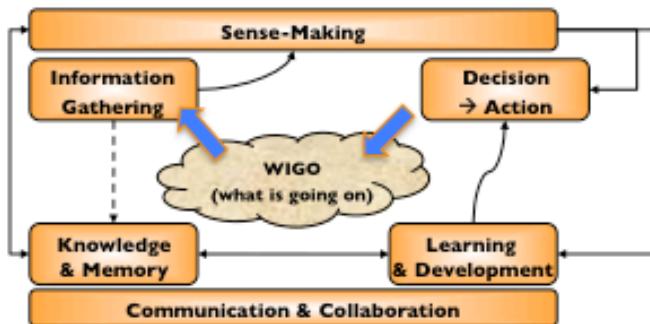


Building Organizational Intelligence



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This version was published on 2024-06-08



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About this book

What is organizational intelligence?

An intelligent organization is characterized by the following collective abilities:

- an ability to make sense of complex situations and act effectively
- an ability to interpret and act upon relevant events and signals in the environment
- an ability to develop, share and use knowledge relevant to its business purpose
- an ability to reflect and learn from experience

To make 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. Brainy individuals are often poor at talking to one another and sharing knowledge, let alone coordinating their work effectively. So many organizations fall short of their potential intelligence.

Organizations need a mix of people with different “intelligences” and each of these has its value. But organization can be packed with talented people, and if they do not

communicate and collaborate effectively, the intelligence of the organization as a whole will be impaired.

A lack of organizational intelligence may show itself in many ways, including

- a lack of awareness or understanding of environmental change
- slow to respond to problems
- inconsistent or ineffective policies and decisions
- failure to learn from experience
- limited capacity for innovation
- lack of focus in communication and action

Any of these signs of organizational stupidity may threaten the long-term survival of the enterprise, especially in a complex and changing world. Improvements in organizational intelligence should help to build more cost-effective coordination, improved decision-making and innovation, and improved business performance; and these should enhance the long-term prospects for the organization.

What is it like working in an intelligent organization? If you have ever worked in a successful start-up, you will recognize that there is a real desire to understand what the customers want, and strong commitment to collaborative problem-solving. Meetings are focused on solving real issues, and there is little tolerance for the kind of unproductive games that people play in larger and more established companies. In principle, it should be possible to

have this kind of positive experience in any organization: in practice, these aspects of intelligence get harder to find as an organization gets larger and older.

It is a popular idea that large organizations should try to be as agile and smart as small organizations. One way to achieve this is to look at the way successful small organizations practise organizational intelligence. At the same time, we can understand a lot about organizational intelligence by looking at the array of frustrations experienced by people in many large organizations. In this book we shall look at a range of patterns of organizational behaviour from the perspective of organizational intelligence.

Improving organizational intelligence

People and technology have complementary forms of intelligence, and an intelligent organization brings these together. There are lots of interesting ideas for improving organizational intelligence, mostly calling for changes to organizational structure and culture, but there may also be a useful technological contribution, if and only if this can be aligned with the necessary organizational change.

The management literature is full of strange and wonderful ideas for transforming organizational structure and culture. These radical changes may help to improve organizational intelligence over the longer term. They usually cannot be achieved by quick fix solutions – whether technical or top-down management. However, an organizational

intelligence perspective can support a broader organizational change initiative, as well as enabling incremental improvements within an existing organization.

Meanwhile, a wide variety of software products and platforms are being promoted for their contribution to various aspects of organizational intelligence, and there is already a proliferation of jargon, including ‘agile enterprise’, ‘collaboration networks’ ‘enterprise 2.0’, ‘smart work’ and so on.

Many organizations already have a range of fancy technology, but it is only worth spending money on advanced information systems or faster analytics or fancy Enterprise 2.0 platforms if your organization is capable of using these systems effectively. Organizations often fail to use the tools that are available, or (worse) waste effort and resources on a random collection of expensive tools without appreciating how they will work together in the specific organization. And sometimes technology merely amplifies what’s wrong with an organization.

However, many organizations have expended large amounts of time and money on fancy solutions, often with muddled objectives and poor planning, and therefore no prospect of any genuine return on investment. In fact, poor deployment of technology may just make things worse.

What you will find in this book

Firstly, a broad range of real-life examples, showing the presence and absence of organizational intelligence from

various perspectives.

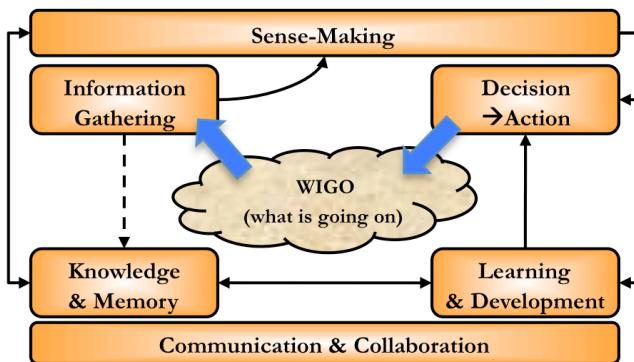
Secondly, an overall roadmap for understanding and improving organizational intelligence in your organization.

- How to distribute intelligence throughout your organization for maximum benefit.
- How to justify your investment in organizational intelligence.

Thirdly, guidance for specialist functions (including HR and IT) for contributing to the organizational intelligence agenda, as well as guidance for vendors wishing to support the organizational intelligence of their customers.

- Developing an agile knowledge-based learning organization.
- How to identify the human and technological blocks that reduce the effective intelligence of your organization.
- Understanding how to get the value out of a broad range of other investments, including IT. Many technologies can help if implemented wisely, properly integrated with each other as well as with working practices and organizational culture.
- How to design, implement and integrate human and technical systems to enhance organizational intelligence

And *finally*, a general framework for understanding and improving organizational intelligence.



OI Schema

The framework identifies six connected capabilities. The schematic diagram shows some of the main connections.

Information Gathering

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

Sense-making

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

Decision, policy, action

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

Knowledge and Memory

How does the organization retain experience in a

useful and accessible form?

Learning and Development

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

Communication and Collaboration

How do people and groups work together? How do they exchange information and knowledge? How do they share ideas and meanings?

When an organization lacks intelligence, this may be because one of these capabilities is weak or marginalized within the organization, or because the loops connecting these capabilities are not working. But when these capabilities are connected and in balance, the organization will make better decisions, respond more promptly and appropriately to key events and trends, and learn efficiently from experience.

This framework for organizational intelligence therefore provides us with a way of looking at business improvement and survival, combining the latest management thinking with advanced software technologies to produce highly effective organizations.

Extracts

Wilensky on Organizational Intelligence

The first person to venture into the subject of Organizational Intelligence was the American sociologist Harold Wilensky, who published a book on the subject in 1967. Some of Wilensky's assumptions look a little dated now, but there's a wealth of great ideas and examples in his book ¹.

Wilensky's book contains many examples of organizations that have been led astray by false certainties, narrow thinking, and insufficiently rigorous and critical debate. His final paragraph is as follows.

“To read the history of modern intelligence failures is to get the nagging feeling that men at the top are often out of touch, that good intelligence is difficult to come by and enormously difficult to listen to; that big decisions are very delicate but not necessarily deliberative; that sustained good judgement is rare. Bemoaning the decline

¹The New Yorker journalist Malcolm Gladwell has drawn upon Wilensky's book in his analyses of several topical examples, including Enron.

of meaningful action, T.S. Eliot once spoke of a world that ends 'not with a bang but a whimper'. What we have to fear is that the bang will come, preceded by the contemporary equivalent of the whimper - a faint rustle of paper as some self-convincing chief of state, reviewing a secret memo full of comfortable rationalizations just repeated at the final conference, fails to muster the necessary intelligence and wit and miscalculates the power and intent of his adversaries."

It is not hard to project this onto more recent events.

Do you recognize any of these symptoms in your organization?

Choke

Inability to access capability when it is needed.

Denial

"The problem doesn't exist, and anyway it isn't a problem for us, and anyway we're already dealing with it."

Guesswork

Acting in the dark

Meddle

Tinkering and management interference without real understanding

Muddle

Confused and bewildered by many overlapping and conflicting narratives

Panic

Taken by surprise, responding in haste

Policy-based evidence

Finding data to support or justify an existing decision or state, while ignoring any data that might contradict.

Repetition / Oscillation

Repeating the same mistakes without learning.

Short-Sighted / Tunnel Vision

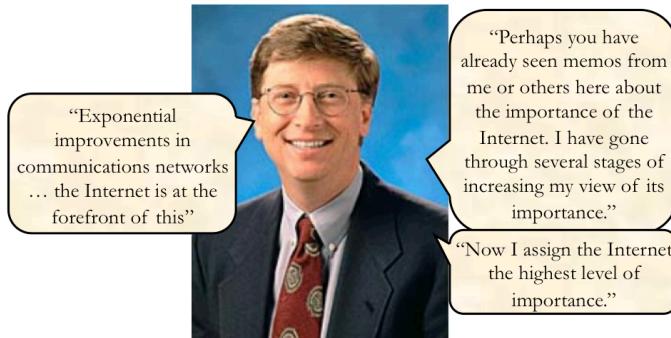
Narrow focus on short-term goals, inability to consider broader or longer-term vision.

Tidal Wave

Here's a story we can learn from even if we don't take it at face value. It's a well-known episode from the history of Microsoft and the internet – the Bill Gates 'Tidal Wave' memo from May 1995.

There are alternative accounts of this episode, and the memo clearly doesn't tell the whole story, but it still gives us some fascinating clues about the presence or absence of intelligence loops within Microsoft and elsewhere in the industry at the time.

So let's have a look at the Bill Gates memo.



Tidal Wave 1995

"Exponential improvements in computer capabilities - great software quite valuable"

An account of Microsoft's previous strategy.
Appeals to a shared memory of past events to explain Microsoft's success to date.

"Exponential improvements in communications networks - the Internet is at the forefront of this."

Prediction of future trend - creating a plausible narrative based on observation and analysis.
Weak signals gradually getting stronger.

"Perhaps you have already seen memos from me or others here about the importance of the Internet. I have gone

through several stages of increasing my view of its importance.”

Emphasizing a gradual shift of opinion. There is no criticism of Microsoft implied if we ask why several stages were necessary and what these stages were. With hindsight, it may always seem that radical conclusions might have been reached more quickly, but we should also recognize that many organizations take a lot longer to reach such critical shifts in opinion.

“Now I assign the Internet the highest level of importance.”

This is a key decision, from which a large number of other decisions and policies will follow. Note how a series of observations and speculations slowly built up towards this decision.

“... memos from me or others here ... In highlighting the importance of the Internet to our future I don’t want to suggest that I am alone in seeing this. There is excellent work going on in many of the product groups.”

Emphasizing the collective nature of the process. It is always tempting to see all decisions as made personally by the CEO, especially in the case of a high-profile company founder like Bill Gates. Although much of the memo is in the

first person singular ('I have, I assign') Gates also wishes to share the credit and responsibility to some extent.

"There will be a lot of uncertainty as we first embrace the Internet and then extend it. Since the Internet is changing so rapidly we will have to revise our strategies from time to time and have better inter-group coordination than ever before."

Emphasizing the need for Microsoft strategies to rapidly evolve, presumably based on emerging trends and feedback.

"I am looking forward to your input on how we can improve our strategy.

Emphasizing the need for collective strategy-making.

There may be things that Microsoft itself can learn (or has already learned) by looking back on this episode. Could the importance of the Internet have been recognized sooner? How quickly did Microsoft align itself to this new agenda? How effectively did Microsoft monitor the evolution of the Internet and adjust its strategies? How did Microsoft use the tools and platforms that were available at the time (such as email), and how might today's technologies

(such as blogging and social networking) have affected the process?

More generally, there are things that any organization can learn by looking through similar episodes in its own history. How quickly were important signals picked up? How effectively were strategies and policies formulated and decided, and follow-up actions communicated and coordinated?

As with any other firm, the survival and success of Microsoft depends on how it deals with a small number of major episodes and turning points like this, as well as with countless minor episodes. No amount of intelligence can guarantee that every episode will be handled correctly, but we should expect an intelligent organization to get more of these episodes right, to take appropriate action promptly when things start going wrong, and perhaps even to get better at handling these episodes over time.