

A STUDY OF STRATEGIC INTELLIGENCE AS A STRATEGIC MANAGEMENT TOOL IN THE LONG-TERM INSURANCE INDUSTRY IN SOUTH AFRICA

René Pellissier and J-P Kruger

Department of Decision Sciences, University of South Africa

pellir@unisa.ac.za;

Strategic Intelligence has information as its foundation. This research proposes that, through its ability to absorb sources of information, the synergy of Business Intelligence, Competitive Intelligence, and Knowledge Management combined to form Strategic Intelligence, will allow organizations to incorporate all of their information and intellectual capital into a single, easily manageable system to meet the intelligence requirements of management's strategic planning and decision-making process.

This research reviews the current understanding and implementation of Strategic Intelligence systems and processes in the South African Long-Term Insurance Industry, in order to identify problems experienced and advantages incurred by management through the implementation and use of Strategic Intelligence as an input to the Strategic Management process. The study further sets out to determine the value of Strategic Intelligence in the decision-making process. To this end, we believe that the current use of Strategic Intelligence in the Long-Term Insurance industry in the South African environment is a methodology to enhance the ability to withstand the onslaught of global competitors and expand their business into new markets, protect their local market or identifying potential merger or acquisition targets, and to increase innovation within the organizations through the appropriate use of Strategic Intelligence Systems.

Worldwide, the Long-Term Insurance Industry has undergone many changes in its working model. These changes are primarily linked to increasing the attractiveness of the industry to consumers. With the advent of technological advances that allow all consumers to shop around for the best products and pricing and the globalisation of markets allowing organizations to compete globally, organizations in this industry are required to stay a step ahead of their competitors by remaining agile and employing information and knowledge for strategic use. Consequently, a number of strategic decisions will have to be made in order to remain competitive in the foreseeable future. New products, allowing consumers a greater understanding, flexibility and visibility will be required to attract new clients as well as increase market share and remain competitive. However, by utilising Strategic Intelligence during the Strategic Management process, which could identify opportunities, and challenges faced, could allow better informed, effective decisions to be made that will assist organizations in gaining greater market share and to compete successfully against local and international competitors.

The modern business environment within the South African Long-Term Insurance market has often been turbulent and volatile. South African organizations are required to engage international and local competitors and customers in a more regulated manner. Despite years of experience in the local environment, even the most successful and established organizations have committed strategic errors in both the local and international markets.

The research focused on our proposition that the identification and utilisation of the most important factors of a Strategic Intelligence Framework will greatly enhance global corporate decision-making and result in competitive advantage and constant innovation within the South African Business Environment. We will discuss this within the ambit of the South African Long-Term Insurance industry, although we believe that the results can be generalised to the general business domain in South Africa.

A purposive sampling technique was used to select the best cases that would enable the research questions to be answered and result in the research objectives being met. As a homogeneous group, the Long-Term Insurance Industry was selected as target population because of its strong focus on information and knowledge, and the agility with which decisions need to be made in order to cope with environmental and technological changes. The individual organizations approached were identified from the list of valid licenses registered with the Financial Services Board. The unit of analysis was the selected organizations provided by the Financial Services Board. There are 82 Long-Term Insurance companies in South Africa, of which six organizations were listed on the Johannesburg Securities Exchange within the Life Assurance Sector. The listed companies include: Old Mutual Plc, Liberty Group Ltd, Sanlam Ltd, Discovery Holdings Ltd, Clientele Life Ltd, and Metropolitan Holding Ltd.

The selected organizations participated in the research survey and completed the questionnaire. The research goal was therefore met with a 100% response rate. To broaden the scope of the research, the sample size was increased to include all the 82 Long-Term Insurance companies which were registered with the Financial Services Board, which provided an in-depth examination of the use of Strategic Intelligence within the Long-Term Insurance industry. It is however, important to stress that the focus of the study was on the listed companies, due to their size, turnover, agility and expected efficiencies in this field. The unlisted companies were included to provide a broader range of perspectives into the respective field, and the execution of such in smaller companies. Of these 82, three had closed down before the study was conducted, four organizations confirmed that while they did have Long-Term Insurance licences they were not part of the industry, and 14 companies were subsidiaries or divisions of the larger organizations and as such their answers were included with those of the larger organizations. Subtracting these 21 companies from the total sample of 82 left a sample size of 61 organizations. A final response rate of 36.1% was achieved, including the 100% response rate from the six listed organizations.

Research data were collected by means of descriptive research, using a (non-probability) purposive sample of the Long-Term Insurance industry. A large sample was not required for this research due to the focus of this research being on gathering in-depth of information, based on a purposive sample of the Long-Term Insurance industry. A web-based questionnaire was used to collect the data. The

data received from the 22 completed questionnaires were subsequently captured and analysed with the use of the statistical software program SPSS, version 16.0. This software package was used for data coding, data capturing, statistical analysis and internal consistency testing.

The following empirical results were obtained:

1. *Use of strategic management:* The results indicate that Strategic Management is to a large extent utilised within organizations in the Long-Term Insurance industry, however, smaller organizations are at a disadvantage with regards to the provision of information to management.
2. *Business Intelligence:* The results indicate that Business Intelligence is to a large extent utilised within organizations in the Long-Term Insurance industry. Larger organizations make greater use of Business Intelligence than smaller organizations, and therefore have a much greater competitive advantage due to their: access to valid, reliable and actionable Business Intelligence, predefined dashboard views of their organizations, and software applications used.
3. *Competitive Intelligence:* The results indicate that Competitive Intelligence activities are more prevalent in a formalised manner in larger organizations in the Long-Term Insurance industry, while smaller organizations make much greater use of Competitive Intelligence on an ad-hoc, or when required basis.
4. *Knowledge Management* The results indicate that the vast majority of organizations in the Long-Term Insurance industry do believe that Knowledge Management provides value as a strategic tool, and had a culture conducive to knowledge sharing where employees are responsible for contributing knowledge in their specific area of expertise. However, the results show that employees are often not aware of the benefits of their contributions, and that they do not regularly contribute information. The results also showed that most of the organizations lacked internal systems dedicated to the collection and storage of Knowledge, which could contribute to the lack of knowledge contributed by employees.
5. *Strategic Intelligence:* The results indicate that the majority of organizations in the Long-Term Insurance Industry agree that Strategic Intelligence is an important component to Strategic Decision-making. Strategic Intelligence can therefore provide their management with better information input that could lead to competitive advantage and innovation. Even so, only a few of the larger organizations have formalised processes or systems in place for the formation and use of Strategic Intelligence.

While the results provide interesting findings on their own, the basis of this research is to provide feedback and evidence to answer the research questions based on the research aim. The findings of the empirical results will be discussed per intelligence stream, to provide a detailed understanding of how data and information is collected and transformed into Strategic Intelligence, in order to answer the research questions. The intelligence stream which is most predominantly focused upon is Business Intelligence, with the majority of respondents collecting Business

Intelligence. The results indicate that a number of systems are used to transform the Business Intelligence data into intelligence, which is found to be valid, actionable and reliable. However, a greater proportion of organizations did not transform the data into a predefined dashboard view of their organizations, than those that did, who unanimously agreed that a predefined dashboard view of the organization is important for managerial decision-making. The results provide evidence that larger organizations make greater use of Business Intelligence than smaller organizations.

1. *How Data and Information are collected and transformed into Strategic Intelligence:*

Data and Information are the basic building blocks which are collected and analysed to form actionable intelligence. Strategic Intelligence is comprised of different sources of data, including internal Business Intelligence, external Competitive Intelligence, and employee and organizational knowledge, which should be combined to provide the organizational decision makers with accurate intelligence on which to base their decisions. From a Competitive Intelligence viewpoint, the results indicate that too few organizations have achieved the task of timely creation and distribution of Competitive Intelligence to management, with larger organizations having greater success in this area. Furthermore, the majority of organizations utilise external sources of information for market research, with the most important sources for the collection of Competitive Intelligence including the analysis of competitor's products (86%), websites (86%), annual reports (77%) and research reports (72%). The results further suggest that a large number of organizations do evaluate the reliability and accuracy of their sources of information. Although these data sources can be classified as important and useful, the value of them for competitive intelligence purposes can be debated. The majority of them include information on past activities, while remaining important, give a predominately historical view of the competitors or environment which is to be analysed. From a Competitive Intelligence viewpoint, it is always important to have current, up to date, intelligence on your competitor to allow you to anticipate future activities. We obtained a discouraging view of how tacit knowledge is collected and transformed into explicit knowledge through a Knowledge Management transformation process within organizations in the Long-Term Insurance industry. Very few organizations had a process in place for the conversion of individually held tacit competence to explicit systems, tools, or templates. The majority of organizations did not have a central intelligence repository to which employees were able to contribute or access knowledge, while an equal number of organizations do have and do not have facilities available to their employees to enable the sharing of knowledge, with smaller organizations the least likely to have access to the correct technical infrastructure. A few larger organizations did, however, have a document management system in place as a central store for documents, very little of it was audited or transformed into Intellectual Capital.

The above results compare well with the results obtained regarding Strategic Intelligence. We concluded that the majority of respondents do not fuse their Business Intelligence, Competitive Intelligence and Knowledge Management (to create Strategic Intelligence) for use in decision-making, and do not, on average, consolidate all their Intelligence into a single Intelligence repository. Intelligence gathered is often not checked for accuracy, nor do the organizations, on average, have dedicated human resources to maintain their Strategic Intelligence function or process. The lack of consolidation of Strategic Intelligence is of particular significance in the context of this research, as the discrepancy between the availability and importance of this intelligence for use in the context of Strategic Management is of vital importance. Without the correct intelligence available, decision making cannot lead to a competitive advantage over competitors.

It is interesting to note the extent of Business Intelligence processes and the use thereof, and the prevalence of certain competitive intelligence methods and models over others. This can strongly be related to the popularity of Business Intelligence in the local technological media and the potential advantages thereof, and the prominence of certain models in the curriculums of tertiary institutions.

2.

the use of information systems to create Strategic Intelligence

We found that the majority of the respondents did not make use of any specific Strategic Intelligence information systems, although two respondents did indicate that they made use of internally developed in-house systems created for specific purposes as the need arose. Strategic Intelligence is, however, comprised of a number of subcomponents including Business Intelligence, Competitive Intelligence and Knowledge Management, all of which can make use of systems designed exclusively for them.

Respondents were questioned whether individual systems were used. We found that a large number of different software applications were used by respondents to gather and generate Business Intelligence. While some respondents indicated that they did not make use of any systems, the 73% of the respondents did indicate that they used various systems ranging from basic Business Intelligence Portals, in-house business intelligence tools (including the use of SQL databases and excel) based upon the data provided by financial, manufacturing, and marketing systems data, management information systems, and a variety of off the shelf business intelligence packages. Most organizations do not use specific Knowledge Management Software applications but a small number made use of in house data stores such as a central file repository on the corporate intranet, Microsoft SharePoint Portal, and in house systems to store and manage knowledge.

The results indicate a resounding bias in the use of Business Intelligence systems which are used for the

management of the organizations internal business environment. It is however, concerning that few systems are used for the management of information and more critically intelligence on the organizations external environment. The lack of Knowledge Management systems further indicate that there is a high possibility of losing valuable Intellectual Capital if not captured and stored in centralised systems. Furthermore, the results indicate a huge deficiency in the use of any systems in smaller organizations. While the costs of larger systems is prohibitive, and in instances prove to be highly complex, a number of systems are available for a low cost or in some instances completely free, and can be maintained at a low cost to the organizations.

Based upon these results, it is imperative that organizations investigate the advantages that systems could provide in influencing the outcomes of both internal and external forces that impact the competitive nature of the organizations. Accordingly, a well-structured and functioning Strategic Intelligence system should receive urgent attention in organizations within the Long-Term Insurance industry, in order to provide accurate, timely and structured intelligence for use in decision making.

3. *The extent to which Strategic Intelligence can address the input needs of the Strategic Decision-making process*

From the responses it is clear that the respondents believe that Strategic Intelligence enhances decision-making. Furthermore, the results showed that Strategic Intelligence is predominately utilised at a Strategic level as an input to decision-making, and that Strategic Intelligence had the greatest impact at a Strategic level. We found that Strategic Intelligence is most commonly used by the organizations as an input to Strategic Decisions regarding New Product Development (95%), when considering Competitive Advantage (68%), when determining Pricing Strategies (64%), and when considering Market Entry Strategies (64%). Due to the nature of Strategic Intelligence, the intelligence it provides includes intelligence on the organizations internal, external and knowledge environments which can to a large extent addresses all the input requirements of the Strategic Decision making process. The results made it clear that Strategic Intelligence could to a large extent address the input needs of the Strategic Decision-making process.

4. *The level of utilisation of Strategic Intelligence within the South African Long-Term Insurance Industry*

The empirical results highlight the fact that Strategic Intelligence processes are more prevalent in larger organizations. This could simply be due to the lack of human and financial resources available to smaller organizations. The results further suggest that most organizations collect and utilise Business Intelligence in decision-making, however, the results distinctly provide evidence that larger organizations make greater use of Business Intelligence than smaller organizations. Results further suggest that larger organizations do have a formal Competitive Intelligence function, where as smaller organizations, in general did not have a

formalised Competitive Intelligence function. However, results indicate that a high number of organizations do make use of Competitive Intelligence in decision-making even if no formalised function exists for the management of Competitive Intelligence. It was found that, with the exception of a few larger organizations, Knowledge Management is not often utilised and more often constitutes an informal central repository for project and organizational documentation rather than formalised actionable explicit knowledge.

Based upon these results, it seems that respondents believe that Strategic Intelligence, as a collective, provide better information input to decision makers. While belief is important, reality proved that the majority of respondents did not have a Long-Term Strategic Intelligence plan, and that Strategic Intelligence is not used at all levels of decision-making but that a growing proportion of Managers felt its importance and thus started to use Strategic Intelligence in their strategic planning and decision-making.

5. *How Strategic Intelligence is used and contributes to the Strategic Management Process within the South African Long-Term Insurance Industry.*

From the empirical results it is apparent that the organizations in the Long-Term Insurance industry do to a large extent, utilise a formalised Strategic Management Process, and therefore recognise Strategic Management as a necessary activity for business. Furthermore, respondents view information as having strategic value and believe that good strategy hinges on having timely, relevant and high quality information. The results indicate that Strategic Intelligence is predominately utilised at a Strategic level as an input to decision-making, and therefore has the greatest impact at a Strategic level. Respondents further indicated that their Strategic Intelligence requirements are linked to their strategic objectives and their long term goals.

We found that organizations do attempt to provide their managers with critical and relevant information for strategic decision making; however, smaller organizations that were in greater disagreement do not have the capacity to provide managers with the required information, as larger organizations do. Furthermore, the majority of respondents believe that they do provide their managers with access to information that provides them a comprehensive and robust perspective on how the organization is performing, the dynamics at play in the market place, competitor behaviour, stakeholder perceptions, resource availability, and the implications of trends in these areas for the firm, however smaller organizations are at a disadvantage to larger organizations.

The empirical results further showed that organizations do not, on average, have dedicated human resources to maintain their Strategic Intelligence function or process, and that key decision makers are not always surveyed or interviewed to verify that the intelligence products produced for them satisfy their needs. Strategic Intelligence was found to not form part of the

respondents Performance Appraisal review process and is not a continuous activity in the organizations.

6. *How Strategic Intelligence adds value to organizations within the South African Long-Term Insurance Industry*

There are a number of ways in which Strategic Intelligence can provide value to organizations. The lowest level of value that can be added is in the separate information provided by the components of Strategic Intelligence which will now be discussed. The majority of respondents believed that the availability of Business Intelligence increased the effectiveness of managerial decision-making, and therefore lead to greater competitive advantage due to their access to valid, reliable and actionable Business Intelligence, predefined dashboard views of their organizations, and software applications used.

The results indicate the use of Competitive Intelligence allows the management of organizations to be up to date with emerging technologies in their field of business and the benefits/features of these technologies. Furthermore, it allows organizations to be cognisant of new and pending government legislation and legislative trends that impact their organization. It was also found that large organizations do in fact analyse their competitors and have up to date profiles of them, while smaller organizations mostly did not. Results confirm conclusively that organizations believe that Knowledge Management assists in creating value out of their organizations intangible assets. Results proved that organizations do view Knowledge as a strategic tool, and believe their organization's organizational culture is conducive to the sharing of knowledge and claim to benefit from the processes created to contribute knowledge. A significant amount of organizations require their Employees to be personally responsible for the transfer and storage of knowledge in their area of speciality, however, it is clear from the results that there are a number of organizations that have an environment in which employees do not contribute regular information, which is discouraging as employees are often privy to valuable information, while those that do encourage contributions could find themselves with a competitive advantage.

We found that the organizations believe that Strategic Intelligence enhances decision-making, and that Strategic Intelligence plays a critical role in the Strategic Management Process.

Strategic Intelligence therefore provides value by engaging managers in the Strategy development process, by assisting management forge better, fact-based decisions, and allows managers to quantify / qualify strategic choices and articulate strategies. This can lead to the sharpening of internal performance monitoring, and in conclusion can lead to competitive advantage and innovation. The research results show that there is clearly a discrepancy between the theory advocated by dominant researchers in the field of Strategic Intelligence and its subcomponents.

While many of the organizations surveyed indicated their belief that Strategic Intelligence and its components did in

fact provide advantages to their Strategic Management and Strategic decision-making capabilities, very few had the internal capabilities to fully utilise the suggested methods. A number of respondents further indicated that they were not completely aware of the perceived benefits that Strategic Intelligence could offer, which could imply that not all organizations are aware of research being conducted by academic institutions. A high number of the organizations, however, did indicate their use of Strategic Management, Business Intelligence and to an extent Competitive Intelligence, indicating the greater awareness around these topics in main stream media.

We were intrigued by the results for the Knowledge Management and Strategic Intelligence questions. While the average mean and standard deviation scores remained within a similar range for the questions on Strategic Management, Business Intelligence and Competitive Intelligence, the scores for Knowledge Management and Strategic Intelligence decreased to a lower average range. The results for Knowledge Management and Strategic Intelligence substantiate the observation made above that the theoretical components of the subject matter are agreed with, however, in reality they are often not formally institutionalised within organizations. The reasons for this could be simply the lack of media attention, or case studies to describe their benefits, or simply a lack of resources to sustain them. We further note that there is a difference in the responses of smaller organizations compared to larger organizations. A number of smaller organizations indicated that they did perceive the value that can be provided by the topics discussed in this research, however, these were not of priority to them due to their resource limitations and obvious smaller market scope. On the other hand, a number of larger organizations show higher scores for the variables indicating the greater ability they have in providing resources, for the perceived competitive advantage gain. Due to the high competition within the Long-Term Insurance Industry, it is clear that organizations need to keep informed of any changes that could lead to them gaining an advantage and increased market share.

Lastly, many of the respondents indicated that they will not be prepared to outsource their Strategic Intelligence functions, while the same number of respondents remained neutral to this possibility. A high level of confidentiality could be a reason for this finding, however, the potential remains for a lower cost solution to be developed that could be used in-house to provide the benefits organizations require. This can be further substantiated by the fact that the majority of respondents believed further research should be conducted to identify better methods of implementing Strategic Intelligence.

Challenges in the global economy, not to mention the challenges faced in the local South African economy, has amplified the necessity for organizations to remain one step ahead of their competitors. Lack of information, and knowledge of decisions taken by all role players within the organizations external, and often internal business environments, has led to the weakening and even failure of organizations. Worldwide, the Long-Term Insurance industry has undergone many changes in its working model with changes focused on increasing the attractiveness of the

industry to consumers. With the advent of technological advances that allow all consumers to shop around for the best products and pricing, and the globalisation of markets allowing organizations to compete globally, organizations are required to stay a step ahead of their competitors. To achieve this, a number of strategic decisions will need to be made in order for them to remain stable for the foreseeable future. New products, allowing consumers a greater understanding, flexibility and visibility will be required to attract new clients as well as increase market share and remain competitive.

This research proposed that, through its ability to absorb sources of information, the combined synergy of business intelligence, competitive intelligence, and knowledge management that become Strategic Intelligence, will allow organizations to incorporate all of their information and intellectual capital into a single database or system which will meet the intelligence requirements of management. The results indicate that the organizations surveyed agreed with this proposition, however, did not always conform to its suggested methods. Our initial proposition was that the identification and utilisation of the most important factors of a Strategic Intelligence Framework will greatly enhance global corporate decision-making and result in competitive advantage and constant innovation within the South African Business Environment. The research results corroborate this. Much of the research proved that, even if just in theory, organizations do believe that a single model or framework could greatly enhance decision-making resulting in competitive advantage and corporate innovation.

The research showed that organizations have not yet fully embraced a model for a cooperative global internal corporate Strategic Intelligence System or portal that will incorporate all aspects of Strategic Intelligence into a single, easily manageable resource for management's strategic planning and decision-making process, even though it could enhance their ability to withstand the onslaught of global competitors and expand their business into new markets, protect their local market or identify potential merger or acquisition targets, and increase innovation within the organizations. In providing some understanding of the extent in which Strategic Intelligence is utilised in the South African Long-Term Insurance industry, identifying the benefits or problems experienced by executive management that have not yet implemented and used Strategic Intelligence as an input to the Strategic Management process, we identified the perceived value Strategic Intelligence in the decision-making process.

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