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KENNETH H. SILBER LYNN KEARNY

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# organizational intelligence

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A GUIDE TO UNDERSTANDING THE BUSINESS OF YOUR ORGANIZATION FOR  
HR, TRAINING, AND PERFORMANCE CONSULTING

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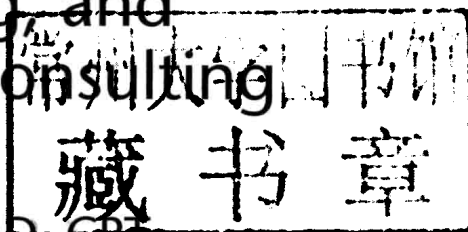
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# ORGANIZATIONAL INTELLIGENCE

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A Guide to Understanding the  
Business of Your Organization  
for HR, Training, and  
Performance Consulting

Kenneth H. Silber, PhD, CPT  
Lynn Kearny, CPT



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This book is an excellent tool for anyone in business without a business degree and who needs to understand the bigger picture of their entire enterprise.

*Guy W. Wallace, CPT, Vice President, Performance Improvement  
Wachovia – A Wells Fargo Company*

If you want to understand your organization in a hurry, I've never seen a book on the subject that is both this serious and easy to understand. It was a one-book review of my whole MBA degree. Anyone with a job (or looking for one) ought to read this one. It helps you understand what managers and executives are worried about. It will help you make a bigger contribution to your organization's success, and promote your own career. This is so important it ought to be passed out to all knowledge workers as part of their initial orientation. It is an essential tool for self-management.

*Bill Daniels, CEO, American consulting & Training, Inc.  
co-author of The Change-ABLE Organization  
ISPI Gilbert Distinguished Professional Achievement Award.*

This book is the Rosetta Stone for organizational anthropologists or for anyone with a desire to connect the dots. The "Seven Logics" have the capacity to reveal the innermost workings of any organizations. Putting them into use is like seeing the morning fog lift from the organization. Silber and Kearney individually are unique contributors within the Performance Improvement field. Together they create a formidable brain trust with tremendous insight.

*Jim Schultz, CPT, President, Pretty Good Consulting, and  
Div. V.P. Performance Development Walgreen Co. (Retired)*

Having Organizational Intelligence is a crucial first step in meeting the Certified Performance Technologist Standard # 4 "Utilize partnerships or collaborate with clients and other experts as required." The Business Glasses Model provides a clear, concise, comprehensive and do-able way of seeing the organization the way the client does. This provides a basis for collaborating with clients on projects that meet their needs, and working with them in their language.

*Judith Hale, PhD, CPT, ISPI Director of Certification  
author of Performance Consultants Fieldbook, 2nd Edition  
ISPI Gilbert Distinguished Professional Achievement Award..*

The Organizational Intelligence framework is complete and easy to reference, a great enhancement to the rules of thumb I've used to research my clients in the past."

*Timm J. Esque, CPT, Partner, Ensemble Management Consulting*

The authors have done a remarkable job in synthesizing and clearly explaining the evidence-based practices from fields we typically ignore (e.g., finance, marketing, management, human resources, organization design). The Business Glasses model allows practitioners in our field to apply these practices to gathering baseline data about their own organizations. They can use these data as a basis for deciding on needed interventions and evaluating organizational performance improvements after those interventions.

*Dr. Richard E. Clark, professor of educational psychology and technology in the Rossier School of Education at the University of Southern California, co-director of the Center for Cognitive Technology; co-author of Turning Research in Results; ISPI Gilbert Distinguished Professional Achievement Award.*

# About This Book

## Why is this topic important?

Experts in the Human Resources and HPT fields have been saying for 30 years that a key to consulting well with any client is to understand their business and speak their language. But the fact is that most practitioners of Training, Human Performance Technology, Instructional Design, Organization Development, and Human Resources, though they are experts in their field, *do not* understand the logic and language of business and of the organization in which they work. Clients expect us to understand business in general, their business in particular, and the issues they face, and to propose solutions (or initiatives) that are practical and aligned with their business needs. Yet we still typically do not meet these expectations. We do not have **Organizational Intelligence**—the ability to think effectively about an organization, from a business point of view.

## What can you achieve with this book?

By the end of this book you will have Organizational Intelligence. You will be able to understand, and talk about your work in terms of: the language of business, how the organization works, what issues your clients (internal or external) are really concerned about, gather information about your organization, identify the key issues facing your organization, identify what key measures your organization is concerned about, determine what the current and desired states of those measures are, and determine what the gaps in organization performance are.

This book is unique in helping you meet these objectives because it is easy to read and understand, right and left brained (we use pictures), theory and research based but practical, immediately applicable to your job, and full of tools you can use to apply the information in each chapter.

This book is aimed directly at your needs if you are an employee or consultant or student in the fields of Training, Human Performance Technology, Instructional Design, Organizational Development or Human Resources. The content in this book is also aimed at you if you are in other “staff” positions in the organization (Information Technology, Facilities, Public Relations, etc.)—experts in your technical area, but lacking an understanding of how you fit into the business. And finally, this book is for every line manager/supervisor who has been promoted and is as confused as you are.

## How is this book organized?

Chapter 1 explains the purpose of this book, introduces the business logic model, and shows how to use it to get better results as a consultant, whether you are internal or external. Chapter 2 proposes how to gather credible data in a practical and useful way. Chapter 3 introduces you to external logic, so you can understand the business environment your client is operating in. Chapters 4 through 9 address the organization's six internal logics: the economic, strategic, customer, product, process and structural logics that drive goals, measures and decision-making in each part of the organization. Chapter 10 presents a case study showing how the business logic model was applied to a real organization to create context and a baseline before doing performance improvement work. Each of these business logic chapters ends with a summarizing job aid, a couple of worksheets, sample completed worksheets based on a real client engagement, and an assignment for applying what you have learned to a client organization of your own.

## About Pfeiffer

Pfeiffer serves the professional development and hands-on resource needs of training and human resource practitioners and gives them products to do their jobs better. We deliver proven ideas and solutions from experts in HR development and HR management, and we offer effective and customizable tools to improve workplace performance. From novice to seasoned professional, Pfeiffer is the source you can trust to make yourself and your organization more successful.



**Essential Knowledge** Pfeiffer produces insightful, practical, and comprehensive materials on topics that matter the most to training and HR professionals. Our Essential Knowledge resources translate the expertise of seasoned professionals into practical, how-to guidance on critical workplace issues and problems. These resources are supported by case studies, worksheets, and job aids and are frequently supplemented with CD-ROMs, websites, and other means of making the content easier to read, understand, and use.



**Essential Tools** Pfeiffer's Essential Tools resources save time and expense by offering proven, ready-to-use materials—including exercises, activities, games, instruments, and assessments—for use during a training or team-learning event. These resources are frequently offered in looseleaf or CD-ROM format to facilitate copying and customization of the material.

Pfeiffer also recognizes the remarkable power of new technologies in expanding the reach and effectiveness of training. While e-hype has often created whizbang solutions in search of a problem, we are dedicated to bringing convenience and enhancements to proven training solutions. All our e-tools comply with rigorous functionality standards. The most appropriate technology wrapped around essential content yields the perfect solution for today's on-the-go trainers and human resource professionals.



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Instructors are invited to download a free Instructor's Manual with materials and information for using *Organizational Intelligence* in a workshop or college course. The Instructor's Manual includes sample agendas for one-, two-, and three-day workshops, chapter-by-chapter Powerpoint slide shows, student assignments and evaluations, helpful teaching strategies, and other supplementary classroom aids. College professors may download the materials at **[www.wiley.com/college/silber](http://www.wiley.com/college/silber)**

Trainers, please e-mail **[pfeiffertraining@wiley.com](mailto:pfeiffertraining@wiley.com)** to receive your copy.

To the late Dr. James D. Finn, my mentor and a forgotten HPT pioneer, who taught me to see systemically with the left side of my brain and always ask the hard questions

To Judy Hale who taught me that you can see however you choose to and has been a friend and colleague for more than 20 years

To Lynn Kearny who taught me to see with the right side of my brain and helped me write in understandable English

To my wife Belinda Silber, who taught me to see with my heart and whose love, acceptance, patience, and support helped me write from that special place

KHS

To my husband, best friend, and lifelong companion, Cress Kearny, who has seen me through the late nights and early mornings without giving up on me

To my friend and mentor, Roger Addison, who has staunchly supported my use of drawings to crystallize HPT concepts

To my friends and colleagues, Walter Ratcliff and Carol Haig, for their unswerving support

To Ken Silber who talked me down out of the trees when I was sure I could never understand a balance sheet or any of that financial stuff

LBK

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## PREFACE

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This book fills a need that has existed for 30 years; it has been 10 years in the writing.

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### A Little History

We have to say a word or two about each of those numbers.

How could a need exist for as long as 30 years? Since the mid-1970s, many experts in the human resources (HR) and human performance technology (HPT) fields have been pointing out that:

- A key to success in HR or HPT practice is to consult well with clients.
- A key to consulting well with all clients is to understand their business and speak their language.

When one of the authors decided to start a consulting practice, experienced advisors said, “Be sure to go to your local business library and do your homework on a potential client before your first visit.” We all hear the same advice today, only the place to do our homework is the Internet. Unfortunately nobody provides very clear direction about what that homework is, other than to “learn about the business.” Professional societies, like the International

Society for Performance Improvement (ISPI), American Society for Training & Development (ASTD), the Organization Development Network (ODN), and Society for Human Resource Management (SHRM), have been exhorting members for years to become business partners to line managers and really understand the business. Successful practitioners of training, human performance technology, instructional design (ID), organization development (OD), and human resources (HR) must understand the logic and language of business and of the organization in which they work.

Yet most do not. In workshops and courses the authors have conducted between 2002 and 2008 involving approximately 2,000 training/HPT/ID/OD/HR practitioners—people like you—the authors have found that fewer than 20 percent can answer very basic business questions about the organizations they work in or work with as consultants, about the strategic issues facing the organization, and about how they, as HR/training practitioners, contribute to the organization's bottom line (or even what the bottom line is or how it is calculated). Few know where to find documentation about what the business is doing, what its plans and challenges are, and how it is measuring up (including documentation that is public and required by the government).

If the training/HPT/ID/OD/HR practitioners do not understand key business concepts or the business language their clients use, they can't understand their client's most urgent concerns, and their clients are likely to dismiss their recommendations as naive. Clients expect training/HPT/ID/OD/HR practitioners to educate themselves about the business issues and to propose solutions (or initiatives) that are practical, that are aligned with the client's goals, that take current business constraints into consideration, and that are not likely to interfere with other, non-HR initiatives.

Yet training/HPT/ID/OD/HR practitioners still typically do not meet these expectations. Their training programs at universities and professional association meetings continue to focus on teaching the technical parts of their discipline, not on how to become a business partner. Though Stack (1994) and Charan (2001) have written books on understanding the financial aspects of business and calculating return on investment (ROI), there are *no books* to help training/HPT/ID/OD/HR practitioners understand all the elements of a business (not even in the *Dummies* series).

As already stated, the authors have been told this by over 2,000 practitioners to whom they have offered sessions and workshops on this topic since the late 1990s. Any time exhortations to make improvements continue for a decade or more without changing performance, we look for a cause. Why aren't there remedies? One reason is that it's hard to grasp a complex subject without a map. People in HR, OD, training, and HPT are model users, and models are maps. So

perhaps what is needed is a Business Logics Model. Practitioners all recognize the need and have been anxiously awaiting this book.

We will have more to say about the importance of understanding how a business works in Chapter 1.

Which brings us to the second number: 10 years to write this book. The delay is not because the authors write slowly. It is partly because of the way the model this book is based on developed and partly because of the way the model was tested and revised before we published it.

About 10 years ago, Ken was developing a model of organizational metrics based on the Kaplan and Norton's *The Balanced Scorecard* (1996). It was extremely linear, verbal, and matrix driven (not surprisingly, given Ken's left-brained orientation). Around the same time, 2,000 miles away, Lynn was further developing a model (started in 1994) of how to understand organizations based on Albrecht's *The Northbound Train* (1994) business logics. It was beautifully presented (not surprisingly, given Lynn's right-brained orientation) but missing numbers.

Aha, we said to one another at a conference of the International Society of Performance Improvement. We are working on the same idea from two different perspectives that should be merged to provide a whole picture. We commenced to merge our work, and two years later we had developed such a model and workshop (Silber and Kearny, 2001). We received feedback from the workshop audience, revised the model and presentation, and presented it again every year at ISPI, revising it each year. We finally were comfortable enough to publish it as a chapter in the *Handbook of Human Performance Technology*, 3rd ed. (2006).

This book is both an expansion of that *Handbook* chapter and yet another revision of the model.

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## This Book Is for You If . . .

This book is aimed directly at your needs if you are what we call a training/HPT/ID/OD/HR practitioner. This phrase sounds a little weird and takes up a lot of space on the page (as evidenced on the previous page), so our publishers have suggested we use only one of these terms at a time throughout the book, and we have agreed.

This broad group includes anyone who works in any of the following fields:

- *Training*: These practitioners engage in a wide spectrum of formal training in adult learning theory and techniques; they design and deliver training in large and small organizations. Most have learned on the job and are often very good at what they do. This group includes many members of *ASTD*.

- *Human performance technologists*: These practitioners do systematic analyses of organizational problems, and they select, design, and evaluate interventions that go beyond training. Some have formal training, and some have acquired their skills in the trenches: HPT is a new field and is still being defined. This group includes the members of ISPI.
- *Instructional designers*: These practitioners have formal training (usually MA degrees) and systematically design and evaluate training for classroom or e-learning delivery in large organizations; this group includes the members of AECT (Association for Educational Communications and Technology) and other e-learning-focused organizations.
- *Organizational development*: These practitioners focus on the interpersonal and social side of the functioning of an organization; their expertise varies from no formal training through MA and PhD degrees; this group include the members of ODN (Organization Development Network).
- *Human resources*. These practitioners focus on performing all the HR functions within an organization; this group is, in large organizations, the umbrella organization under which training, ID, HPT, and OD fall. Their expertise is reflected in two levels of certification (PHR and SPHR) and varies from no degree to MA and PhD degrees; this group includes the members of SHRM.

However, we do not see the audience as limited to practitioners in these fields.

Another audience consists of *graduate (MA/ PhD) students* in all these fields. Since part of the genesis of the book comes from articles about training students in the ID/HPT fields, it makes sense that it would help students know how to understand organizations *before* they went into them. Thus, this book is an excellent text for either an introductory course in any of these fields or a course in how to consult in business, along with Block's *Flawless Consulting* (2000).

Another audience is all the people in *staff positions* in their organizations (information technology, facilities, public relations, etc.). People in these fields are the same as those in HR-related fields: experts in their technical area but lacking an understanding of how they fit into a business.

*Consultants* make up another audience for this book: those who do HR-related consulting and who are looking for a quick way to understand a new client organization.

*Salespeople* can also greatly benefit from this book. Their bread and butter depends on a thorough understanding of their customers and prospects. Whole sales teams have attended past workshops in Business Logic; this book provides both a framework and a logical deepening and broadening of the target organization analysis they need, especially for large-ticket item sales.

And finally—dare we say it?—there is an audience for this book among all those *line managers* or *supervisors* who have been sent to the three-day training course on finance for nonfinancial managers and who have left just as confused as they were when they walked in.

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## The Tone of This Book

We have written this book in a tone that we hope makes it:

- *Personal*: We use the pronouns *we* and *you* just as if we were sitting around talking about this stuff.
- *Easy to read*: Lynn has worked hard (as has Pfeiffer) to shorten Ken's long sentences.
- *Right and left brained*: We present all the ideas in the book both in running text paragraphs, as well as in tables with icons and bulleted points to highlight the key ideas.
- *Theory and research based*: This is *not* the trend-of-the-day or what-these-two-wacko-authors-think. It's well documented.
- *Practical*: However, the theory is brought down to the what-I-can-do-with-it level, and the book is full of everyday examples of the concepts we are talking about.
- *Simple to understand*: We have boiled everything down to a limited number of key concepts with lots of examples.
- *Reader friendly*: Though we are dealing with complex ideas, even the feared financial numbers, we have tried to empower rather than intimidate you.
- *Applicable to your job*: You'll notice immediately that you can understand concepts that others in the organization are talking about and even use them yourself.
- *Full of tools*: We practice what HPT practices, and we give you job aids to help you implement the model.

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## How to Use This Book

We believe this book is useful as both a learning and a reference tool. And how you use it depends on what you already know.

Let's assume this is all new to you. Then, not surprisingly, we suggest that you read the book from front to back *but not* that you read it all at once. First, there is too much information to absorb all at once. So take it, as you would any pizza that the model resembles, one slice at a time. And don't just read it. At the end of chapter, there is a section for you to do an activity, applying the content of the

chapter to your own organization. We suggest you actually do that activity, not skip over it. And complete it before taking on the next chapter.

Now let's assume you have some knowledge but are missing knowledge about a part of the model. Perhaps something has just come up that requires you to understand some part of the model by tomorrow's meeting. In that case, start with that logic. The model is circular, and it does not really matter where you start or in what order you go. (*Caveat:* The model is also systemic, so it *does* matter that you look at all seven logics to understand an organization, but it does not matter where you start.) Again, however, we suggest you complete each chapter, as you would complete each meal with a dessert, with doing the activity of applying the content to your own organization.

Finally, let's assume that you already know the content or that you have read the book a while ago and forgot the content. Then we have two options for you. First is the chapter route. We suggest you go the chapter that describes the logic you are concerned with, skip the text, go directly to the tables that summarize the major ideas of the chapter, and then go to the end of the chapter for the measures. The second option is the job aid route. Skip the book entirely and go directly to summary job aid online at [www.Pfeiffer.com/go/kennethsilber](http://www.Pfeiffer.com/go/kennethsilber) (password: professional).

Happy understandings!

Ken Silber, Chicago, Illinois  
Lynn Kearny, Oakland, California  
March 31, 2009



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Thanks to ISPI, the organization itself, the convention attendees, and especially Roger Addison, for giving us the opportunity to present the ideas contained in this book for eight years at ISPI conferences to bring them up to their present level.

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