

STRATEGIC INTELLIGENCE ROLE IN THE MANAGEMENT OF ORGANIZATIONS

Ph.D. Student **Natalia Ana STRĂIN (SILAȘ)**

West University of Timișoara, Faculty of Economics and Business Administration, Timișoara, Romania

natioana@yahoo.com

Abstract:

In the 19th and 20th centuries, intelligence has evolved to a form that can be recognized in the context of current practice. Unfortunately, many observers misunderstand intelligence. The concepts of critical analysis and intelligence are often confused, as if they were part of the same activity. Intelligence and analysis are a broader process of problem solving, involving data collection and analysis, interpretation, speculative considerations on future developments, patterns, threats, risks and opportunities. Strategic intelligence analysis can be considered as a particular form of research that deals with any problem at the level of comprehensiveness and detail required to describe the threats, risks and opportunities, in a useful way for the development of programs and policies. Strategic intelligence is not a new form of analytic practice, having a tradition of more than two millennia. However, its acceptance within the modern practice is relatively recent, and its development is, even now, in the 21st century, slow and uneven.

Key words: strategic intelligence, intelligence cycle, organization management, decision-making process, operational intelligence, tactical intelligence.

JEL classification: L26, M14.

1. BASIC CONCEPTS OF STRATEGIC INTELLIGENCE

The word "intelligence" is usually used in various contexts, but beyond the intellect involvement, it outlines two quite different meanings:

- Intelligence can describe both a process and an activity; thus, we can speak of an "information activity";
- On the other hand, intelligence is used to reveal the final product of that process. In other words, we can talk about "development", "possession" or "production" of intelligence.

Perhaps we should try to define the concept. Simply said, intelligence can be described as processed information, meaning that rough information must be processed before it can be interpreted. A key element missing from definitions that revolve around the idea of processing is that intelligence requires a high degree of interpretation, with inevitable speculation. Regardless of the field of activity in which we are involved, we all have the following concerns:

- problems to solve;
- the need for coherent planning;
- searching, collecting and combining the data;
- providing answers.

Whatever the employer or the objectives on which we are focusing, the previous key elements are found in the practice of intelligence. Another often used definition, incorporating these elements, belongs to the Concise Oxford English Dictionary: intelligence means the sum of what is known, of new information and in the end, the interpretation in order to determine the meaning. Intelligence is often described in terms like: "where and why is that?". Thus, the association of the word "intelligence" with fields such as: political, economical, military or criminological, can be found all around the world.

One of the skills of practical intelligence is that it can be adapted to the specific and always changing needs of organisations, so that it becomes a very useful tool, if used properly and applied in a flexible manner. A feature of intelligence present in any application, is that it serves two purposes: on the one hand, it supports management, and on the other hand - the operational and

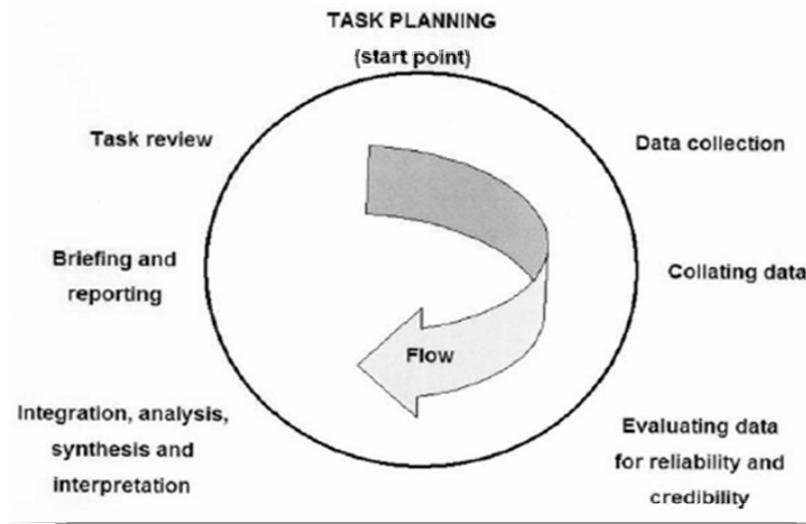
functional levels. Intelligence that aims at the executive and management level, i.e. the mission, the goals, programs, and resource planning, is named strategic intelligence, due to the gains brought for the development of organizational strategy. At the other pole, the intelligence that meets the daily needs of the lower-level managers, specific to current, immediate and routine activities, may be called operational or tactical intelligence.



Source: McDowell (2009, p. 14)

Figure 1. Uses of strategic intelligence

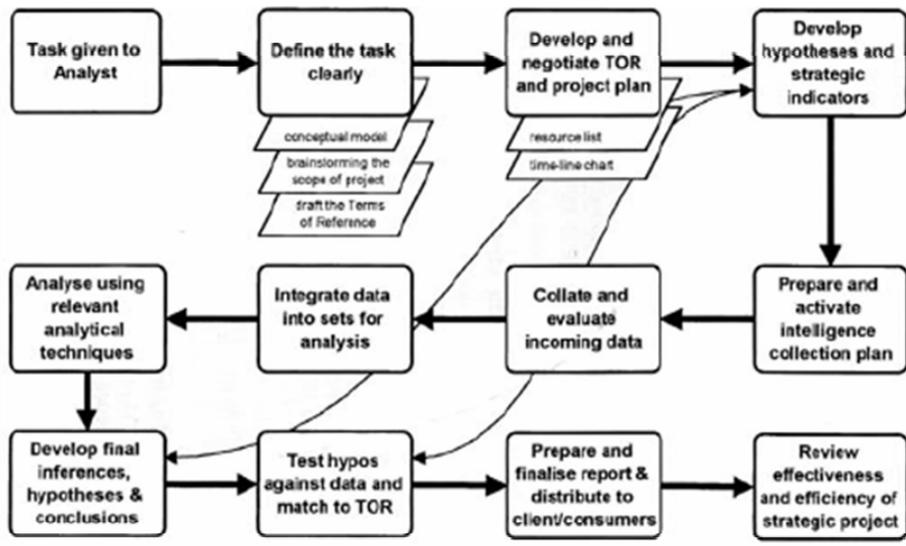
Strategic intelligence doesn't focus on individual targets, but especially on the general trends that can be interpreted by analyzing a large number of activities geared towards a specific purpose. It is an applied research of a particular phenomenon, so that, in due time, the knowledge gained will help in directing the operations and will provide the basis for the review of policies and legislation. The basic model is represented by the "standard" process of intelligence, as is taught officially to operational and analytical personnel from around the world, being easy to understand and use (see Figure 2).



Source: McDowell (2009, p. 18)

Figure 2. Intelligence cycle

The above highlighted intelligence process is based on fundamental concepts, being a system that adapts to any task or goal. In these circumstances, what makes strategic intelligence special? The easiest way to examine this question is the comparison of the two, step by step, in order to identify both similarities and differences. The result consists of an adjustment to the intelligence process, which, by adding or enhancing certain aspects, can be considered a strategic intelligence plan. In this respect, in order to facilitate the understanding of the differences and similarities, we present a diagram in Figure 3, which we compare with the cycle of intelligence found in Figure 2.



Source: McDowell (2009, p. 20)

Figure 3. Strategic intelligence and analysis processes

Trying to synthesize the differences between strategic intelligence and other intelligence-specific processes, we can say that the specific purpose of the first is to enable efficient high-level planning and management of resources, so as to be able to deal with the perceived threats. Strategic intelligence is not an activity geared directly towards tactical objectives of rules application. In this regard, it becomes necessary to adjust the standard intelligence cycle.

2. THE ROLE OF STRATEGIC INTELLIGENCE AND ITS IMPACT ON MANAGEMENT

Strategic intelligence can be considered an integral part of a wider concept - "intellectual capital" (Roos et al., 1998). According to the authors, "intellectual capital" can be reduced to two streams of thought: the strategy and quantification. In the strategic field, the focus is on studying the creation and use of knowledge, as well as on the relationship between knowledge and success or added value. Quantification aims at the need to develop new information systems and measurement of non-financial data, along with the traditional, financial ones.

The tangible and intangible resources of a firm can be grouped into two main categories: the firm's resources and the firm's abilities (Grant, 1991). According to this author, the resources are the inputs in the production process and the skills relate to its capacity to carry out activities, as a result of cooperation between teams. In this context, it is necessary to clarify the differences between tangible and intangible resources: in a study conducted by Johanson et al. (1998), the authors have concluded that intangible resources can be examined from three perspectives: statistical, managerial and accounting. Thus, while ten years ago intangible assets classification was in terms of research and development, software, marketing and training, currently classification schemes are geared toward the distinction between external (related to customers) and internal structures, on the one hand, and human capital, on the other (Sveiby, 1997; Roos and Roos, 1997; Petrash, 1996; Skandia, 1995).

Influenced by the theory of resource-based firm, Lowendahl (1997) and Haanes and Lowendahl (1997) have classified a number of intangible resources from the perspective of strategic management. Since there is no consensus on the definition of "resources", Haanes and Lowendahl referred to Itami (1987), according to whom the resources consist of:

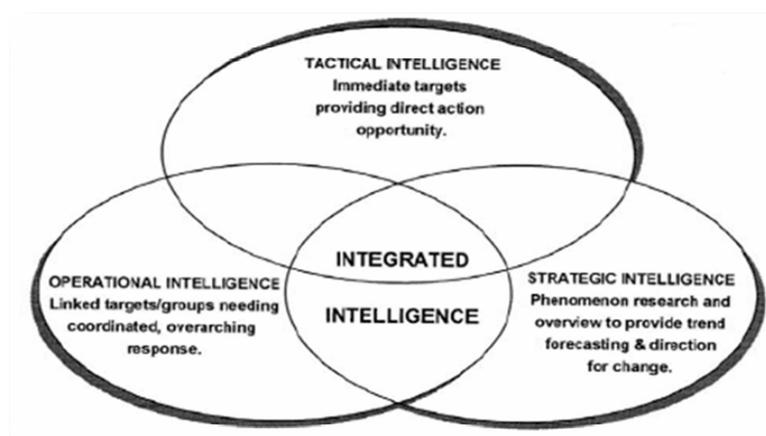
- natural resources, human and monetary resources
- knowledge based resources, such as: management skills, technology, consumer information, reputation, brand and corporate culture.

In regards to its role, strategic intelligence aims at long-term objectives of the agencies, organizations, groups or Governments. It adheres to the important objectives and general plans, providing top managers understanding of:

- current and future trends;
- changes in crime environment;
- threats to public safety and order;
- the opportunity to control actions and develop response-programmes;
- possible ways of amending the policies, strategies, programmes and legislation.

If strategic intelligence is not used as a legitimate component of the decision-making process, there is a danger that the managers are unable to use its full potential in solving major problems. The main aim of strategic intelligence is to support the achievement of the organization's objectives. A critical aspect in terms of understanding the role and nature of strategic intelligence is the acceptance of the reality of these key affirmations (McDowell, 2009, p. 26):

- Strategic intelligence is designed primarily for making decisions specific to long-term policies.
- Strategic intelligence provides the means of support for operational objectives, by predicting future challenges, which can have a direct impact on the operational planning.



Source: McDowell (2009, p.25)

Figure 4. Intelligence integration

Regarding the impact of strategic intelligence on management and organizations, it must be said that placing a strategic intelligence center for the first time in an organization, brings its managers, practitioners and "consumers" face to face with new challenges. Next, we will describe some of the perceptions, myths and realities concerning strategic intelligence:

a) *Resources* – with all its benefits, strategic intelligence is not a particularly intensive activity from the point of view of resources, neither as output of financial flows, nor as a necessity for specialised personnel. Thus, even if the activities that involve strategic intelligence require intellect and time, they can be deployed on behalf of an appropriate analytical and intelligent staff. There is, of course, a need to improve employees through a specialized training.

b) *Data need* – the specifics of the strategic use of data consists of their application for different and ample objectives, related to corporate requirements and not operational ones. It is unlikely that strategic analysis will survive only on the basis of the information already collected by the organization, because the nature of the tasks requires the collection of new data from a variety of sources.

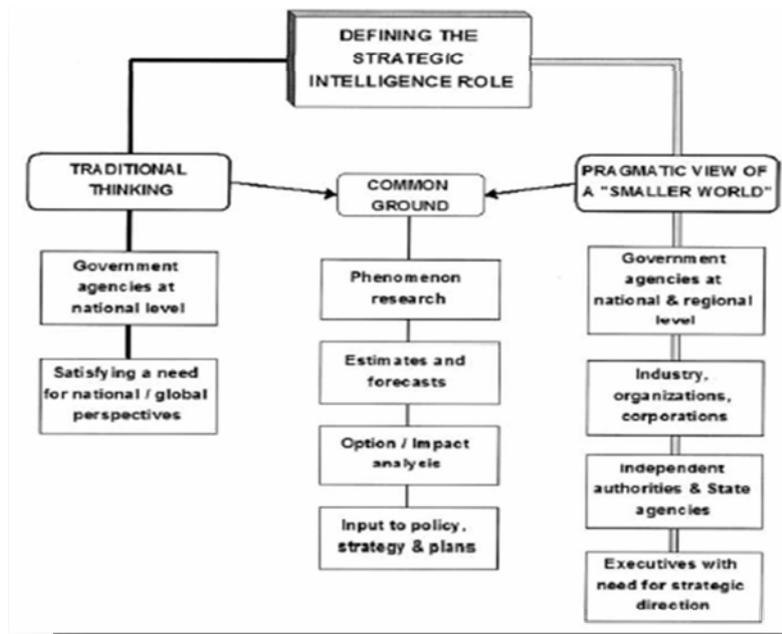
c) *Creative thinking* – It is often noticed that within governmental institutions, the strategic research suffers in terms of quality, due to standardised and routine approach, data collection planning, approaches specific to a type of operational thinking prevailing in such organizations. In fact, strategic thinking appeals to a certain capacity and will to conceptualize research problems and plans, set out deliberately to overcome organizational rules.

d) *Linking practitioners with the management* – Strategic analysis activity provides the ability to create close links between executive, managerial and information staff. In fact, the nature of this work requires such a rapprochement between players. This aspect is essential in order to ensure that those who need this "product" ("customers") can relate effectively with providers and practitioners, so as to facilitate the exchange and negotiation of information, ideas or suggestions. A collaboration based on respect and proximity in the customer/practitioner relationship is directly beneficial to achieving the objectives of all the stakeholders involved.

e) *Reliability of decisions and forecasts* – for activities involving strategic intelligence, the breadth and detail of studies makes the concerned staff to rely on their power of judgement in carrying out assessments and projections. This is in direct connection with their duty to comprehensively analyze issues that not only are complex, but they have a long term impact. It is unlikely for the results of a strategic intelligence project to be easily measurable, much less in a short time horizon.

Strategic intelligence and analysis require understanding, cultivation and a supportive environment, if this form of research seeks to provide truly useful results for Executive Directors. In Figure 5 we will highlight two opposite approaches in relation to the legitimate role of strategic intelligence and analysis, and in Figure 6 we present the seven "S" model (Viljoen, 1991), which reveals the key components of the management culture and strategy analysis. Within its framework,

strategic analysis plays an important role in terms of "grinding" and achieving the objectives of the organization.



Source: McDowell (2009, p. 29)

Figure 5. Definition of the role of strategic intelligence



Source: McDowell (2009, p. 82)

Figure 6. Seven "S" model

In order to be effective, strategic intelligence must be based on a series of management practices, clearly identified:

i. Regardless of the type of the customer it must respond, strategic intelligence remains a "total" service, dedicated to providing comprehensive forecasts and assessments.

ii. Sharing information, perspectives, skills and products is critical to success, and managers must promote actively this principle.

iii. The client must be educated and helped in order to understand and accept a certain level of uncertainty, which is specific to any product of strategic intelligence. This is logical, since the issues involved are much broader and more complex, and the emphasis is on the ability to judge things, and not on specific approaches or methodologies for measuring statistical data.

iv. As a consequence of the negotiating climate that should be created between the customer and information officers, there will be a clear agreement on project objectives.

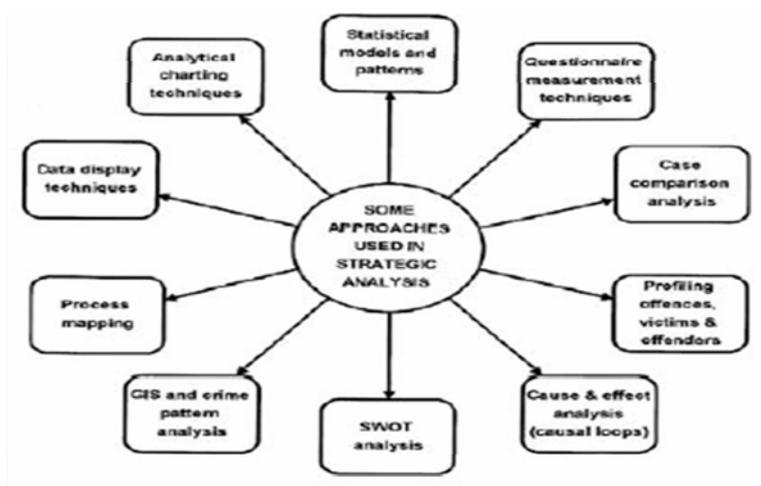
v. At the same time, it is essential for managers, practitioners and customers to negotiate and agree - before work starts - on an appropriate mechanism of further review and quantification of performance/results of the project.

vi. There must be a client/management commitment at higher levels of input and effort, trust and honesty, that should "feed" strategic intelligence activities.

vii. Managers must make clear and conscious choices on a number of important issues related to personnel, paying adequate attention to the impact of these decisions for customers, staff and management:

1. For and against arguments to encourage specialization in the interest areas of the organization.
2. The choice of criteria for the selection of staff, such as: qualifications, experience, organizational knowledge, career monitoring, multi-skills.
3. The need to improve the professional level of staff and management alike.
4. Career development strategies and opportunities related to and beyond intelligence.

For each strategic issue there are several analytical approaches, which must be taken into account by the analyst, in order to understand the depth of the subject under study (see Figure 7).



Source: McDowell (2009, p. 215)

Figure 7. Approaches to strategic analysis

In addition, each issue must be tackled using analytical techniques, specifically chosen because they meet the specific challenges of each component (see Figure 8).



Source: McDowell (2009, p. 215)

Figure 8. Analytical tools useful to strategi analysis

For example, a database may consist of tables with data (prices, market share, etc.), which can be modeled statistically. Other databases may consist of interviews with consumers on how to finance their expenditure. This data type represents new challenges, being exploitable especially on sociological level, and less on mathematically one.

3. CONCLUSIONS

As a conclusion, we can affirm that strategic intelligence has an essential role in all areas of management and foundation of corporations' future plans. Although the practice of involving intelligence (broadly speaking) is not particularly difficult, strategic intelligence is a relatively new phenomenon for the execution level. The latter is not fully understood, nor with regard to the commitment and hard work it entails, nor how to make best use of it. Intelligence and strategic analysis is fundamental to a good planning, requiring a rather small effort, if the organization uses intelligence to support operational activities.

However, people need a flexible understanding of the fact that this unique product is somewhat different in terms of information processing. Furthermore, in order to face the challenge of strategic analysis problems, it takes a commitment to treat the projects in a creative and imaginative manner, in order to facilitate the research into question. Any attempt to reduce strategic analysis to an extremely rigid approach and based on a particular process, with all the traditional dependence (the activity measurement in order to "prove" that the project is proceeding well), will simply not work..

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