparation for Transitions
 - Leadership
 - Institutional Knowledge



To Do's

- 1.) Review committee charters/investment policy statements
- 2.) Consider outside expertise on committees
- 3.) Designated “Devil’s Advocate”
- 4.) Leader should avoid stating preferences
- 5.) Survey the group to determine ...
- 6.) Revisit meeting frequency
- 7.) Be watchful for “Groupthink” symptoms
- 8.) New member orientation sessions