

Chapter I

Introduction

1.0 Introduction

This thesis is written to establish the thoughts and the premises to bring a new perspective of looking at strategic management of business and organizations. Organizations manage business strategically, irrespective of size and the revenue of the business. Identifying competencies and inabilities will help organizations to evolve their strategies for better growth and attain a gain in competitive advantage. Ability to look for insights from experiences from business activities is identified as Intelligence. Organizations learn, develop insights, wisely decide and execute meticulously the plans. If organizations knew their 'selves' better through introspection, they probably performed better.

This Research thesis revolves around the two prongs of the objective. Each chapter is presented with two parts. Part I deals with the need for the identification of the factors that might drive Intelligence of the organizations. Part II addresses the other need for establishing the linkage between Intelligence and Performance. This statement in short reveals the Objective of this work.

Section 1.1 of this chapter discusses the premises and the reasons for this research. Section 1.2 discusses the research gaps and the potential in this research topic. Section 1.3 discusses the research objectives. Section 1.4 discusses structure of thesis and section 1.5 concludes this introduction chapter.

1.1 Premises and Reasons for this Research Study

Most organizations orient their Strategic Management towards business results and are result oriented. There are organizations such as '*Kanchi Mutt*' from Kanchivaram, Tamilnadu, India, founded by *Adi Shankaracharya* around a hundred decades back, exist so long successfully In India. These are socially oriented and non profitable organizations thriving on set of values. Many organizations are a combination of both profitability and social responsibility. All these growing organizations are always at the juncture of introspecting internally to face the challenges and uncertainties of the future. Taking stock, developing insight from the past and planning for future is already being followed by good and great business organizations. However, the rapid changes in the business environments and technology of the future would demand organizations to take a stock of their innate intelligence that drives the competencies and capabilities for better business performance. Identifying the key ingredients behind intelligence can possibly support organizations to fine tune their business performances and competitive strategies immensely.

As humankind ventures deeper into the intelligence era, a totally re-defined mindset is essential to ensure its continuity. With the emerging new environment, organizations must behave as intelligent beings, in the same manner as biological entities are competing for survival in an ecological system. They must learn, self-organize, adapt, compete and evolve. Thus, organizational systems can no longer be like machine. Consequently, the structures and characteristics of the industrial era will have to be dismantled. This shift in paradigm requires all organizations to re-design their structure and operations around intelligence and become human organizations.

The basic reason for research begins from looking at the humanistic quality and capabilities of organizations. If organizations have abilities and behavior as those human beings, they also must be having intelligence to carry out actions and sustain, survive, adapt and grow like human beings. These human systems adopt an important initiative to establish an intelligent structure, and to nurture its collective intelligence inside themselves. A significant component of the mind of an organization is an intelligence enhancer comprising three entities, namely, intelligence, knowledge structure and theory (Thow Yick Liang, 2002)¹.

This discussion by Thow Yick, A Physicist, and Technology Management Professor at Singapore Management University clearly defines a set of axioms in his research article on 'Intelligent Human Organizations' that clearly defines the Presence of Intelligence similar to that of Human Intelligence such as the ability to adopt with the changing environments, grow, perform and compete. There is an axiom which states that, there exists an intangible entity known as intelligence in all intelligent systems that provides the fundamental driving force for all their functions and activities.

There are four levels of Organizational Intelligence explained by Professor Thow; The First level of Intelligence: Slavery An organizational system operating at this level is only capable of economic production. It has literally no intelligence capability and has no environment scanning and responding component. It is a non-thinking, purely mechanistic system. It behaves like a slave whose intelligence is suppressed. As far as the intelligence domain is concerned, the system is dumb. A mechanical machine exists in this state.

The next level is, Instinctive: Besides economic production, a system in this case is capable of sensing simple changes in the environment, such as changes in demand, and responds by varying the quantity of its output. The behavior of such a system is instinctive. Its level of intelligence is low. Many business organizations, at the moment, exist in this state, similar to plants in an ecological system. There is not much 'mobility' in this state.

¹ Thow Yick Liang, (2002), "The Inherent Structure and Dynamic of Intelligent Human Organizations", Human Systems Management, Vol.21, p9-19

The third level is, Survival Seeking: A system can be classified in this category if an attempt has been made to improve its environment scanning and responding component. Such a system is also aware of the significance of having a well-established intelligence web. It is increasingly reactive to changes, and has assimilated learning and adaptive capabilities. It is a mobile intelligent being. There is a next level of Intelligence: Highly Intelligent: A system in this category has a sophisticated intelligent network. It is highly reactive, as well as proactive to the environment. It is intelligent enough to influence the environment to enhance its existence. Whenever possible and necessary, this option is exercised. Such a system can diversify, 'migrate' and have 'offspring'. Thus, existing in this state, the system possesses its own mind and collective intelligence, and behaves as a highly intelligent biological being."

The next Axiom says "There exist one or more internalized knowledge structures in all intelligent systems that are the reference sources for intelligent activities and actions" which forms the basis for this entire research. *The most basic concepts of the intelligent organization theory (Thow Yick Liang, 2002)² are, (i) Human organizations are intelligent beings; (ii) They are corporate beings with a mind and Collective intelligence. (iii) Their level of intelligence can be elevated through proper design. (iv) The more intelligent the organization, the more adaptive and competitive it is. (v) Such a competitive advantage is an intelligence advantage. Therefore, the conclusion by Professor Thow is, "there exists a critical relationship between intelligence and human organizations, similar to a relationship between intelligence and biological organisms".*

This conclusion is the basis and platform for the research objectives to explore the same and measure it if possible in the business organizations in India.

There are also interesting basic requirements for all these propositions in this research article by Professor Thow. They are; (i) The presence of an intense intelligence source is vital; otherwise, the activities of organizational systems will have no proper co-ordination and direction. (ii) The existence of a sophisticated

² Thow Yick Liang, (2002), "The Inherent Structure and Dynamic of Intelligent Human Organizations", Human Systems Management, Vol.21, p9-19

environment scanning and responding component is essential because such a component not only enables organizations to interact with their environment, but also enables organizations to nurture their collective intelligence (iii) The spread and integration of the intelligence web with the economic production functions connecting the components specified in (i) and (ii), are necessities as the absence of the web indicates that the organization is paralyzed (iv) The flexible physical structure must be supported by an intelligent deep process structure. An intelligent and coherent mind is the fundamental intelligent stratum of all intelligent organizations.

These aspects are the basis of studying the presence of intelligence in the organizations and hence the humanistic abilities are studied through the questionnaire designed. In addition, it is important to realize that the collective intelligence in human organizations can be elevated with proper design. The key concepts related to organizing around intelligence are as follows (Thow Yick Liang, 2002): (i) The intelligence strategy that focuses on an intelligence-based design helps to elevate the collective intelligence level of human organizations so that they can compete better as intelligent beings in the new economy. (ii) This new designing approach allows organizations to settle into a competitive state that is closer to an inherent intelligent structure of nature more spontaneously. (iii) Human organizations with an intelligent structure possess a mind, deep intangible structure and surface structure. Such intelligent systems are more coherent with information and knowledge-related functions.

The Humanistic Intelligence that is present in the organizations in the form of collective intelligence is measured in the form of capabilities Tata Groups which is known as Tata Business Excellence Model. There are larger business organizations in India applying Malcolm Baldrige Model for Total Quality Management in the Business Processes. There are organizations applying these kinds of models prepared in house for improvising business performance largely. Most of the large business houses use these kinds of business capability models designed based on the humanistic quality of organizations.

In Strategic Management, the Resource Based View (RBV) says that, a firm can attain a sustainable competitive advantage can be obtained by improvising the resource management capabilities. The Knowledge Based View (KBV) says that a firm can obtain the advantage over competitors by deploying knowledge that lies within itself. Capabilities of the organization evolve from two components. The explicit aspects of business based on resources and other physical components. The tacit aspect such as knowledge and information play equally a major role in determining the performance. There is a driving force behind these two aspects which is the intelligence of organizations. The driving force behind business entities might have different components based on perspectives. Various models from the literature are studied and perspectives are collected and compared. Every model of the past had a view to include the business realities which are based on business results, and softer aspects such as learning abilities to improve on the capabilities. These driving forces mentioned here are similar to organizational Intelligence theory proposed by Professor Thow.

1.2 Identifying Research Potential

Professor Thow's theory of Organizational Intelligence forms the platform for this research study. If organizations behave like human beings in cognitive learning, responsiveness to environments and competitions, grow with abilities to plan, execute holding intellectual, rational and logical capabilities to think, the obvious question arises from that is, can this be proven to be present and if so, can we measure such an intelligence? The second question that arises from measuring Organizational Intelligence is to know the benefit of measuring such Intelligence. Measuring Intelligence can prove the presence of Intelligence and paves way to enhance their intelligence to improvise capabilities. Improvising capabilities lead to better performances and therefore, the obvious benefit of doing this research is to help business organizations to know their innate abilities better in addition to defining avenues for further research in Management Academics.

Thus the research objectives are identified. We understand from the capability models used by India's large Corporate Houses that business leaders look for business performance improvement by improvising the capabilities of the organizations. So it is imperative to explore the intelligence of organizations particularly the small and medium business enterprises so that they can be suggested a scale for measuring the intelligence of the organization and fine tune those fine specific capabilities that add to intelligence for better business performance. Twenty four different large corporate houses responded very similarly in the pilot study. So we decided to take responses from small and medium business enterprises whose responses were not similar. This research study would provide a path to identify the unique aspects that are the stronger components of Organizational Intelligence that would help improvise performance.

1.3 Research Objectives

To study the key driver "intelligence" behind organizational growth and business growth in Indian business organizations is defined as the research task. The immediate need was to understand what research arena talks about this consciousness called intelligence of organizations. Literature survey enabled me to understand of the background and context of this 'intelligence' with respect to Western and Indian researchers. Most of the researchers looked at organizational intelligence as a driver for innovation, creativity, leadership, culture and many more. A few discussed about the innate ability of cognitive learning as 'intelligence' or organizations. Similar parameters are found to drive organizational learning. There are researches on intelligent organizations and learning organizations. So there definitely arose a need to find the boundaries, commonalities between intelligence and learning. There were common terms that drove intelligence as well learning by different researchers of different origin. There are various conceptual models proposed, different types of humanistic capabilities of the organizations representing intelligence of organizations. So we decided to identify the demarcation between organizational intelligence and organizational intelligence. This demands study of literature on

Organizational Intelligence and Organizational Learning and to differentiate them clearly.

Future organizations are in a position today re-look at their value systems, introspect thoroughly on the strategic management of business and leaders are in a crossroad to redefine the way they had been building their organizations. Futurologists have indicated the changes in technological breakthroughs, future market dynamics, cultural changes which would be very rapid and Indian organizations have to change and equip themselves to address such sudden changes. Future Organizations in the small and medium sector need to look at their capabilities and intelligence for business performance. This demands us to explore the presence of intelligence in the organizations, design an instrument to measure the intelligence so that intelligence can be developed by these organizations to perform better in future.

This research would provide an avenue to look at exploring the collective intelligence that drives business organizations to management academia. The research is based on the theory of intelligent organizations (Thow, 2002)³ which finds similarities between organizations and Bio Organisms. The Organizations behave like Human systems and in both cases intelligence and capabilities drive them to be what they are. Thus, it would make the research comprehensive, if the literature on organizational intelligence and learning are studied and the demarcations are defined. It would make this research work interesting if the capabilities that drive organizational Intelligence are identified and explored. If we can develop an instrument to measure organizational intelligence, that can help us study the relationship between organizational intelligence and business performance, thereby enabling organizations to improvise upon their performance, processes and systems and grow.

Thus the defined objectives are;

³ Thow Yick Liang, (2002), "The Inherent Structure and Dynamic of Intelligent Human Organizations", Human Systems Management, Vol.21, p9-19

(i) To study and the compare the management literature on Organizational Intelligence (OI) and identify the variables that are used for the measurement of Organizational Intelligence.

(ii) The first part of the Objective is to study the presence of Organizational Intelligence (OI) and to explore the factors that construct intelligence of organizations so that an instrument to measure intelligence can be developed.

(iii) The second part is to study whether there is a relationship between Organizational Intelligence (OI) and Organizational Performance (OP) so that the intelligence scale can be utilized by organizations to improve performance and therefore enhance their competitive advantages in future.

Through the first objective, the variables for measuring OI would be chosen. Then the instrument for measuring OI can be developed and then the relationship between OI and OP can be explored.

1.4 Structure of Thesis

This thesis has seven chapters.

Chapter 1 is the introduction. This chapter discusses the basic premises of this research. It discusses the research gaps present and the reason why the research is undertaken. It also describes how the research objectives are set and roadmap is drawn for doing this research. This chapter emphasizes the need for the study and the sorting of literature that focuses on the constructs of organizational intelligence from the harder and softer aspects of business. This defines the objective with two different parts. One is to define the scale for measuring organizational intelligence and the other is to establish linkage between intelligence and performance to improve competitive advantage.

Chapter 2 discusses the entire literature studied and the key findings from them. The variables that construct organizational learning, organizational intelligence and organizational performances are compared. The premises for the research objectives and research study, gap and the need for doing this research work are

established. This chapter mainly focuses on the choice of variables from literature for the design of the instrument that can measure Organizational Intelligence. This chapter is also presented as two parts. Part I discusses the key aspects from OI literature. Part II discusses the attributes that affect OP. The section on key findings section compares the variables captured from literature and summarizes.

Chapter 3 discusses the research methods followed for doing this research study. The research problem identification, choice of research technique with respect to the objective, experimental design sample selection, data collection, and data analysis are discussed. The challenges faced and the techniques adapted are discussed. All these come under part I. Exploratory factor analysis to identify the key variables that impact organizational intelligence is discussed under part I of this chapter. Part II comprises of Multiple Regression Analysis to determine the causal relationship between OI and OP. Questionnaire design based on literature and the establishment of variables for measurement is discussed in part II as the variables chosen are connected with organizational performance. Thus the rationale behind the design of the questionnaire and variable selection is established.

Chapter 4 is an extension of the literature survey. It discusses various conceptual frameworks and definitions of OI given in literature. The findings and the inferences from these models are discussed at the end. These inferences can help in determining the variables chosen from the literature as given in the earlier chapter. The insights from this chapter can help us interpret the results of factor analysis where we determine the factors that influence OI.

Chapter 5 discusses the analytical strategy for the research processes and techniques chosen. This chapter is also divided in two parts. Part I discusses the concepts thumb rules for interpretation and the analytical framework for exploratory factor analysis. This part addresses the first part of the research objective and part II discusses the analytical framework behind regression analysis, hypotheses formulation and validity of the causal relationship model.

Chapter 6 discusses the analysis and the findings. This chapter is also divided into two parts. Part I discusses the results obtained from factor analysis and the formulation equations to measure OI. Part II discusses the key findings from the analysis and the impact of the variables that represent OI and influence OP – the causes of OP. The regression outputs are presented and hypothesis formulation and testing are done. This discussion is followed with the summary of key findings and development of OI instrument and the conceptual model of the linkage between OI-OP are presented at the end.

Chapter 7 lists the conclusions from this research work. It discusses the interpretations of results from the findings obtained from the data analysis. This chapter also presented in two parts. Part I discusses the interpretations from the findings of factor analysis. This results in the calculation of OI of organizations in the form of OIQ – organizational Intelligence quotient. Part II discusses the interpretations from multiple regression analysis. This leads to the OI-OP relationship model ready for application. The applications of the research work done, the issues in the model and how can they be overcome are also discussed. Recommendations are made to improve the current work done now.

1.5 Conclusion

In this chapter we discussed the background and context of the research and the formation of research objectives. Structure of the Thesis and the organization of the main chapters of this thesis are explained. In the next chapter we will present the literature survey done for doing this research work.