INTRODUCTION TO STRATEGIC INTELLIGENCE

GIA WHITE PAPER 2/2004
Strategic intelligence (SI) is an important tool in informing and supporting strategic management activities in different stages of the strategy development. In short, Strategic Intelligence can be defined as “a systematic and continuous process of producing needed intelligence of strategic value in an actionable form to facilitate long-term decision-making”. Customers of SI include individuals involved in strategic decision-making.

From the process perspective, Strategic Intelligence can be seen as a part of Competitive Intelligence, as it is also a systematic and continuous process with a purpose to facilitate decision-making with needed and timely intelligence input delivered in actionable form. The major difference between SI and CI is that SI actions focus strictly on supporting strategic decision-making by monitoring aspects with strategic significance. Additionally, a SI time horizon is broad and the focus is on all significant events: past, present and future events.

In order to practice effective Strategic Intelligence capable of meeting the needs of strategic management and introducing intelligence of strategic value into the decision-making process, certain critical aspects should be considered. They include:

- Appointing a strategic level process owner, preferably the VP for Corporate Strategy, and a seasoned SI Manager. It enables integrating the best available internal senior expertise into the SI process.
- Knowing and understanding the internal SI customers - individuals involved in strategic planning.
- Defining the SI priorities and properly communicating them (critical strategic themes, key players to be analyzed, early warning themes).
- Designing and producing SI products that serve customers’ content needs and communication needs.
- Building a network of Strategic Intelligence contributors, both internal and external.
1. Introduction

This paper focuses on the relationship between Strategic Intelligence and strategy. The aim is to provide readers with a definition of *Strategic Intelligence (SI)* and explain the role of intelligence in formulating and implementing strategy.

The role of Intelligence in strategy formulation is a critical one, especially now, given the quickly changing business environment. As the pace accelerates, it becomes more difficult for senior managers and decision-makers to adequately monitor, interpret, and respond to environmental changes. This is where SI, a systematic process of collecting, analyzing and communicating actionable strategy-oriented business information, can serve as input in strategic decision-making.

The paper begins with a discussion on strategy and attempts to define for readers the concept of Strategic Intelligence (SI). *Strategic Intelligence as a part of Strategy Development* will then be discussed followed by some concluding remarks.

2. Strategy

The concept of strategy has been around for as long as there have been organizations and wars. Inevitably, there has been a huge amount of studies and writings on the subject. Today, there are different ways of defining strategy and the concept of strategy can be viewed from many angles. The aim of this chapter is not to provide a clear-cut definition of strategy but to give readers an overview of strategy which can serve as a framework for studying the relationship between Strategic Intelligence, strategy formulation and implementation.

As mentioned earlier the concept of strategy can be viewed from different angles. Here are some, but by no means all, dimensions that should be included in any unified definition of the concept of strategy. These dimensions can provide an insight on how thinking strategically can benefit our business.

Some traditional views:

- Strategy as a coherent, unifying and integrative pattern for decision-making, a blueprint for the whole organization that indicates the organization’s future destination.
- Strategy as a means of establishing an organization’s purpose in terms of its long-term objectives, action plans and priorities for resource allocation; aligning short term action and resource deployment to be congruent with longer term objectives.
- Strategy as a definition of a firm’s competitive domain including defining the businesses a firm is in or intends to be in, segmentation, strategic positioning and how and where it is going to compete.
- Strategy as a response to external opportunities and threats and to internal strengths and weaknesses; a means of achieving a long range competitive advantage, and a favorable competitive position and adapting to meet the demands of a changing environment.
- Strategy as a logical system for differentiating managerial tasks at the corporate, business and functional levels; defining an overall mission and allocating resources with a sense of strategic priorities.
- Strategy as a definition of the economic and non-economic contribution the firm intends to make to its stakeholders.
From the unifying point of view, strategy becomes a fundamental framework through which an organization can assert its vital continuity while at the same time purposefully managing its adaptation to the changing environment to gain competitive advantage.

Having a “strategic thinking” mindset does not, in itself, always generate a fully functional strategy for an organization. On the other hand,

Strategic planning does not guarantee strategic thinking. Most strategic planning systems rely on historical data and numbers generated internally.

These systems often require long and exhaustive analysis. The result is an extrapolation of history into the future. Strategic thinking, on the other hand, incorporates an assessment of both the internal and external environment. The process involves a qualitative evaluation of the business and its environment and is both introspective and extraspective.

When discussing strategic planning, strategic design or strategic thinking, it is important to give consideration as well to strategic management. Michael Porter’s statement “The essence of formulating competitive strategy is relating a company to its environment” highlights several key dimensions of strategic management.

1. The first part of the statement, “the essence of formulating”, indicates that there must be a process at play. Whether structured or unstructured, formal or informal, rational or irrational, the organization must proceed through a number of steps before it can arrive at a strategy. This dimension of strategic management, which looks at the how of strategy, is referred to as the strategy process.

2. The next part of the statement, “competitive strategy”, indicates that the strategy process must result in a strategic outcome. This output of the strategy process is a course of action to be followed by the company that will allow for the fulfillment of the company’s objectives in the face of competitive pressure. This dimension of strategic management, which looks at the what of strategy, is referred to as strategy content.

3. The final part of the statement, “is relating a company to its environment”, indicates that strategies are developed to suit varying organizational and environmental contexts. This dimension of strategic management is referred to as strategy context and looks at where, when, who, and why.

Figure 1. Four basic elements of strategic management

Environmental Scanning
Strategy Formulation
Strategy Implementation
Evaluation and Control

Let’s now have a look at the basic elements of strategic management – elements which attempt to provide insight into the strategy process (how), strategy content (what) and strategy context (where, when, who and why):

Environmental scanning includes both external and internal scanning. The external environment consists of the task environment and the societal environment. The task environment (also referred to as industry) includes competitors, customers, suppliers, interest groups etc. The societal environment includes more general forces such as technological and political-legal forces. The internal environment includes the corporation’s structure, culture and resources.

Strategy formulation includes the corporate mission/vision, objectives, strategies and policies.

Strategy implementation is a process by which strategies and policies are put into action (e.g. programs, budgets and procedures).

Evaluation and control: corporate activities and performance results are monitored so that actual performance can be compared with desired performance.
3. Definition and Tasks of Strategic Intelligence

Competitive Intelligence (CI) is often defined as knowledge and foreknowledge about the external operating environment of the organization. The purpose of CI is to facilitate proactive decision-making by producing the needed business information into actionable form and making it available at the right time. The orientation and utilization of CI is tactical and to some extent strategic. The CI time horizon focuses on present events and, to some extent, on past and future events as well. Some CI processes are designed to serve the strategic level, while some focus on operative monitoring or both.

*Strategic Intelligence is a type of Competitive Intelligence produced for strategic purposes.* Customers of SI include individuals involved in strategic decision-making.

From the process perspective, Strategic Intelligence can be seen as a part of Competitive Intelligence as it is also a systematic and continuous process with a purpose to facilitate decision-making with needed and timely intelligence input delivered in actionable form.

The major difference between SI and CI is that SI actions focus strictly on supporting strategic decision-making by monitoring aspects with strategic significance.

Users of SI are primarily individuals involved in strategy development. Additionally, a SI time horizon is broad and the focus is on all significant events: past, present and future events (Figure 2). In short, *Strategic Intelligence* can be defined as:

“A systematic and continuous process of producing needed intelligence of strategic value in an actionable form to facilitate long-term decision-making”.

---

![Figure 2. The Scope of Strategic Intelligence. Source: McGonagle & Vella, 1996](image)
Strategic Intelligence has to be highly need-based. Here, need refers to content needs as well as communication needs of the content (format, timeliness etc.). Typically, the higher the strategic analysis level, the more interactive the intelligence communication and the less information quantity are required. Some typical, content related strategic intelligence needs include:

- Impact-analysis/so-what analysis: how does a certain phenomenon affect the company's business
- Business driver analysis: what are the main driving forces affecting the business environment
- Scenarios with probable outcomes/long range views of battlefield developments
- In-depth competitor and key-customer analyses instead of company profiles
- Bird’s eye view of the business environment: overall battlefield illustrations
- Relevant macro issue and trend analysis and their impact
- Analysis of critical strategic themes

3.1. Strategic Intelligence as a part of Strategy Development

What are the roles of SI activity in strategic decision-making? Six basic roles can be identified:

1. Describing the competitive environment: Intelligence analysis must define the current competitive arena in which the company operates.

   An intelligence assessment must be made of the forces and factors that make up the company’s competitive environment. The figure 3 below shows a generic model of a strategic business environment/competitive environment.

   ![Figure 3. Strategic Business Environment](image.png)
2. Anticipating the future of the competitive environment: The intelligence department should be able to provide forecasts regarding the competitive environment in which the company is likely to find itself in the future. The future is about change: some of the future is predictable, most of it not.

Scenario planning should be used as a means of supporting strategic planning by identifying emerging competition, technologies and customer needs well in advance in order to formulate a prediction that can initiate an early change of direction.

The voluminous body of literature on the management of change explicitly proposes that strategic intelligence is a pre-requisite for change.

3. Challenging the underlying assumptions - asking the right questions: A very important role for intelligence is identifying and challenging underlying assumptions held by management (economic, political, technology-related, as well as market and customer related) which may impact strategic thinking.

4. Identifying and evaluating company weaknesses against market opportunities and threats: Intelligence can be used to identify and assess a company's own weaknesses and vulnerabilities; a process often reserved for competitors.

5. Using intelligence to implement and adjust strategy to the changing competitive environment: Once a company's strategy has been formulated, it will go through two distinct phases of implementation. The first phase is during its initial implementation, when competitors begin to sense and react to the strategy's salient features. Good intelligence on how the competitor is responding and adjusting to the strategy's initial implementation is very valuable, both to test its effectiveness and to begin making adjustments that compensate for any countermeasures the competition is likely to initiate.

6. Determining when the strategy is no longer sustainable: Once a successful strategy has been put in place and it has survived the initial phases of implementation, it is important that an ongoing reporting and collection program be established to monitor the competitors' actions.

All these SI roles inform and support strategic management activities in different stages of the strategy development. During environmental scanning SI has a pivotal role in assessing the competitive environment. During strategy formulation SI assists decision-making by making forecasts about the competitive environment and by challenging underlying assumptions - asking the right questions and identifying and compensating for exposed weaknesses. SI supports strategy management activities during strategy implementation by using intelligence to implement and adjust the strategy to the changing competitive environment. During evaluation and control of the actual strategy, the role of SI is to determine when the strategy is no longer sustainable and to support any counterintelligence activities/changes required.

3.2. Critical Strategic Themes

An important aspect in strategic development and in the nature of required SI is critical strategic themes (CST). Critical strategic themes have a major impact on the strategic business environment and the change therein.

“Moves and changes which are not observed cannot be reacted to”. SI plays an important role in controlling these moves and changes.

Critical strategic themes should be based on a company's strategy, mission and vision statements. Every organization should be able to identify those themes that require monitoring and analysis so that the company retains its competitiveness and improves its position in the marketplace.

Typically, a strategic theme covers a wide range of issues to be analyzed. An example of such a theme would be long-term changes in the distribution logic due to the development of electronic channels. Industry consolidation is
yet another generic strategic theme for many companies. In particular, companies in traditional industrial sectors need to go beyond typical customer information and dig into the value chain more thoroughly to analyze their customers’ customers and their respective industries in order to understand the real drivers of their business.

Some generic themes are presented in Figure 4 below. Critical strategic themes will differ for each company, depending on the business environment they are in.

![Diagram of Critical Strategic Themes](image-url)

**Figure 4. Examples of Critical Strategic Themes**
4. Conclusion

In order to practice effective Strategic Intelligence (SI) able to meet the needs of strategic management and introduce intelligence of strategic value into the decision-making process, certain critical aspects should be considered.

• Appointing a strategic level process owner, preferably the VP for Corporate Strategy, and a seasoned SI Manager enables integrating the best available internal senior expertise into the SI process. The SI Manager should be equipped with in-depth understanding of the battlefield and be respected as an expert in the organization’s business and markets. He/she should also participate in the strategy process.

• Knowing and understanding the internal customers. SI customers are individuals involved in strategic planning.

• Defining the SI priorities and properly communicating them (critical strategic themes, key players to be analyzed, early warning themes). It is important that the critical strategic themes be clearly communicated to everyone who is expected to contribute input to strategic analysis.

• Designing and producing SI products that serve the customers’ content needs and communication needs. Here, “products” refer to highly interactive management briefings and visual actionable intelligence information packs as opposed to massive static reports.

• Building a network of Strategic Intelligence contributors, both internal and external.

In the future, building SI capability together with effective scenario planning will become more and more important especially when restructuring the traditional strategy processes to meet the needs of constantly changing business environments.

When discussing the roles of SI in strategy development and the relationship between SI activities and the company’s strategy, SI could be described as a sonar, searching for underlying opportunities and threats that cannot easily be observed (monitoring critical strategic themes) and a radar helping the company on its road to the future, supplying intelligence about turning points (promoting a change in direction, forecasting what is ahead, developing scenarios) for the enterprise.
The GIA White Paper series

1/2004 Introduction to Competitive Intelligence
2/2004 Introduction to Strategic Intelligence

About the GIA

The Global Intelligence Alliance (GIA) is a global network of business research and Competitive Intelligence (CI) consulting companies. Leveraging its worldwide reach, the Global Intelligence Alliance provides multinational organizations with a single source for all CI requirements including: process consulting, intelligence services, education, and leading technology solutions.

For further information or assistance in any Competitive Intelligence-related matters, please contact the GIA Member company closest to You, or refer to the GIA website at www.globalintelligence.com.
For more information, please visit www.globalintelligence.com or contact the GIA representative closest to you:

International  Global Intelligence Alliance Group  +358-(0)10-613-2000 info@globalintelligence.com
Australia  Global Intelligence Alliance Australasia  +61-2-8249-8363 australasia@globalintelligence.com
Brazil  Global Intelligence Alliance Latin America  +55-11-2165-6810 brazil@globalintelligence.com
Canada  Global Intelligence Alliance Canada  +1-416-231-0828 canada@globalintelligence.com
Central & Eastern Europe  GatewayBaltic  +371-671-658-94 baltics@globalintelligence.com
China  Global Intelligence Alliance China  +86-21-6279 0997 china@globalintelligence.com
Finland  Global Intelligence Alliance Finland  +358-10-613-2000 finland@globalintelligence.com
France  RV Conseil  +33-1-42 29 56 72 france@globalintelligence.com
Germany  Global Intelligence Alliance Germany GmbH  +49-201-266-900 germany@globalintelligence.com
Hong Kong  Global Intelligence Alliance Hong Kong  +852-2824-8511 hongkong@globalintelligence.com
Japan  McRBC  +81-3-5771-7120
South Korea  3mecca  +82-(0)2-733-0617 korea@globalintelligence.com
Mexico  Americas Market Intelligence (Mexico)  +52-1-55-3345 8110 mexico@globalintelligence.com
Portugal  Growth Setting  +351-210-480 674 portugal@globalintelligence.com
Russia  ALT Research & Consulting  +7-495-288 59 29 russia@globalintelligence.com
Singapore  Global Intelligence Alliance Singapore  +65-6423-1681 singapore@globalintelligence.com
South Africa  Butterfly Effect Intelligence  +27-11-465-9711 southafrica@globalintelligence.com
Tunisia  RV Conseil Tunisie  +216-7-29 56 72 tunisia@globalintelligence.com
UK  Global Intelligence Alliance UK  +44-207-997-6320 uk@globalintelligence.com
USA East Coast  Global Intelligence Alliance USA Inc.  +1-212-786-7368 useast@globalintelligence.com
USA Florida  Americas Market Intelligence  +1-305-458-2493 usaflorida@globalintelligence.com
USA Midwest  Global Intelligence Alliance USA Inc.  +1-773-867-8352 usamidwest@globalintelligence.com

© 2014 Global Intelligence Alliance. All rights reserved.