The proper application of the principles of intelligence can enhance the performance of the private sector, improve the overall competitive situations of companies, and increase their decisionmaking capacities in increasingly complex and demanding global contexts such as the current international financial crisis.

Given the present scenario, the application of intelligence in the private sector takes on added relevance, not only because it enhances general corporate management, but because it also optimizes the strategic-level decisionmaking processes that companies rely on for their survival. Intelligence can give companies a better understanding of the environments in which they operate, increased knowledge about their competitors, and greater insight of the dynamics within a sector, all of which frees corporate decisionmakers from an undue reliance on personal experience and intuition. Intelligence thereby reduces a company’s level of insecurity. Nevertheless, private sector intelligence must also play a role in cost reduction and the generation of profit. In order to achieve these goals, understanding the private sector’s a priori assumptions about intelligence is necessary, as is learning how it can be routinely applied so as to subsequently address misconceptions about intelligence as a discipline and its effectiveness as a business tool.

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Private sector businesses, and small- and medium-sized enterprises (SMEs) in particular, can use intelligence to reduce the uncertainty of their operations and improve their decisionmaking processes in an increasingly complex and changing environment that is driven by a multitude of conflicting forces and interests.¹ In this challenging new landscape, unprepared decisionmakers often find themselves faced with unexpected situations in which access to the right information at the right time makes a critical difference. As Alvin and Heidi Toffler pointed out, competitive advantage in the business world is linked to “hyperconnectivity.” In today’s highly competitive business environment, optimizing the use of available time has become a priority. Intelligence can give companies a key advantage in their markets, as it helps them to prioritize their actions, which in the end, translates into the optimal use of their resources and capabilities.²

Although intelligence has traditionally been the preserve of government,³ large corporations subsequently adopted it as a business tool, and its implementation by SMEs is undoubtedly both possible and desirable. Independent of a company’s size or market reach, intelligence is not a luxury, but rather a true necessity in today’s world.

The use of intelligence has gradually evolved from being a state monopoly related to defense to that of a private sector business tool.

But, as Michael Warner has noted, little has been done to date to establish a taxonomy for intelligence or map out its relationship to other disciplines.⁴ Working from this angle, intelligence—as well as its application to any conceptual framework—can be introduced to all companies, regardless of their size.⁵ Yet, when applied to the day-to-day business world, many definitions of intelligence fall by their own weight and fail to support a basic constraint to which all companies are subject: the imperative of reducing costs and generating profits. With the understanding that intelligence is a discipline in its own right, the focus should be on the trail blazed by others rather than on the definition of intelligence itself.

THE RISE OF NON-STATE ACTORS IN THE INTERNATIONAL ARENA: THE PRIVATE SECTOR AND NATIONAL SECURITY

The twentieth century gave birth to a revolutionary concept of international society. The technological revolution and globalization had heavy implications for the main actors on the world stage and the threats they face. Over the past few years, the national interests of Western societies have changed dramatically.

During the Cold War, definitions of national interest forged under the premises of “pragmatic realism” were easily accepted. As Hans Morgenthau suggested, “The national interest of a peace-loving nation could only be defined in terms of national security, and national security
should be defined as the combination of territory and institutions integrated as one." But, these premises often miss the mark when applied to today’s new circumstances.

Although most of the problems that plagued the twentieth century have spilled over into the twenty-first century, others are evolving and becoming increasingly more complex and lethal. Nevertheless, the structures, personnel profiles, and mentalities of the organizations now in place to confront these new problems remain conceptually anchored in the Cold War era. The abrupt end of the Cold War ushered out the era of perceiving threats exclusively from a military perspective. What is now understood as national security goes beyond the mere concept of defense against the possibility of military aggression or criminal actions to include a much broader and generalized consideration of society’s interests. Corporate and business interests in particular have taken on a greater relevance in international affairs.

REDEFINING NATIONAL SECURITY

A basic premise of national security—territorial integrity—is now heavily under question. Globalization and the technological revolution, two of the most powerful drivers of interaction on an international scale today, have slowly undermined states’ traditional sovereignty as central pivots in the arena of international decisionmaking, requiring the attempt to understand security in terms other than the framework of state perspectives.

The end of the Cold War gave rise to a new amalgam of circumstances in the international arena, the presence of which constitutes what Gwyn Prins has referred to as “threats without enemies”—a new kind of risk to international security.

Today’s problems are inherently linked to global factors. Whereas the resources to deal with them and the legitimacy of their resolution have traditionally been matters of state, non-governmental actors are now attempting to challenge this long-standing relationship. This and other factors, such as large-scale environmental threats and international financial crises, undermine Morgenthau’s classic premise for the definition of national interest and bring the efficacy of national institutions to deal with all situations under question.

Environmental concerns now quickly become transnational issues, with individual national security agencies practically helpless to prevent contemporary forms of contamination from penetrating their borders. The development and evolution of the current international economic crisis is another good example. Since 2008, Europe has seen the fall of a succession of ruling parties in the wake of the crisis, beginning with the collapse of Geir Gaarde’s government in Iceland, and followed in quick succession by
electoral defeats or votes of no confidence suffered by Bertie Ahern and Brian Cowen in Ireland, Kostas Karmanlis and Yorgos Papandreu in Greece, Gordon Brown in the UK, José Socrates in Portugal, Silvio Berlusconi in Italy, and José Luis Rodriguez Zapatero in Spain, who was forced by record high unemployment rates to bring elections in his country forward. On 13 November 2011, Enrique Serbeto published an essay in the Spanish newspaper \textit{ABC} that stated, “Everyone knows what the difficulties are, but investors favor the fall of governments which try to solve them.” \textsuperscript{12} In May 2012, France’s Nicolas Sarkozy was ousted by the socialist François Hollande.

Within a short period of time, notions of “global security” took a conceptual leap in favor of a definition of prevention based not only on deterrence, but also on the anticipation of possible threats and opportunities, a stance that calls for the capacity to effectively respond to specific problems that currently or could eventually constitute a threat.

Twenty years after the end of the Cold War, the East–West perspective and the approaches it spawned have obviously proven inadequate. They failed to anticipate the changes in the Arab world, to effectively respond to such terribly destructive natural phenomena as the Japan earthquake, or to foresee the riots in London.

Generally speaking, the new strategic paradigms of Western countries have been conceptually reduced to being prepared for whatever might possibly happen. This new approach implies distinguishing between threats and risks and expanding existing security agendas. The need for experts in specific areas has mutated into a need for more generalist approaches. \textsuperscript{13}

As can be daily observed, risks and threats are not the only elements to evolve over time. Those elements having a stake in international affairs have also evolved; these include exporting companies and multinationals that now must be taken into account as important players in the international arena. The fact is that companies do indeed play a very important role in international affairs, a role that should be studied in depth by scholars of international relations.

\textit{The Globalization Advocacy}

In these difficult times for the private sector brought on by the international economic crisis, internationalization and innovation are increasingly advocated as the two pillars upon which a new future must be built. This implies opening new markets and developing new business approaches. Numerous studies carried out during the past few years have concluded that pro-active internationalization strategies strengthen growth, enhance competitiveness, and support the long-term sustainability of companies. Yet,
for many SMEs, national frontiers still represent a significant barrier to the
expansion of their businesses. Some of the main obstacles to export trade
that have been clearly identified are related to the business community’s
dearth of knowledge in key areas necessary for international operations.
Too many businesses have little or no knowledge of foreign markets and
have not developed the pertinent skills needed to assess the relative
competitiveness of other companies in the same sector, find potential new
suppliers, understand the relevant regulations in new markets, or detect
new business opportunities. Sustained and sustainable survival hinges on
a company’s ability to evaluate given developments, play a forward game,
and make a judicious choice from among a range of potential options that
takes into consideration competitors’ goals and the potential reactions
of others.

Good business intelligence also grows out of a sophisticated understanding
of user/consumer needs. Failure to identify the real needs of the end user
often reduces the effectiveness of private sector intelligence operations. The
fact that many mistakes in intelligence (and intelligence systems) can be
traced back to the stage at which the customer/end user needs were
analyzed must be recognized and taken into account. Unanticipated
financial expenses and emergency reallocations of valuable resources are
often directly related to the time and effort involved in detecting and
correcting previous errors. Established needs must be prioritized, classified,
and supplemented by other unavowed or tacit needs. The corporate path
forward is frequently blocked by a lack of attention to basic details, even
after the “big picture” has been made clear and shared with everyone
involved in a given process or project. Whereas larger companies can rely
on complex information technology (IT) systems to automate many
aspects of tasking and reporting, smaller enterprises rarely have access to
these tools. This implies that the intelligence processes of SMEs are likely
to be more time-consuming. In order to avoid wasting valuable time and
effort, SME decisionmakers need to have a well-developed idea of what
their business intelligence capabilities are, how to employ that capability as
efficiently as possible, and how to properly determine what questions they
need answered. They therefore have a greater need for intelligence training
that empowers them to define requirements, gain an understanding their
environments, and carry out intelligence reporting than larger organizations.
As Douglas Bernhardt put it:

Until and unless managers institutionalize intelligence as a core capability
of the firm and fully integrate it into each and every phase of the strategy
process of their business, their odds of gaining or sustaining competitive
advantage will be no greater than those offered by the croupier at a
blackjack table.
UNDERSTANDING STRATEGIC INTELLIGENCE IN THE PRIVATE SECTOR

In undertaking any form of intelligence training for the private sector, an emphasis must be placed on a solid conceptual understanding of what intelligence really is, and using language familiar to people who work in private companies, rather than employing military terms or those frequently employed in government intelligence work. Also essential is recognizing that intelligence must find its proper place in each organization, and ensuring that the training provided will match a particular company’s needs at any given moment. In the end, through practice and daily work, intelligence will find its niche within the structure of each individual organization. But, before setting out to design any intelligence training program geared to private sector needs, the existing literature must be studied to determine how private companies have employed intelligence in the past and how they use it in today’s business environment.

Companies are always alert to changes around them and continually seek to reduce their margins of uncertainty as much as possible, seeking to identify opportunities and threats in a timely manner in order to make sounder decisions.

Keeping track of changes, such as scientific discoveries, competitors’ products, novelties, and new or evolving needs, that affect the business environment goes on continuously. This practice is not completely new. Companies around the world have always monitored the factors that affect their business, although perhaps in a more informal, less structured, and in many cases, less conscious manner. Today, however, most companies engage in technological monitoring and forms of what they may, rightly or wrongly, consider competitive intelligence (CI) activities. The interdependence among organizations, their competitors, and the environment in which they do business, has become increasingly obvious. Businesses now realize that a sound understanding of the business environment translates into decisive and differentiating action.

A company’s justification for using intelligence often grows out of an internal evolution and the application of a corporate strategy, a concept the business world has borrowed from the military sector and adapted to its own needs. The term “business strategy,” coined by Igor Ansoff in 1965, aptly reflects an organization’s efforts to protect its interests and meet the challenge of successfully adapting to its environment. The development of a sound business strategy requires a two-prong approach that includes an appraisal of external factors (threats and opportunities) and an internal assessment of the company’s strengths and weaknesses. When the environment in which they operate becomes hostile, unstable, or to any degree insecure, companies tend to focus on external events and factors. They exhaustively analyze events, relationships among competitors, and
other tendencies in order to survive by responding to risks and threats, and to prosper by taking advantage of opportunities.

**Initial Intelligence Applications**

Concerted efforts to structurally introduce intelligence to the private sector began in the 1980s. Intelligence began to be seriously incorporated into the marketing and security departments of private companies at the end of the Cold War as former government intelligence specialists were forced to forge new careers in the private sector. But only recently has it become considered a specific discipline in a business context. This explains why many people still perceive it to be a tool used by marketing departments and knowledge management teams. Due to the unfortunate, indiscriminate manipulation of the term to fit the agendas of a wide range of interests, intelligence is sometimes mistakenly considered to fall within wider, umbrella concepts such as business intelligence or knowledge management. Opinions on this point vary greatly from one country to another, and to a large degree depend upon the level of development the discipline has undergone in a given private business sector.

Neither business intelligence (BI) nor knowledge management (KM) can be considered a wider term for intelligence; the greater recognition that these two terms enjoy in a large number of companies is due to their extensive use in the IT sector. Nevertheless, competitive intelligence makes use of both disciplines in seeking to enhance competitiveness (both in terms of thinking and execution), rather than advocating mere knowledge of an adversary or the battlefield. To compete on the highest level, companies must know themselves, with this information, at least in part, being obtained through KM and BI.

By 1980, Harvard University professor Michael Porter had identified three strategies that companies could use to achieve competitiveness: (1) differentiation; (2) cost leadership; and (3) a focus on a narrow segment of the market. Porter had already earlier postulated that companies must consider five determining forces (today’s experts agree that there are seven) in any analysis of competitiveness: (a) the threat posed by new entrants; (b) the bargaining power of clients; (c) the bargaining power of suppliers; (d) competitive rivalry; and (e) the threat posed by substitute products. Using Porter’s five points as a guide, businesses can monitor not only technologies, competitors, products, clients, and suppliers, but also most of the events that condition a company’s future.

Since a business strategy is meant to define short-, medium-, and long-term objectives, incorporating a tool into the strategy formulation process that also enhances the decisionmaking process is useful. Once the importance of knowledge and understanding is recognized, competitive intelligence...
clearly emerges as a key element in the development and execution of an organization’s strategic decisions.  

**Defining Intelligence**

Intelligence, a fairly new, multidisciplinary field, still has a long way to go in terms of theoretical consolidation. Generally speaking, intelligence is understood in the private sector as the gathering and analyzing of data and information acquired from any source for the purpose of forecasting. It should also provide a wide framework for ideas, plans, capacities, or activities, as well help deduce their possible implications and consequences. Viewed from this perspective, CI is a firm’s use of open source information to learn about its business environment and competitors.

Millan Tena and Alexandro Comai made an important contribution to this subject by affirming that competitive intelligence is a systematic method for executing the planning, recovery, analysis, storage, and dissemination of information on an external environment, while improving the competitiveness of companies and organizations.

Using this definition as a starting point, each of its terms can be analyzed and observed for its deeper implications. The majority of the definitions developed for competitive intelligence focus on the intelligence cycle, following the line of thinking taken up as early as 1949 by Sherman Kent, and later expounded by Constantine von Hoffman in 1999, which interpreted competitive intelligence as both a process and a product. In fact, intelligence as a concept has several competing definitions. The lack of a single definition is due in part to an unresolved lack of consensus concerning what cumulative functions make up the intelligence enterprise. This issue, while thorny, is of little concern to most companies that engage in intelligence activities.

The international Society of Competitive Intelligence Professionals (SCIP) defines competitive intelligence as “the process of ethically collecting, analyzing, and disseminating accurate, relevant, specific, timely, foresighted, and actionable intelligence regarding the implications of the business environment, competitors, and the organization itself.” Summing up, this analytic process transforms disaggregated data related to competitors, the sector, and the market into actionable strategic knowledge related to their capacities, intentions, efforts, and relative positions.

In fact, those engaged in intelligence activities are concerned primarily with the most traditional aspects of intelligence: the gathering, analysis, and distribution of information. Despite disagreement regarding definitions, many of the definitions share key characteristics, with a general consensus that intelligence is more than simply information. Most agree that intelligence output is information that has been analyzed, synthesized, or
in some manner targeted towards a particular user. Also recognized is that intelligence is not just a product, but also an organizational process or series of processes.29

Common Characteristics

Although intelligence training commonly addresses its traditional aspects such as data gathering, analysis, and information distribution, no commonly accepted definition of intelligence prevails. In fact, the debate over its definition remains wide open, and a broad range of approaches to this discipline continues to flourish. In 2008, Roberta Brody of the City University of New York, having surveyed the existing definitions of CI, concluded that a single satisfactory definition of CI may, in fact, be unattainable.30

Nevertheless, all definitions of intelligence contained in the existing literature on Intelligence Studies share some common characteristics. More than mere information, it is information that has been analyzed, synthesized, and oriented to be used in making specific decisions. Intelligence is also more than a product, while keeping in mind the processes through which it is transformed into a consumable form. As the British Ministry of Defence pointed out in its publication Understanding and Intelligence Support to Joint Operations JDP 2-00, intelligence gathering need not be restricted to only secret and clandestine collection methods. In fact, extrapolating these methods to the private sector, almost all information gathered is evidently taken from open or semi-open sources. Intelligence is profoundly linked to the process of information analysis, one useful to analysts specializing in the needs of SMEs. Precisely through the use of analysis processes can SMEs make the best use of their intelligence resources. A strong capacity for analysis can significantly boost the strength of both small companies and other firms whose often severe budget constraints rule out the acquisition of expensive software programs or additional personnel devoted exclusively to these tasks.

Widespread Usage Warranted

Studies carried out over the past decade by organizations such as SCIP estimate that 90 percent of American Fortune 500 companies use intelligence tools. Yet, the same studies conclude that only between 6 and 10 percent of these companies carry out formal intelligence processes. Based upon these statistics, the tendency is to consider intelligence in the private sector as being, now and always, the reserve of a few large companies. But if employed in a structured manner, intelligence can become an effective tool open to any company, including small- and
medium-sized enterprises. In fact, the differentiating element of intelligence as a business concept does not lie in the copious application of analysis techniques or in the use of highly sophisticated IT systems, but rather in its potential as a unique process through which information is transformed into knowledge, and knowledge into products that assist individuals in making specific decisions. Intelligence is more than structured information, even more than the accumulation of knowledge. The direct link between intelligence and the decisionmaking process makes it unique and constitutes one of its defining characteristics. Only through intelligence can knowledge be transformed into value.

For intelligence to be of true value to the private sector, it should not be used merely to increase a company’s knowledge of its sector competitors. Intelligence applied to business environments must be aligned with a company’s strategy and used to analyze trends and international market conditions. The same applies to national trade strategies. For example, any country that seeks to internationalize its foreign trade with India must know about the competition in this market, and be aware of entry barriers affecting foreign companies, potential threats, and even given geopolitical situations in the region. As Andrew Brunatti of Brunel University in the UK has pointed out, intelligence is not so much about competitors as about sustainable competition.

Pilot sessions conducted during the 2011 CITEX European Project revealed that most companies do in fact perceive intelligence to be a useful tool in strategic decisionmaking processes, believing that companies need intelligence in order to take better decisions.33 Few doubt the value of open sources and their impact on a company’s capacity to obtain information. While most of the information that companies need can be found via the Internet, almost half of the participants surveyed during the pilot sessions conducted by CITEX nevertheless responded affirmatively to the assertion that secret information is key to a company’s success, although they simultaneously claimed to perceive the distinction between intelligence and industrial espionage. These responses can perhaps be explained by the circulation of stories about well-known companies’ efforts to shield their design and manufacturing processes from competitors’ prying eyes.34 While participants’ responses may signal an awareness that the decisive advantage in any decisionmaking process hinges on the possession of highly structured, singular information related to very specific key issues that represents only a minute percentage of all information hypothetically available, they also indicate that many aspects of intelligence are not always well understood.

Even though the distinction between intelligence and industrial espionage is frequently reiterated in the Intelligence Studies literature throughout the
world, the confusion between the two continues to be widespread and persistent in the private sector.

These responses stand out as being particularly significant, as espionage has little or nothing to do with a discipline such as marketing, and even less to do with quality or knowledge management. They lend strength to the argument that of a deep, prevalent lack of knowledge concerning intelligence’s value as a decisionmaking tool. They also undermine occasional assertions that intelligence is no more than an element of other disciplines that are based on the overlapping of the majority of competitive intelligence functions and those pertaining to other forms of intelligence—especially those functions related to marketing, knowledge management, strategic planning, and decisionmaking.35

WINDOWS OF OPPORTUNITY

In general, the information revolution and globalization have drastically reduced the reaction time of international competitors, creating windows of opportunity for innovative companies. Traditional ways of doing business are changing dramatically, highlighting the usefulness of intelligence as a tool in the decisionmaking process and its importance within the framework of a defined business strategy. Properly implemented, intelligence can widen the alternatives open to any organization and reduce its margins of uncertainty, thereby contributing another important dimension to a company’s overall strategy and efficiency. Increasing a firm’s level of awareness of new opportunities is a function of the right person having the right information at just the right time.

Progressive digitization has given rise to a new type of knowledge derived from the increased use of information. The communication revolution and the proliferation of information online have produced an exponential increase in the information about issues that were not previously a matter of public record. The Internet Era has therefore brought with it an amalgam of changes, not only in intelligence doctrine and practice, but also in the relationship between intelligence and its environment. This has provoked a demand for software capable of dealing with the immense volume of information to be searched. With adequate methodologies and tools, this type of activity can be carried out in less time and at a much lower cost than ever before. Hardware and software solutions that can enhance all parts of the intelligence cycle, from information collection to information dissemination, are now affordable and available to the general public.

Nevertheless, to guarantee better results, even the most advanced intelligence tools and applications must be backed by a well-structured working method. Without such a method in place, for any organization to
implement improvement measures is very difficult, whether they involve the incorporation of technical advances or the adaptation of intelligence operations to the new circumstances of the twenty-first century. This is as true for private organizations as it is for government departments and agencies.

**Utilizing New Capabilities**

Many advantages are waiting on the horizon for any company that understands and uses intelligence correctly to identify its strengths and weaknesses and chooses to develop its human and technological potential. Companies best positioned to achieve their strategic objectives are those that work hard to master the methodologies useful for classifying and prioritizing their needs with a view to accurately aligning their businesses for future development. The dearth of studies on intelligence applicable to the needs of small- and medium-sized enterprises is evident. This scarcity implies that many of today's companies and organizations remain largely unaware of this discipline and the advantages that can be derived from its application. Furthermore, although technology now offers many tools that can facilitate the work of intelligence, this profession is, and always will be, primarily dependent upon human skills and capacities to perform those tasks that are beyond the capacity of even the most sophisticated software: management, process control, and analysis.

After communicating the value of intelligence to the private sector, and convincing business management of the need to integrate it into their organizations’ operations, the next challenge will naturally be making sure that companies can find qualified professionals to fill these positions. The solution is obviously the development of a sound intelligence training program. Although such programs are already available in a few countries, the rest lag far behind the leaders.

Clear international standards for intelligence training and education would greatly benefit the entire international intelligence community, by providing a vast and dynamic network that could foster the exchange of information and open up new educational and employment opportunities in the field. As Stephen Marrin has correctly pointed out, such standards would benefit the private sector and academia as well. In fact, the private sector has a greater need for flexible, practical training programs than for traditional university degree programs. The main goal of those seeking this kind of training is usually finding gainful employment or improving their professional situations. Despite ongoing international crises, expanding professional intelligence training opportunities must also be regarded as a mechanism for creating stable jobs and new employment opportunities.
In summary, the development of clear international standards for intelligence practices would undoubtedly accelerate the integration of legitimate intelligence practices into the private sector and foster the development of an international “culture of intelligence.” The path has already been marked out by the many inspiring pioneers who made intelligence what it is today. The task now is to learn from their mistakes and failures, and build upon their successes, to create a coherent and pertinent corpus of knowledge that will secure the future of intelligence as a professional discipline in both the public and private sectors.36

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3. In a broader sense of the Wesphalian concept of the term.
14 Even in large companies, IT systems will be only a partial fix for issues relating to requirements and priorities for CI research as these systems do not remedy the failure to understand a company’s external environment.


26 For instance, there is still debate as to what extent such activities as counterintelligence and covert action factor in, if at all, or fall under the definition of intelligence.


31 Michael Warner, “Wanted: A Definition of Intelligence.”


33 CITEX: The project CITEX (Competitive Intelligence in Trade and Export); The project CITEX (Competitive Intelligence in Trade and Export; number 2189–2009/504146) is within the Lifelong Learning Programme in the framework of the Leonardo Programs launched for the European Union. ICEX is the Project coordinator and the Education, Audiovisual and Cultural Executive Agency, acted under powers delegated by the Commission of the
European Communities (EAOEA) being the ICEX interlocutor in this particular project.

