

Big team culture questioned

Fund managers in psychological study Larger groups tend to underperform

By Steve Johnson

"Too many cooks spoil the broth", rather than "many hands make light work", appears to be the apt proverb for the fund management industry.

Research by Jim Hunter, a business psychologist who previously worked for the Association of Investment Trust Companies and Aberdeen Asset Management, suggests larger teams using team-decision making and managing more vehicles are more likely to underperform.

The study suggested that enthusiasm, satisfaction and sense of control suffered in larger teams, while the dominant personality traits of portfolio managers – such as autonomy and confidence – were not geared to team approaches.

"These findings are counter to the trend in emphasising teams over individuals which may be as much to disguise staff turnover as to improve processes," Mr Hunter said. "The irony of de-emphasising individual fund managers is that it could instead be increasing the exodus to boutiqueville in search of greater autonomy."

He studied 54 UK fund managers from 27 companies and found that eight of the top 10 best-performing man-

agers (measured using fund performance and independent ratings) worked in teams of nine or less individuals. In comparison, only three of the bottom 10 worked in such small teams.

Six of the top 10 managers (and only 13 of the remaining 44) were responsible for nine or fewer vehicles, while the top two managers were both individual decision-makers, rather than relying on team approaches.

Mr Hunter, who runs Teamsight, a consultancy, attributed 8 per cent of variance of performance to team size and 10 per cent to the number of funds managed.

"There is a belief that team decision-making is going to be better than individual decision-making, but it doesn't appear to be so."

Mr Hunter found that more than half of the managers could be classed as having "rational" personality types, using a methodology developed by Dr David Keirse, a clinical psychologist, compared to just 5 to 7 per cent of the population at large.

"If a significant proportion of fund managers are naturally driven by personal competence and autonomy [as rationals are] it could be unsurprising that staff turnover is on the increase in a culture obsessed with teamwork," Mr Hunter said.

"Fund management companies would do better to allow individuals to flourish in supportive teams rather than flounder in the anonymity of the over-egged team solution," he said.