

OWNER MANAGER DECISION MAKING: GETTING THE MOST OUT OF YOUR SMALL GROUPS

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If you want to get the most out of your business, you need to get the most out of the small groups and committees that spring up within it. However, owner managed businesses, by their very nature, have a tougher time than many other organizations in promoting group intelligence. As always, the owner manager sets the tone, and eventually reaps what they sow.

The Wisdom of Crowds

This article was inspired by James Surowiecki's 2004 book *The Wisdom of Crowds*.¹ His thesis is insightful, beguiling and simple: **Under the right circumstances, groups are remarkably intelligent, and are often smarter than their smartest member.**

This idea has tremendous potential for owner managers. It suggests that a skilful owner manager can get a leg up on his or her competitors, including larger and richer ones, by assembling and getting the most out of the small groups and committees which are an inherent part of any human organization.

In *The Wisdom of Crowds* Mr. Surowiecki details the circumstances where the intelligence of a small group can be greater than the intelligence of its smartest individual.

To begin with, a group or crowd does not need to be dominated by a remarkably intelligent person in order to be smart. While one or two very smart people can make a big difference, they are not essential. This is encouraging for many owner managers who are concerned that they lack the resources to attract and pay the smartest people in their industries.

On the other hand, Mr. Surowiecki's research suggests there are three very specific conditions that must exist for group intelligence and collective wisdom to be maximized:

Diversity. Diversity comes up over and over in Mr. Surowiecki's book. Having a group that contains a variety of approaches and experiences is critical to avoid groupthink and ensure that maximum group intelligence is realized.

¹ James Surowiecki, *The Wisdom of Crowds* (New York: Doubleday, 2004).

Independence. Each member of the group needs their own experiences and knowledge to draw upon, to be free to express their opinions without undue influence, and to be considered an equally valued contributor to the deliberation process.

Aggregation. Finally, the group needs a method or process for all the individual assessment and wisdom to be aggregated to produce a group decision. Aggregation is more than an average, median or mean, and reflects the collective wisdom of all individuals within the group.

The Wisdom of Crowds is full of real-life examples of these principles at work, challenges many of our assumptions of how intelligent markets, sports bettors and electorates are, and makes a convincing case that groups regularly and consistently can outsmart and out-predict the most expert members of the group itself.

Inherent Obstacles: Small Groups And Owner Managed Businesses

Many of the examples in *The Wisdom of Crowds* are established by looking at large groups which contain a large numbers of individuals and are characterized by a high level of independence and anonymity within the group itself.

Small groups, on the other hand, often have some inherent difficulties to overcome in order to become the best possible decision-makers. Many of these difficulties are compounded in the context of an owner-managed business. After all, strong-minded individuals with a hierarchal view of decision-making often lead owner-managed businesses. Such companies can have a culture that penalizes employees or advisors who offer contrary or dissenting point of view.

Some particular challenges to small group intelligence in owner-managed businesses include:

Consensus and compromise. Small groups tend to believe that consensus and compromise is the most admirable goal of their deliberation. However, this undercuts the need for diversity and independence in maximizing collective intelligence. According to Mr. Surowiecki, the best collective decisions are often the result of disagreement. Intelligent groups do not ask members to modify their positions, and do not try to come up with a decision that everyone is happy with.

Interaction. Unlike large groups, the members of most small groups are not anonymous or unknown to each other, and do not make their deliberations in comunicado. Hearing others express their opinions and criticize yours can undermine the diversity and independence required for group intelligence. Interaction cannot be avoided, and therefore it must be properly managed by reducing any tendency to consensus or compromise on the one hand or over-bearing command and control on the other.

Undue Influence. Undue influence can also impact small group intelligence in a negative way, and can interfere with diversity and independence. When you know the other members in your group, and they know you, then you can become susceptible to influence from other members who you think they are smarter than you are, or at least act as if they are smarter than you. You can also become susceptible to the opinions of those in authority, especially if they can affect

your ongoing employment or career. Undue influence must be managed if you are going to have strong group intelligence.

Lack of anonymity. Lack of anonymity is an issue as well. In large groups, anonymity supports independence and helps with collective intelligence. However, anonymity is not possible for small groups in a business setting. No one likes to be proven wrong. The consequences of sticking to your guns in a small group setting is that you might turn out to be off the mark, which is something that could come back to haunt you. A culture where a person pays a significant price financially or emotionally for being wrong could impair group intelligence, as it could encourage people to hide what they're thinking and discourage them from advocating contrary opinions.

It is not hard to see how all of these deficiencies can come into play in an owner managed business, especially if the owner manager has tends towards a 'command and control' management style, prefers people who say what he or she likes to hear, and isn't very accepting of mistakes.

Developing Small Group Intelligence In Your Business

So what can you do about all this in your business? Policy and culture are critical, but nothing will be more important than the example you set for your employees.

Embrace diversity. You are going to need to embrace diversity in your business and in the groups you assemble within the business itself. Mix up skill sets, experience and personalities. Beware of assembling groups of experts. Assembling all your accounting staff in one policy or planning group will not necessarily result in the best policies, practises and procedures for your accounting department. The same is true for sales, marketing, manufacturing, operations or whatever else you co-ordinate within your company.

Embrace independence. Allow your employees the freedom to think for themselves, and to draw upon their experiences. This freedom does not include the right to be disrespectful or exceed authority, but it does mean that everyone who works for you deserves to be respected for his or her intelligence. After all, if you do not respect their ability to contribute in an intelligent way then they should not be working for you at all.

Tone down the dominators. Set a tone in meetings and communications that give people equal say in terms of time and volume, and treat all contributions with equal respect. Studies show that talkative people can have inordinate influence in a small group simply because of the time they monopolize, not because their thinking is more meritorious. Also, some people are naturally more strong-willed than others, or express their opinions in a firm or loud voice that stifles contrary assertions. Encourage those people to tone down their approach and leave safe space for others, keeping in mind that you just might be one of "those people".

Pump up the wallflowers. Just as you need to tone down some people, you may need to draw others out. Ensure that everyone in the group is canvassed, and gets a safe and respected hearing. You will not get the benefit of diversity and independence in your group if some people

are holding back. Make it safe for people to speak up. Ensure that what everyone says gets fair consideration and is treated with respect.

Promote evidence-based deliberations. Small groups often assemble with a predisposition or prejudgements, especially if a strong-minded person leads the group. Identify and stamp out those prejudgements, especially if there are people of influence in the group. Get groups to draw out all the information that all members may have that is relevant to the decision at hand before defining the options or choosing among alternate courses of action. If you define the choices too soon, an early consensus could lead to a group interpreting the evidence to support a decision they have already made, rather than pooling and weighing the evidence and see where it takes them.

Identify and draw out true expertise and experience. Small groups may think they have more expertise than they really do. It does not hurt to have the group identify and acknowledge expertise where it exists, and identify and acknowledge expertise it does not have, as long as it does not diminish or disrespect the contributions of the non-expert members of the group in doing so.

Do not undervalue the devil's advocate. There is a role for devil's advocates in small group deliberations. They should express themselves with respect and good faith, they should not be contrary for the sake of being contrary, and should not be allowed to unreasonably extend group deliberations. On the other hand, their tendency to question key assumptions and hasty conclusions is important.

Beware of group polarization. In some cases discussion does not moderate a group's point of view, but actually pulls it in a more radical direction. The reasons for this are not yet clear. One factor could be that people with extreme views have often spent a lot of time thinking about their position and have very organized and persuasive arguments ready-made to roll out. Also, members often try to maintain their relative position within the group; if the group moves right, people in the middle will move to maintain their position in the middle. The result is that the whole group moves to the right. Beware of having strong-minded people of influence speak too early in a deliberation if they have fairly radical or extreme ideas, and check with people who are changing their original position to make sure they and the group know why they have changed their minds.

Do not get hung up on consensus. Healthy dissent is more important than healthy consensus when it comes to intelligent groups. Do not make consensus the goal of your small groups, and do not insist that your dissenters change their minds before aggregating the group input and expressing the collective group decision. Take a second look at decisions where consensus seemed to develop very quickly and without much effort, as easy consensus is not automatically an indication that the best decision was made.

Ensure your groups aggregate their decisions, and empower them to make decisions. Encourage deliberations that end with recorded votes or some other process of aggregation, and empower groups to make decisions that will get implemented. The deliberation process will benefit from the group's knowledge that their decisions matter and make a difference. Of all the

things to ask of an owner manager, this may be the most difficult. It does not mean that executive responsibility or accountability should be abandoned. However, if you want the most collective intelligence from your small groups, you need to respect them and they need to know they are respected.

A Meeting Process

A meeting process incorporating these ideas could include some basic steps in dealing with any agenda item:

Step 1 – Identify relevant persons of influence within the group by identifying who the champions are for an idea or issue, and who the relevant experts are, before actually getting into the substance of the deliberation.

- Q. Does this issue or idea have any champions within the group? Who are they?
- Q. Does anyone in the group have any expertise on that issue? Who are they? What is the nature of that expertise?
- Q. Do we have all the expertise we need to make an effective deliberation on this issue? If not, what else do we need, where do we get it, do we have the time to wait for it?

Step 2 – Gather the necessary information and get it on the table in front of the whole group:

- Q. Does anyone have any information to contribute to this discussion? Who has it, and what is the information?
- Q. Repeat this question to ensure that everyone in the group has a chance to put any information they have on the table, going person to person if necessary.
- Q. Do we have all the information we need to properly discuss this topic? If not, what else do we need, where do we get it, and do we have time to wait for it?

Step 3 – Begin the deliberation by asking everyone in the group to propose their ideas, issues, interpretations, options etc., making it clear that all honest deliberations are valuable and important. Consider having the most strong-minded or radical people of influence speak last:

- Q. What does everyone think about are the issues we need to considering, and what the best course of action would be?
- Q. Repeat as necessary to ensure that everyone in the group has a say, going person to person if necessary, and ensuring that everyone's ideas are validated and no-one dominates or overpowers the deliberation.

Q. Does anyone have a new or different opinion or thought after hearing all this, and if so what is it and what has changed your thinking? Give everyone a chance to sum up and contribute, without focussing on consensus as the desired outcome of your deliberations.

Step 4 – Aggregate the deliberations, but make it clear that consensus is not the goal, and that dissenters do not have to change their opinions for the group to move forward. Record the collective wisdom of the group by distilling it down to complementary or conflicting statements of opinion or action or both:

Q. Sum up the group's deliberations including the principal recommendations and the thinking behind them, as well as any principal dissenting theories and their supporting logic.

Q. Ask everyone in the group to indicate which ones they support, and make note of the results.

Q. Pass this on to the decision-makers, or if the group is the decision-maker take a vote and implement it.

Q. In all cases, thank everyone for their contributions.

One final point, studies indicate that dissenters often express themselves more openly in written communication than they do in meetings, but that dominant majorities deal with dissenting minorities in a more tolerant manner in face-to-face communications than they do in writing. Therefore, consider soliciting dissenting theories in writing, but holding back majority response until a face-to-face group meeting.

A Closing Thought

It is a common theme in my writing that owner managed businesses reflect the strengths and weaknesses of their owner managers, not only as business people but also as people generally. However, this simple truth is a source of strength and opportunity. If you can grow and improve as a person, your business should respond and grow along with you; perhaps not in size, but always in quality.

Mr. Surowiecki's research may challenge many owner managers and their senior managers in terms of command and control, but facing up to that challenge is an important step towards owning the business we aspire to.