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Chapter 2

The Smart Face of Organizations: Should Emotion Play a Role?

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Abstract

This chapter acknowledges the development and relevance of smart organizations but questions whether emotional intelligence has been adequately factored into the strategies that are being implemented. Contemporary information technology can allow for better reading of the emotional cues but it is rarely being used to full capacity for this purpose in smart organizations. IQ has tended to outweigh EQ in the smart organization. Two key recommendations are made about how to effectively build the two identified aspects of smartness into daily strategic activity. Being prepared to learn, and being willing and able to build relationships in the organizational network are the tools of trade for a knowledge leader in a properly smart organization.
The Smart Face of Organizations: Should Emotion Play a Role?

Introduction

The landscape of modern organizations has been revolutionized by many forces in the macro environment from history and politics to religion and science. It is, perhaps, through the applied arm of science in the shape of technological tools that the most profound transformations have taken place. The industrial revolution that harnessed the energy of fire and metal and merged this with scientific knowledge spawned tools of such productive power that new markets were created and the factors of production, including the labor force, were and are increasingly stretched.

A new revolution in information technology has grown from the post-industrial milieu. Processing power and inter-networked communication and data storage capacity has grossly expanded on a global scale and begun to reformulate the structural boundaries of organizations along the way. Organizational strategy has been severely tested as issues with data security, intellectual property and strategic competitive advantage have emerged from the inexorable digitization of information. The nature of work itself for the people involved has also drastically shifted. New organizational forms have emerged in the global organizational network, some of which call themselves smart organizations. This may be a positive development but critical thinking about this emergence may also be warranted. One of the central issues is to explore the nature of smartness or intelligence and we wonder whether emotion plays any part in this schema? To this end, the chapter addresses five main questions

1. What are the key concepts of this face?
2. Why are smart face of organizations important in the 21st century?
3. What are the critical success factors of smart face of organizations?
4. What steps are required to create a smart face of organization?
5. What is the future of smart face of organizations?

The chapter objective is to answer these five questions and provide managers of modern organizations a way forward in this increasingly complex but promising landscape.

Key Concepts of the Smart Face of Organizations

The late Twentieth Century saw the consolidation of computer technology in organizational processes from the smallest enterprises through to the largest
bureaucracies (Jensen, 2010). In the open democracies of the world, industrial and post industrial development continued to intensify competition, engage outsourcing opportunities, and build service-based enterprises, all of which demanded enhanced intelligence systems so that strategic options could be fully considered (Prusak, 2001). In addition, the less open economies were able to embed new technology into their organizations and the inexorable march toward inter-networked communication and data management systems continued with increasing alignment on a global scale (Bienefeld, 1988; Pickles, 2010; Ferretti & Parmentola, 2010).

The Twenty First Century has forged ahead with huge and growing databases contributing to a thriving field of knowledge management applications. Increasingly responsive and mobile communication systems interface today with database driven knowledge creation opportunities at a faster rate than ever before (Berman, Christner & Bell, 2010; Brook & Plugge, 2010). Organizations are no longer faced with a lack of strategic information; the problems are more commonly related to information overload and the need to manipulate copious data in such ways to generate useful strategic knowledge. A related issue is information security when technology is now so integrated and communication between digital devices so easy that organizations can lose proprietary data too efficiently (Bhattacharyya, 2010). This unique data situation is analogous with the concept of a brain and the idea of being smart or intelligent, as in knowing how and when to develop ideas and make key decisions. Managers have begun to use the terms ‘smart organization’ or ‘smart company’ to indicate an ideal set of structures, strategies and processes that should be in place in the inter-connected and information-rich global environment (Zhong, Hole & Radin, 2010).

Intelligence underpins the concept of the smart organization. Intelligence is a complex phenomenon composed of discrete elements such as data, responsiveness and context, but also continuous processes such as evaluation, adjustment and improvement (Luhn, 1958; Sternberg & Detterman, 1986). People and systems need to align for the full expression of all the elements and processes that feed the intelligence that characterizes smart organizations. This chapter expands upon the history and features of smart organizations. In addition, a perspective is presented about different kinds of intelligence, especially emotional intelligence, which have been overlooked in recent experiences and literature emerging in this field.

**Components and Functions**

What is the most important function of a smart organization? Commentary varies
from a focus on decision-making intelligence (Matheson & Matheson, 1998; Davenport, 2009) to a reliance on information and communications technology (Mezgár, 2006), or a preoccupation with strategic competitive advantage (Raden & Taylor, 2007). This chapter supports this range of functions and proposes another in the expression of emotional sensitivity, especially in the context of the significant individual and social impact an organization has while operating. Recent research has had a focus upon the technical components of a smart organization, such as:

- Data, information and wisdom
- Secure data storage facilities
- Appropriate data processing equipment
- Fast and functional internal and external communications network
- Competent people to operate the systems
- Appropriate procedures and policies
- Systematic feedback and evaluation mechanisms
- Culture of learning
- Internal and external responsiveness to new and changing situations
- Ability at all levels to interpret and understand the meanings of collected data

Smart organization research tends to focus upon the capturing, processing and storing of data; thus accentuating technological applications; or else the strategic and policy implications of centralizing the management of knowledge, and restructuring the organization to make the strategic most of new knowledge. Some literature touches upon the kind of organizational culture that is required to ensure competitive advantage is maintained by clever use of information. As a result, industry examples of smart organizations are often in the information technology sector (such as, Google, Intel and Microsoft) or the research and development sector (such as, AT&T Bell Laboratories, DuPont Central R&D, and 3M). In most cases, relatively light treatment is given to the people management components other than to suggest smart people are needed to make up a smart organization. This appears to parallel the situation in the early 1900's after the spread of scientific management and production line techniques across the world. The success of mass production through scientific management was a technologically driven phenomenon and, despite having some positive human impact through the better organization of work processes and environment, there were persistent questions about the repetitive nature of production line work and an overemphasis on the non-human production factors.
The human relations movement emerged partly in response to critique regarding the perceived coldness of scientific management (Follett, 1918; McGregor, 1960; Drucker, 1977). This chapter considers whether history is repeating itself in the guise of the modern smart organization. Has information technology become too imposing on our work in the same way that production line technology once did? Have the emotional needs of human beings been inadvertently overlooked? To this end, we undertake a closer examination of intelligence and learning in the organizational context so that a fuller picture can emerge for further research.

**Learning and the Neural Network**

One facet that distinguishes a smart organization from other kinds is the positioning of learning, training and development at the core of organization-wide strategy rather than as a set of programs managed only by the human resources department (Deiser, 2009). In this context, there are many components of an organization that should become part of the biology of smartness. Deiser (2009) sees five levels of learning (standard, customized, organization design, business design, and industry design) delineating three core foci (people, organization and strategy). Such a broad perspective ensures that the components of a smart organization should start at strategic and design levels and filter all the way through to people and systems on the ground.

Learning is central to creating and maintaining the smart organization. Defining learning is, of course, necessary but also quite elusive. Learning can be said to occur where there is a relatively permanent change to behavior as a result of feedback obtained from experience. The continuous nature of this definition needs to be acknowledged. For instance, the experience one is currently having can be called learning, but one’s response immediately after the experience also falls within the definition. Learning is at once an event but also a process. The constant feeding back of information as the result of experience to generate new experiences as a result of responses is very dynamic. This is why the metaphor of the organization as a brain or neural network (Bailey, 2007; Morgan, 2008; Mukherjee, 2009; Jacobs, 2010) emerges in the literature as a relevant point of reference. The brain is a constantly networked, constantly working mechanism. Collecting, processing and transmitting data dynamically produce neural impulses that emanate to all sections of the body and also require simultaneous feedback. This is the phenomenon by which we come to know people or organizations as ‘smart.’ A responsive person capable of learning and readily adapting is known to be brainy or
smart. Likewise, an organization replete with technology and people interacting with dynamism and timeliness can simulate this type of smart.

One element of the brain metaphor is the emergent nature of thoughts. Entire systems of neurons in a brain must fire simultaneously for any particular thought to form. There are innumerable varieties of neural network alignments to correlate with the endless types of thoughts, decisions and actions that the human brain can express (Harmon-Jones & Winkielman, 2008; Schut, 2010). Organizations exhibit similar kinds of activity pulsations for every different kind of decision and action. For instance, the staff and managers involved in developing a new marketing initiative need to act in concert and clear communication for the initiative to be successful. In the same organization for a different kind of decision; for example, tightening an expenses budget; a different set of people, departments and procedures has to fire up to carry out the decision successfully. There may well be individuals who act as hubs in the networks of connections in both of the examples, but mostly whole different sets of people and connections are seen to coordinate around the objectives. If a time lapse CT scan could be taken of organizational activity the brightly colored maps would show markedly different patterns in different regions of the organization as different activities are conceived, developed and implemented.

Some brain research highlights the adaptive nature of neural networks (Haber & Rauch, 2010; Hameroff, 2010). Even when significant damage is inflicted, the brain has an ability to divert pathways and reconnect neurons in order to continue functioning around various tasks (Anderson, 2010). In people and organizations, such an ability to adapt is essentially a type of learning. When an old way of doing something is lost or redundant, we are able to find new ways. In a similar fashion, the core of innovation in organizations is essentially a process of learning. Smart organizations can be portrayed as brain-like in the way they adapt and learn and ultimately succeed by quickly developing strategies appropriate to the changing situations in which they operate. The question remains, however, about what role emotion should play if smartness is only about learning and adapting? The answer starts to appear with closer scrutiny of the concept of intelligence.

**THE IQ/EQ DIFFERENCE: DOES THE HEAD NEED A HEART?**

While defining learning has its own challenge, coming to agreement about the nature
of intelligence is equally difficult. People are known to express intelligence in all kinds of ways. Sometimes people can be called very smart on all kinds of measures. At other times, a person might express intelligence only in a very specific field and appear quite inept in some other discipline.

The measurement of intelligence quotients (IQ) emerged in the field of psychology during the Twentieth Century and a debate promptly ensued about the application of such metrics. The reduction of intelligence to a single number, for some, misrepresents the diverse nature of true intelligence (Rushton & Jensen, 2010; Lynn, 2010). Others maintain the IQ measure is at least an indicator of potential or capability, even if current knowledge in a field is not fully developed (Resnick, 1979). The fact remains that intelligence has become popularly associated with a particular mental acuity in regard to memory and speed of recall of facts. For instance, successful engineers, computer programmers and mathematicians are commonly associated with the concept of intelligence. People who work in the fields of humanities and social sciences may not be as readily compared with the intelligent types prominent in the more ‘pure’ sciences. However, few can argue that particular nurses, artists, marketers, politicians, and a variety of other examples, do not express a kind of intelligence.

In recent times, efforts have been made to highlight a different kind of intelligence; one more closely aligned to care, compassion and the emotional side of human experience. The argument is that emotions do, in fact, play an important role in the workplace (Donaldson-Feilder & Bond, 2004; Goleman, 2006; Abrahams, 2007). Good leadership, good teamwork and good negotiation all rely on a highly refined sense of how people around us are feeling and responding to the things we do and say. Since so much about organizational strategy and activity depends upon people and relationships, a high emotional quotient (EQ) is increasingly crucial if one is going to be a competent manager (Cherniss, 2010). There are echoes of Follet (1918) and the prime exponents of behaviorism in this sentiment (McGregor, 1960; Maslow, 1954; Herzberg, 1959; McClelland, 1955). The smart organization may be here to stay, but it may be time to reconsider what place machines versus people play in generating the modern version of smartness.

**Benefits and Importance of This Face**

There is an undeniable need for objective data and a clear, direct information processing system so that strategic knowledge can be extracted and utilized by
organizations. To be smart is to have the information and the ability to succeed in a competitive environment. While we are proposing that traditional ideas of intelligence should be tempered with recognition of the cooperative and emotional aspect of human relations, the organizational imperative is still about gaining and retaining a competitive strategy. This section considers how a wider scoping, equitably effective knowledge management system can enhance competitiveness.

**Knowledge Management and Competitive Advantage**

Knowledge and information management are key aspects of smart organizations (Polanyi, 1966; Nonaka, 2007). Competitive advantage in contemporary business environments depends upon the efficient functioning of the neural network (the integrated IQ) of the organization (Matheson & Matheson, 1998; Porter, 2008). When data and knowledge are developing in a healthy and constant interchange, we have the basis of the learning organization (Senge, 1993). Constantly referring to double feedback loops enables continual adaptation and maintenance as well as creation of new competitive advantages. The management of knowledge in this way is a crucial organizational characteristic.

It is also useful to recognize the body of knowledge associated with emotions and relationships in the organizational environment? It is widely recognized that the political aspects of work are significant (Drory & Vigoda-Gadotb, 2010; Marques, 2010; Gotsis & Kortezi, 2010). Few managers would deny that getting along with the right people is necessary to ensuring key strategic tasks are accomplished. Further, the people who tend to have the longer and more sustainable careers in organizations are more often cognizant of the needs of others. The needs of others can certainly be (and often are) manipulated in Machiavellian ways, but collaboration and consensus approaches also function well to deliver value and mutual benefit (Takeishi & Numagami, 2010). The skilful exercise of politics depends much upon awareness of others and sensitivity to the thoughts and feelings of everyone involved negotiations. Effective knowledge management, therefore, should deal with both hard and soft data about influences, systems and people.

**Responses to Internal and External Forces**

Strategic factors in the internal and external environment of smart organizations
are important monitoring points in knowledge management. In a smart (high IQ) organization, instantaneous environmental scanning is at the heart of strategy. There is an enhanced role for analysis of strengths, weaknesses, opportunities and threats (Sheate & Partidário, 2010). The opportunities and threats are obvious targets for surveillance with advanced data collection and knowledge management tools; however, strengths and weaknesses are also readily exposed when targeted and timely monitoring and feedback are obtained at key points in organizational processes.

**Continuous Feedback Loops in the Information Network**

There appears to be a central role for feedback in learning, however, some alternate views exist (Jacobs, 2010). The manager of a smart organization at least needs to understand the nature of feedback and the role it can play in the formation and evaluation of strategy. As well as a tool for objectively monitoring factual intelligence, feedback is a central mechanism in the more subjective realm of emotional intelligence. The information network can sometimes be portrayed as objective and devoid of emotion when, in fact, it is embedded within and contributes to a full range of emotional experiences (Ark & Selker, 1999). The manager who can use feedback of emotional cues to facilitate a more empathetic human relationship with staff is in a stronger position, especially when guiding people through the constant change that is imposed by the feedback loops.

**Critical Success Factors**

There is a set of factors that managers in a smart organization can survey to ensure a better balance of knowledge and emotion in the implementation and adjustment of strategy. Getting the emphasis right in relation to systems and processes, as well as people and relationships, is the key.

**People and Relationships**

People play a crucial role even in smart organizations where technology can predominate. Organizational strategy cannot be enacted without the goodwill and competence of key people. Organizational structure is also dependent upon people. The very basis of an organizational chart is the positions that people occupy. The people of an organization fulfill the essential facilitative and relational roles that are crucial for the
proper functioning of smart organizations and the realization of organizational strategy.

**Technology: Systems and Processes**

Despite recognizing the importance of people, it must also be noted that the intellectual consistency and memory functions of modern information technology and systems are in many ways surpassing those of the merely human. There are numerous organizational functions carried out today that could not be done without the superior capabilities of IT. Robots also carry out physical functions that one person or even a large group of people could not. There is a dual force field that makes modern organizations successful: advanced technological tools combined with thoughtful and humane processes; or, the head and the heart that must work together.

**Figure 1. Does the head need a heart?**

![Diagram showing IQ and EQ](#)

Figure 1 portrays a dynamic within which rests the potential for imbalance. An over reliance on computed information for decision making leaves the organization open to fundamental errors of data input. Likewise, too much focus on appeasing people in the processes can leave the important efficiency aspect of systems languishing. Keeping the balance is important in order for the organization to maximize the benefits of intelligence (Becker-Asano & Wachsmuth, 2010).
THE NEW FACES OF ORGANIZATIONS IN THE 21ST CENTURY

REQUIRED STEPS TO CREATE THIS FACE

Now we can arrive at pragmatic recommendations for the smart organization in order to guide managers on the integration of intelligence and emotion. Interfacing people with information technology does not remove the need for people to still connect with people. While there is significant flux in the field, there are signals and anchors by which managers can generate appropriate activity. The literature and examples of smart organizations suggest that managers and staff need to express a fundamental preparedness to learn, along with an implicit and thorough knowledge of the neural network metaphor and ways of building relationships with people in that context.

PREPAREDNESS TO LEARN

The source of a sustainable competitive advantage is a thorough understanding of the strategic situation and an ability to adapt as required by environmental changes. To be truly intelligent, an organization and its key people need to have a propensity for continuous learning. The concept of the learning organization (Senge, 1993) draws upon the action learning and continuous improvement literature to explain how learning is fundamental to becoming a smart organization (Pedler, 2008). Emotional learning is equally as dependent on cyclical feedback loops as any intellectual Endeavour. Indeed, it might be argued that the sensitivity of our emotional sides is primarily a result of magnified awareness of environmental feedback. It is from our sensitivity to incoming data, and the development of internalized feelings as a reaction, that individuals learn to express what we commonly call emotion. Strategic thinking and emotive behaviors are both predetermined by processes of learning. A preparedness to understand and embrace learning equates to a conscious choice to continuously improve; sometimes in rapid, emotive ways, sometimes in slower objective ways; which, when combined in the right situation, is a hybrid but highly intelligent disposition.

BUILDING RELATIONSHIPS IN THE NETWORK

Organizations are essentially networks of people, processes and technologies coming together around a strategy and evolving through structural alignments. In a time when information and communication technology enables many kinds of articulations within networks, and transportation technology makes the space between people and places less of a barrier, network theory is experiencing a boom (Mukherjee, 2009; Sawhney & Nambisan, 2010; Miles, Snow, Fjeldstadt, Miles & Lettl, 2010). There are
sociological aspects of learning and managing in an organization that is networked. The relationships in a network are strongly affected by ethical factors. As a result relational perspectives become more important and emotional sensitivity ensures a greater emphasis on diversity management. In a hyper-connected global environment, all of these relationship variables come to the fore (Creed, Zutshi & Ross, 2009).

CHALLENGES AND FUTURE OF THIS FACE

With the ideal smart organization in mind, a question remains about the constantly changing landscape of organizational development. What is the future of work and organizations? Will intelligence and emotion always be important? This section reviews emerging concepts and links them to the smart organization as we currently understand it.

NETWORKED ENVIRONMENTS: THE EDGE OF CHAOS

Organizations currently operate within an intensified global environment interconnected simultaneously with myriad other organizations. Blurred corporate and national boundaries have contributed to challenges with data processing and information security. The evolving development of network and systems theory perspectives is changing our understanding of the best ways of managing in complex times (Atwater, Kannan, & Stephens, 2008). The metaphor of the neural network brings with it the emergent, almost chaotic pulsations of neural energy. There is a beautiful synergy about the simultaneous flaring of different segments of a network of connections, but there is also a strong hint of danger – or a release of energy that may accidentally break open a once stable system. This dynamism requires information systems to be making the most of the exponential increases in processing power that have occurred in recent decades. Multi-perspective data inputs, fuzzy logic applications, and more frequent cycles of feedback evaluation have each become cheaper and more easily implemented. Perhaps, the only significant barrier rests in the decisions of managers regarding implementation of appropriate information systems. The human factor within smart organizations is composed of feelings as well as ideas. Ensuring that the heads and the hearts of staff are equally engaged is a challenge that has been before and that now calls again.

A PLACE FOR EMOTION: FINDING BALANCE OF HEART AND MIND

It is possible, until this time the technology of smartness has unintentionally
overshadowed the feelings that people have always had about their work and their relationships with others. In the same way that scientific management in the last century needed invigoration from the behaviorists to remind about the feelings of people at work, information technology and smart organization concepts may now be ready for adjustment to also give people's feelings a better position. Two key recommendations have been made about how to effectively manage from this review of the literature and phenomena of smart organizations. Being prepared to learn, and being willing and able to build relationships in the organizational network are the tools of trade for a knowledge leader in a smart organization. If organizational leaders and staff can now recall how to monitor and respond appropriately to emotional as well as objective data cues then a semblance of balance can be restored. IQ remains important because competitive strategy must always be front of mind, but EQ has a flavor to add even to strategy. Even in the implementation of strategy, a constant monitoring and reflection upon feedback, including emotional data, can make overall strategy and leadership more responsive and successful.

Future developments in this field may involve case studies and action research projects designed to explore more richly the emerging concepts. Due to the flux and transformation that derives from rapid technological and strategic change, it is from practical and lived experience that the future managers of smart organizations are likely to draw their greatest continuous learning and demonstrate best practice for ongoing research.

**CONCLUSION**

Smart organizations are replete with technology and people interacting with dynamism and timeliness. Smart organizations are important because industrial and post industrial development continues to intensify competition, engage outsourcing opportunities, and build service-based enterprises, all of which demand enhanced intelligence systems in order to generate competitive advantage. The critical success factors of smart organizations are to get the emphasis right in relation to technological systems and processes, and also people and relationships. The steps for creating a smart organization involve managers and staff developing a preparedness to learn, and engaging with ways of building relationships with people in the neural network. The future of smart organizations is one that makes the most of exponential increases in processing power but also ensures appropriate measures and responses to emotional cues in the daily operations.
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REFERENCES


**Additional Reading**

KEY TERMS AND DEFINITIONS

Emotional Intelligence (also referred to as EQ): a kind of intelligence more closely aligned to care, compassion and the emotional side of human experience than the usual measure of IQ.

Intelligence: a complex phenomenon composed of discrete elements such as data, responsiveness and context, but also continuous processes such as evaluation, adjustment and improvement.

Learning: a relatively permanent change to behavior as a result of feedback obtained from experience.

Organizations: networks of people, processes and technologies coming together around a strategy and evolving through structural alignments.

Smart Organization: an organization replete with technology and people interacting with dynamism and timeliness.