Vladimir Yefimovich Semichastny, who once headed the Soviet Union’s security and intelligence service, the KGB (1961-1967), observed that “You cannot protect a state with smiles and handshakes.” This is perhaps not an altogether surprising remark from the chairman of an organization whose very insignia is a sword (to smite the enemies of the state) overlaying a shield (for the protection of the state and Revolution). Whereas I offer no defense of the Soviet empire that the KGB once so ruthlessly served, I do posit that the ‘sword and the shield’ is a powerful metaphor for the strategic role intelligence plays — or indeed should play — in the corporate setting.

The essence of competitive intelligence is two-fold:

• To support company decision-makers in their quest to gain competitive advantage (the sword).

• To serve as the ‘first line of defense’ in protecting both the proprietary intellectual assets and the strategic ambitions of the firm (the shield).

Further, I contend, the intellectual origins of competitive intelligence (CI) generally, and strategic intelligence in particular, are anchored firmly in the theory and practice of national security and military intelligence, not market research, library science, or related information services.

Some questions, starting definitions, and assumptions
But just what is this thing we call strategic intelligence? How does it differ from operational, or tactical intelligence? And so what? Why are these questions important for competitive intelligence professionals and their customers?

To begin with, I offer a simple working definition of strategy: it is the firm’s theory about how to achieve and sustain competitive advantage. Moreover, strategy has little, if anything, to do with capital budgeting, or most conventional methods of ‘strategic planning.’ Strategy does, however, have everything to do with winning. It involves, as Professor Liam Fahey reminded SCIP members at this year’s annual conference, “outwitting, outmaneuvering, and outperforming” rivals.

A firm gains competitive advantage when its “theory of how to compete in an industry or market is consistent with the underlying economic processes in that industry or market and when few other firms share this theory or are unable to act upon it” as effectively. While it is impossible to sustain a single competitive advantage indefinitely, a handful of companies such as General Electric, Merck & Co., Microsoft, and Nokia have demonstrated that it is, in fact, possible to sustain overall competitive advantage over long periods in the business and industry domains in which they choose to compete.

Strategic intelligence
So what, then, is strategic intelligence? Just over 50 years ago Sherman Kent, who from 1952 to 1967 served as chairman of the Board of National Estimates (precursor to the US National Intelligence Council), described strategic intelligence as: “the knowledge [and foreknowledge] upon which we base our high-level national policy toward the other states of the world.” This knowledge must meet four tests:

1. It must be complete.

2. It must be accurate.

3. It must be timely.

4. It must be “capable of serving as a basis for action.”
If we imagine a different context, where one substitutes corporate policy for ‘national policy,’ and rivals for ‘other states,’ a review of virtually the whole of the English-language literature on competitive, or business, intelligence over the past 20 years suggests that Kent’s basic tenets have changed little. Strategic intelligence, in effect, “is designed to provide [executives] with the ‘big picture’ and long-range forecasts they need in order to plan for the future,” thereby ultimately improving patterns of organizational policy over time. It is as concerned with solving the mysteries – questions “that cannot be answered with certainty even in principle” – as it is with piecing together puzzles that challenge management; hardly the mandate under which hard-nosed CFOs, the eternal optimists in marketing, or ‘tree hugging’ knowledge management practitioners are tasked to fulfill their duties.

Implicit in the notion of strategic intelligence is the possession of as clear an understanding as possible of likely future events (e.g. when a rival pharmaceutical manufacturer is planning to file a new drug application for a competing compound). When decision-makers have this, they are better equipped to make more insightful judgments and initiate more effective measures and countermeasures.

The dilemma, and my deep concern here, is that so few CI practitioners have been successful in conveying these lessons to their organizations’ executives. Most large firms, if the results of their financial performance are anything to go by, continue to create and apply strategy – however elegant or well crafted in their typically incestuous boardroom planning sessions – in a virtual intelligence vacuum. Put another way, strategy creation in most large companies is essentially a mind-numbing ritual in guessing, rather than a well-coordinated process in which intelligence serves as a fully embedded decision support element. Ask yourself: when was the last time your company’s head of CI was invited to sit in on high-level policy discussions?

Two years ago, in a breakthrough study carried out by the Corporate Executive Board, the authors reached the conclusion that strategic intelligence “operates based on three distinct principles”:

1. Support for senior decision makers in their capacity as strategists
2. The monitoring and analysis of issues, or key topics, that matter to strategy
3. Coordination at the corporate centre

Over the past dozen years or so many of us have witnessed – or rather suffered – seemingly endless debates within SCIP focusing on where the “bottom line value” of intelligence lies, and how best to quantify it. In part, these debates have also sought to address the issue of the relative merits of intelligence support for operations versus strategy (despite the fact that intelligence budgets in most cases would be unable to accommodate both).

**Management scholars repeatedly remind us that firms must continuously balance two countervailing forces: ‘doing the thing right’ (operational effectiveness) versus ‘doing the right thing’ (strategic positioning).**

Many CI practitioners are clearly obsessed with the task of quantifying the value of their often neglected ‘good works’ to the ‘powers above.’ Curiously, we seldom hear of similar debates within the accounting, human resource management, or procurement communities. I choose to frame my response to this debate in the form of a simple question (which I put to CI practitioners and managers alike): from the strategic standpoint, how many times do you need to get it right? What is it worth to managers to receive steady streams of relevant ‘product’ providing early warning of strategic threats – threats likely to disrupt their company’s strategic agendas – coupled with actionable, long-term estimates developed from expert, all-source analysis? What is it worth not to be faced with having to answer the question posed by so many of us after the terrorist attacks of 11th September 2001 in New York and Washington, DC: ‘How did this happen?’

For those who perpetually wrestle with the question of CI’s value, it is in the strategy arena where one is likely to find the answer. It is, after all, in the strategy arena where firms stand to gain the highest returns from intelligence successes.
evident from presentations given by Nokia CI managers at SCIP-sponsored conferences and other events over the past few years that the company takes its competition, and competitive intelligence, seriously. The company’s consistently outstanding performance, financially and strategically, indicates that, at all levels (corporate, division, and business unit), Nokia not only understands existing and emerging competitors’ present and future ‘value propositions’, but decisively applies this knowledge in achieving and sustaining competitive advantage and superior returns.

For example, when Nokia saw that Microsoft had developed software designed to control the new generation of multimedia handsets, it initiated a strategy to beat Microsoft at its own game; a strategy that involves making “the Finnish company’s software the industry standard”, thereby protecting “the profitability of Nokia’s handset-making business.”8 Nokia, unlike its loss-making rivals, appreciates the impact, and never loses sight, of the changing dynamics of its external environment, in particular other players who would try to ‘eat their lunch.’

**Tactical Intelligence**

Tactical, or operational, intelligence involves “knowledge about the immediate situation and is based almost entirely on straightforward observation.”9 It is intended to be used in taking one action, or set of actions, or making one decision. Generally, tactical intelligence is used to help accomplish limited goals, however critical these goals may seem to the managers concerned. An example of tactical intelligence would be a learning details about a competitor’s new city – or regional-specific promotional campaign for a specific product line.

I do not dispute the value of intelligence at the operational level; it can make an important difference in achieving quick ‘wins.’ However, it clearly does not deliver as much ‘bang for the buck’ as strategic intelligence. Moreover, in practice, precious few company budgets extend to supporting equally well the intelligence requirements of both senior and middle-level management. Brand, product, and sales managers of all descriptions have real intelligence needs, but these needs are usually short term, narrowly focused, and have rather more to do with winning skirmishes than with achieving decisive victory over rivals.

**What is to be done?**

The overriding task, the imperative so to speak, for CI managers is two-fold:

1. **Overcome the pervasive and dangerously debilitating ‘disconnect’ between intelligence and its users**10.

   If what intelligence can and cannot do for management decision-making is not understood by corporate leaders, if they do not appreciate how intelligence can make a difference to them as individuals and to the organization as a whole, they will not regard it as credible, and will not use it. Competitive intelligence managers need strong selling and other interpersonal skills, not more analytical tools.

   2. **Take the steps necessary to ensure the full integration of intelligence into the strategy process of the firm.**

   In many instances, this involves first and foremost disassociating intelligence from the marketing function. Intelligence has a key role to play in support of marketing, but it has an equally important set of responsibilities to fulfill in each phase of the strategy process and its various elements. Intelligence support for product development, R&D, M&A, etc. is as essential in these areas as it is in marketing.

   Consider, for example, the role intelligence plays in each phase of the strategy process, as per the generic model shown in Figure 1.

**Visioning**

This is where the firm imagines the future it wishes to create or shape; where it endeavors to identify unserved customer types, inarticulate needs, and whole new customer segments. The intelligence mission in this phase is to provide a ‘reality check,’ to ensure that management is aware, or warned, of relevant geopolitical, geo-economic, and industry and market factors likely to pose a threat to its vision.

A fully ‘connected’ world may represent a powerful vision, say, but, as many proponents of the ‘New Economy’ have discovered to their financial peril, the physics of the ‘Old Economy’ still apply. New wealth creation does not evolve from accelerating ‘burn rates’; profitability still counts for a lot. As, indeed, does a bit of healthy paranoia.

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**Figure 1**

Visioning | Strategic Intent | Core Strategy | Communicate Strategy | Operational Planning/Action
**Strategic intent**

The notion of ‘strategic intent’ refers to the firm’s long term aspiration for market dominance. It implies an “obsession with winning at all levels of the organization and then [sustaining] that obsession over the 10- to 20-year quest for global leadership.”

Possibly the most critical task of intelligence is to identify, define, and monitor the strategic intent of existing and, sometimes more importantly, emerging competition. The overriding questions for management and their intelligence staffs become:

- How do our rivals plan to compete for the future?
- What do we need to understand about their “sense of direction,” their “sense of discovery,” and their “sense of destiny”?
- What does this mean for us as we consider our own strategic options?

**Core strategy**

A company’s core strategy – the way it chooses to compete – involves a wide array of complex and interdependent factors, including such things as its competencies and plans. In essence, however, it is a reflection of the firm’s business model; its explicit ‘mission,’ its product/market scope (at the corporate and business unit levels), and its basis for differentiation.

Understanding a competitor’s core strategy means understanding exactly what it is they can and will – or at least are likely – to do in their efforts to achieve competitive advantage.

- What are their ‘big goals’? Their performance objectives?
- Where have they chosen not to compete?
- What about their value chain: to what extent, for example, does the configuration of the competitor’s value chain match their positioning?

Consider, for a moment, Dell Computer. Its value chain activities are in virtually perfect alignment with the direct sales model, unlike most other PC manufacturers who seem determined to adjust their strategies to conform with ‘more of the same’ industry practices.

**Communicate strategy**

In a globalized 21st century economy, we can no longer expect company employees to ‘get on with the job,’ or enthusiastically join the long march toward corporate victory, without the benefit of a shared understanding of the firm’s strategic ambitions. Effective teamwork implies a common appreciation for, and belief in, organizational objectives, milestones, and measures.

At the same time, however, this does not mean a firm is under any obligation to hand over its plans and secrets to rivals on a silver platter. It is in this phase of the strategy process that the function of counterintelligence has an especially important part to play.

Counterintelligence involves information collected and analyzed, and activities undertaken, to protect the firm (including its own CI activities) against the activities and capabilities of rivals’ intelligence operations. It is, in a sense, the defensive side of intelligence. It seeks to know what competitors are trying to discover about the firm, and how they’re trying to do it. Only once these questions are answered can effective countermeasures be put into place.

In communicating high-level strategy throughout the organization, intelligence must ensure that key elements of information are disseminated on a need-to-know basis only, and not ‘broadcast’ as part of some ill-conceived policy of knowledge ‘sharing.’ Reporting to employees and customers that the firm has introduced a new and advanced manufacturing process may help reassure and motivate a wide range of stakeholders. But to include diagrams and technical details of the process in the in-house company news journal is risky and unnecessary. The responsibility of counterintelligence in this instance would be to ‘red flag’ inappropriate disclosure of proprietary information.

**Operational planning and action**

The focus of this article has been on strategic intelligence. Nevertheless, intelligence can and does provide critical support for operations, including, for example, sales and short-term marketing planning. Consider, for example, the value of having advance knowledge of the new positioning arguments a competitor intends to use for the launch of a new technology platform at a trade show. This would enable a firm to refine, and possibly recast, its own sales pitch prior to the event, thereby outmaneuvering the opposition.

Another role for intelligence in the operational arena is to monitor the results of competitor activities. Are they achieving their goals? Does their implementation correspond with their strategy? An airline may promise consumers a perfect travel experience, but evidence of consistent failures to meet passenger expectations may highlight vulnerabilities open for attack.

**Summary**

Strategic intelligence can be described as ‘the sword and the shield’ of the enterprise. It has an indispensable role to play in each phase of a firm’s strategy process, and in practice represents the only formal organizational function that claims no stake in the outcome of decisions. Its purpose is to help advance the aims and objectives of the organization by minimizing uncertainty, by challenging the otherwise ‘unchallenged assumptions
upon which so many decisions are unfortunately based, and by
avoiding (or at least minimizing) the risk of strategic surprise.

Unlike any other organizational discipline or function,
strategic intelligence serves the firm as its sword — the
collection, analysis and production of knowledge designed for
use as a competitive weapon — and as its shield — the ‘first
line of defense’ against hostile intelligence operations. And if
that isn’t what’s happening in your company, the question you
need to ask yourself is: whose fault is that?

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