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Collective Intelligence in the Family Business

By Leslie Dashew

It is a statement of the obvious that family-owned businesses are some of the most complex organizational systems that exist. Managing both families and businesses, wearing the three hats of ownership, family engagement and employment in a family venture can challenge the greatest minds of our times. Yet, often we do not create the conditions that would help us to develop *our collective intelligence*.

What is collective intelligence?

There are several definitions for the concept of “collective intelligence.”

“– the aggregated knowledge, insight and expertise of a diverse group” according to IBM Institute for Business Value.

Tom Malone of MIT’s Center for Collective Intelligence defines it as: “Groups of individuals acting collectively in ways that seem intelligent” (as opposed to people who collectively act stupid, which he says happens as well!). He also referred to it as “...*the phenomenon of intelligence as it arises in groups of individuals-whether those individuals are individual people or whether they are organizations, companies or markets.*”

The studies done at MIT and elsewhere demonstrate what many of us in the field of organizational development have seen for years: some groups can harness the intelligence and competence of individuals and come up with solutions and ideas that are far beyond what the individuals can do on their own; what we call synergy.

Now, with the ability to access “crowds” through the internet and other technological advances, it is possible to access the intelligence of many people who are not even in the same physical area together. But creating and harvesting the collective intelligence in a family company is a unique leadership challenge.

Measurement

In the MIT, Carnegie Mellon and Union College studies, the researchers looked at how to measure collective intelligence. They are mapping patterns and practices of intelligent systems. They found they could give a number to “collective intelligence,” much like is done with the Intelligence Quotient (“IQ”) for individuals. However, they have found that the intelligence of groups is different than taking the average of the intelligence of the members of the group. In other words, even a group of smart people can make really dumb decisions sometimes.

What has been learned about what contributes to Collective Intelligence (“CI”)

Malone and his collaborators found three factors:

1. **The social perceptiveness of the group.** They found that the more “tuned in” people are to each other’s feelings, the better the group works together and the better the outcomes.
2. **Evenness of participation of members.** In other words, if group members fairly equally shared the “air space” in the group, the effectiveness and intelligence of the group increased.
3. **The collective intelligence of the group was positively correlated with the number of women in the group.** They found that the more women in the group, the better the outcome. Their theory is that since women are typically better at social perception and at encouraging participation, they increased the first two factors.

How does that apply to family business?

In other articles, we have spoken about how to increase communication in family business: through skills, safety and structure. The ability to listen actively is one of the tools that intelligent groups utilize actively. The encouragement to participate that occurs in safe settings fosters even participation, rather than dominance by one or two people. Structure assures that communication will occur on a regular basis and having time dedicated to collective problem solving and planning is crucial to collective intelligence. (see **Keys to Family Business Success** for information on communication in family business.)

Family businesses are often *not* the place where people feel accurately perceived or encouraged to openly participate. Rather, one often feels judged by family members and typically there are one or two dominant voices in any gathering,

Family members who do not feel their competence and contributions are valued either retreat to the corners of the room or leave the family business altogether. On the other hand, in families with a “chief emotional officer” we see greater

probability of constructive engagement of multiple generations and genders, and thus the contribution of multiple perspectives and intelligence.

Interestingly, many founders who are hard-charging and busy building businesses might not perceive themselves as “insensitive” or intimidating. Yet offspring and spouses who work with them often report that they do not feel included, valued or engaged in decision making and problem solving. The culture that grows from an entrepreneurial venture into a family business may not be encouraging to collective intelligence. So what can be done to capitalize on the experience, expertise, perceptions and intelligence of the family in the family business? If factors such as these are ignored your CI can be reduced.

Promoting Collective Intelligence

Here are some things you can do to enhance your CI:

1. Recognize the importance of a *collective intelligence*.

Only when access to this collective intelligence is valued, is there reason to change behavior patterns. We have to accept our own limitations and see the need for other resources. While many give lip service to this activity; genuinely inviting other points of view can be difficult.

The IBM study showed three aspects that contribute to CI

- Knowledge – contextual awareness of the problem to be solved
- Diversity – sufficient breadth of experience to bring a range of perspectives and views
- Disruption – willingness to challenge current thinking.

2. Create a new venue which is a deliberate “safe harbor” to begin to create the atmosphere for participative engagement. If family members and other key employees have not felt valued in the past, meeting in the same place with the same structure will not change the atmosphere to encourage openness. Taking the cue from MIT’s studies, it is essential that people feel seen, understood and valued. Having participants who demonstrate this “emotional intelligence” and perhaps a facilitator who can help assure that the airspace is shared fairly evenly among participants can help create an atmosphere conducive to sharing one’s intelligence.

Using a flip chart to capture all the various ideas is a way to demonstrate that everyone’s idea has value. Later, the ideas can be evaluated and integrated into a plan. The key at this point is to demonstrate interest in a range of ideas and to resist the temptation to dismiss or discount seemingly silly ideas.

3. Follow up with plans and actions to implement new ideas.

There is nothing worse than trusting that someone really wants your point of view and taking the risk to be open, only to find that you have been ignored or belittled after all. It is imperative that leadership identifies and addresses resistance to new ideas and change. This process can make some people who have had control feel threatened that they will lose control and not be able to make things work the way they have in the past. Openness to shifting strategies, roles and responsibilities is essential if you obtain and want to capitalize from collective intelligence. Finally it is important to make the integration of new ideas and the process for obtaining them become part of “how business is done” (or corporate culture) on a consistent basis.

Reward participants by acting on what is discovered, communicating value and outcomes to both the organization and the individual.

We have seen families shift to appreciate and benefit from these type of steps.

One family was led by a brilliant inventor who built a company on the farm his father left him. While he loved to invent, he was not a great manager. As he came close to losing the business because he lacked all the types of intelligence he needed, he realized he better accept help. He engaged the next generation and with everyone’s input, he realized that there existed a pool of knowledge that could help the business thrive. After he turned over the reigns to a new leadership team, the company did well and supported the family for another two generations. His humility saved the business. His leadership in supporting the changes was critical to the change in structure and processes. His recognition of the next generation’s talents and collective intelligence brought joy and pride to the family.

For more information on Collective Intelligence, see *Collective Intelligence: a Conversation with Thomas w. Malone*