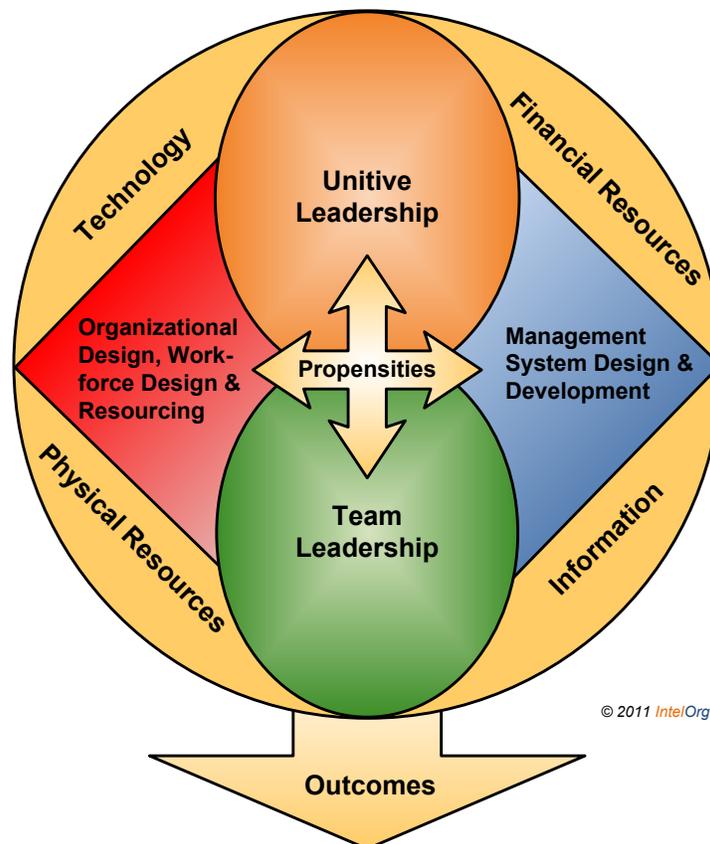


## Helping Executives Build Sustainable, Intelligent Organizations

*Moving from coercive to co-creative*



# ***Helping Executives Build Sustainable, Intelligent Organizations***

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## ***Introduction***

This report is one in a series of related documents on building sustainable, intelligent organizations with healthy and safe operating cultures (see back cover). This specific report provides an overview of key models and approaches that organizational leaders can use to consciously evolve adaptive and resilient organizations. By understanding the critical role of the human system as the “new technology”, and the importance of both systemic and systematic integration, organizations can engage and benefit from the full intelligence of their members.

## ***The Quest for Effectiveness***

Organizations often face predictable challenges in their efforts to become effective. For example, functional silos and inefficient processes give rise to excessive bureaucracy. Insufficient or ineffective leadership results in internal power struggles and misaligned priorities. Loss of competitiveness occurs through inadequate marketing, increasing costs, and weak innovation. Organizations facing these challenges often have trouble attracting, retaining, and motivating staff.

These challenges generally give rise to common actions. Investments in new technology aim at improving processes and communication. Leadership development and team-building become an organizational focus. Various change initiatives re-visit vision and mission, attempt culture shifts, and spawn improvement projects. Restructuring, reorganization, and efforts to form partnerships often occur. These initiatives are only partly successful. Difficulty with sustainability produces new initiatives in the never-ending chain labelled “continual improvement”.

## ***Underlying Issues***

Management rarely considers 4 deeper issues that shape an organization’s capacity for effectiveness:

1. Propensity distribution and meaning systems;
2. Stage of organizational evolution;
3. Capacity for both systemic and systematic integration; and
4. Strategies to integrate human systems with management system processes.

We will examine each of these separately.

### ***1. Propensities and Meaning Systems***

Organizations need to know their propensity distribution and operative meaning systems to gain a deep understanding of their strengths and potential gaps.

Meaning systems refer to the sense-making and response formulating strategies that form unique world views. Propensities are natural inclinations or tendencies in individuals or groups to behave in particular ways. Propensities are intrinsically connected with individual meaning systems and are the

primary determinant of conscious and unconscious habitual ways of thinking and acting. Propensities make individuals, teams, and whole organizations more likely to pursue, and succeed at, some activities than others. Because propensities are deeply ingrained preferences and patterns of behaviour, they have a profound impact on individual and shared world views, reasoning styles, and the ability of individuals to share space with those who hold different viewpoints. Propensities reflect operative meaning systems and deeply felt senses of 'who am I' and 'who are we' in relation to the world at large. They are a significant determinant of organizational culture.

Ongoing psychometric research, spanning 30 years and involving 30,000+ individuals in 500 distinct jobs ranging from CEOs to labourers, has mapped propensities across 35 broad occupational themes and 26 behavioural competencies. This study by Cash Lehman and Associates measures 85 statistically distinct behavioural/psychological traits demonstrated in the workplace and in general life. While typically used to predict on-the-job behaviours for incumbents and potential candidates for roles, the data provide compelling evidence that measures of aggregate propensity can predict behavioural patterns and outcomes in teams, organizations, and even society at large.

Table 1 on the following page provides a sample of the rank-ordered behavioural preferences within 3 of the 35 occupational themes. These three themes currently represent major drivers within global organizations and economies.

Successful senior executives, as a group, demonstrate high focus on innovation and sustaining profitability. They achieve impact through opportunism, decisiveness, initiative, and demonstrating ease in rapidly changing and even chaotic circumstances. At the same time, preferences such as conceptual thinking and strategic vision are lower than average. This suggests that the effectiveness of senior executives derives from charting a near-term course and working systematically through managing and controlling, rather than engaging in more systemic and integrative approaches.

The preference for improving the quality of life in communities, including respect for the environment (i.e., 'demonstrates community consciousness' in Table 1) is less important for success in senior executive, financial, legal, and political occupations. This does not mean that these groups are anti-community or anti-environment. It simply means that these concerns don't naturally occupy their attentional or intentional fields, and as such are less likely to be given significant weight in decision-making.

Sustaining profitability, exercising political influence, seeking innovation, and demonstrating social charisma are all high in the senior executive profile, and at the same time are the most predominant lows across the other 34 occupational themes. Driving achievement, which is an average predictor of success for senior executives, is consistently very low across the other occupational themes. This helps explain why organizations that possess senior executive strengths are better positioned to achieve success in their particular endeavours.

As an example, senior executives are naturally concerned with financial viability, whereas the majority of their workforce, including financial staff, typically do not focus on financial viability. The workforce concern may be with individual financial security, or control of resources for their function, but not the long-term financial needs of the organization. Senior executives need to pay attention to whether people with propensities for sustaining profitability are seeded into key spending areas such as production or marketing.

**Table 1: Aggregate Propensities Related to Success in Selected Occupational Themes**

Senior Executive	Finance	Law and Politics
<b>Good to Excellent</b>		
<ul style="list-style-type: none"> <li>• Leads decisively</li> <li>• Seeks innovation</li> <li>• Focuses on results</li> <li>• Initiates independently</li> <li>• Thrives on chaos</li> <li>• Demonstrates social charisma</li> <li>• Sustains profitability</li> <li>• Maintains accountability</li> <li>• Manages stress</li> <li>• Reasons critically</li> <li>• Exercises political influence</li> </ul>	<ul style="list-style-type: none"> <li>• Reasons critically</li> <li>• Demonstrates character</li> <li>• Maintains accountability</li> <li>• Leads decisively</li> <li>• Builds consensus</li> </ul>	<ul style="list-style-type: none"> <li>• Communicates clarity</li> <li>• Leads decisively</li> <li>• Thinks conceptually</li> <li>• Demonstrates strategic vision</li> <li>• Utilizes humor</li> <li>• Reasons critically</li> <li>• Strives for excellence</li> <li>• Maintains accountability</li> </ul>
<b>Low</b>		
<ul style="list-style-type: none"> <li>• Communicates clarity</li> <li>• Manages self</li> <li>• Builds consensus</li> <li>• Demonstrates community consciousness</li> <li>• Demonstrates character</li> <li>• Thinks conceptually</li> <li>• Demonstrates strategic vision</li> <li>• Establishes alliances</li> <li>• Utilizes humour</li> <li>• Strives for excellence</li> <li>• Establishes order</li> </ul>	<ul style="list-style-type: none"> <li>• Manages self</li> <li>• Initiates independently</li> <li>• Responsive to change</li> <li>• Demonstrates community consciousness</li> <li>• Utilizes humor</li> <li>• Seeks innovation</li> <li>• Exercises political influence</li> <li>• Drives achievement</li> </ul>	<ul style="list-style-type: none"> <li>• Builds consensus</li> <li>• Responsive to change</li> <li>• Seeks innovation</li> <li>• Demonstrates community consciousness</li> <li>• Exercises political influence</li> <li>• Sustains profitability</li> <li>• Drives achievement</li> </ul>

Data in Table 1 is provided with the kind permission of Larry Cash of Cash Lehman and Associates.

This illustrates the importance of having the right propensity alignment between the individual, their role, and organizational needs. Individual suitability for a role determines success, satisfaction, and willingness for discretionary effort. A balance between job challenge and individual skill contributes to a “flow” state that represents optimal performance for the individual. Seeding the right person and the right role into a team supports team functionality. From the previous example, a financial person on a production team needs to have enough understanding of production to ensure his or her presence doesn’t impede the team. One or more members of the team also require the propensity to bridge the difference between the engineering and financial worldviews and ways of working.

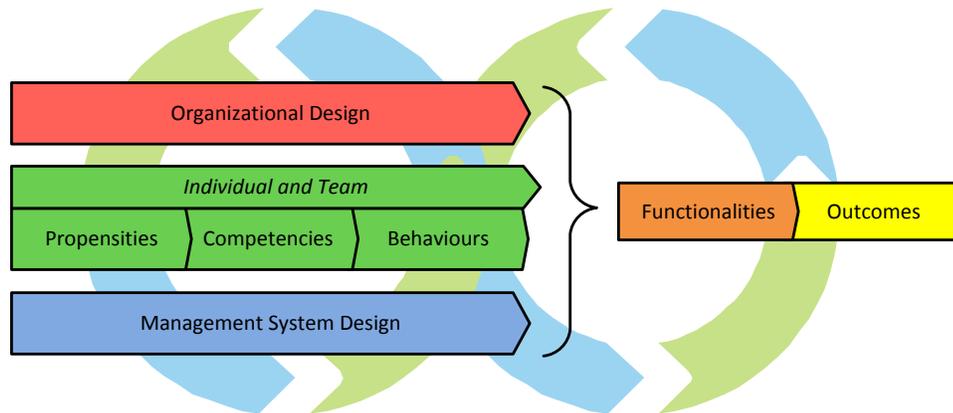
Organizations have to focus on two things: delivering quality products, and managing risk (e.g., production, financial, regulatory, public, environment). Intelligent organizations seed the right propensities at strategic positions throughout the organization to build mindfulness and alignment around managing these risks.

Rigorous processes and executive communication are not sufficient to fully harness the innate intelligence of the organization. Conscious design and integration of the human system, management system processes, and technology builds systemic alignment in support of organizational strategies and goals.

Understanding jobs as parcels of competencies is well established; however, the chain in Figure 1 linking

propensities and other elements to outcomes is rarely recognized:

Figure 1: Integration Chain



***Teams are stronger than individuals unless propensities interfere***

If my dominant propensity is to drive achievement, and I am weak in your strength of political influence, two things are likely to happen. I will tend to force issues; while you attempt to negotiate. I will consider your manoeuvring as a weakness; while you consider my approach as domineering and lacking finesse. If our team doesn't include others who are good at bridging diverse meaning systems, solutions will be less robust, and relationships will become strained.

Propensities shape power dynamics within a room. The degree of conflict in any interaction will be determined by the relative strengths of the preferences, the maturity of awareness of those who possess the strengths, and their capacity for strategic self-management.

The capacity to be effective in particular ways has long been understood to be the product of learning or acquired skills plus talent or innate propensities. For example, to be able to reason critically at a highly competent level requires both a propensity to be analytical and advanced training in analytical techniques. It makes little sense to educate people to be lawyers, engineers, or financiers if their innate propensity is more intuitive, aesthetic or theoretical than critically rational. No one would ask their lawyer or banker to develop their international marketing campaign.

Propensities have other implications (see sidebar). A common bias in organizations is to presume that success at lower levels of leadership predicts success at higher levels. Different levels of leadership require distinctly different functionalities and therefore distinctly different competencies and propensities. Similarly, executive teams and Boards of Directors may not have sufficient diversity for creative problem-solving, bridging different viewpoints, and systemic integration. Diversity goes beyond gender, race, religion, country of origin, or sexual orientation. More fundamentally, diversity involves deeply rooted patterns of behaviour, styles of reasoning, and systems of meaning that drive decisions and actions.

Propensities cannot be simply skilled in, willed in, or summoned for temporary duty through techniques such as brainstorming. Such methods cannot substitute for the creative capabilities of individuals for whom this is a natural talent. As stated by Larry Cash of Cash Lehman and Associates, “only individuals who are well suited for what they do, coupled with an intense love of what they do, produce exceptional results”.

Propensities form the essence of the human system. Surprisingly, people rarely think about the impact of their natural propensities on behaviour, relationships, and performance. Consequently, organizations mistakenly believe that background, experience, education, and training provide sufficient information to select new recruits and assign people to teams.

The good news is that propensities can be measured through validated psychometric tests that are simple to administer. Understanding propensities improves the ability to select new recruits, balance teams, and identify leadership potential for succession planning.

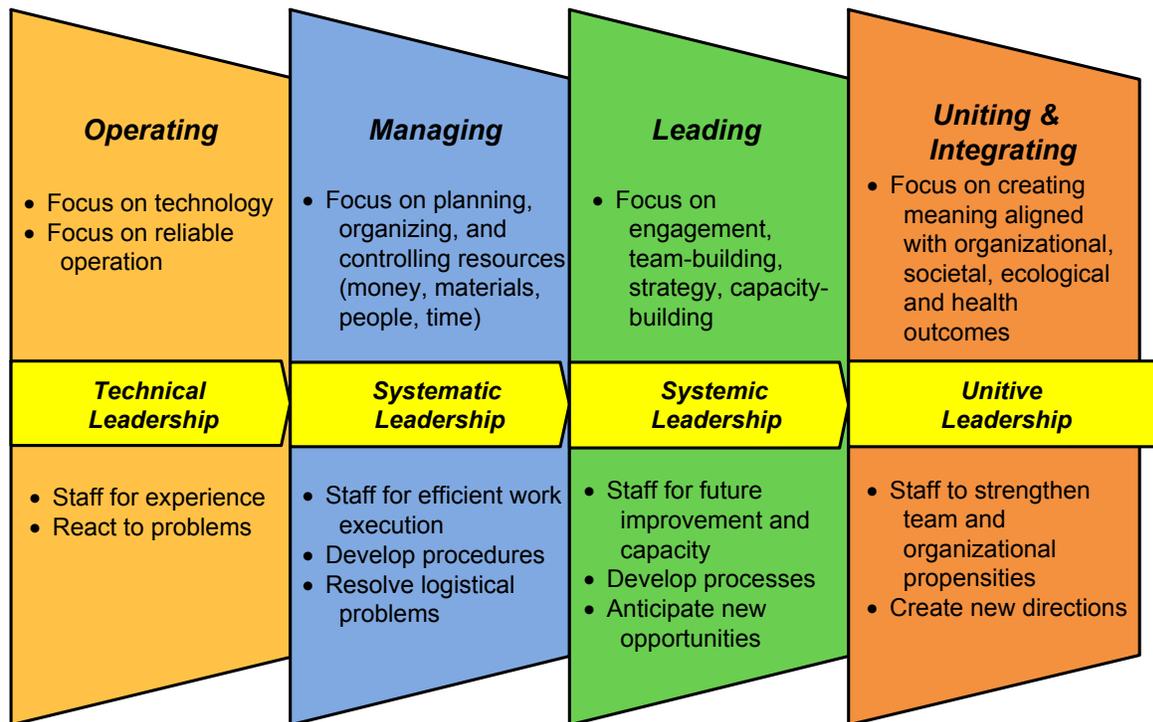
## 2. *Organizational Evolution*

The next aspect is to understand the stage of evolution and the predominant propensities that drive the organization. Figure 2 on the following page shows four stages:

**Stage 1 – Operating:** At the core of every organization is a hard or soft technology that defines the nature of its business. In the early phases, organizations focus on operating and enhancing their technology. Expert knowledge is prized for its ability to solve technical problems. Leadership becomes synonymous with technical competence and such individuals typically rise to positions of power and influence. Outcomes are viewed in concrete product terms, and employees are used to react to technical issues. Risk management tends to focus on the consequences of technical failures. The overall emphasis is on keeping the technology functioning. At this stage, the leadership propensity distribution reflects the primary occupational theme for the organization with relatively little diversity.

**Stage 2 – Managing:** As organizations grow, they begin to experience challenges in quality and productivity that require enhanced controls. Procedures, planning, and resource management become more formalized. Emphasis expands from technical aspects to logistical thinking aimed at improving resource utilization and work execution. Clear expectations for performance are used to improve productivity. Outcomes are viewed in financial and production terms, and employees are used to resolve operating challenges. Risk management expands to encompass financial concerns and assure minimal regulatory compliance. The overall emphasis is on achieving business results. At this stage, the leadership propensity distribution emphasizes productivity in terms of organizational and human performance.

**Stage 3 – Leading:** Stricter management controls enhance viability; however, these eventually give rise to issues related to employee motivation, satisfaction, and even loyalty. In response, emphasis shifts to include leadership development, team building, empowerment and a myriad of other efforts to boost morale and discretionary effort. Vision, mission, values, organizational culture, and strategic planning



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Figure 2: Organizational Evolution and Propensity Model

become a focus for enhancing organizational effectiveness. Processes and procedures become integrated into formal management systems. Employees are perceived as the means by which the organization distinguishes itself from its competitors, and their willingness to actively promote the organization’s interests becomes important. Risk management expands to include issues related to organizational capacity and sustainability. The overall emphasis is on capitalizing on new opportunities within and outside the organization. At this stage, the leadership propensity profile begins to value relatedness, consensus building, and human development. Leaders use socialization as the means to enhance cooperative effort.

**Stage 4 – Integrating-Uniting:** Advanced organizations recognize that long term sustainability requires them to pay attention to building and sustaining their capacity to anticipate, innovate and initiate changes on a societal and global level. The focus is on long term strategies, citizenship, contribution to society, and integration across organizational, (inter)national, political, and social lines. Employees are perceived as active participants in shaping the fabric and direction of the organization. Emphasis is placed on developing conditions that enable the full creativity and intelligence of the human system to flourish. These leading edge organizations continually shape and transform the nature of society itself through their exploration of new thought systems and new technologies. To achieve this level of performance, these organizations align meaning, propensities, and systems to create new directions.

### How continual improvement evolves with stage of evolution

At stage 1 (Operating), the **Plan-Do-Check-Act** cycle is used to react to problems. People are expected to respond as part of their roles.

At stage 2 (Managing), there is more effort to resolve problems through front-end planning and adjusting the outcomes based on the results. The approach shifts to **Plan-Do-Check-Adjust**.

At stage 3 (Leading), more thought is given to anticipating challenges and engaging people in problem-solving. The cycle expands to **Look Ahead-Strategize-Design-Plan-Organize-Implement-Monitor-Adjust**. Emphasis is still on planning through to adjusting, but attention is given to looking ahead to avoid problems.

At stage 4 (Integrating and Uniting), there is a marked shift towards creating new opportunities and inspiring people to contribute. The cycle becomes **Envision-Create-Design-Plan-Organize-Implement-Oversee-Redirect**. Oversight is used to confirm the intent is being met, and to redirect strategy as needed.

Leaders who operate at stage 4 focus on the functioning of complex systems and their interfaces. They look beyond the constraints of existing systems to create transformative solutions. At this stage, the propensity distribution emphasizes visioning, optimism, enthusiasm, shared decision-making and problem solving, and a willingness to provide new learning opportunities in a supportive climate.

Although different reasoning styles and decision-making approaches predominate at each stage (see sidebar), an organization's profile is distributed across stages rather than limited to a discrete stage. The optimum propensity distribution is determined by the operating context and technology. Organizations that understand their distribution can proactively manage propensities to strategically shape their evolution.

### 3. Systemic and Systematic Integration

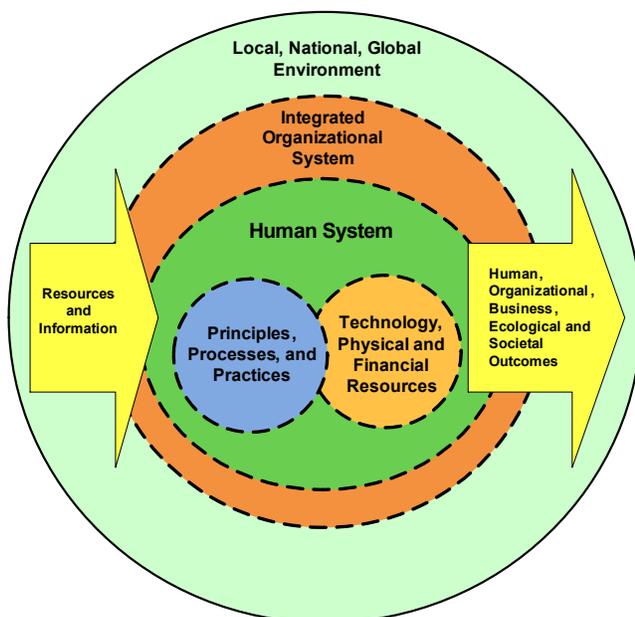


Figure 3: Integrated Organizational System

Figure 3 shows a fully integrated organizational system. At its core an organization consists of a hard or soft technology that defines its business. Supported by principles, practices, and processes, the organization converts resources and information into outcomes that are intended to benefit its workforce, clients, shareholders, and society at large. Its actions are driven by the complex interplay of meaning systems, intentions, and propensities that form the conscious human system at the team, departmental and organizational levels. Its overall direction is determined by its leaders who are charged with integrating the system and ensuring that the organization is effective and efficient at fulfilling its mandate within a societal and global context.

In reality, it is the propensity profile of an organization that determines whether it has the capability to integrate systemically and systematically to form an integrated organizational system. Systemic integration requires the organization to step outside itself and focus on how the technological system, human system and management system processes align and integrate to deliver the desired business outcomes. Systematic development then involves conscious integration of structures, processes and propensities to build organizational functionalities that are capable of adapting to changing conditions. Integrated organizational systems view people as the source of intelligence, conscience, resourcefulness and connectivity, and therefore design structures and processes to intentionally support their learning and growth, active engagement, contribution, and autonomy or freedom to act in the best interests of the organization.

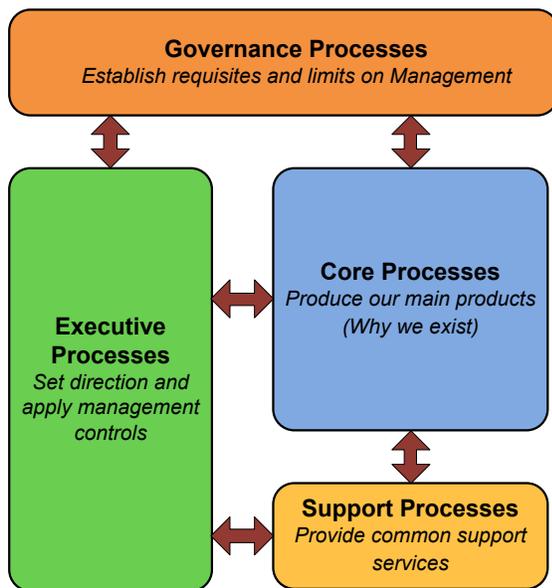


Figure 4: Management System Process Model

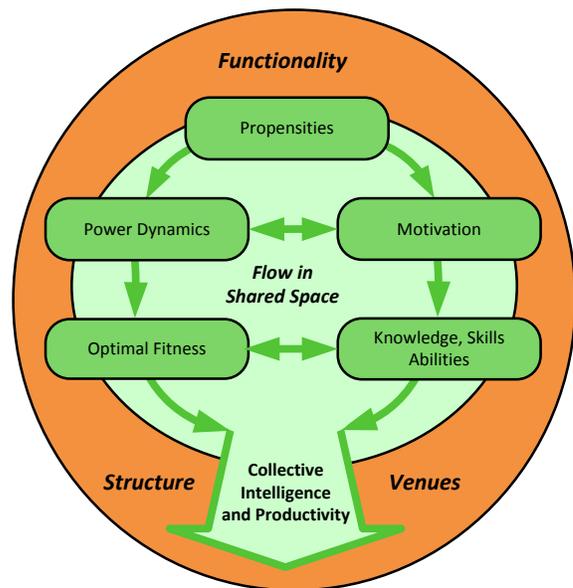


Figure 5: Creating Shared Space and Flow

Figure 4 shows a high-level model used to integrate policies, processes and procedures. The model uses four general categories of process. Governance processes are typically owned by the Board of Directors. Executive or management processes include elements such as business planning, financial management, organizational design, and system improvement. Core processes control the means of production, and support processes provide services to the entire organization. Consistent process design and integration enables work to be performed in a way that meets management and regulatory expectations. Definition and clustering of processes within each category provides the basis for a top level organizational design. Subsequent levels of definition drive organizational unit and team design, and the establishment of venues that promote effective communication and decision-making.

Figure 5 shows elements that need to be considered in designing a human system that supports optimal human performance and harnesses collective intelligence. Collective intelligence is a product of role and team suitability based on propensities, satisfaction of motivational needs and preferences, creation of shared space conducive to healthy interaction, and a work environment that supports physical and emotional health and well-being. Mediated by healthy power dynamics, these produce a state of flow or optimal performance in the organization and its members.

***Propensities inform strategies for process development***

**Scenario 1** – For an organization strongly rooted in functional silos, with few individuals who can integrate systemically, a realistic strategy would be to develop processes consistent with organizational functions. The design of processes and procedures should be standardized to facilitate later integration as the organization evolves.

**Scenario 2** – If the organization has a sufficient number of people with the propensities to work both systemically and systematically, a good strategy is to develop the system-wide model and begin process integration from the start. For this scenario to work, the requisite propensities must be seeded into key positions at appropriate levels throughout the organization.

In either scenario, key stakeholders must be heavily involved in process design and integration.

Figures 4 and 5 must be considered in parallel when designing an integrated organizational system. Decisions and actions that do not account for evolution, propensities, and elements of the human system will be difficult to sustain (see sidebar above). A useful approach is to establish cultural decision guidelines (e.g., locus of control, autonomy versus process adherence) for the design of any new initiative, including organizational changes, process improvements, and human resource management. These guidelines establish the desired organizational behaviours needed to achieve desired outcomes.

#### **4. Transition into Action: Strategies for Human System Integration**

Organizations can take specific steps to improve their effectiveness, resilience, and sustainability. These include:

1. Determining propensity distributions
  - a. Executive team
  - b. Management team(s)
  - c. Supervisors
  - d. Core teams
2. Determining the current state of organizational evolution and the profile required for sustainability
3. Developing a strategy and roadmap that integrates the human system, management system processes, and technology to achieve the desired outcomes.

The content of the roadmap depends on the organization; however, a good starting point is to confirm that the fundamentals of the organization support sustainability: Is the core business well understood? Are the business outcomes valid? Is the organizational meaning system well-articulated, i.e., deep purpose, vision, mission, values, and vivid description of success? Do the requisite propensities, including aggregate leadership distributions exist within the organization? If not, what are the opportunities to change the profile through addition, promotion, reassignment, or removal?

The next step is to validate or create the top level management system model and organizational design. Assuming action is required to change the current state, an overall strategy and plan should be developed with engagement of key stakeholders. Large initiatives typically require a steering committee and development team seeded with the propensities and competencies that will enable success.

Integrated organizational systems require a complete set of governance, executive, core, and support processes with defined outcomes and performance indicators. In order to achieve alignment between process-based management systems and the human system, it is important to select suitable process owners early and have them engage performers, customers, and other key stakeholders throughout the development process. This ensures thorough understanding and ownership of a design that integrates structure, processes, propensities, and technology into desired functionalities at each level of the organization. Once this is done, competency profiles can be identified with job, team, and process considerations in mind.

Initiatives of this nature are often a transformational rather than an incremental improvement, and therefore require sustained effort in order to succeed. A common pitfall is to move into action without a clear strategy for building organizational readiness up to, and including, the Board level. The overall goal is to build a healthy, effective organization that delivers the desired outcomes. Every decision, team assignment or new hire should add strength in a conscious transition towards an intelligent, sustainable organization built on shared meaning, shared space, and continual learning.

### Summary

Figure 6 shows the elements that need to be aligned and managed in an intelligent system. Organizational design, workforce design, and resourcing strategies must be integrated with the design of management system processes. Technology, financial and physical resources, and information systems must also be aligned to support organizational functionalities. Team leadership engages staff while unitive leadership provides direction, aligns meaning, and monitors the state of the whole system and its interactions. Throughout the system, propensity alignment is consciously applied to support the evolution of a safe, healthy and productive environment.

Other reports in this series expand on these concepts (see back cover).

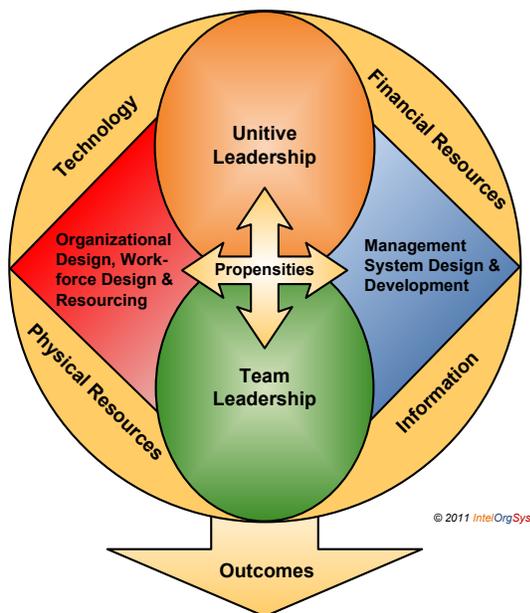
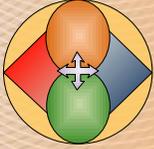


Figure 6: Intelligent Organizational System



# Intelligent Organizational Systems

... *Aligning Meaning, Propensities, and Systems*

## *Creating shared flow in clean space*

### **Other titles in this series:**

- ◆ Helping Executives Build Sustainable, Intelligent Organizations: *Moving from coercive to co-creative*
- ◆ Building Healthy Human Systems: *Integrating people, purpose, and propensities*
- ◆ Building Coherent Management Systems: *Aligning people and processes*
- ◆ Building Effective Organizational Structures: *Aligning form and functionality*
- ◆ Safety Culture and Human Systems: *Moving from compliance to safety consciousness*
- ◆ Working with Aggregate Propensity Data: *Optimizing individual, team, and organizational performance*



Laurie Comeau  
Partner



John Paciga  
Partner



Germaine Watts  
Partner and CEO

### ***Who are we?***

Intelligent Organizational Systems is an independent consulting firm with a passion for helping organizations become effective, adaptive, and sustainable. We work with leadership teams to help them assess the organization's stage of evolution, propensity profiles, and level of integration of the human system, management system, and technological system. From these elements, we help develop and implement strategies to make the organization more resilient and a healthier, more productive place to work. You can download the most recent version of this report and learn more about our services at [IntelOrgSys.com](http://IntelOrgSys.com).