

# Sitting on untapped potential

## The power of your organisation's collective intelligence

---

Pedro do Carmo Costa, Exago's director and co-founder  
pcc@exago.com



---

In the autumn of 1906, 85-year-old Sir Francis Galton made a fascinating discovery on the judgment power of crowds: The accuracy of groups is far greater than of individuals. It's a well-known story yet worth recapping. Surprisingly, the central character is a fat ox.

While he was attending a farmers' fair in Plymouth, a guessing contest intrigued the British scientist. The goal was to calculate the weight of the ox. Around 800 people tried their luck. Butchers, farmers and plain enthusiasts with no knowledge of cattle whatsoever wrote their bets on tickets.

Galton later borrowed the tickets and ran a series of statistical analyses on them. He found that the average of participants' guesses was incredibly close to the true weight of the now butchered ox: an estimate of 1,197 pounds to the 1,198 pounds officially listed. The collective guess was far more precise than the estimate of the winner, closer, too, than any appraisals made by cattle experts.

This principle of the 'wisdom of crowds' was further scrutinised and later named by James Surowiecki. In his book *The Wisdom of Crowds: Why the Many Are Smarter Than the Few*, he explains, 'Under the right circumstances, groups are remarkably intelligent, and are often smarter than the smartest people in them'.



## Back to business

But what can weighing cattle tell us about the corporate world? It tells us that, collectively, each organisation has the answers to many of its current challenges. That we, as managers, sit on an untapped potential of key importance: the ideas and experience of the people working with us.

Instead of using substitute brains, why not harness this collective intelligence to solve business problems? If you want to improve a process, enhance customer experience or create

and perfect a product or service, the solution likely lies within your organisation.

Internal crowds - your employees and stakeholders - are truly a valuable source of insight and ideas. They:

// have been exposed to many experiences, also personally and socially;

// come from different backgrounds and education;

// are consumers, with good and bad experiences to report, in all walks of life;

// have worked in other departments, other companies and even other industries;

// are diverse in gender and age and even nationality.

Most probably, they have something to say. This doesn't mean that they always give the final answers. Yet they do have valuable points of view about existing business challenges - comments, contributions and hunches on which to build ideas.



## Making it real

So, if it's so valuable, why aren't companies tapping into this treasured asset? The fact is that until a little over a decade ago, this was literally unmanageable. The challenges involved were far too complicated:

// Efficiently collect everyone's ideas and insights, regardless of individuals' geographical dispersion.

// Create a collaborative environment where ideas are discussed and enriched.

// Evaluate proposals, in an unbiased way, to find the best answers.

A lot has changed. The growth of the Internet, powerful communication tools, social applications and software and corporate adoption of new technologies make meeting these challenges possible. Today, you can easily be open continuously to all the different opinions and inputs from within or outside your company, regardless of geography, time zone and even language. Anyone can collaborate and contribute to innovation agendas, no matter how large the organisation.



## Collective intelligence worth millions

The Brazilian company Fleury is an example. This major group - providing clinical analysis in Latin America - has currently more than 10,000 employees. All have been included in Fleury's innovation efforts.

In 2007, the company initiated a program to encourage suggestions for how to improve its operations, allowing all employees to submit ideas on paper, which were then evaluated by an innovation committee. To optimise the process, the group next adopted, in 2011, the Central de Ideias, or 'Idea Market'. Created by Exago, this innovation management solution is a software platform where all stakeholders can participate - not only collecting and harnessing everyone's ideas, but also evaluating them.

Within a year, the results overtook the most ambitious targets:

// Ideas submitted: escalating from 1,809, in 2011, to 7,269, in 2012 (an increase of more than 400%)



// Ideas approved: more than doubling, from 443 to 946

// Ideas implemented: increasing from 225 to 300. In just over two years, more than 900 were implemented.

// Participation: growing from 712 to 3,309 people (15 months after implementing and disseminating Exago's model, more than 70% of Fleury's staff had actively joined in)

More people now improve ideas and select which to implement. The proposals resulting from this model are most likely better because:

// They are more plentiful

// They are enriched by all

// They are chosen by the 'wisdom of the crowd'

Fleury's innovations have generated millions of dollars in value. They have reduced operating costs, introducing more efficient, sustainable and environmentally friendly processes.

Earlier this year, almost 7,000 participants were still interconnected and actively participating. People are at the centre of Fleury's culture of innovation.



## The manager's role

Even today, Charlie Chaplin's 'Little Tramp' feeding a giant machine on an accelerating assembly line is the classic image of a savage and industrialised world. Modern Times exposed the obsession of early twentieth century Taylorists and 'scientific managers' with achieving maximum efficiency in the workplace.

Organisations grew in size and complexity during the twentieth century. Management 1.0 progressively took control. Empowered business executives and top managers laid down their directives from above. Bureaucracy extended its net.

Those rigid structures have become obsolete in our superfast, ever-changing age. Worldwide and across industries, some intrepid managers and leaders are turning the hierarchical management pyramid upside down to lay the foundations for Management 2.0.

	MANAGEMENT 0.0	MANAGEMENT 1.0	MANAGEMENT 2.0
Setting the Challenges	CEO	Business Executives	Everyone
Idea Generation	Top Management	Everyone	Everyone
Idea Building	N/A	N/A	Everyone
Idea Selection	CEO	Top Management	Everyone
Idea Implementation	Top Management	Top Management	Everyone

Within this new revolution, what roles remain for managers and executives? To create organisations fit for the future, managers must focus on:

// Creating an environment and culture where everyone is incentivised to contribute and shape the future of their company

// Enabling everyone with tools, processes and technologies, so they can contribute effectively

// Provoking their organisation with meaningful challenges

In this sense, you have to look for new ways to unveil fresh answers, set and reach specific goals and engage and motivate workers with your business challenges. Innovation without results is useless.

## Finding the silver bullets

In May 1968, the American nuclear submarine USS Scorpion vanished in the waters of the Atlantic. No one knew what had happened after it lost radio contact. It could be anywhere within a 20-mile radius (32 km) and deep down. Finding it was a colossal mission.

John Craven, the Chief Scientist of the US Navy's Special Projects Division, was called in to help. He had a bold plan.

Craven assembled a team of specialists from very different backgrounds. Mathematicians and salvage and submarine experts received all the (scarce) data available and, individually, offered their informed opinions on possible scenarios and location sites. Gathering all their input, he next did a probability analysis to define a collective guess.

After five months of frustrated attempts, the Navy sent a ship, following Craven's estimates. The outcome amazed everyone: The Scorpion was finally discovered only 220 yards (200 m) from where Craven's calculations said it would be.

The collective guess was entirely different from any of the experts' estimates. However, as a 'crowd', they were much more accurate in identifying the needle in the haystack.

The same applies to your company: new answers can be found when you harness the collective intelligence of your people. It is time for you, as a manager, to unleash their hidden potential and find the silver bullets that will make your business differentiate and grow.