

The Creative Spark

The fourth article in the Brandes Institute series “Are Virtual Meetings Here To Stay?”

After a year of “working virtually,” this series of articles examines potential benefits to staying virtual in some aspects of investment group decision-making.

BY DR. FRANK MURTHA AND BARRY GILLMAN, CFA

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If creativity is the ability to bring useful new ideas and perspectives to the table, then an essential element of creativity must be the willingness to fail, or to be deemed different. In our experience, many investment meetings tend to restrict creativity, with a bias toward getting through the agenda and reinforcing established viewpoints. However, we contend that a creative problem-solving mindset is an advantage in any meeting, and in any setting.

Chartered Financial Analysts® (CFAs) Jason Voss and Jim Ware have written extensively on creativity in the investment business and they note, “Everyone wants to be right and look good at all times. These traits are major deterrents to creativity.”¹ Changing the culture at organizations that don’t encourage creativity is beyond the scope of this article. Our focus is for those that encourage (or at least permit) new ideas and varied perspectives—and addressing which is the better setting: virtual or in-person meetings?

The creative spark may be from one individual, or evolve from brainstorming within the group. For an idea to flourish, it must first be surfaced: does the meeting culture encourage speaking up and presenting differing views? And once the spark is lit, is the group receptive and enthusiastic in “kicking the concept around” until the idea/solution emerges?

Virtual meetings may have the edge in surfacing ideas, allowing for a broader geographical scope of participants. Kim Shannon, CFA and President of Toronto-based Sionna Investment Managers, observed that one advantage of virtual meetings is that “it levels the playing field for satellite offices or far-flung committee members. You have a better chance of getting different perspectives from around the world.”

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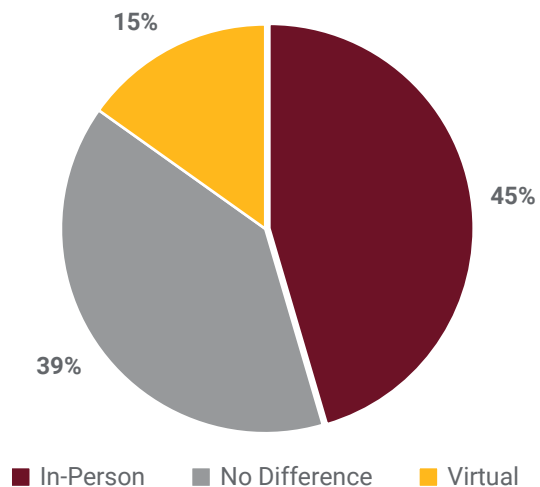
—Jason Voss, CFA and Jim Ware, CFA

The Brandes Institute conducted an online survey with investment professionals around the world who participate in group decision-making meetings. The survey received 97 responses in the April/May 2021 timeframe and focused on the merits of in-person versus virtual decision-making meetings. Respondents included asset owners, consultants, asset managers and others.

Our survey results suggest in-person meetings may be preferable for “brainstorming” more effectively, with 60% of respondents voting for in-person and only 4% for virtual (the rest claiming “no difference”). The survey results are

a bit more balanced when we asked which setting is more conducive to surfacing *differing* views, as shown below.

WHICH SETTING IS MORE CONDUCTIVE TO GENERATING DIFFERENT VIEWPOINTS?



Source: Brandes Institute, as of 5/4/21

ENHANCING CREATIVITY: THE MURTHA PERSPECTIVE

Humans take pride in their creations. If you've ever told someone you don't like their work product, their art... *their kid*, you have experience testing this truism. Our creations are generated out of who we are, so a little part of who we are goes into it. That sense of pride ("ego", if you will) is a natural, though unwanted byproduct of the creative process, sort of like CO2 from burning fuel.

Having creative people is a great advantage, but you could have the equivalents of Michelangelo, Benjamin Franklin and Kanye West on your team and if ego gets involved, the creative machine grinds to halt. Thus, the single most important thing you can do to enhance creativity is create a culture in which ego – and threats to ego – are minimized. This means a non-judgmental, non-competitive and respectful atmosphere.

This piece is not concerned merely with creativity, but creativity in group decision-making. Psychologist J. P. Guilford found that creative decision-making requires two distinct types of thinking – convergent and divergent.

Convergent thinking is linear, logical, and critical; it narrows the focus. When we analyze data to arrive at the "correct"- or at least, optimal – decision, we are

employing convergent thinking. Financial professionals tend to be excellent convergent thinkers; their business is built upon it.

Divergent thinking is precisely the opposite, i.e., non-linear, imaginative; it generates possibilities. Financial professionals tend not to be trained in this more creative "right-brain" approach, but it can be important. Without it, we limit our scope of vision. We leap to conclusions too quickly. We fail to consider both threats and opportunities. Divergent thinking is often the element that is underappreciated and left out. Below, I will address ways to integrate these styles into meetings, both virtual and in-person, to enhance creative thought.

THEORY TO ACTION: DR. MURTHA'S PRACTICAL TIPS TO ENHANCE CREATIVITY

1. **Maintain Focus.** Have you ever been deeply focused on your work and had a person ask to "take a minute" of your time? Then you know there is no such thing. When you are "in the zone," that one-minute interruption takes you completely out—and finding your way back can take many minutes. When working creatively as a team, do not let yourself be interrupted. In virtual meetings, this means *avoiding distractions* and in in-person meetings this means avoiding *digressions* and *interruptions*.
2. **Alternate Your Approach.** Divergent and convergent thinking are like the steps we take toward a goal – literally. We make progress by using our left foot, and then our right, then back again. Creative decision-making works on the same principle. Use divergent thinking to generate possibilities, add perspectives, elaborate. Follow that with a convergent approach that zeroes in on the best choice. Whether virtual or in-person, make each of these processes discrete and sequential. First one, then the other; never concurrently.
3. **Hunt for Black Swans.** Black swan events aren't usually unseeable; we just never bother to look. Divergent thinking expands the scope of vision, sort of like moving from a regular lens to a wide-angle lens on a camera. When we take this latter approach, we expand the scope of possibility,

often revealing threats (and opportunities) that deserve to be factored into consideration. Ask this question: “What could go wrong that we haven’t considered?” Any creative process that fails to consider atypical circumstances is incomplete.

4. **Brainstorm Live.** When possible, allocate more divergent thinking tasks to in-person meetings. One of our most compelling survey findings on creativity is the degree to which people consider in-person to be a better choice for “brainstorming” and “creative problem-solving” – a 7-1 ratio for those with a preference.

5. **Creativity is Global.** In an increasingly global world, perspectives from different geographies/ markets/cultures are of increasing importance. In-person meetings may be optimal for brainstorming, but virtual meetings play an important role in generating alternative viewpoints, surfacing missing information and more creative solutions. Use this to your advantage in divergent thinking tasks.

¹ CFA Institute, Enterprising Investor, “Creativity in Investment Firms: Five Conditions to Improve It,” December 12, 2019. <https://blogs.cfainstitute.org/investor/2019/12/12/creativity-in-investment-firms-five-conditions-to-improve-it/>

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