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## **ORGANIZATIONAL INTELLIGENCE: A SUCCESS CRITERIA IN THE RAPIDLY CHANGING AND HIGHLY COMPETITIVE ENVIRONMENT OF THE KNOWLEDGE INTENSIVE ORGANIZATIONS**

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### **ABSTRACT**

*Organizational intelligence represents intellectual ability of an organization, which, in fact, integrates its humane and technical (informational and communicational) potentials that are used in solving concrete organizational problems. In this fast changing, complex competitive environment, the concept of organizational intelligence becomes all the more important.*

*The aim of the paper is to understand the concept of organizational intelligence, its basic elements, applications, importance and its implementation. A large number of research papers and books on organizational intelligence are being referred for inputs.*

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*Keywords: Organizational intelligence, knowledge, knowledge management, learning*

### **Introduction**

Organizations are living social systems. What makes them able to adapt and evolve is that they have a nervous system and intelligence, just like biological systems do. The nervous system of an organization is embedded not in computers and hardware networks, but in the network of conversations, which bring and maintain the organization in existence, and lets it learn from its experience. Intelligence, the faculty that makes biological and cultural evolution possible, implies and guides the use of knowledge or "knowing," the capacity to respond to specific opportunities and challenges as they emerge. Intelligence refers to our effective use of knowledge. Intelligence is needed to guide the transformation of organizations into work systems that support all members in reaching their full potential. Only then will the organization manifest the strategic advantage of being capable of learning as fast as the changes in its environment demand.

### **The Concept of Organizational Intelligence**

According to (Matsuda, T.1992) organizational intelligence is the intellectual ability of an organization to solve organizational problems. The focus is on integration of human and technical abilities for solving problems. Precisely, organizational intelligence includes totality of information, experience, knowledge and understanding of organizational problems. Technical intelligence represents organizational ability for computer information and knowledge processing. On the other hand, human intelligence represents the intelligence of the people employed in the

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organization. Halal & Kull say that Organizational Intelligence is the capacity of an organization to create knowledge and use it to strategically adapt to its environment

UNESCO also defines it in a similar manner. It says Organizational intelligence is the capacity of an organization to gather information, to innovate, to generate knowledge, and to act effectively based on the knowledge that it has generated. Organizational intelligence refers to the knowledge-based capacity inherent in the organization. This capacity forms the basis of success in the rapidly changing or highly competitive environment of the knowledge organization. Organizational intelligence includes historical knowledge inherent in the organization and generative intelligence that results from collaboration between organizational members.

Organizational intelligence can be observed in two different aspects (Matsuda, T.1992) Organizational intelligence as a process, and Organizational intelligence as the result of that process or the corresponding state. Organizational intelligence as a process represents an interactive, aggregated, and coordinated complex of human and technical intelligence inside an organization. The interactive dimension of organizational intelligence indicates the relationship between human, between human and technical, as well as between sole technical components of the organization. Aggregation of intelligence takes place hierarchically and includes the knowledge on individual, group, and organizational level. Coordination is of central importance in respect to its manifestation through both interaction and coordination. Organizational intelligence as the result of organizational intelligence as a process or corresponding state reflects the information that is generated in the situations when there is the need for strengthening the abilities of informational systems used for solving appropriate organizational problems. According to Karl Albrecht (2002), Organizational intelligence is the capacity of an enterprise to mobilize all of its available brainpower and to focus that brainpower on achieving its mission.

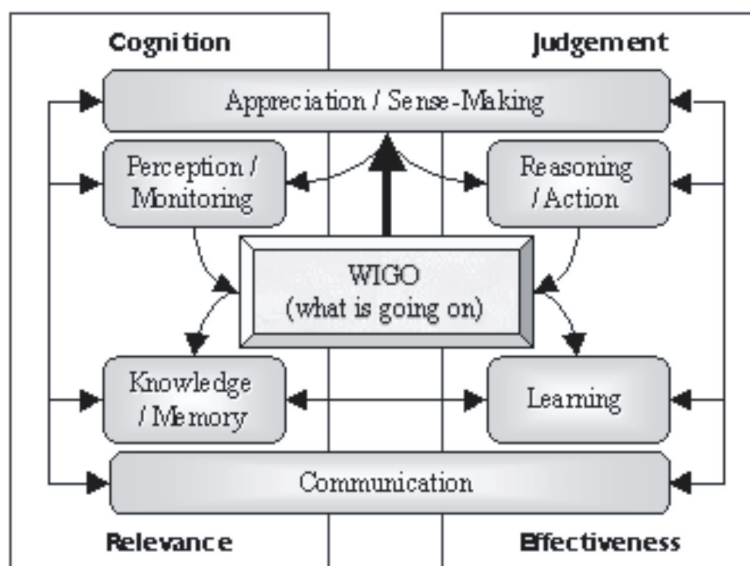


Figure 1: Adapted from 'Veryard projects: Towards organizational intelligence'

### **Elements of Organizational Intelligence**

#### *Perception/Monitoring*

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

#### *Appreciation /Sense Making*

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?

### **Importance of Organizational Intelligence**

According to Karl Albrecht, Organizational intelligence has a positive value. An intelligent organization is likely to be more successful in the short term, and have greater prospects for survival and growth in the longer term. Staff morale is likely to be better, and the individual employees will themselves have greater opportunities for personal growth and fulfillment. In the broader socioeconomic system, intelligent organizations will create more wealth – not merely economic wealth but in human potential. One of the legendary examples of collective intelligence, which has been going on for many years, is the remarkable orchestration of the daily experience of magic in the Disney theme parks. From the recruitment, indoctrination, training, placement, and supervision of the employees, all the way to the design and maintenance of the facilities, the delivery of customer value expresses the Disney business model, which is “fun and fantasy in a theatrical setting.” Disney designers and managers are some of the world’s best experts at eliminating the contradictions to the core proposition of value.

### **Drivers of Organizational Intelligence**

According to David & Alex Bennet, (2001), there are four main drivers for organizational intelligence.

*Unity and Shared purpose:* It helps to integrate and unify various parts of the organization. Unity and shared purpose integrates the activities of the organization and mobilize resources to gain the synergy of complementary talents and to coalesce personnel resources.

*Multi-Dimensionality:* Multidimensionality represents a number of capabilities like organization’s ability to continuously learn and forget, to identify and deal with risk, to think in terms of systems and to perceive and analyze in terms of long time frames. These relate directly to the intelligence of the organization.

*Knowledge –Centricity:* Knowledge and its application is the heart of intelligent organization. This ensures creation, sharing and availability of the right knowledge to the right people at the

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right time. Knowledge, the deep understanding and sense of context and meaning in situations are a critical part of organizational intelligence.

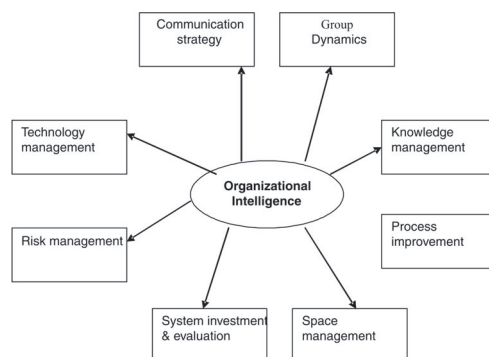
*Optimum Complexity:* Optimum complexity means that the maximum number of possible states that can make a difference in terms of organization's ability to perceive, interpret and respond to external environment. Optimum complexity supports organizational intelligence by offering the largest useful variety of possible perceptions and actions to respond to the increasingly complex external environment.

### Implementing Organizational Intelligence

According to Karl Albrecht the best way is for the senior leaders of the organization to start thinking and talking about their enterprise as a potentially intelligent operation, and to undertake a never-ending assessment of its possibilities for advancement. The second step is to start giving people the authority to think. Even the lowliest worker must believe that his or her ideas, experiences, insights, and suggestions will be listened to and appreciated, This begins to liberate more of the tremendous brainpower that is already hired - and that is already paid for every payday. The third step is a systematic, relentless, and never-ending attack on the causes of collective stupidity: organizational structures that don't make sense; "silos" that have grown up between departments or factions; policies, rules, and procedures that thwart the value-creation process; incompetent, ineffective, or failing managers; turf wars between managers and departments; union-management conflict; caste systems that have grown up in the organization; top-management behaviors that confuse, divide, or demotivate people; unfair or unjust treatment of employees that destroys morale and the sense of shared fate; and, sometimes, even the lack of a clearly defined vision and mission.

Richard Veryard says that Organizational stupidity can be decreased from several different angles. In some cases, an interdisciplinary approach is appropriate, in which action is taken on several fronts simultaneously. In other cases, a single discipline is able to offer significant initial benefits - remaining open-minded about bringing in other disciplines later. Communication Strategies addresses the extent to which meanings and intentions are successfully shared across the organization, especially between multiple subcultures. It also addresses the extent to which the organization is successful in speaking to its stakeholders, and in hearing what its stakeholders are saying to it. Group Dynamics addresses how people work together - the psychological structures and processes of the teams and groups making up the organization.

Knowledge Management addresses how ideas, information and intellectual property are developed, disseminated and deployed within the organization. Process Improvement addresses



**Figure 2: Multidisciplinary Approach for Implementing Organizational Intelligence**

the congruence (or lack of congruence) between business processes and the organization's goals and values and the extent to which business processes improvement is dependent upon external intervention, or whether learning is integrated into the system itself.

Risk Management addresses the extent to which individuals and groups within the organization face up to (or retreat from) the challenges and uncertainties of the task. Space Management addresses the physical environment in which the organization lives and 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 (including physical environments) are distributed within and out with the organization. It also addresses the congruence (or lack of congruence) between IT and property investment on the one hand, and the organization's goals and values on the other. Technology Management addresses how new technologies and systems are implemented and used by the organization. Also addresses the congruence (or lack of congruence) between human systems and technical systems.

### **Applications of Organizational Intelligence**

Organizational Intelligence helps to gauge organizational effectiveness based on future-oriented criteria. It understands the interdependent patterns of an organization with its environment, which may otherwise seem independent. For example, OI helps to identify problems in distribution systems that may stem from other areas such as production, finance or marketing.

Organizational Intelligence also helps to diagnose organizational strengths and weaknesses, and areas for improved connections among subsystems, which may otherwise seem unconnected without the use of organizational intelligence applications. For example some production and quality related problems of a product may not be because of faulty production but could be associated to the faulty design of the product.

There are many cases where Organizational Intelligence has led to foresee problems/risks associated with project management and project execution. The advance identification of the same based on past experiences helped in providing timely solutions and avoided the risks to become problems at a later stage.

Organizational Intelligence also leads to business intelligence. For example, a company could use organisational intelligence to extrapolate information from indicators in the external environment and forecast the future trends in their sector and hence lead to business intelligence. At Rolls Royce (an aerospace industry), it helped to extract Business intelligence about customer data across multiple platforms resulting in huge savings in data processing costs at a later stage.

Organizational Intelligence may also suggest improvements in subsystems to foster innovation and knowledge-creation. For example, how the organizational structure and culture can be modified to support cross-functional innovation teams. Also it must highlight gains to be achieved through dynamic factors such as leadership. For example, a strong leader is often necessary to build commitment to organizational change efforts.

### **Conclusion**

Organizational Intelligence plays a very important role in an organization's performance. An intelligent organization is more successful in the short term, and have greater prospects for survival and growth in the longer term. Staff morale is better, and the individual employees themselves have greater opportunities for personal growth and fulfillment. In the broader socioeconomic system, intelligent organizations create more wealth – not merely economic

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wealth but in terms of human potential also. Thus, in this fast changing, complex competitive environment, the organizational intelligence must be taken seriously and, paid more attention.

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