

How Collaborative Networks Can Add a New Element to Corporate Decision Making – as well as Industry Conferences

How many times have you attended an industry conference and thought, “as long as I get one transferrable idea from this meeting, it will all be worthwhile”? Considering the costs involved in terms of registration fees, hotel accommodations, and travel expenses – plus the even greater expense of time away from the office – this is an incredibly modest expectation. Part of the difficulty may lie in the way our conferences are constructed. We’re living in a time when bigger is almost always better, and larger conferences mean more attendees to interact with, more vendors to vie for our attention, more breakout sessions to cover a wider range of topics, and bigger budgets for more impressive and well known key-note speakers. At first glance, this would seem to be the perfect recipe for not just meeting, but exceeding that expectation for a single good idea – and this is certainly true for some conferences. However, the reverse can also be true in that larger audiences bring broader interests requiring much less specific content in order to meet the needs of the group. Although breakout sessions parse the participants into more specific sub-groups, the natural diversity inherent in large groups virtually guarantees a multiplicity of priorities even among similar minded attendees.

In my role as the Executive Director of the LIC, I have been participant, presenter, and planner for a number of industry events and have therefore been guilty of both causing as well as experiencing “event disappointment syndrome”. One of the challenges in conference planning is the sheer difficulty in finding qualified speakers who are not only knowledgeable about a given subject, but can also contribute something new and unique rather than repeating what is already common knowledge. And if finding these rare individuals isn’t challenging enough, they also have to be willing and available to share their knowledge and possess good communication and public speaking skills. Assembling a line-up of super-star speakers in order to cover the course of a multiple day meeting is a task that begins to border on the miraculous. Expand the program to include a series of breakout sessions on a variety of different topics and it’s nearly impossible to put together a comprehensive agenda without some element of compromise, hope, and denial – the conference planner’s version of baling wire and chewing gum!

I wrote an article for the May edition of this newsletter on the importance of good presentation skills and how the limitations of PowerPoint has negatively impacted the way decisions are made in the corporate world http://www.loma.org/content/public/documents/lic/licarticle_may10.pdf#zoom=100 . I’d like to expand on that idea in this article and discuss some alternatives to the procession of speakers we parade across the podium in the large conference/small break-out session format that dominates our industry events and also challenge the traditional management hierarchy that dictates corporate decision making.

The internet has brought about the ability for collaborative networks to be a viable alternative to traditional tools for sharing ideas. Wikipedia, Linux, Facebook, and the proliferation of consumer products rating applications are all good examples of both the value as well as the limitations of collaborative networks. In the book The Smart Swarm: How Understanding Flocks, Schools, and Colonies Can Make Us Better at Communicating, Decision Making, and Getting Things Done, National Geographic senior editor Peter Miller discusses the implications and applications of these networks by synthesizing examples from nature with very practical applications to business.

For example, in the TV show *Who Wants to be a Millionaire*, stumped participants are given the opportunity to phone a friend or poll the audience. One would expect that their lifeline to a friend would connect them to their most intelligent acquaintance, standing by with a wealth of knowledge as

well as a high speed internet connection. Surprisingly though, reaching out to their designated expert resulted in the right answer less than 65% percent of the time. In comparison, tapping into the more mediocre mental capacity of the studio audience returned a correct answer from the majority more than 91% of the time. Clearly, there are some potential advantages to utilizing the power of the masses rather than the selective intellect of a few geniuses.

Peter Miller shares an anecdote from Best Buy VP Jeff Severts that backs this up. Severts was curious about tapping into The Wisdom of Crowds after reading the book by author James Surowiecki so he sent an email to hundreds of Best Buy employees asking them to predict the sales of gift cards for the upcoming month. The average of the 192 replies he received turned out to be 99.5 percent accurate – even more accurate than the team responsible for forecasting these sales. Severt was so impressed that he took his experiment further and set up “prediction markets” so that employees could bid on how likely certain events such as the on-time openings of new stores were likely to occur. Not only were the collective predictions uncannily accurate, but they often revealed potential problems and delays well before their causes were even identified.

Collaborative networks run contrary to the orderly hierarchical structure that is so prevalent in corporate decision making. Consider your own company’s organizational chart. Chances are your CEO resides near the top with a few direct reports branching off to layers of middle management supervising the rest of the employees. The decision making function is well defined with responsibilities clearly articulated and segregated by discipline. Ironically, the more important the decision the more likely it will be ultimately made by a small group of senior officers.

Compare that to an ant colony where different “workers” have specific expertise but no supervisory hierarchy. Each insect goes out and does their job in conjunction with others without direction or instructions. There are no “foreman” ants standing around with clipboards providing “worker” ants with their assigned tasks for the day. Even the exalted status of the queen doesn’t give her any authority other than providing the genetic purity for the colony. Yet the efficiency with which ants discover the most expedient trail to food is so effective that software programmers have incorporated their seemingly random strategies into computer models to solve extremely complex business problems.

The Traveling Salesman Problem is a good example and one that every insurance agent can relate to. The challenge is simple enough – a traveling salesman has to visit customers in a variety of cities and needs to calculate the shortest path to each before returning home. When there are only three cities to consider, there are only six possible choices, but increase the number to five cities and you now have 120 possibilities. A successful agent with appointments in ten cities will be faced with 3.6 million possible routes. By tweaking “ant technology” with a few corrective algorithms, scientists were able to develop models that were much more effective than what they had used previously. A more practical application was developed by American Air Liquide, a nationwide distributor of medical and energy gases. Their “ant models” took into account a variety of variables including the fluctuation of energy prices, the changing demands of their distributors and consumers, and the availability of their fleet of seven hundred trucks, three hundred rail cars, and 2,200 miles of pipeline in order to determine the most cost effective means to produce as well as distribute their products.

Miller discusses another good example that follows a model used by termites. Thirty-eight undergraduate students at the University of Pennsylvania were given a deceptively simple challenge to solve – they had to select colors for an array of thirty-eight circles in such a way that no circle shared the same color as any circles bordering it. This puzzle is incredibly frustrating to solve individually because

there are so many options but so few correct choices. However, when the test was set up so that each student was only required to determine the color of just a *single* circle – and they could adjust their choice in response to the selections made by the other students -- they solved the puzzle in thirty-one out of thirty-eight attempts, and often in less than one minute. The lesson here is that sometimes even very complex tasks can be resolved more efficiently when broken down into sub-components that are assigned in small pieces to a wider audience to solve in collaboration rather than dedicating the attention of just a few highly skilled experts. One potential application of this approach would be the challenges facing actuaries in response to the demands of Principles-Based Reserves calculations.

Clearly there are limitations to collaborative networks. We certainly wouldn't want our open heart surgery to be performed in the same "trial and error" method that works for large groups. In the same way, some business decisions do need to be made and executed by specialized teams of experts. However, it is also legitimate to wonder how much relevant input companies are missing out on by not facilitating a greater contribution of participation from their broader constituents such as agents, employees, and policyholders, particularly since so many free applications are available on the internet that efficiently link large groups together for exactly this purpose. This could be an especially useful tool for resource starved smaller companies and is a topic I touched on in last month's article on motivating agents http://www.loma.org/content/public/documents/lic/licarticle_sep10.pdf#zoom=100 .

Small groups bring distinct advantages as well. Peter Miller writes about math problems parsed out to groups as small as four that were solved with greater accuracy and speed than when tackled by even the most proficient individuals, especially when the groups were carefully stacked with people possessing a diversity of aptitude. In fact, these results shed some light on just why the combined brain trust of a studio audience can be so uncannily correct. In a joint study between the CIA and Harvard University, students were broken up into groups of four and given detailed terrorist scenarios to decipher and deter. Prior to the grouping, the students were evaluated extensively for code cracking and facial recognition abilities – two very different left brain/right brain functions that indicate unique but complimentary skills that were especially useful in solving these types of tasks. Researchers found that groups seeded with individuals possessing the specialized type of cognitive abilities most suited for these types of problems only performed better than the other groups when they collaborated with each other. In fact, when they didn't collaborate, they performed even worse than many groups lacking any specialized skills at all. Here's how they explained it: "what seems to happen is that, when two of the people are experts and two are not, there's a status thing that goes on. They two that aren't experts defer to the two that are, when in fact you really need information for all four to answer the problem correctly".

Consider how often in our own companies the dynamics of a meeting changes as soon as the most senior officer shows up and people either defer to the person with the most authority or vie to position themselves in whatever manner might benefit them most individually. And then consider how often our decision-making process may not be utilizing all of the information we need to solve our problems correctly – and at what potential cost?

An additional problem with deferring to the judgment of "experts" is illustrated in the book [See What I'm Saying – The Extraordinary Powers of our Five Senses](#) by award winning professor of psychology at the University of California, Lawrence D. Rosenblum. "Fifty-four French wine experts were asked to sniff the same white twice, once when presented the wine with its original color and then again after the wine had been secretly tinted with an odorless red food-coloring. Despite smelling the same white wine twice in a row, the experts described the red-tinted sample as having characteristics typical of red wines

(raspberry, spicy, peppery)". This study highlights how easily our biases can influence even the most knowledgeable of experts and provides further support for the benefits of collaborative decision making among both large and small groups. One can't help wondering how many bad ideas from senior officers get chosen over good ideas from less "qualified" employees simply because our own biases influence our judgment just as easily as color can influence a wine expert.

Turning back to industry conferences, it's become increasingly obvious that the specialized knowledge of even the most highly regarded keynote speaker still pales in comparison to the combined wisdom of the conference attendees. The popularity of Tweeting has spawned a new conference term called "the backchannel conversation" where conference attendees are encouraged to tweet their impressions and opinions about what each speaker is saying. Although this is a creative attempt to combine the connective benefits of social networking with the traditional conference lecture format, one can't help but wonder if *any* communication can take place when everyone in the room is actively engaged in their own separate conversation – can anyone be listening at all?

Fortunately, the smaller venues of LIC conferences don't require the aid of technology in order to engage all of the attendees in an active discussion. In fact, time after time, the most highly prized aspect of any LIC event according to the evaluation forms from attendees has been the open discussion we initiate and encourage in our programs. This isn't a reflection of the quality of our speakers as they also generally receive high marks. Rather, this is a confirmation of the reality of the wisdom of crowds. In fact, our committees rank even higher than our conferences as the most valuable member benefit. Our committee meetings consist solely of members spending a day engaged in open discussion about topics that are developed more or less spontaneously. No speakers. No experts. No formalized agenda. And not a single complaint about coming away with merely a single transferrable idea.

In an industry wrought with tradition, the recent practical availability of collaborative networks provide an opportunity for life insurance companies to leverage new resources from larger groups as well as to better utilize the potential of smaller groups without having to seek out expensive experts. It's also an opportunity to engage broader and more anonymous input on important corporate decisions in an effort to bypass the biases that plague our traditional decision making hierarchies. And at the very least, this will hopefully result in establishing a new standard for a successful industry conference that is more ambitious than coming away with just a single transferrable idea.