

Investigation of Relationship between Organizational Intelligence and Competitive Strategy in Banks

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ABSTRACT

The present study tries to investigate the relationship between organizational intelligence and competitive strategies in headquarters of Iranian banks. To this end, 364 employees from public, private and specialized banks headquarters were chosen as sample. This study is an applied one and it is of survey and correlation type from data gathering perspective and data gathering tool was questionnaire. Findings of the present research show that organizational intelligence (OI) has positive significant relationship with competitive advantage (CS) and also a bank with higher OI has a higher CS. The results were obtained through SPSS and were analyzed using Pearson correlation test due to normal distribution of data. As results showed, both OI and CS dimensions were acceptable.

KEYWORDS: organizational intelligence, competitive advantage, leadership strategy, concentration strategy, differentiation strategy.

INTRODUCTION

Those who are aware of the business environment of the organizations in the world know that organizations are undergoing changes. Two main pressures that are exerted to the companies are: the high speed of new products introduction and competitors copying the products. Those companies that do not try hard will be eliminated from competition. Lack of long-lasting commitments between organizations and employees is also a factor that makes employees worried about their job security. Today, delegation of authority has a new shape and the day of direct ordering and severe controls is over. All these have caused organizations be in a new space with respect to 10 years ago. Why some of the companies stay in competition arena and some else become eliminated? Why some companies change quickly but some others leave the arena? As Albercht believes, OI is an important factor that is ahead of today organizations and will become critical later and the need to absorb competent workforce is very vital. The simple reality is that business success is related to the capabilities of a small number of smart employees. These are employees that can plan, organize, lead, manage, analyze, conceptualize, strategize, decide, innovate, educate and advise and clarify ideas. Managers should also observe managerial points to stay in competition. One important concept for such organizations is OI that we want to study it and its relationship with CS in several banks (Alberkht, 2009).

Organizational intelligence

OI is a new concept in management and is increasingly becoming more important in organizational theory. Alberkht (2002) defines OI as the talent and capacity of an organization in moving its mental power and concentrate this power on arriving at organizations mission (Alberkht, 2002). An organization can confront difficult circumstances very well; Week and Roberts call these interactive patterns organization's thoughts set (Matheson, 2001). OI theory tries to identify the abilities and weaknesses of organizations through measuring their smartness and present solutions to improve organizational performance based on results. Therefore with doing such studies, it will be possible to identify smartness, learning capacities, morale, and prospects of the organization and improve efficiency and affectivity of the organization (Faghihi and Jafari, 2009). Helal et al see OI as a function of 5 subsystems as follows: organizational culture, the beneficiaries relations, knowledge management and strategic processes (Hutchins, 2002). OI is the talent and capacity of an organization in moving its mental power and concentrate this power on arriving at organizations mission. OI is a combination of all competencies necessary for an organization's living. These skills include capability to adapt to changes, quick responding, flexibility, imagination and rebuilding power (Slater, 2002). McMaster sees OI as a capability of an organization as a total in gathering data, innovation, knowledge management, and knowledge-based actions. He sees OI as the capability to navigate, being reasonable and flexible, creative actions (Mcmaster, 1996). Youls (2005) believes that OI includes organizational learning and knowledge management (Yolles, 2005). Younland sees five elements for OI as: organizational memory, organizational knowledge, organizational

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learning, organizational relation and organizational conclusion (Younland, 1994). Matsuda defines OI as the intellectual ability of an organization for solving its problems. Technical intelligence describes the organization's ability to process knowledge and data but human intelligence is more important than technical intelligence, because successful use of technology depends on human intelligence or intellectual competencies (Matsuda, 1992). Liebowitz defines OI as follows: the total smartness of an organization that is used to create a common viewpoint, revision process and guiding the whole organization (Liebowitz, 2000).

Seven dimensions of OI:

Carl Alberkht in 2002 in a book titled: thinking power in work: OI in action, points out that one of the main functions of OI is preventing from collective lack of smartness. He believes that success will be reached while smart individuals, smart teams and smart organizations are present. He presents 7 dimensions for OI. He believes that these seven dimensions are features and not a combination of behaviors and structural characteristics. Each of these seven dimensions has its own causal factors. These factors can be good leadership, suitable processes and products, market demand, integrated missions, clear goals, pivotal values and policies that will determine behaviors and rights of employees. In every dimension factors can be identified that are effective in maximizing intelligence (Alberkht, 2003).

Strategic prospect: This means a feasible plan for leading an organization towards its main goals.

Common destiny: human beings gradually have learned participation and working value. They firstly helped their own tribe's members. They learned how to put their forces on the others' and reach synergy. Employees' participation is a process that aims to encourage employees in participating in organizational success.

Propensity to change: individuals are the main asset of organizations. People want and must grow and personal growth is a motor that improves organizational performance. Change must be in all aspects of an organization.

Morale: while an employee is blessed with physical and spiritual welfare due to satisfaction from his/her job, in a way that he/she feels common goals with other members of the group and also does voluntary cooperation, such an employee has morale.

Unity and agreement: unity and cohesion affect efficiency and then efficiency affect cohesion. Friendship reduces tension and provides a favorable environment to reach organizational goals. Achieving goals and feeling to be a member of a successful group will increase the commitments of employees.

Knowledge application: If an organization is not able to apply knowledge appropriately, it cannot succeed in competitive situations. Organizations do not have any alternative but to apply knowledge in its right place.

Performance pressure: organizations can evaluate their employees performance to check which one of their programs is effective and therefore to identify weak employees. Also it is possible to determine a base for awards. Performance evaluation will be a base for salary increases (Piry, 2006).

Competitive strategy

Porter focuses on competitive strategies, while other authors concentrate on marketing strategies (Gemavat, 2002). Maybe the reason for importance of matter is that both marketing and competitive strategies are regarded as business strategies (Manan, 1999). On the other hands, in business level competitive and marketing strategies try to improve competitive situation and marketing strategy in product level try to present some tactics to reach business goals (Sanderson, 1998). It is obvious that reaching such goal involves designing a smart competitive path which is of course ambiguous and complex (Slatter, 2001). Business strategies help achieving strategies and goals (Homborg et al, 1999).

Cost leadership strategy: The organization tries to reduce the costs in order to be able to present products with lower prices.

Differentiation strategy: is when an organization tries to be unique from some aspects that are valuable for customer and therefore present its products with a higher price with respect to other competitors.

Concentration strategy: the organization chooses some parts of an industry that might have some advantages and of course this strategy can be based on cost reduction or strong differentiation (Porter, 1996).

The authors believe that OI is related to competitive strategies success; therefore the main goal of this research is identifying the relationship between OI and CS.

LITERATURE REVIEW

Lefter, Permerian and Vasillakhe have done a research titled "dimensions of OI in Romanian companies, human capital prospect". The main goal of the mentioned research was to present a general scheme of the Romanian companies' employees' success considering the seven dimensions of Alberkht. The results showed that only 3 percent of the employees in large companies were aware of OI concept and small businesses employees did not know this concept. In spite of this, the results showed that OI was average to high (Lefter, Permerian and Vasilakhe, 2008). Chekir and Ada conducted another research titled: "is it possible to develop OI of school through job-time education" in turkey. The aim of the research was to determine strategic analysis

effect (abilities, weaknesses, opportunities, threats) on OI. (Chekir and Ada, 2008). Alireza Faghihi and Parivash Jafari conducted a research titled "the amount of OI components in educational research and planning organization". Based on research results, solutions have been provided to improve OI in the mentioned organization (Faghihi and Jafari, 2009). Malihe Torabzadeh Kashi conducted a research titled "investigation of OI in Saipa Plaskokar company using Alberkht model". Results showed that OI for the company was 4.52 which was greater than 4(theoretic average). Solutions were provided to improve OI in the mentioned company (Torabzadeh, 2009). Ali Siadat, Iraj Kazemi and Marzieh Mokhtari did a research titled "investigation of OI and team leadership relationship among Isfahan public universities scientific Board". Results showed relationship between the two components (Siadat, Kazemi and Mokhtaripour, 2009). Masoumeh Erfani KHanghahi and Parivash Jafari did a research titled "direct and indirect effects of transformational leadership style, learning culture and organizational learning on OI in Azad University of district 8". The results showed that the 3 variables can affect OI of universities positively (Erfani, Khanghahi and Jafari, 1389).

RESEARCH METHODOLOGY

The present study is among applied and descriptive research based on its goal and topic and hypothesis structure. In this research we aim to describe OI dimensions and their relationship with CSs of banks. In view of the fact that in this research OI and CS relationship is dealt with, correlation test is used. Therefore Pearson correlation test was used to analyze data.

OI is the independent variable and CS is the dependent variable.

Considering the goals, research type and variables, the hypotheses are as follows:

Main hypothesis: there exists significant relationship between OI components and CSs improvement.

Subsidiary hypothesis 1: there is significant relationship between OI and cost leadership strategy(CLS).

Subsidiary hypothesis 2: there is significant relationship between OI and differentiation strategy(DS).

Subsidiary hypothesis 3: there is significant relationship between OI and concentration strategy(CS).

Considering upper hypotheses, OI is related with CSs of an organization. dimensions of OI are strategic prospect, common destiny, propensity to change, morale, unity and agreement, knowledge application and performance pressure. Competitive strategy involves 3 dimensions of cost strategy, differentiation strategy and concentration strategy.

Figure one depicts the relationship between hypothesis variables in the form of a conceptual model.

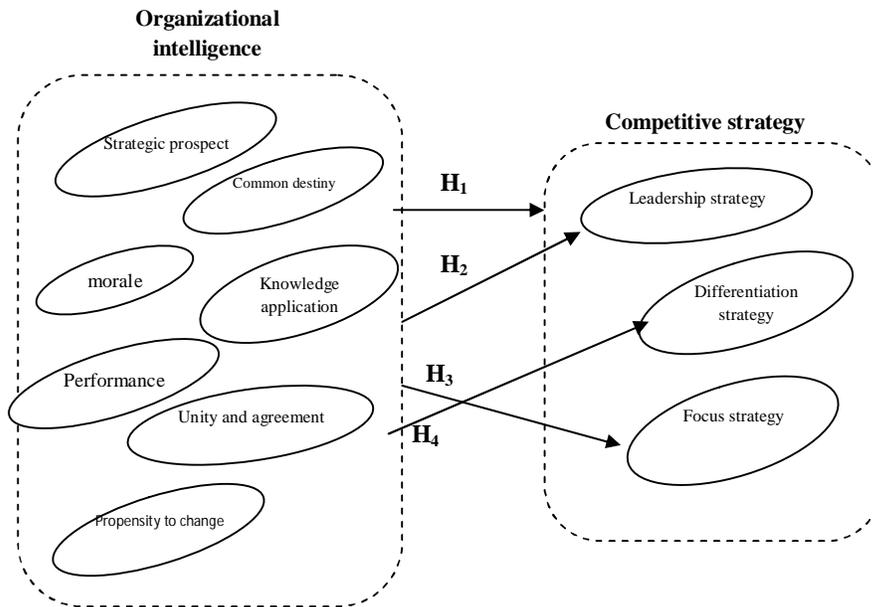


Figure 1: relationship between hypothesis variables (hypotheses variables relationship).

To gather data needed for testing the hypotheses, standard questionnaire with 5-point Likert scale was used and the resources and tools were verified by specialists. To measure content validity of the questionnaires after specialists verification, the questionnaire's points average were calculated and the opinions of many specialists were between related and very related and all of the questions from specialists' point of view had the necessary

validity .Also to test reliability, SPSS software was used and Chronbach's alpha for OI questionnaire was 0.935 and for CSs questionnaire was 0.853. Statistical population of the test was headquarters employees of public and private banks all over the country that were 6770 in number and from Cucheran's formula, sample size was 364 people. To analyze data, descriptive indicators like frequency table, mean, median, variance and Histogram graphs were used and Pearson coefficient of correlation was utilized.

Data analysis

A. Descriptive results of the research

A-1. Demographic data

Based on the sample size which was 364, demographic data was as follows: respondents were 81.3 percent men and 18.7 percent women. Age classification result showed that 3 percent of the respondents were fewer than 25, 42.3 percent were 25 to 35, 37.9 percent 36 to 45 percent and 16.8 percent were 46 to 55 years old. 86% were married and the other was single. From educations level point of view, 0.5% had diploma degree, 9.9% were associates degree, 46.7% were bachelor degree 25.8% were MS and 17% were PhD.

A-2. CS and its dimensions in banks

In order to investigate and answer this question, mean test of one single population was used. Considering the points from sample and doing one-sample T-test, the results were summarized in table 1:

Table 1: mean test for one population ($H_0 : \mu = 3$)

| variable | mean | SD | T | Sig | Upper level | Lower level | Variable condition |
|-----------------------|--------|---------|--------|-------|-------------|-------------|--------------------|
| Focus | 3.2933 | 0.72665 | 7.700 | 0.000 | 0.3682 | 0.2184 | appropriate |
| Cost leadership | 3.5952 | 0.75748 | 14.992 | 0.000 | 0.6733 | 0.5172 | appropriate |
| differentiation | 3.6451 | 0.77473 | 15.888 | 0.000 | 0.7250 | 0.5653 | appropriate |
| Competitive advantage | 3.5116 | 0.59072 | 16.522 | 0.000 | 0.5724 | 0.4507 | appropriate |

A-3. OI variable condition and its dimensions in banks

In order to investigate this question, one sample mean test was used. The results are summarized in table 2.

Table 2: mean test of one population ($H_0 : \mu = 3$)

| Variable name | mean | SD | T | Sig | Lower level | Upper level | Variable condition |
|-----------------------|--------|---------|--------|-------|-------------|-------------|--------------------|
| Strategic idea | 3.4733 | 0.62404 | 14.470 | 0.000 | 0.4090 | 0.5376 | appropriate |
| Common destiny | 3.4867 | 0.61995 | 14.979 | 0.000 | 0.4228 | 0.5506 | appropriate |
| Propensity to change | 3.2525 | 0.66591 | 7.234 | 0.000 | 0.1838 | 0.3211 | appropriate |
| Courage and temerity | 3.6103 | 0.64644 | 18.014 | 0.000 | 0.5437 | 0.6770 | appropriate |
| Unity and agreement | 3.6231 | 0.62399 | 19.052 | 0.000 | 0.5588 | 0.6874 | appropriate |
| Knowledge application | 3.3751 | 0.76464 | 9.360 | 0.000 | 0.2963 | 0.4539 | appropriate |
| Performance pressure | 3.4161 | 0.92682 | 8.554 | 0.000 | 0.3204 | 0.5118 | appropriate |
| OI | 3.4628 | 0.55822 | 15.816 | 0.000 | 0.4052 | 0.5203 | appropriate |

B. Hypotheses tests

To investigate research hypotheses, Pearson correlation coefficient was used and the results are summarized in table 3.

Table3: the results of Pearson correlation test for research hypotheses

| | number | sig | Pearson correlation test | Test result |
|--|--------|-------|--------------------------|-------------|
| Main hypothesis: there exists significant relationship between OI components and CSs improvement. | 346 | 0.000 | 0.699 | verified |
| Subsidiary hypothesis 1: there is significant relationship between OI and cost leadership strategy(CLS). | 346 | 0.000 | 0.436 | verified |
| Subsidiary hypothesis 2: there is significant relationship between OI and differentiation strategy(DS). | 346 | 0.000 | 0.611 | verified |
| Subsidiary hypothesis 3: there is significant relationship between OI and Focus strategy(CS). | 346 | 0.000 | 0.591 | verified |

Main hypothesis: there exists significant relationship between OI components and CSs improvement.

Considering the results of the upper table, because significance level 0.05 and the result is that the hypothesis H_0 is rejected and H_1 which is the research hypothesis is verified. As it can be seen, in significance level of 95 percent, there is relationship between OI and CS and the correlation coefficient is 0.699. Then it can be said that relationship is direct and both OI and CS change in one direction.

Subsidiary hypothesis 1: there is significant relationship between OI and CLS.

According to the results in table above, because significance level is less than 0.05, therefore H_0 is rejected and H_1 is verified. As it can be seen, there is significant relationship between OI and CLS and the correlation coefficient is 0.436. It can be said that relationship is direct and OI and CLS both change in one direction.

Subsidiary hypothesis 3: there is significant relationship between OI and concentration strategy.

According to the results summarized in table above, because sig. level is less than 0.05, H_0 is rejected and H_1 is verified. As it can be seen there is significant relationship in 95% between OI and concentration strategy and the correlation coefficient is 0.591. It is said that the relationship is direct and both OI and concentration strategy change in the same direction.

CONCLUSION AND DISCUSSION

In this research, 4 hypotheses were analyzed using statistical techniques altogether. The results of hypotheses tests are summarized below:

The main hypothesis of the research stated that there is significant relationship existed between OI and CSs in banks. The findings of the main hypothesis showed significant correlation between the two variables. As the results of analysis showed, sig. level was less than 0.05 and correlation coefficient was 0.699, therefore it is said that there is a positive and direct relationship between OI and CSs. It can be dedicated that every organization and company faces different problems and complexities in achieving its prospect and that factor like competition, market changes, new challenges, and technological changes and ... help grow these problems. OI that is regarded as organization's ability to use all intellectual and organizational power will help remove these obstacles. OI is used to prepare and execute CSs differently in competitive advantage when it is in the form of a competitive advantage. It is necessary to make OI like a competitive advantage by applying OI development strategy.

The first subsidiary hypothesis of the research was whether there is any significant relationship between OI and CLS or not. Findings proved the first subsidiary hypothesis. As it was seen, significance level was less than 0.05 and correlation coefficient was 0.436, therefore it was proved that there existed positive and direct relationship between OI and CLS. Banks can reduce their costs by using better tools, applying new technologies and providing efficient equipment. OI helps reduce costs by applying experience, controlling costs, avoiding from final accounts of the customers and reducing costs in the fields of R&D, service, sales force and so on. Therefore it can be said that OI help managers to adopt CLS and reach organizational goals.

The second subsidiary hypothesis stated that there is a significant relationship between OI and differentiation strategy. Findings proved the hypothesis. As results showed, significance level was less than 0.05 and correlation coefficient was 0.611 and therefore it can be said that there is a positive and direct relationship between OI and differentiation strategy. Banks can be different in the banking industry by presenting different service and products through innovation, ideas application, creativity and using participation opportunities. This can be achieved by using interactive means of OI (ideas, opinions, suggestions, competitors and market) in order to present new products and service with new apparent characteristics, distribution network and other aspects. By means of OI factors like strategic prospect(virtual platforms for ideas and communications, redefining service and prioritization of characteristics), and knowledge application using important work processes information, cover instruments, data warehouses, scenario, electronic newsletter, improving CRM processes and so on banks can survive in fiercely competitive atmosphere of the industry. On the other hand, differentiation increases profit margin and this eliminates the need to reduce costs.

The third subsidiary hypothesis stated that there is a significant relationship between OI and concentration strategy. The findings proved this hypothesis. As results showed, the significance level for two variables is less than 0.05 and correlation coefficient equals 0.591, therefore it is said that there is a positive and direct relationship between OI and concentration strategy. Therefore a company can reach differentiation by better responsiveness towards a particular goal or can reduce costs or both of them. Therefore OI helps gain innovation and customer satisfaction by creating a common smart bank of work opinions, preparing for novelties, classification of customers based on organizational strategies and so on. To this end, improvement of CRM system and creating a suitable relation between units in order to circulate information of internal and external market, market changes and knowing about the best methods of serving customers can help banks in serving their customers based on their needs and tastes .the results of our research matches with the results of Amir Babak Marjani titled "investigation of impact and role of OI on competitive smartness".

According to the results of our research the followings are recommended: 1) in OI process work knowledge and managerial lessons are regarded as valuable resources of development and growth of an organization in addition to experts' experiences. Executive managers of banks should trade knowledge and experiences of other level managers and therefore help them better solve the challenges. After identifying necessary information, relationship and operational merits, required resources and facilities and programs to improve these merits must be created in order to provide necessary competitive advantage and therefore provide

managerial summits and experience trading sessions in order to share and trade knowledge and experience.2) banks can reach a considerably steady status by putting OI into action in different dimensions of culture, structure and technology and also they will have a high competition power. This will also let the managers identify competitors' strategies and products features and consequently make appropriate decisions. 3) Establishment of contact with research and advisory centers and receiving service on business issues will enable managers to make use of experts' ideas and knowledge. Such research institutes can give the experiences of other companies to managers. Therefore experience trading will help managers. 4) creating and developing knowledge be included in preparing human resource strategy of an organization 5) bank can create knowledge database(online) through software and gather and apply knowledge from different sources like customers and suppliers and related communities and put this knowledge in key strategies of the organization. With this, internal and external monitoring will happen. In external monitoring, potential needs of customers and also competitors' movements are monitored. In internal monitoring, internal capabilities will be identified and shortages will be characterized.

In order to improve OI, the following strategies are recommended: relational strategies: attention to concepts and intentions that have been shared in organization especially among small cultures. Group dynamic movement: attention to people cooperation, processes and structures of teams and groups and the effect that they have in organization's enforcement. Employees' knowledge management: attention to opinions, info and intellectual capitals and spread and substitution of them in the organization. Risk management: attention to groups courage and their retreatment while confronting challenges and duties uncertainty. Place management: attention to physical environment that organization is active in.

The following suggestions can be made in order to improve competitive strategies level: 1) cost leadership was known as the least weak factor in the current research. Cost-based leadership involves presenting products and service at its lowest prices. Quality and service are important but reducing costs makes activities concentrated. Therefore it is recommended to banks to reduce costs to concentrate activities and lead to competitive strategy. 2) Differentiation involves competing with added value provided to customers (quality, service, differentiation) so that consumers pay higher costs. This needs creativity, research ability and strong marketing. Concentration involves combination of the two previous strategies and targeting a particular niche of market. The banks in this research were well in the two factors and consequently it is advised to keep and if possible, improve the current situation. Finally it is recommended to the next researchers to do research in the following topics: 1) investigation of competitive strategy place in preparing human resource strategy with creative approach.2) investigation of relationship between CS and IT development in organization.3) since Iranian offices are becoming electronically managed, it is better to do this research in smart offices to add to its richness 4) investigation of OI impact on competitive strategy from Snomyze point of view

In this research the limitations were as follows: 1) since the passage of time can affect the results of this research, in using the results of this research, care must be necessary. 2) Due to time and place limitation, the current research was done in 6 headquarters of banks and therefore generalization of results must be noticed. 3) Because data are gathered using questionnaires, it is possible that some unknown factors affect negatively the statistics. 4) Inadequate cooperation of specialized and public banks.

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