


The Interdependence of Intelligence, Strategy, and Innovation

Brett Pepler, FAIPIO MAICD
Managing Director, Intelligent Futures Pty Ltd

 @cbrettp @iFuturesAU

USYD MBA | Sydney | 16 April 2019



1

Agenda

- Organisational context
- Nature of Intelligence
- Nature of Strategy
- Nature of Innovation
- Interdependencies
- Summary

USYD MBA | Sydney | 16 April 2019



2

1

External Environment



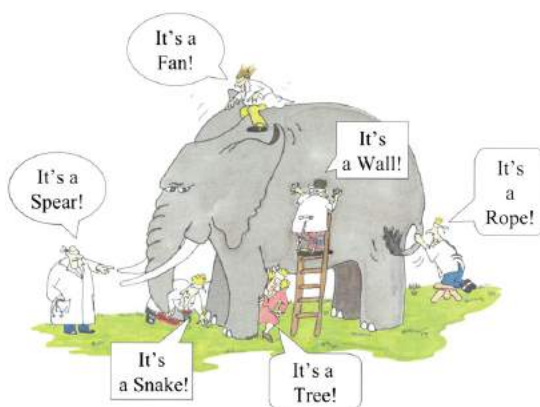
- Rapid progress in digitalisation and changing customer behaviour continue to transform the competitive landscape.
- Regulation and measures from industry regulators have influenced the offering of products and services.
- Other traditional barriers to entry to the financial services sector - such as scale - are eroding.

USYD MBA | Sydney | 16 April 2019



3

Internal Environment



- A disconnected perspective across an organization – often arising from tensions between managing H1, H2 and H3 horizons concurrently - may lead us to see different problems and work at cross purposes.

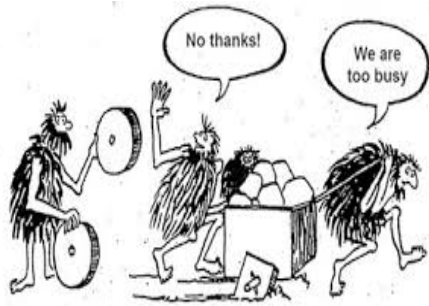
USYD MBA | Sydney | 16 April 2019



4

2

Dilemmas of Incumbency



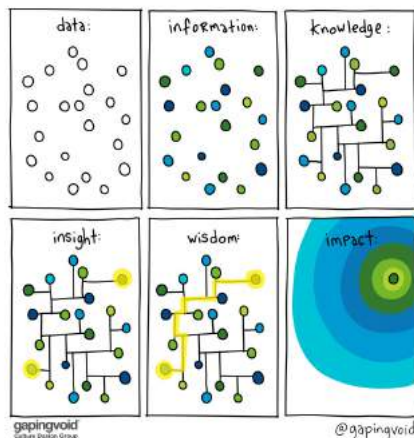
- Accumulating legacy technical debt
- Constrained strategic agility
- Eroding advantages of traditional scale
- Declining utility of industry-specific mindsets and assumptions
- Bias for action in the short-term

USYD MBA | Sydney | 16 April 2019



5

Nature of Intelligence



- Intelligence is an evocative term – and not well understood beyond the national security realm - but is generally considered to mean an *organisational capability* able to generate value-added insights that confer an actionable advantage to a business client, especially in terms of decision support.

USYD MBA | Sydney | 16 April 2019



6

3

Detect Signals of Change



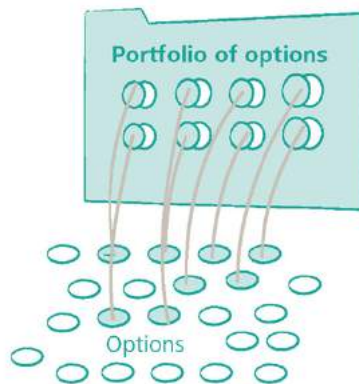
- A weak signal is a seemingly random or disconnected piece of information that at first appears to be background noise but can be recognized as *part of a significant pattern* by viewing it through a different frame or connecting it with other pieces of information.

Intelligence-Driven Business | Sydney | 20 February 2019



7

Create Optionality



- A strategic option is a position that we can take to generate *insights* into the nature and dynamics of change.
- These insights inform a *possible action* that we might choose, and would be in a position to execute, at an opportune moment in the future.

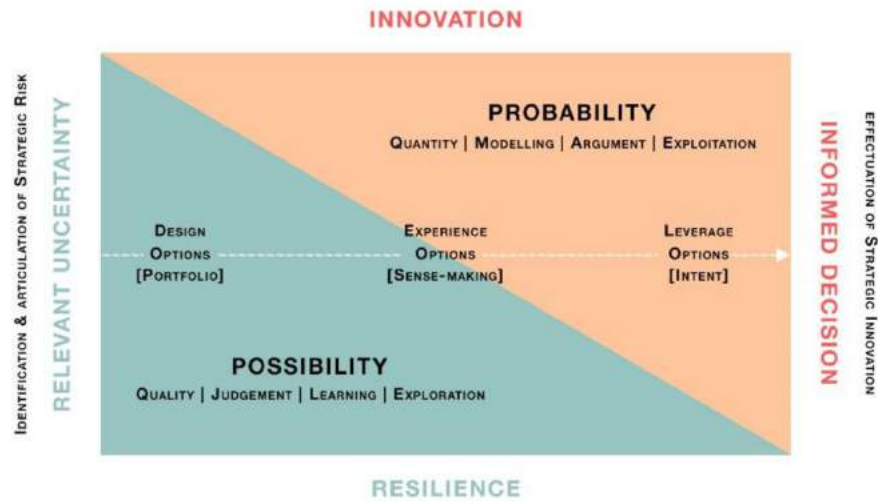
USYD MBA | Sydney | 16 April 2019



8

4

Manage Strategic Options



USYD MBA | Sydney | 16 April 2019



9

Intelligence Challenges



- Deeply understanding the 'space' and 'time' dimensions of the organisation to find critical concerns (WHAT to communicate) and information leverage points (WHERE, WHEN, and HOW to communicate).

Intelligence-Driven Business | Sydney | 20 February 2019



10

5

Nature of Strategy



- Strategy is a systemic interpretive framework for understanding our position with respect to a complex, fast changing, uncertain/unknown context

not

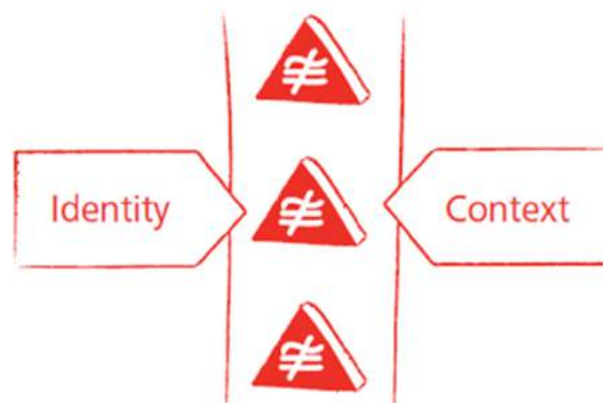
- [long term] planning for setting of [financial] objectives and allocation of resources

USYD MBA | Sydney | 16 April 2019



11

Incoherence



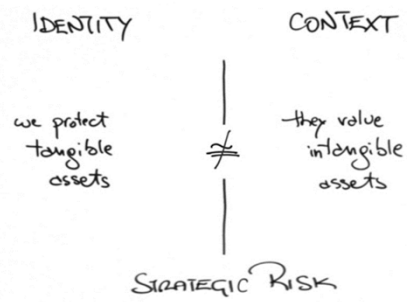
USYD MBA | Sydney | 16 April 2019



12

6

Example - Incoherence

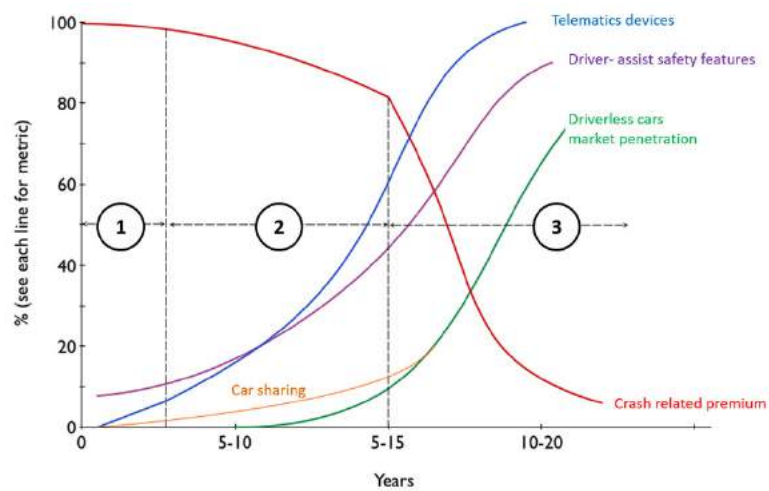


USYD MBA | Sydney | 16 April 2019



13

Choice - Where to Play?



USYD MBA | Sydney | 16 April 2019



14

7

Choice - How to Win?



USYD MBA | Sydney | 16 April 2019



15

Strategy Challenges



shutterstock.com • 1019241106

- Pre-occupation with business planning
- Resource constraints impose trade-offs in strategic settings
- Strategy adapts to the real world
- Residual risk in strategic decision-making

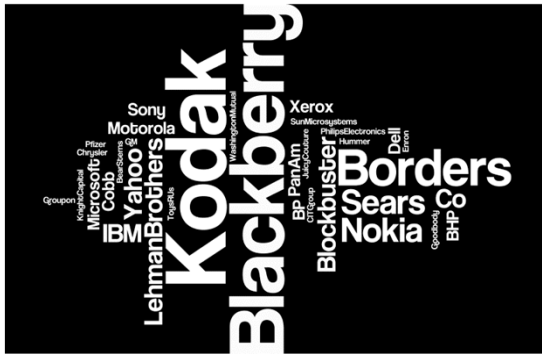
USYD MBA | Sydney | 16 April 2019



16

8

Nature of Innovation



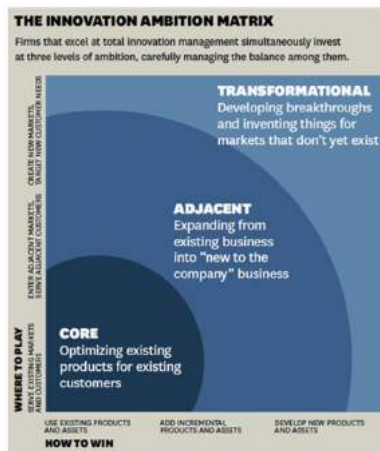
- ‘Invention,’ ‘novelty,’ and ‘change’ describe the nature of innovation, but these characteristics continue to evolve, challenging the classical scope of innovation - centred on technological innovation - to include a variety of services, business model, and social innovation.

USYD MBA | Sydney | 16 April 2019



17

Spectrum of Innovation



- *Horizon 1* initiatives provide continuous innovation to *enhance* a company's existing business model and core capabilities in the short-term.
- *Horizon 2* initiatives *extend* a company's existing business model and core capabilities to new customers, markets, or targets.
- *Horizon 3* initiatives *renew* capabilities and business models to take advantage of or respond to disruptive opportunities or to counter disruption.

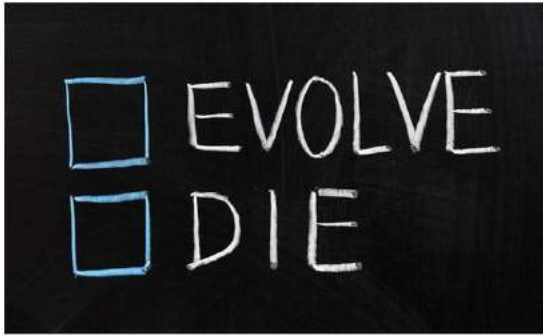
USYD MBA | Sydney | 16 April 2019



18

9

Innovation Challenges



- Alignment with the organisation's strategic objectives
- Overcoming organisational inertia
- Securing human and capital resources for innovation
- Balancing investment across the spectrum of innovation

USYD MBA | Sydney | 16 April 2019

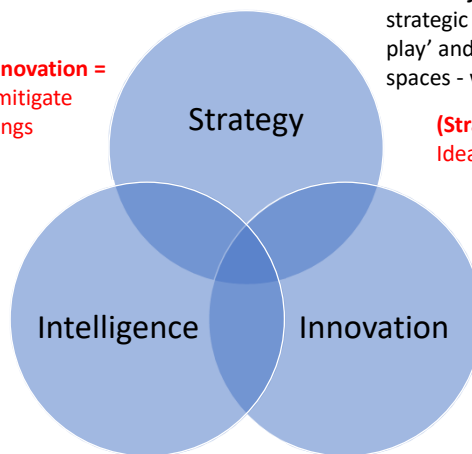


19

Model of Interdependencies

(Intelligence + Strategy) – Innovation =
Limited controls in place to mitigate residual risk in strategic settings

Capability to discriminate between threats and opportunities to offer the organisation **appropriate optionality**



Choice of options expressed in strategic settings defining 'where to play' and 'how to win' in those spaces - which leads to risk

(Strategy + Innovation) – Intelligence =
Idea-driven innovation vice needs-driven

Principal control available to the organisation to **mitigate risks** arising from strategic settings

(Innovation + Intelligence) – Strategy =
Innovation is poorly aligned with strategic objectives

USYD MBA | Sydney | 16 April 2019



20

10

Summary

- *Intelligence* may not provide a precise answer but disciplined judgments drawn from the best available information helps us better understand the problem, and reduces the risk in decision making.
- *Strategy* is the activity by which human systems - through deliberate choice - establish and manage settings to achieve a coherent relationship between themselves and their environment.
- *Innovation* is the principal control available to the organisation to mitigate risks arising from these strategic settings.
- Each of these components is evocative and necessary but not sufficient for resilience and competitiveness in the longer term.