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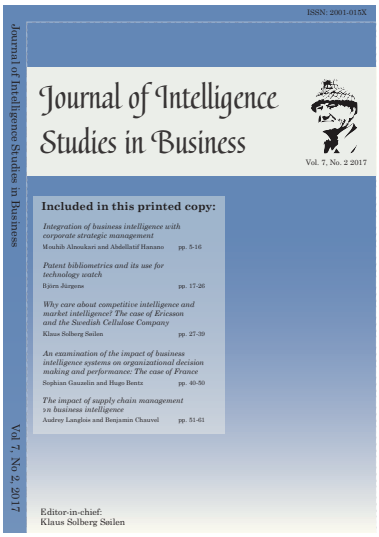

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Why care about competitive intelligence and market intelligence? The case of Ericsson and the Swedish Cellulose Company

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Why care about competitive intelligence and market intelligence? The case of Ericsson and the Swedish Cellulose Company

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ABSTRACT This article tries to show the importance of the competitive intelligence (CI) and market intelligence (MI) function by describing developments in two quite different Swedish multinational companies. We see how top management can become the problem when the company is struggling to compete and how this affects the intelligence function. In the analysis we compare the intelligence function in private companies with those of state and military organizations and draw historical parallels. Moreover, the cases show what an important role competitive and market intelligence continue to play in the age of information, especially during the past decade.

KEYWORDS Competitive intelligence, defensive position of top manager in distress theory, high salary theory argument of top managers, market intelligence, organizational theory

1. INTRODUCTION

Why should anyone working in a private company care about competitive intelligence (CI) or market intelligence (MI)? Why is it that these areas of study are not more widespread in companies today, despite the fact that the literature has existed for almost 60 years? (Alden[1], 1959; Keegan, 1974; Dedijer, 1975; Porter, 1980). Were the ideas a failure or were they underestimated for a long time?

Other management practices and bodies of literature, such as strategy or leadership, are more established both as a practice in companies and as theory in the academic literature. Why is that? Is it because competitive intelligence and market intelligence work is being done by others whose job descriptions have other names, such as marketing research, business intelligence or strategy? Or is it the haunting association to espionage that so many have been trying to disassociate from competitive intelligence? These questions are frequently raised at CI and MI conferences, especially by professionals who work in the field.

In this article I try to find an answer to these questions with the help of two cases, looking at CI and MI practices at two Swedish multinational companies: Ericsson, a Swedish multinational networking and telecommunications equipment company with more than 100,000 employees and the Swedish Cellulose Company (SCA), a Swedish consumer goods company and pulp and paper manufacturer with 44 000 employees worldwide.

During the past decade I have been able to study Ericsson from different perspectives, mapping the company's value chain (Søilen et

[1] Alden studied under Professor Georges Frederic Doriot at Harvard, a Frenchman who later founded INSEAD. Doriot like Stevan Dedijer, who was 12 years younger, fought for the US Army during the Second World War.

al., 2012) and their innovation benchmarking (Søilen and Tontini, 2013). In an article from 2010, I describe seven organizational placement models for CI, where Ericsson was the model for one of them: the special department model of intelligence. A decade ago the company placed the CI function as an advisory function to top management. The advisor had the title of "director" in Swedish meaning he was a part of the top management. He was a senior staffer who enjoyed considerable trust and authority in the company. In the other companies I looked at the CI function was placed differently. The other models described are the special department model of intelligence, the professional model of intelligence, the top-down model of intelligence, the integrated intelligence model, the down-up model of intelligence and the departmental model of intelligence. Ericsson chose the advisory model of intelligence as a direct response to problems with the special department model of intelligence:

> "The major problem with this model is isolation and its consequences. Special intelligence departments tend to close themselves in and develop projects they think but do not know will be useful for the company. Their more or less self-initiated projects will only be useful to the extent that the special department know exactly what intelligence is needed. If they do not communicate well with top managers their work will build too much on guess work, and the output will be less relevant." p. 54 Søilen (2010)

Six years later CI work at Ericsson does not fit into any of the above mentioned organizational models. A new diagnostic is needed. This raises some further questions, like what has happened in Ericsson in general and with the intelligence function in particular? Why did they leave the previous model and choose the current one?

Another Swedish multinational company, the Swedish Cellulose Company (SCA) has organized their CI activities around the special department model of intelligence. It has worked in this way for more than a decade and a half without any drastic changes. The CI function at SCA has today about ten employees and regular and formalized contact with top management, much as described in earlier research. How come these companies, who in part have the same owners, think so differently when it comes to CI and MI work?

2. METHOD

The research strategy is a case study. The purpose of the research has been exploratory, but concentrated around the initial questions. The extent of researcher interference has been minimal as I try to keep my own opinions back and let the other person speak to the very end. The study setting is non-contrived, meaning the people were interviewed in their normal environment, either coming out of work for a lunch or meeting at a conference. The unit of analysis is individuals. The data collection method is interviews and the analysis is qualitative.

To answer the research questions I use interviews conducted with key employees in Ericsson over a fifteen year period, some of whom have become acquaintances over the years. Most of the twenty-six employees interviewed at Ericsson have had key roles in CI. Others have worked with technical intelligence and with value chain and marketing issues. Some of them worked in the previous organization Sony-Ericsson and at Ericsson Mobile Platforms (EMP), which ceased operations in 2009. The time horizon for the research can therefore be said to be longitudinal.

For the current research a new set of interviews were conducted between November 2016 and March 2017. Five key employees engaged in different sides of CI and MI work in the company were interviewed for about half an hour informally (over lunch), separately and independently, meaning they had no knowledge that colleagues were interviewed on the same topic.

Conversations with SCA employees are more recent and serve here first of all as a comparison to current practices at Ericsson. Two employees were interviewed. One is the head of the CI unit and the second is a top manager who is a receiver of CI and MI products.

Conclusions are not drawn directly from what any one employee has said, but are the result of analysis of conversations with multiple people over time. In the analysis I compare the development of the CI and MI fields to other business studies. A historical analysis is attempted and a comparison between the private and the public sector intelligence carried out.

3. THEORY

In the theory part we are interested in the kinds of literature, cases and examples from the companies SCA and Ericsson (1) and theory about the problems raised in the article (2). We shall start with the first.

There are no cases on SCA and CI published as scientific material to my knowledge. Practically all papers related to SCA are on natural science topics, like storing, transport and processing for a forest-fuel supplier and pulp products. As I will not discuss these papers I am not going to cite them. The number of case studies on Ericsson are numerous but less relevant here, so not cited either. What is relevant are articles were Ericsson is used as an example for CI and MI.

The first is an article by Doz et al. (2001), where Ericsson is mentioned as one of the companies threatening American industry, "companies as Nokia and Ericsson, with roots on the edge of the Arctic". It is the realization that competitive advantage is primarily based on knowledge and that that knowledge can be found anywhere. The perspective is that "Tomorrow's winners will be companies that create value by searching out and mobilizing untapped pockets of technology and market intelligence that are scattered across the globe".

The same year there was an article by Rouach and Santi (2001) where Ericsson is mentioned as the first example of companies with a warrior attitude who take an offensive stance in the market; "The intelligence analyst is very pro-active in managing the competitive intelligence process, and continuously on the look-out for opportunities".

The year after, Herring (1992) wrote a case about business intelligence in Japan and Sweden. He criticized senior managers in the US for not taking business intelligence seriously, for "not adopted intelligence as a strategic management discipline". Japan and Sweden are mentioned as examples of countries that do take this discipline seriously. Ericsson is mentioned as a primary example.

Crane (2005) told the story of how Ericsson was a victim of industrial espionage in 2002 related to products for the aircraft industry: "The events of the industrial espionage case centered on the alleged leaking of company information from Ericsson to a foreign intelligence service". Two Ericsson employees were caught and suspended and two Russian diplomats accused of being involved were expelled.

In 2011 Gilad criticized executives for not focusing on CI. He argues that they see it simply as competitor-watching and therefore of no real value to executives. This has left their companies vulnerable to disastrous blindsiding, he concludes.

As for the second type of theory related to specific problems addressed in this paper, it is discussed in connection with each issue or argument as they appear below.

4. EMPIRICAL

Today five CI people at Ericsson work more or less independently from each other in different parts of the world. They work on different projects, many of their own choosing, and have only occasional contact with each other. There is no list of specific reports that they turn in at regular times of the year, but some types of demands are reoccurring and more frequent. It is a combination of push and pull intelligence. I shall call this *the consultancy model of CI* as it enjoys independence, freedom and autonomy but as the function and job is uncertain. Efforts have been made to bring CI staffers together, but this has taken more effort and time than is expected. The status of the employees' positions in the company is not given and they continuously have to defend the value they bring to the company and to higher management. Access to higher management is not a given but is decided on a case by case basis. Sometimes their reports receive attention and are read by top management and passed along, sometimes and more often the are not. CI work in Ericsson deals with convincing top management of the value of CI. MI is a term used to a lesser degree at present. A first conclusion is that the work is more about social intelligence, not in the sense that Stevan Dedijer gave it in the 1970s, but in the sense of 'social skills'. It is about selling CI to top management, about trying to present CI in a way that is appealing to top management. Another way to say this is that it is more about how than about what is being delivered.

As an example, one staffer found that it is much easier to be heard and kept in the loop when he asks questions instead of providing answers to specific problems. When he provided specific answers in the past he found that he was often being questioned. The more specific he was in his answers the more critical they tended to be. Top managers reacted particularly negatively towards receiving exact numbers. They often thought they knew better. This would lead to arguments and

disagreement. As a consequence the staffer soon felt excluded and the importance of his function or contribution was weak. At a certain point in time he started asking questions instead, so instead of saying "the market in Brazil looks to weaken by 15% annually over the next three years", he would ask "how confident are we about increased sales volumes in the Brazilian market over the next three years?" The new CI focus was on defining the problem area, but not the actual problem. He was now part of the analysis, but left the answers to top management. The latter approach opened the way for influence in the organization. The next question then is why didn't the managers appreciate the more accurate answers?

One reason suggested by staffers is that top managers feel threatened by exact numbers. The reasons for this may be two; for one it is often assumed that managers know best. Top managers in private companies are paid very high salaries for their knowledge and decision making skills. These decisions basically consist of two parts, one is the information set or the intelligence at hand, the other is the analytical abilities of the manager. If the actual intelligence for a decision is provided by another party, this only leaves the decision making part to the manager. In theory both parts could be made transparent, that is, it is possible to show clearly the most important pieces of intelligence needed to make a decision and it would be possible to show the analyses used for making the decision, for example a SWOT or PEST. If both elements are transparent it is possible to go back and evaluate decisions and the decision making process of each manager in a way that is not done today. It would then be possible to see which pieces of intelligence were not used or used incorrectly and it would be possible to point to mistakes in the analyses or critique could be raised as to the analysis that was selected for the given data and the problem at hand. In other words the managers' abilities and performance would be stripped naked in a way that is rare in organizations today. Owners would better be able to see what they are paying for. They could then discover which top managers are overpaid. The argument is that this is not something that the manager wants so he (it is often a he) does everything to keep the process hidden or muddled. If this is true it becomes obvious that effective CI and MI procedures can only be imposed by the owners, not by top management itself. These observations though do not explain why CI work is so different in SCA and Ericsson.

The second reason is that when the company is under considerable financial pressure due to heavy competition, like the case is today in Ericsson with Huawei continuously breathing down their neck and potential new entrants in the IP technology sector threatening to disrupt the industry, employees in general and managers in particular become more concerned about keeping their jobs. This means that they become risk adverse about their own position and more concerned with showing that any success or progress made in the company is their own doing. Top managers who find themselves in this situation do not want to admit that someone under them, a subordinate like a CI staffer, knows more about what is going on than they do themselves. As a result they become more defensive towards subordinates who think they know better. This is a confirmation of another problem: that CI deals directly with knowledge and as we know knowledge is power. By asking questions instead of delivering answers the CI staffer becomes less of a threat. The top manager can then take the information given and the credit for the decision to show that he has the knowledge needed for the job, that he is indispensable.

This view of organizational life based in critical theory is not pessimistic, but realistic and can be found in the writings of Alvesson on organizational culture (Alvesson , 2012; Alvesson, & Sveningsson, 2015). It is a view that is opposed to instrumentalist and constructionist contribution in organizational theory, as developed in the neoclassic paradigm.

I will call the first reason for lack of CI efforts *the high salary theory argument of top managers*. The second argument I will *call the defensive position of top manager in distress theory*. In Ericsson both phenomena are making the work of CI and MI less efficient and more difficult.

What was then the reason why Ericsson left their previous model of CI, according to CI staffers, one may ask? For decisions or changes of roles and functions in large knowledge intensive organizations we expect good reasons. For the question why Ericsson left the advisory model of intelligence and adapted what I have called the consultancy model of CI there does not seem to be any clear answer, at least not when CI staffers are asked. From the

interviews it seems the advisory model was left when the person who filled that position left the company and retired. No clear effort to continue the function seems to have been made. CI staffers currently at Ericsson do not remember the previous model or how they worked, nor do all remember the person who used to head it, even though he was well-known in the company only ten years ago and had worked there for more than two decades. Part of the reason may be that most CI staffers today have held the role for less than five years and came from other functions and other countries and markets before they entered into their current positions working with CI and MI. In many respects we see that current CI staffers started CI work from scratch, organically, seeing an opportunity for CI assignments and taking them, only then realizing it is a developed academic field. Knowledge of CI and MI was not passed on from one employee to another.

Is this then a defeat of the professionalization of CI, or just a new more flexible version and model? It seems clear that Ericsson has been losing competitive strength for a number of years. The failure of Sony-Ericsson was just a step in this development. The growth and strength of its competitor, Huawei, continues. In addition the threat of new entrants is becoming ever more likely in what could be a technology shift. Ericsson used to be the preferred partner in Western countries for security reasons (as they are not Chinese), but also this advantage has disappeared it seems everywhere except for in the US market (where Huawei is still blocked from major infrastructure projects).

It is a contradiction of organizational life that companies in trouble perform worse exactly at a time when they need to perform better. I shall call this *the contradictory organizational theory of companies in trouble,* but not pretending that I am the first observe such a phenomenon in organizational life.

There is also some strength to the existing consultancy model at Ericsson. It appears to be more flexible and can easily be adapted anywhere and everywhere in the organization. It is easy to set up and to dismantle, builds on continuous evaluations and it invites the use of external consultants or anyone with the right knowledge. As such it could be a CI model for companies in trouble.

From a methodological perspective the question is if we are measuring the actual importance of the CI function as such or if we are seeing a CI model in a company struggling to survive in a very competitive market. In other words, is the CI model at Ericsson a result of the situation they are in, or is the situation they are in a result, at least in part, of the way they have set up the CI function? Comparisons to other companies like the SCA suggest that it could be the latter case as the Ericsson model of CI deviates from practice in other Swedish multinational enterprises (MNEs), but more studies are needed.

SCA is a company in rapid expansion and growth, partly through new acquisitions, but also though reorganization. None of this has altered the CI function in the company, which follow an old established model. A few years ago the CI department had to cut staff by two employees, but increased efficiency in the department has led to even higher output and more professional standards. The structure of the CI department is the same and they deliver the same standard reports each year more or less. Their work is defined by regularity, stability and mutual trust.

The question for the analysis is: is the consultancy model a good choice for Ericsson in their current situation? Should Ericsson and other companies put more emphasis on CI? In other words, does CI matter?

5. ANALYSIS

Companies in difficult situations tend to be a bit like mediaeval rulers, who will decide to execute the messenger. This resembles the role of the CI specialist in Ericsson. By changing his role from one of being a bringer of facts to one who asks questions instead the CI specialist managed to save his life, but only to find himself turned into another medieval figure, the court jester. The court jester is focused on pleasing his superiors, not on delivering need to know information and telling the truth.

When a company is in a difficult situation the organization tends to becomes more political, and therefore less concerned with facts. Managers become occupied primarily with defending their own positions and existing perks rather than with keeping the company alive. If everything goes wrong financially managers can jump ship and find another company to work for. With the high salaries they are given they can afford to take their time when looking for new opportunities. As long as they do not make any outright mistakes that lead to disasters for the company they will be able to leave the company with

good references. Those who stand to lose the most in this are the owners. Thus it is in the interest of the owners, more than the managers, that a good CI function is put in place. The problem is that this is not a decision normally made by owners, but by the managers. This then is a catch 22 situation in management theory, a problematic situation for which the only solution is denied by a circumstance inherent in the problem. Owners could realize this and play a more active role, for example by giving directions from the board, making the company implement an active and extensive CI model in the organization, given that it can be made to lead to better decisions.

5.1 Managers' unrealistic expectations of the intelligence function

Another problem that was raised in the conversations with Ericsson employees is that managers often have expectations of the CI function that are too high. They expect to be able to "see into the future", what unfortunately is promised in much of the academic literature, for example on the topic of "foresight" and by consultants eager to sell business intelligence solutions. As Agrell (1998) reminds us, there is much talk about breakthroughs in this area, but it is still much about guessing and making mistakes (p. 118). Not much has changed in this area. It does not mean that studies of CI are useless. On the contrary, what we have developed in the study of the scientific method in the social sciences gives us more information than if we did not do any analysis at all. This then should be the first insight. Instead of waiting for the next management guru, managers should assure that their analysts are well trained on the topic of science and the scientific method and not duped by promises of theoretical revolutions in other disciplines.

Managers often take in consultants when they want to make changes but do not want to stand for the consequences. For example, sacking employees is then the result of an external report and "was not what the management wanted", it is argued. In somewhat the same way management gurus are brought in to spread uplifting ideas in any area where enthusiasm is needed regardless of whether it's true or not. Instead these services are often a simulacrum of doing something or of looking like the organization and top management are up to the task. Managers take in CI specialists to talk about the future and what will happen in the future, thinking that by talking about it the organization stands a better chance at an actual prediction.

Predictions of the future can be correct when the future is a close function of the past and current events, when there is a pattern and a clear logic to follow, but not when there is a break with normal logic. We can classify different types of differences that break with this logic and therefore are almost unpredictable; innovation is one example (1). A sudden unexpected innovation that leads to a new product like the touchscreen on mobile phones was what drove Sony-Ericsson out of business. Another group of changes is disinformation (2), when we chose to believe something that is put out there that is willingly and misleadingly false; as when companies stack great piles of empty boxes in front of a store to signal that they are successful. A third type is natural catastrophes (3). Trends are less of a game changer as they are easier to predict. For example, duffel coats seem to come back in fashion every 5 to 7 years. We can often tell a year in advance, but the logic here is commercial: the time it takes a consumer to throw away his old coat.

So, are there no advances when it comes to foresight since Agrell made his observations? Yes, there are, but not in the field of management or the social sciences. With the development of big data, data mining and business intelligence application companies are now able to make better predictions that can be derived from historic data. For organizations who own very large sets of information like Amazon, Google or Facebook, data mining can reveal detailed patterns about our behavior and general preferences. However, artificial intelligence (AI) as discussed today, mainly builds on the historical method, assuming the customer will do as he has done. This method is far from perfected today. As an example Amazon can still not guess what I will buy next, even though they are trying very hard to do so (basically assuming that I want more of the same or combining it with something I wrote in an email or searched for). The internet giants know what my interests are and when I type 'Malaga' in the browser or somewhere it can access or exchange data with, but they assume I want to go there and offer a rental car, which is a fair guess, but wrong (I was just corresponding with a colleague at the university there). And still, these new

intelligence techniques built on what I type are more useful when it comes to questions of customer purchases than what will happen in world politics. The technology works fine for selling targeted or tailor made advertising, but will not answer our question about what Ericsson should do in the Brazilian market in the next three years. Another problem for Ericsson and all companies that are not in the big data business is that they do not have access to this kind of information, as it is not shared by the internet giants. Our behavior becomes their property which they do not share with others, not even with us. Our data becomes their currency; what we pay them with when we access their services "for free". Instead of money we have given them pieces of our lives, even our private photos.

For business intelligence software to be valuable, larger amounts of data are needed. Companies like Ericsson can buy a lot of data or rent it, for example with Data As a Service (DaaS), but it will not come cheap. Consequently, the results of the exercise of implementing these systems for companies, even for larger companies, are often a disappointment when it comes to the broader questions, which are relevant for the CI function. Another problem is that managers tend to be uncritical towards the answers coming out of or from these systems. In other words, there is an over-belief that foresight is possible with new technology, a view that is pushed forward by managers and consultants alike of reasons I have tried to show.

5.2 The problem of the CI job description

Participants at CI and MI conferences often complain that intelligence work is not defined as a proper position in the company. They would like it to be so, or are even promised that it will be so by their superiors, but end up doing a whole range of other tasks in the company instead or in addition, like more general marketing and sales. So those interested in CI work often express a feeling of disappointment vis-à-vis the specialization. This has been the case for the past 17 years that I have participated at conferences and probably much longer. The question we must ask is if it is a failure of CI and MI that it does not correspond to a proper full time job description.

The two cases give little insight into this question as employees at both Ericsson and SCA are labeled something with "CI". In the case of Ericsson the CI specialists have job descriptions that say CI specialists or similar, for example "director of competitive intelligence". This is also the case at SCA and in numerous larger Swedish MNEs. However, in most companies employee's engaged in CI have different titles, liker sales manager, director of HRM or key account manager. CI is not a major part of their job description and does not occupy most of their time at work. There is no indication that companies who do not have full CI positions perform any worse. It seems, at least in Sweden, to be more a question of the size of the company. Performance seems to be more related to how they work with CI, but future studies should look at this.

There is a wish by many CI professional and larger companies to develop departments of intelligence. Those working with CI at Ericsson for example seem to favor this. In SCA this is already the case. In Ericsson such a department was never developed, as they followed another model, but it has existed at companies like SEB for more than 100 years. So, established CI functions are far from a new idea and far from uncommon.

Part of the reason why employees focus on positions is the way we think of departments. Most disciplines in business started from the perspective of departments that exist in companies. There is a human resource department, so there must be a study of human resources or human resource management (HRM). In the same way there is an accounting department and there is a marketing and sales department and we study those fields with their proper subjects and courses. There may also be a finance department or employees working with finance and controlling. Managers deal with strategy, leadership and decision making, so those are other well-developed areas of study but without a proper department. Then there is the sociological perspective as in the study of organizational behavior, a sort of from-outside-perspective by sociologists or academic outsiders. CI can be its own department, but it can also be something mangers do, just like leadership or strategy. CI and MI as a working process are not typical for any one department, but may occur in different areas such as finance or in marketing. This may also explain why organizations must reach a certain size before it makes sense to turn the CI or MI function into a proper department or position. It does not mean that these functions are any less relevant than accounting or HRM. It will be suggested next

that it means that the intelligence function in private organizations is lagging behind its equivalent in the public sector.

5.3 The intelligence function in private and state organizations

We have entered a new phase of the information age when the average private organization can access the amount of data and information that was previously only available to state and military organizations. We easily find facts with Google, Facebook or LinkedIn. We study detailed geographical images with details for buildings and trucks on Google Maps or use GPS tracking devices. We leave reviews on TripAdvisor and set up cameras for surveillance that are linked to face recognition. In addition we now all publish and we can read what others publish, for example on Twitter. This leaves an abundance of information about everyone and everything which resembles the capabilities that only states used to have. What used to be accessible to state intelligence is today within the reach of everyone with some basic internet resources.

The notion of competitive advantage builds on knowledge and knowledge in turn builds on reliable information, facts or intelligence about the world and all the things in it. A private organization today with a small intelligence department can gather more data than what the state could do only a decade ago. Thus the idea of a professional intelligence model in private organizations has never been more convincing.

Strategy builds on the assumption that managers today have or know how to find information needed to make good decisions. This assumption must be questioned. Managers in the private sector, unlike their counterparts in the public sector—such as generals, ministers or heads of states—get most of the information they need themselves, either by what they know, by whom they know and can ask or from reports they buy and read. The logic in private organizations is that it is assumed managers are well informed and make the right decisions without much assistance because that is what they are paid to do. In the running of the state, where pay is considerably lower, ministers are surrounded by advisors, special departments that can do research, and call in the best experts. Besides they have a large intelligence organization at their disposal for both internal and external information.

It has been suggested in this article that the high pay is a reason why the manager does not like to listen to advice, especially not that given by people further down the hierarchy. What we have to ask is why the situation for ministers or generals is so different? Why is it that generals are dependent upon support and value and appreciate intelligence and the help from the intelligence department while most managers do not?

When we look at history we find that the generals were in the same situation as managers are today. During the Napoleonic wars the general ruled all by himself, as he was considered a military genius, he simply knew what to do. He had spies out looking for what was happening in different directions, but no intelligence unit helping with coordination and processing information to make decisions. Instead he stood on a hill a bit away from where the main action was taking place and sent out his orders. When the army won everyone thought he was brilliant and he would ride down from his hill and make a spectacular entrance into the city like a Roman military leader. In some sense the practice of management today is not that different. When managers succeed they are rewarded with salaries that are many hundreds of times higher than those of an average worker, they get bonuses and their portrait on the front page of Fortune magazine.

It was first later with the development of the Prussian and Russian military command that a second department was formed, one engaged with special responsibility not for engaging in war - that was the responsibility of the first department of “the general command” - but of strategy and intelligence. In this way a superior army was produced and the organizational model soon copied by other nations. From then on intelligence organizations became standard in the military and have been so ever since. Sometimes the army will experiment with mixed, shared or integrated models of intelligence, but so far these versions have not been convincing. As an example, in Sweden it is accepted by many that the air force has the best intelligence organization because they have been organized in their own separate department for a longer time and have more experience as specialists.

In the next stage the military intelligence model became a standard for the way the state was run, to assist ministers and heads of states. The logic was that if the military can make better decision with an intelligence

organization so can the state. Later this function was again divided into a domestic and a foreign branch, which made sense as these are two very different specialties or domains.

It's easy to forget that the professionalization of the intelligence functions in the military and the state is less than a century old. The CIA was mostly built up around the experience the US had working with the British during the Second World War. The NSA was mainly built as a response to the failure of Pearl Harbor. The number of intelligence personnel working for the state today runs into the millions. No one in the military and no heads of state today will seriously question the importance of having an intelligence organization or department. It is more a question of its size, efficiency and what priorities the organization should have. The question we have to ask is if the private sector is so fundamentally different that it can ignore these developments? Is business life not also basically about gathering information and about decision making in a race for a competitive advantage and ultimately for the survival of the firm?

After we entered what is called the Information Age the answer seem to be clear, especially when we consider how information and the internet has come together during the past decade. Just like the 1980s and 1990s were about logistics with IKEA, Dell and Walmart, the early 21st century is about data. Facebook is not about friends and Amazon is not about books. They are both about reaching as many potential customers as possible to gather as much data as possible. The basic human need for friends just happens to be a way to achieve that. Amazon started to grow by selling books, but soon discovered that they can now sell almost anything. Their data centers are not that different from those of the NSA or equivalents in other countries, gathering data about people 24/7.

Both the public and private sector are run according to the principle of competitive advantage. States need annual increases in GDP to guarantee their citizens a higher standard of living, so they compete economically with other nations. A failure to bring about economic growth on a continuous basis will lead to a weakening of the state when compared to other states. For their citizens, this means a lower standard of living. Economically weak states are prone to social instability and poverty, and in the end to dictatorship and revolutions as we have seen several times in modern European history and which we will see again.

We remember that the modern study of economics started with the notion of competitive advantage with Adam Smith in 1776. The question was what makes a state prosper. CEOs are concerned with the same question, how they can compete with other organizations, and eventually how they can make enough money to satisfy investors and owners. Right now Ericsson is wondering how they can compete with Huawei. If they fail to achieve this, Ericsson employees will lose their jobs, and in the worst case the company will go bankrupt or cease to exist, like ST Ericsson, its daughter company, did.

Like states, companies today have to take advantage of the great amount of information available to them. The existing business literature and the study of economics in particular have not drawn the right conclusions from this paradigm shift.

On one side the amount of data available for making good decisions has increased beyond the wildest expectation. On the other side the costs of this information have become so low that it's available to almost any company and any person with some data equipment and an internet connection. Competitive advantage today is to a large extent defined by how companies access this information and what conclusions they draw from it. This is an impossible task for a manager to succeed with by himself. He does not have time to read and digest the amount of information needed, in many cases he does not even know where to start looking. This is a situation that resembles that which the state and military organizations found themselves in not much more than a century and a half ago.

Good information or intelligence has been assumed in the study of economics and later in business studies and the management literature. There is also the assumption given by vendors in particular that computers will do it all for us, that it's enough for the manager to buy the right software (business intelligence) and the machine will give the answer. Instead, as we have seen, the software is only as good or helpful in decision making as the quality of information we put into it, according to the formula garbage-in-garbage-out (GIGO). Consultants today say they have an answer to this problem with DaaS, the idea that if you do not have the data to put in to the machine yourself then you can buy it, or rent it, but today this mainly works for certain questions

and problems, what we could call "library questions", where the clue is to look up something (Søilen, 2016). For more typical intelligence questions, of things we do not know, dealing with future scenarios, we need data input that comes through a comparison of current events with a broad reading (not so much management literature as literature, history and philosophy) and extensive travelling (understanding other cultures, which includes learning other languages). This you can only get through a good general education, extensive reading and experience. Our computers are not there yet. Instead computer systems are good at delivering one kind of data (Søilen, 2016).

New technology is also a threat to companies. Today every individual is a potential spy. Corporate espionage has become a big problem, its consequences still underestimated. Hackers can easily be hired to break into competitors' data systems and security systems are often weak. Companies are closing their eyes to encryption afraid that it will make business communication more cumbersome. Those industries that are being hacked, like banks, keep quiet about their losses and do not report about the hackers successful entries into their systems afraid that it will scare customers to withdraw their money and move to another bank.

The next development in technology will be perfect voice recognition which will make counterintelligence an even a bigger problem. A competitor can then call an employee pretending to be someone from his work. This technology has again triggered new counterintelligence technology, like programs that can detect if the voice is real or not, but adaptation of such systems will lag behind for a long time.

With internet technology corporate espionage has become massive as it has become easier and less risky to break in to corporations and steal assets such as money or intelligence. Private organizations are facing many of the same threats that used to be the problem only for states and military organizations. This is yet another indication of how relevant the intelligence parallel is for both worlds. To deal with these new threats companies need to catch up and start to think of themselves more as intelligence driven organizations. They are already living in an intelligence reality but they are lagging behind in its implementation.

One reason companies do not think of themselves as such is that they use other terms for the same activities. For one thing we say information instead of intelligence even though all organizations make a distinction about the quality of the information gathered. For Facebook the information that a customer opens the application is less valuable than actually clicking on specific posts and some posts give more valuable information than others, for example a customer clicking on a specific advertisement. Another example of the use of different terms is human intelligence (HUMINT), gathering information from people we talk to in person. It is such a natural way of doing business that business people hardly ever think much about it as such. Sending out agents to gather information on customers and markets is not spying but what the marketing department does when it talks about market research. We do not talk about interrogations but deep interviews. Sometimes the notion of an agent is used in theory, but it is rare.

The relationship between the intelligence provider and the decision maker, or the CI person and the manager can be understood with the help of principle agent theory. The relationship between the agent and the principal is one of mutual dependency, where the principal is best served by the ordering and delivering of good information over time, slowly. The agent must learn what kind of information is needed and the principal must learn to trust the agent and the information that is given. It should be a professional relation built on mutual trust and as such the logic is quite similar in the public and private spheres. These are just some examples. Avoiding the intelligence lingo is a deliberate effort by companies to avoid the stamp of being brutal, aggressive, or of being spies, with all the negative associations that brings. The ethical dimensions within the phenomena are very similar. The separate sets of terms may in part explain the reason why CI and MI have been late to develop in private organizations.

In Ericsson the CI function is lacking today. The company may still survive and prosper as most measures of success are not related to this question. The current CI model in Ericsson may also be part of a transitional phase, but it is more likely to be a symptom of an organization that is struggling uphill, a company losing its competitive advantage. It is symptomatic that the organization does not remember how the company used to do CI only a decade ago, who the people who worked there were, to say nothing about how they worked. What is worse, Ericsson seems to have limited

knowledge about their competitors. CI people have not even been to Schenzhen to study their biggest competitor and are more often than not unfamiliar with Chinese culture. As such they remind me of Western students in Sweden who prefer to stay in town and party when there is a school break, while as the Chinese students hire a cheap car, fill it with staple food and drive to the North Cape. Competitive advantage is just as much a question of mentality.

The CI problem is not solved by throwing lots of money at it either. Expensive CI is not the same as good CI. Few American companies put more emphasis on CI than Motorola Inc. The company failed and it all happened quickly, as it did for ST-Ericsson. In the case of Motorola Inc. the company's production costs were too high and overestimated the value of their high end products. Ironically it was later bought by a Chinese counterpart and continues as Motorola Mobility. As competition intensifies the speed by which huge companies are brought down surprises everyone.

These examples are not exclusive to private organizations, but are also familiar to nation states. In June 1967 the Egyptian army was knocked out by a superior Israeli air force and, as they had no information about what was going on at the front, the war ended abruptly. Stasi, the intelligence organization of Eastern Germany, was known for knowing everything about everyone in the DDR. Still they were taken by surprise when the revolution broke out in 1989. Over a few nights there was no Stasi, not even a DDR.

From a theoretical perspective it is the social sciences that are failing (Søilen, 2017). The social sciences are still in their infancy, struggling to find their guiding paradigm and a common project. As such they in the same positionas the study of biology was at the start of the 19th century: highly fragmented and rather unscientific (Mayr, 1942). The discipline of intelligence studies in business is a part of an attempt to change the focus and paradigm for the socials sciences by trying to study a phenomenon that is relevant in a way that is relevant (method). Until it gets more recognition it is a discipline and a profession that will have to accept a place in the background. It does not mean that these areas and the people and what they do are less relevant, on the contrary.

6. CONCLUSION

In this article we started with the question of why anyone should care about CI and MI by looking at theory and practices in two Swedish multinationals, Ericsson and SCA. The short answer is that data or intelligence is the future of success for all companies that rely on computers systems as part of their business idea or model, not just big data, data mining and business intelligence but CI and MI. This is something companies have known for a long time, but which few have been able to implement. So, the interesting question is not why it is important or why anyone should care, but why it has not happened. This then is the real question which this paper tries to answer.

When SEB started its intelligence unit more than 100 years ago in 1903 the head of the bank Markus Wallenberg Sr. sent a young lawyer by the name of Richard Julien out to travel and to read, to learn French and figure out how the French banks managed to be competitive. When he came home Julien established an intelligence unit within the bank, camouflaged as "the statistical department". It basically dealt with what we should call financial intelligence today, trying to understand different industries and the creditworthiness of specific customers. Since then many Swedish MNEs have followed and have developed formal CI functions within their organization.

SCA has a well-oiled, well proven and systematic CI function today. The way they are organized fits with what is called the intelligence department model. About ten CI specialists work to produce mostly standard and timely CI reports. The CI unit is now also involved in the upcoming splitting of the company into two independent units each with their own CI capabilities. SCA follows more closely a typical CI and MI development than does Ericsson.

CI work at Ericsson seems to be effected by the difficult competitive position the company is in. To describe the current intelligence model used in the organization we could not use any of the existing models, but defined a new one: the consultancy model. This model does not have to be inferior to the other models in terms of performance and efficiency, but CI function is struggling. The company does not seem to understand its competitors. Employees seem more concerned about job security than finding out what needs to be done. CI staffers use much time to try to sell their analyses to top management. Instead of leading to necessary changes in competitive, the current crisis in Ericsson has led to the organization and its

managers to become more political. Employees are putting their own interests above those of the company. In times of crisis when the demand for intelligence is the greatest the company is not succeeding with CI.

A decade and half ago there were serious discussions in Ericsson as to where to put the intelligence function. Ericsson was following in the footstep of other great Swedish companies who understood the value of good intelligence, like SEB. Today's CI staffers in Ericsson do not remember that process, or the names of the people who led it or how they used to do it. This does not mean that CI staffers do not do a good job, but the conditions have deteriorated.

SEB and Ericsson have more or less the same owner, the Wallenberg family. The family is the largest single owner of SEB with about 20% and of Ericsson with about 22% of shares. The second largest owner of Ericsson is the Lundberg family, who controls Industrivaerden AB. SCA is a minority owner of the same investment company. The companies that the Wallenberg family control seem to follow quite different CI practices, but future research needs to confirm this. One reason may be that the owners are less involved with CI questions.

I have argued that management theory and practices are living in a Napoleonic logic where the manager is seen as a genius, much like the military genius. It was an idea that developed in the 1980s. I argue that this is harmful for the interest of the company, as Napoleon was harmful for the state. I also try to show how the private organization can learn much from state and military organization when it comes to intelligence work. It is the status of genius or guru that allows the manager to claim such a high salary or special perks—remunerations that are many times higher than what is accepted in the public sector. An efficient intelligence system could make the job of the top manager more transparent. How the manager gathers intelligence, and makes decisions as a result of concrete analyses can show what contribution he actually makes to the organization. Further studies are needed to look specifically at how these processes unfold. The whole problem should be interesting to study from a psychological perspective. It will be argued that management theory has not been sufficiently critical when it comes to the managers' contributions to the organization. It shows that intelligence studies in business and other areas of studies have an important role to play to uncover the mechanisms that lie behind good decisions. Another way to say this is that much management theory builds on a wrong assumption, that of the all-knowing manager.

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