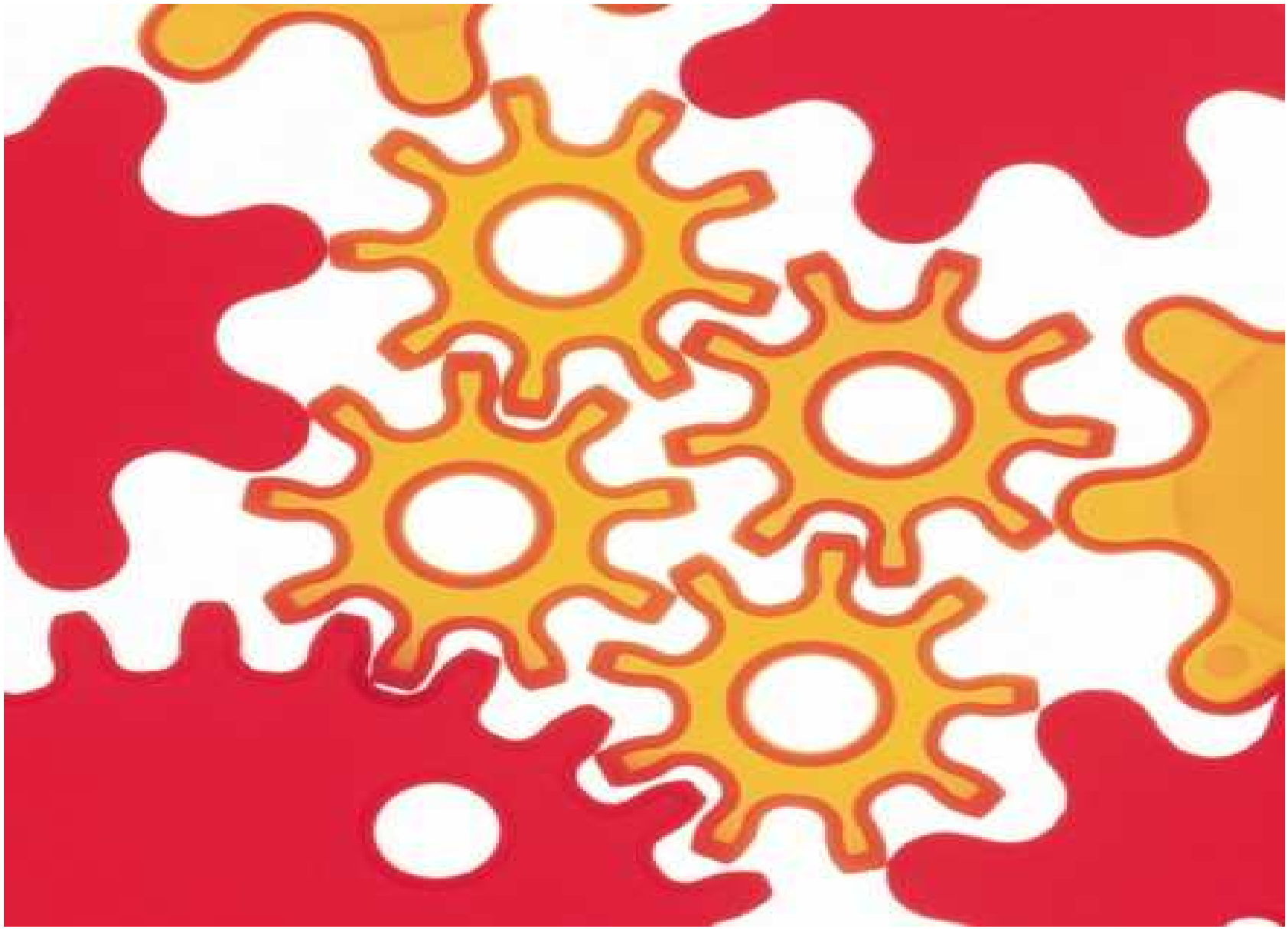
Organizational Intelligence – What you don’t know, or won’t share, will hurt you!



What Is Organizational Theory?

Organizational theory is the study of how organizations function and their relationships with their environment. It involves components of design, structure, and culture.

What is Organizational Intelligence?

Organizational intelligence is the capacity of an organization to create knowledge and use it to strategically adapt to its environment or marketplace.

Thus… No Intelligence – No Adaptation

While organizations in the past have been viewed as compilations of tasks, products, employees, profit centers and processes, today they are increasingly seen as intelligent systems designed to manage knowledge.

Knowledge: Gather, Assess, Make Sense, Distribute, Apply, Remember

What is Organizational Stupidity?

To increase intelligence: remove what "stupifies" an organization

Organizational Stupidity. Each organization has its own particular form of stupidity - it is up to leadership to **recognize the ways that stupidity manifests itself and to find a way of doing something about it.**

Stupidity is not making errors. **Stupidity is repeating them**.

Most people come to organizations intelligent and creative. A lot of this intelligence and creativity **gets lost by the end of the second week**.

The focus for personal development is not "How can I become more intelligent and creative?" but "**How can I remove the blocks that get in the way** of the intelligence and creativity that is buried within me?"

Psychoanalysts look at the hidden repetitions in a person's behavior and relationships. **Similarly, we can look at how stupidity manifests itself in a repetition of some kind.**

Systems Approach – Major fronts all rely on quality, shared knowledge

Communication Strategies	Addresses the extent to which **meanings and intentions are shared** across the organization - **speaking to its stakeholders and hearing what they are saying**.
Group Dynamics	Addresses **how people work together** - the psychological structures and processes of the teams and groups
Knowledge Management	Addresses how **ideas, information** and intellectual property are **developed, disseminated and deployed** within the organization.
Process Improvement	Addresses the **congruence (or lack of congruence)** between business processes and the organization's goals and values.
Risk Management	Addresses the extent to which individuals and **face up to (or retreat from)** the **challenges and uncertainties** of the task.
Space Management	Addresses the **physical environment** in which the organization lives **- the congruence (or lack of congruence)** between business processes and the physical space that contains them.
System Investment and Evaluation	Addresses how the **costs, benefits and risks** of new and proposed technologies, systems and environments are distributed within the organization
Technology Management	Addresses how new **technologies and systems are used** by the organization - human systems and technical systems.

Some Inconvenient Organizational Truths

There is often rivalry and incomprehension between the parts and people of the firm that represent different disciplines

Organizations are often faced with conflicting or unconnected advice from multiple sources

It often seems easier to ignore any connections, deny the truth, or to pretend that the issues can be resolved independently.

Organizations must work across and between disciplines, to identify and work with the connections, to improve the overall organizational intelligence.

Intelligence Systems – 4 basic types

Business Intelligence	**Actively collecting, interpreting, and using** vast quantities of complex data.
Organizational Intelligence	**Collaborative problem-solving** between people and technical artifacts within and beyond complex enterprises.
Developmental Intelligence	The capacity to acquire and use knowledge effectively for **personal and organizational learning/application**.
Existential Intelligence	**Authentic and flexible engagement with the demands of the environment (Open Systems)**

Success in organizations depends on a combination of four things:

Intelligence	Mental ability. How the organization **behaves in relation** to knowledge, complexity and change. … Or don't they?
Character	Moral and social qualities. How the organization **behaves in relation to oneself and other people**.
Beauty	Physical appearance and style. How the organization is **favored by other people**.
Luck	How the organization is favored by **Chance or Providence.**

Components of Organizational Effectiveness

Talented team members—found through good selection procedures

Motivated team members—developed through good management/leadership

Good management—developed by good senior leadership – proven ways to really get things done

An effective strategy—developed by good senior leadership and communicated to the staff

Monitoring systems to keep track of the first four.

An organization may behave in intelligent or unintelligent ways

You can probably think of organizations that have appeared **oblivious to its environment**, made the same errors over and over again, and displayed **no ability to remember or learn**.

Many of these organizations have already collapsed; many yet survive through **political intervention or clinging to some fortuitous monopoly.**

Other organizations are **alert to changing circumstances**, react creatively to new threats and opportunities, are **constantly learning from their own experiences and from the mistakes of their competitors.**

It seems appropriate to refer to this difference as a difference in organizational intelligence.

Most Common System Breakdown Causes (Knowledge not obtained or used)

1. Users do not participate or contribute
2. Analyst thinks s/he knows all the answers
3. Poor investigation
4. No objectives set
5. No checkpoints
6. Machines put first
7. People ignored
8. Pure automation approach
9. No problem analysis

Organizations as well as people display degrees of intelligence

Some organizations **can't or won't see reality.** They fail to detect even the **most obvious signals** of change and they **fail to respond** appropriately - or at all - to the most **insistent demands from their stakeholders**.

They **learn slowly**, making the **same mistakes repeatedly** without any insight or understanding. … Or Dialogue!

In contrast, some organizations display the same qualities that we can recognize in intelligent people:

- an eager and receptive **curiosity**,
- a consistent but flexible **set of responses** (sometimes called 'requisite variety'),
- and an ability to **learn quickly**.

Most organizations **lie somewhere in between** these two extremes.

But lots of intelligent pieces doesn't add up to an intelligent organization

It isn't enough to recruit the brightest people, locate them in state-of-the-art office buildings, and provide them with the smartest computer tools and networks.

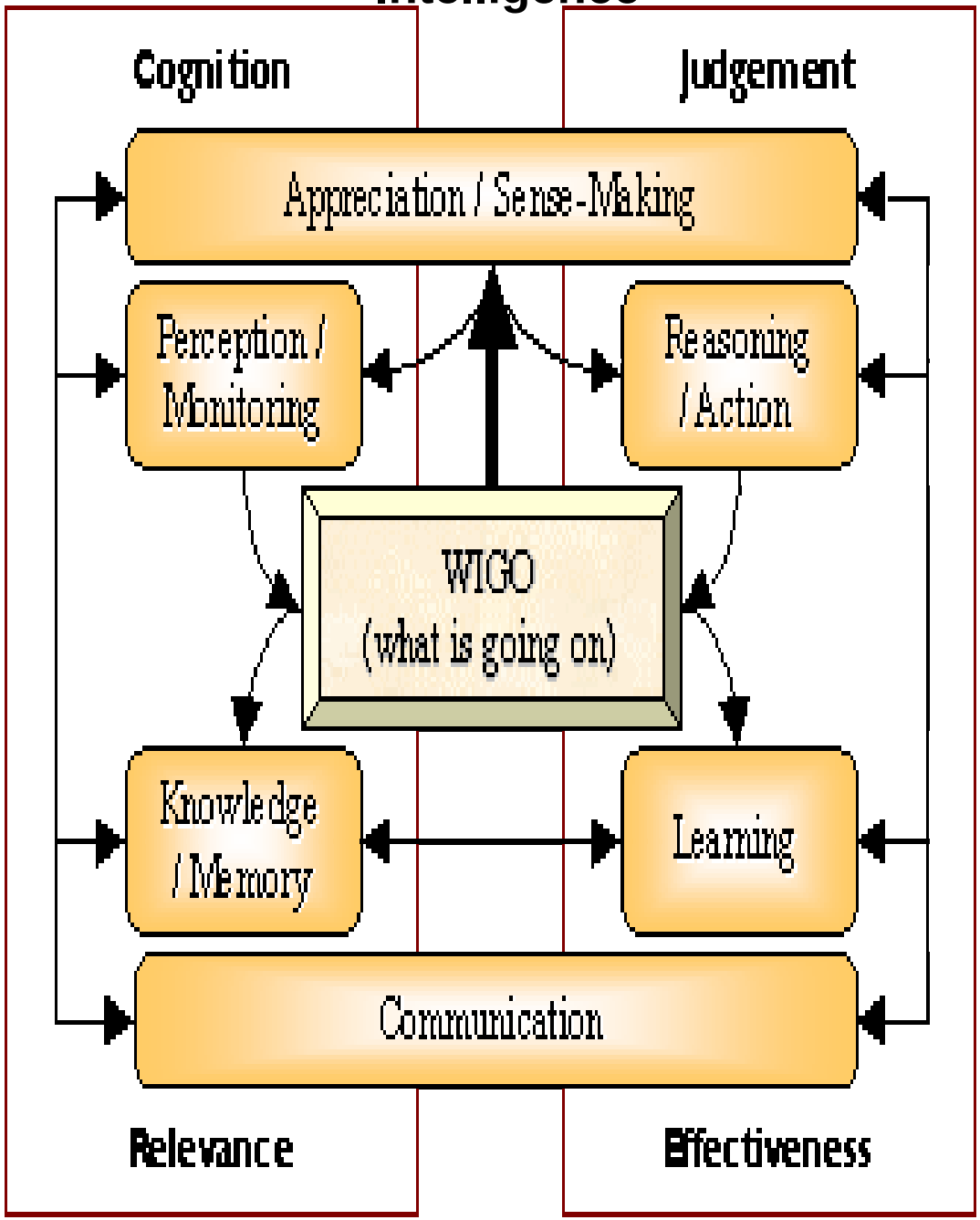
Super-intelligent individuals **are often poor at talking to one another** and sharing knowledge, let alone coordinating their work effectively.

Each individual may only make a given mistake once, **but if the people don't talk to each other, the same mistake can be repeated** hundreds of times without any organizational learning.

Intelligent people **get very frustrated and demotivated in stupid organizations**; they can see what is happening, and they can often see what needs to be done, but **they don't have adequate channels of communication.**

Organizational intelligence is what systems thinkers call an **emergent property - it is an attribute of the whole system, not of the individual**

Elements of Organizational Intelligence



Perception Monitoring How well does the organization **collect and process information** about itself and its environment?

Appreciation SenseMaking How well does the organization **interpret and understand itself and its environment?**

Reasoning Action How effective are the (collective) processes of **thinking, decisions, policy and action?**

Knowledge Memory How does the organization **retain experience** in a useful and accessible form?

Learning How does the organization **develop and improve its knowledge, capabilities and processes?**

Communication How do people and groups **exchange information and knowledge**? How do they **share ideas and meanings**?

Defining the O.I. Quotient

The degree of Organizational Intelligence is dependent on:

1. **Technology and Systems** are the technical networks carrying formal, hard information through the organization.
2. **Organizational Structure** is defined as hierarchical versus decentralized decision-making. Decentralized organizations raise O.I. because they permit faster, local decisions.
3. **Organizational Culture** consists of the symbols, ceremonies and the normative climate of the organization.
4. **Stakeholder Relationships** between interest groups play an important role in O.I. because cooperative relationships increase the flow of knowledge.
5. **Knowledge Assets** are the intellectual capital of the organization: patents, data bases and the knowledge of members.
6. **Strategic Processes** gather information and convert it into strategic decisions. Wide participation is usually more effective because more information is used to reach better decisions.
7. **Dynamic Factors** such as leadership, strategy and environmental conditions are prone to change, in contrast to the other factors that make O.I. an enduring and relatively fixed capability.

Here are some other prominent knowledge assets:

Research Consortia. About 250 research consortia and 1,600 business-government research partnerships have been formed in the United States **to pool knowledge**. The auto industry alone has 12 consortia.

Business Functions. Hewlett-Packard has developed systems to **share information on market intelligence, management practices and engineering data**. I.B.M. uses a corporate intranet to provide business units **with evaluations of suppliers** and to consolidate all purchases.

Customer Service. Merrill Lynch helps its 18,000 account managers serve millions of clients world-wide with a computer network that **stores the firm's knowledge about securities and financial forecasts.**

Organizational Effectiveness

How do managers measure effectiveness?

Three essential tasks of top management are:

Control of external environment

Innovation of new products and processes

Increasing production efficiency

Intelligence-Driven Organizational Effectiveness

Managers can take one of three approaches to evaluate how an organization confronts these three tasks:

External Resource Approach: For *Control*

Internal Systems Approach: For *Innovation*

Technical Approach: For *Efficiency*

Organizational Effectiveness

TABLE 1.2 Approaches to Measuring Organizational Effectiveness

Approach	Description	Goals to set to measure effectiveness
External resource approach	Evaluates the organization's ability to **secure, manage, and control scarce and valued skills and resources**	• Lower costs of inputs • Obtain high-quality inputs of raw materials and employees • Increase market share • Increase stock price • Gain support of stakeholders such as government or environmentalists

Organizational Effectiveness

TABLE 1.2 Approaches to Measuring Organizational Effectiveness (continued)

Approach	Description	Goals to set to measure effectiveness
Internal systems approach	Evaluates the organization's ability to **be innovative and function quickly and responsively**	• Cut decision-making time • Increase rate of product innovation • Increase **coordination and motivation of employees** • Reduce conflict • Reduce time to market

Organizational Effectiveness

TABLE 1.2 Approaches to Measuring Organizational Effectiveness (continued)

Approach	Description	Goals to set to measure effectiveness
Technical approach	Evaluates the organization's ability to **convert skills and resources into goods and services efficiently**	• Increase product quality • Reduce number of defects • Reduce production costs • Improve customer service • Reduce delivery time to customer

Organizational Effectiveness

Two types of goals used to evaluate organizational effectiveness:

Official goals are guiding principles that the organization formally states, often in public documents.

Operative goals are specific long-term and short-term goals that guide managers and employees.

Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce.

Instead of measuring organizational effectiveness, the organization often determines **proxy measures** including:

- the number of people served
- types and sizes of population segments served
- the demand within those segments for the services the organization supplies
- profits
- cost reduction

These measures do not constitute true effectiveness – they are **only pieces!**

Final Thoughts

Leadership matters—the persons in charge of organizations can make or ruin them.

Good leadership is a function of **personality**.

Bad leadership is a function of **personality**.

Every organization has problems with selection procedures, with poor managers, with ineffective strategies, and with poorly designed monitoring systems.

The best organizations are the ones that **make the fewest mistakes.**