

## COMPETITIVE INTELLIGENCE IN THE PUBLIC ADMINISTRATION IN ROMANIA

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### ABSTRACT

*This paper proposes a set of features among local public administration in Romania under the impact of Competitive Intelligence integration as a sustainable tool for management. Competitive Intelligence takes the form of a continuous process of collection, synthesis and dissemination of information aiming competitors. The final product of these processes is called Intelligence. To apply these processes in the public administration, there is mandatory stimulating the competitive environment among cities. The Management principles of public administration do not stimulate competition so that a new category of activities becomes a real opportunity. Major transformations occur in strategic decision-making process, aspect due to new data and the format in which this information are structured. In this context, the main benefits arising from usage of Competitive Intelligence aims at attracting new investments and proficiency human resources, effective use of available resources, maintaining social balance within the stipulated parameters. Meanwhile, major risks deriving from these practices are to attract speculative capital, population with a very low standard of living, and excessive resources expenditures on monitoring the competition.*

**KEYWORDS:** *Competitive Intelligence, Intelligence, public administration, monitoring the competition.*

**JEL CLASSIFICATION:** *M 140*

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### 1. INTRODUCTION

This paper represents the first step in a basic research on how should arise competitive issues in the local public administration in Romania. Local public administration has an obligation to protect the interests and security of the people they serve. If the society would naturally benefit of unlimited resources, specific processes of Competitive Intelligence would be less necessary. As the shortage of financial resources and trained human resources arises with increasing speed, independent organizations (including public administration) have no alternative but to engage in Intelligence activities if they want to pursue their free organizations status (Hulnick & Mattausch, 2006).

Departments that are running Competitive Intelligence processes have as main activity the prevention of unforeseen events and circumstances, being "one step ahead of diplomacy to those organizations or persons who intend to trigger storms - social crises, political, circumstantial, even hasty within economic incentives, inter-ethnic conflicts - or whispers of weapons "(Troncotă, 2008). On the other register, local authority is the indivisible social entity as we talk about regulated forms of organizing people. Implementing some competitive practices requires continuous involvement of citizens in this process. Competitor analysis is the most important action to approach, but not the only one. Since the organization has information about the competition, there occurs the issue of processing, but using adequate methods instead of traditional tools.

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## 2. BACKGROUND AND THEORETICAL APPROACH

One of the most common issues in the post-accession to the EU period aimed at local government capacity to adapt to a real competitive environment in which the main competitors would be even neighboring towns, in the first stage, and other towns in the next stages. Dissemination of this issue follows the forms of organizational culture oriented towards competitiveness in the local government.

The starting point for this first specialized approach refers to the strategic model developed by Michael Porter, who identifies two types of strategies: by cost and by product. Applied in public administration, the model can be partly take implemented because it does not take into account the "captive customer" that local government deals with. In addition, it should be noted the study performed by Eurostat, showing that Romania has the most property owners: 96% of the population residing in a privately owned building, while Germany has the lowest level, with 54% of German citizens living in rented accommodation. In other words, housing is a central element in national value system and internal mobility is reduced.

Competitive Intelligence can be interpreted as a warning tool for the organization's management when there occurs both threats and opportunities (Fuld, 2006). In terms of strategy issues, competitive Intelligence is described as an orchestrated and targeted monitoring process aimed at main competitors in a competitive environment, regardless of who they are and where they operate. These competitors are represented by organizations that lead a fight for market share (Johnson, 2005).

Time is one of the operational pillars of the Competitive Intelligence, so that the collection and synthesis of information must be adaptive and synergistic one, but at the same time, a process defined by specific procedures, given the high risk of hazard information security (Prescott, Gibbson, 1993). In other words, Competitive Intelligence presents itself as a decision support for the organization's leaders, demanding a high level of attention and even integration in the management system.

In order to not to be confused with market analysis and knowledge management, it is necessary to expose a series of claims. Competitive Intelligence differs from market analysis by the approached time horizon and by the evaluated subject. Basically, a product of Intelligence is not just about marketing mix for a certain period, but concerns all time horizons related to most parts of the organization. Market analysis captures a specific moment or time horizon, serving as decision support in short-term strategy, even mid-term strategy. Difference from knowledge management consists in the analyzed information, exclusive externally information (Sharp, 2000). Summary of the market analysis is mainly statistical and quantitative information, while Intelligence product contains both statistical information and contextual (Kahaner, 1997). Intelligence product analysis is not limited to identifying answers, but to formulate new questions and new ways of analysis (Fleisher, 2003).

Associated literature with this concept originated around Society Competitive Intelligence Professionals (SCIP) in the U.S.. Information gathering practices aimed at competitors have significant history, but Competitive Intelligence concept first appears in 1970. Michael Porter published in 1980 Competitive Strategy paper: *Techniques for analyzing industries and competitors*, in which are exposed the foundations of modern Competitive Intelligence. The concept is experiencing a rapid proliferation among specialists study, so that in 1985 and in 1988 Leonard Fuld Gilad Ben proving a significantly contribution in order to popularize the collection, aggregation and synthesis of business information. The first international certification for professionals was formalized by the Academy of Competitive Intelligence Fuld - Gilad - Herring in 1996.

The concept evolved from the integration of ancillary tasks into analysts job description among U.S. companies (1990), to a job itself, recognized and certified (2000), being established even a code of ethics for professionals (Johnson, 2005).

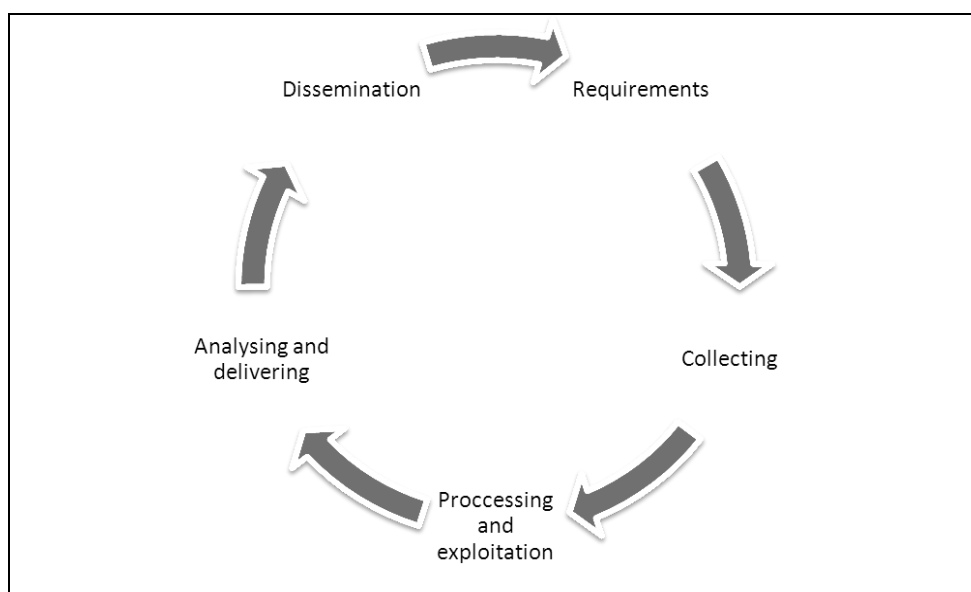
In relation to regional development Competitive Intelligence has its starting point in the Lisbon Strategy. Although the 2020 strategy has an unclear objective to stimulate competitive capabilities on developing regions issues, central government in the Schengen Area continues efforts begun in the period 2001-2010 (Hassnik, 2008).

Regional competitiveness requires performance criteria by which can be stimulated competition between public administrations, like a proper competitive environment (Heuer, 1999). Implementation of regional performance indicators is in an early stage, also with marked manifested reluctance among government representatives. The most important analyzes aimed at identifying elements that could be included in a benchmarking process: human capital, education, technical equipment, innovative potential (Moulaert, Seki, 2003). The local government office accepted and still analyzes the concept of learning region (Rutten, Boekema, 2007). This is basically the starting point of this research approach.

### 3. DISSEMINATION ON PUBLIC ADMINISTRATION

Public administration capacity to successfully implement specific processes Competitive Intelligence in a competitive environment depends to a large extent on identification of a competitive strategic model.

Specific Competitive Intelligence processes are better understood as a cycle that engages a range of activities. The first stage of the cycle consists in targeting and formulating Intelligence requirements and needs of the policy makers spectrum and those in charge of security issues, followed by the gathering of information by Intelligence specialist personnel departments, continue by processing and exploitation of information collected and subsequently correlate, merge and transform them into a finished product analysis, ending with the finished product dissemination to policy makers. Intelligence cycle continuously receive feedback provided by and at all levels of activity. Decision makers are the most important factors in this cycle because they start the first phase of Intelligence (formulation needs the information), are actively involved in each stage (consultation and feedback) and they also concluded (directions, procedures and formalities use information received from security decisions).



**Figure 1. Intelligence Cycle**  
*Source:* adapted from Bose, R. (2008)

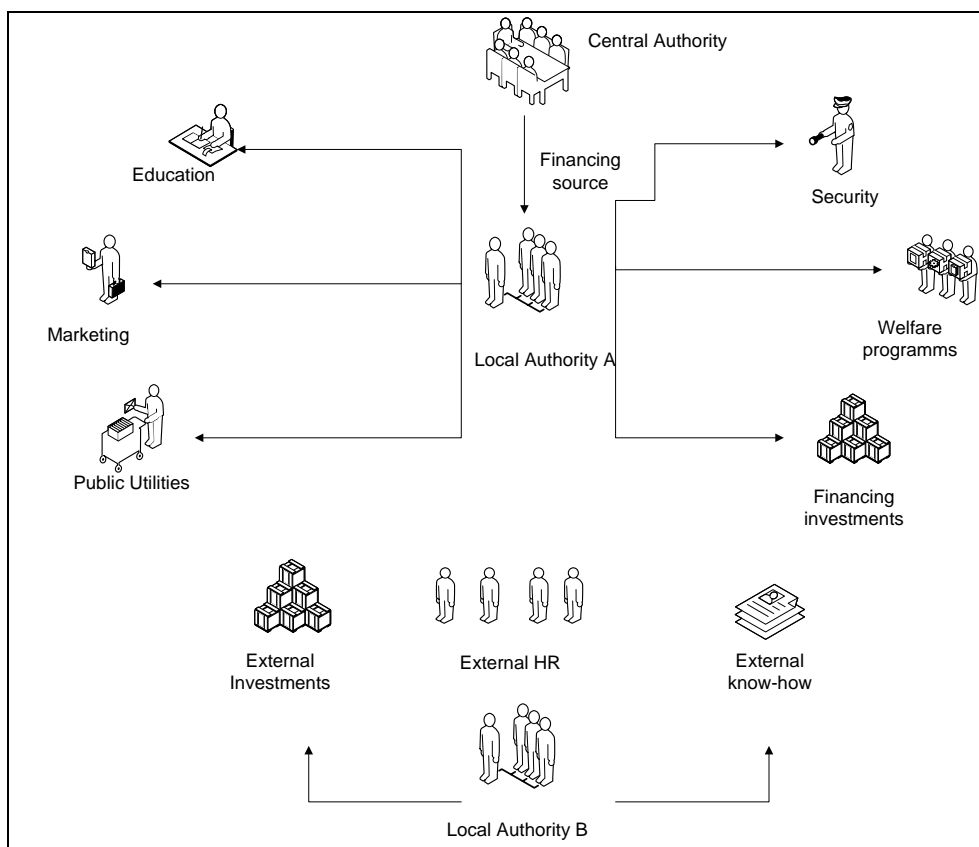
A high degree of professionalism involves a long-term iterative process, through which the cycle should be covered over and over, even on experimental sessions. Empirical experimentation generate the most relevant results and reinforces knowledge for involved workers.

### Hypothesis among competitive issues within public administration in Romania

Proposals converge to reshape performance management by implementing competitive criteria on two levels: general (applicable at national level) and customized (depending on the specific region). Areas of application concern education, attracting investment capital, securing existing competitive advantages, adding value to local resources, sustainable development of metropolitan areas.

Figure no. 2 shows the main tasks performed by local government and the most important areas to approach identified by the author. Currently, the primary funding comes from the Central Authority, so that some criteria are difficult to identify, characterized by high volatility and even bias. Education, Security, Welfare programs, public utilities, local financing and marketing Investments are the main local public administration activities. As seen in the picture, there are many opportunities that hovers in the local government area, the most important being external investments, external HR and know-how. Basically, Local Authority A is competing B Local Authority to attract these opportunities. In practice, these elements are private, so that central authority cannot influence their direction.

In order to attract more quickly these opportunities, each local authority is in a position to find competitors intent. Private companies analogy is obvious, because opportunities are also restricted for local government. In other words, local governments need to monitor their competitors and to act before them. Logically, these practices should be institutionalized in order to allocate a budget and human resources.



**Figure 2. Local Authority among social issues and financing sources**

Source: made by author

Basically, it requires an adaptation process on management functions to enable tracking, collection, aggregation and synthesis information as Intelligence. Following these proposals, administrative unit management may transform its procedural and structural organization. Significant changes will be provided for decision-making, informational and methodological-managerial subsystems. In terms of structural organization, the most important change is the establishment of a Competitive Intelligence department tasked with generating Intelligence. The main tasks of this department would consist of: prevention of unexpected events, defining the strategy for securing competitive advantages, identify key growth opportunities, elaborating privacy policy on its activities. Given that, at least for now, local government receives financial support from the central administration, so that unexpected events consist of social unrest, natural disasters, epidemics and even tax revolt.

Local government is a distinct organizational form, within there is essential the developing of an active background that consists of a knowledge database and a collection of convictions. Jennifer Simis attention that a quality Intelligence product must incorporate a process encompassing strategic gathering of information and the macro level ("macro-trends"), in order to apply these information and during the next administration.

With diverse information regarding the elements in Figure no. 2, local government faces a flood of information from open sources. This problem reclaim Competitive Intelligence Department capabilities and expertise in providing differentiation between "information noise" (which can be misleading) and "signal information" (usable) (Davis, 2000).

### **Research method and results**

Within local government management system there is necessary a transformation in order to institutionalize the monitoring activities. The research method involved in identifying the main competitive issues within public administration was the exploratory research. In order to expose these issues there have been reviewed the official web pages for all main cities in every district. This research is a qualitative one, aiming those general issues concerning competitive intelligence. Also, the research aims to express the match of hypothesis against the results, in order to validate the necessity of this paper.

Table no.1 exposes the most important cities analyzed by the selected criteria: external investments, external relations, stated objectives, stated strategy, attracting external HR, metropolitan area, promoting owned advantages, special government assistance. All these criteria are counted as accomplished only if, at the research time, there is at least one activity concerning of them. In order to complete a detailed research, there were analyzed the strategic documents elaborated and posted on the official web pages, including also the so-called action plans.

Counting the outputs of proposed criteria by verifying all official web-sites associated to the most important city halls in Romania there have been established the most important issues that concern the public administration.

- a. External investments seem to be the most important issue approached by local public administration. However, this orientation is natural, because, by their architecture, local governments are cost centers for the Romanian budget. The main mention on this criterion is targeting the lack of boundaries within types of investors and within investment capital categories.
- b. Stated objectives represent the intention of organizing actions depending on predetermined guidelines. Although this practice is in an early stage, more and more local governments aim to define goals to follow in future work. But these goals are largely non-quantifiable, difficult to assess and monitor, with the main purpose to stimulate domestic employees, and improving the image of public authorities.
- c. Metropolitan area is exactly the expandable area of land that can be developed further as the city itself. Orientation on this direction is essential for the competitive development of the cities, especially for large cities.

- d. Promoting advantages is the easiest action that local government can undertake as requiring a very low level of resources and investments. Basically, in the absence of alternative development options, cities promote their most important advantages.

**Table 1. Competitive intelligence issues within main cities in Romania**

City	External Investments	External connections	Stated objectives	Stated strategy	Attracting external HR	Metropolitan area	Promoting advantages	Special government assistance	Total / city
Alba Iulia				x		x	x		3
Arad	x	x	x	x		x	x		6
Pitesti	x	x	x	x	x	x	x	x	8
Bacau		x			x		x	x	4
Oradea	x	x		x		x		x	5
Bistrita		x	x		x		x		4
Botosani		x		x		x			3
Braila	x		x		x		x		4
Brasov	x	x	x	x	x	x	x	x	8
Buzau			x		x		x		3
Calarasi	x		x		x		x		4
Resita		x		x	x	x		x	5
Cluj Napoca	x	x			x		x	x	5
Constanta	x	x		x		x	x	x	6
Sf. Gheorghe		x		x		x	x		4
Targoviste		x		x		x		x	4
Craiova	x	x		x	x	x	x	x	7
Galati	x	x		x		x	x		5
Giurgiu			x			x			2
Tg. Jiu		x		x	x		x		4
Mc. Ciuc	x		x	x			x		4
Deva	x	x		x			x		4
Slobozia			x		x		x		3
Iasi	x	x	x			x	x	x	6
Bucuresti	x	x	x	x	x	x	x	x	8
Baia Mare		x		x	x	x	x		5
Dr. Tr. Severin	x	x			x			x	4
Tg. Mures		x		x			x		3
Piatra Neamt	x		x		x			x	4
Slatina	x		x			x		x	4
Ploiesti	x	x	x			x	x	x	6
Zalau	x		x			x			3
Satu Mare	x		x		x			x	4
Sibiu	x	x	x	x	x	x	x	x	8
Suceava	x		x		x	x		x	5
Alexandria	x		x		x	x		x	5
Timisoara	x	x	x		x	x		x	6
Tulcea	x		x			x		x	4
Rm. Valcea	x		x	x	x			x	5
Vaslui			x		x			x	3
Focsani	x		x			x	x		4
Total / criteria	27	24	25	20	23	25	25	23	

Source: made by author

Obviously, the most important issues addressed by Competitive Intelligence are the effects deriving from the implementation. The main categories are benefits and risks.

**Benefits:**

- a. new investments: to maintain these investments, Local Public Administration should make efforts in two directions: competitors removal by freshening benefits and gradual increase of incoming private capital. Sustainable investments are difficult to attract, as a result of long-

term action and, often, as an effect of a low level for Return On Investment in the short term.

- b. know-how delivered by human resources: it's necessary to avoid those case where human resources and associated know-how cross throughput one are as an intermediate step to another better destination. However, in Romania, it is not proposed to achieve superior performance to the Schengen countries, but benefits must be comparable. Differences generated by one of the advantages should not be too large, because it will be decisive in the final decision.
- c. effective usage of available resources, especially informational resources: local authorities have a limited amount of informational resources, both technical and human related. Even so, the potential of those information it's not exploited. This should be coupled with a limited budget for Competitive Intelligence specific processes, resulting in an extra-effort required from currently employees.
- d. maintaining social balance within the stipulated parameters: balance does not come automatically and this equilibrium requires security efforts, information and management of public services. Conducting effective Competitive Intelligence practices ensure, in the worst case scenario, a social balance without spectacular developments. Still, it is a convenient result in a competitive environment.

**Risks:**

- a. speculative capital: most common example is real estate investment, especially in the terrain. Also, investment in retail that intent to implement anti-competitive dumping strategies generate long-term negative effects by eliminating traditional local companies. The central element of the crisis, speculative investments effects are generating medium and long-term repercussions.
- b. population with a very low standard of living: innovative local governments quickly attract a large mass of people, mostly having no predefined purpose. Large urban areas attract in general masses with a very low standard of living, meanwhile trained human resources represents a small percentage of these people. At first, they do not produce discomfort and resentment so much as these people migrate surrounding areas. In the medium term, the risk is generated of rising crime and thus the removal of qualified human resources.
- c. excessive resources expenditures on monitoring the competition: transformation of public administration competitor may lead to slippage in terms of investment in promoting and preserving competitive advantages. However, before allocating an amount for promotion, it is necessary multi-criteria to determine which options will be successful and what's the economic result. It is mandatory an economic result, which is the most effective standard in terms of managerial principles.

Watching these benefits and risks is not enough as we talk about public administration, as it was mentioned that Intelligence products deal with risk management and probabilistic determination analysis. So that, a carefully data-crunch is a mandatory action.

#### **4. CONCLUSIONS**

Generally, in local governments Competitive Intelligence must use multi-source analysis. This type of Intelligence allow institutionalized monitoring activities by public and confidential sources of competition, in order to reduce risks and to promote competitive advantages. The budget allocated for these activities must cover the full range of needs, including information related accidents, such as media revelations. Funding for these services must be continued, especially in periods of economic growth, as these periods are suitable for complex exercises and simulations. Paradoxically, in times of economic growth, recessions seem either implausible or removed,

decision makers seem to forget the need for constant vigilance on the part of Intelligence systems (Doorey, May 2007).

Since these specifications are implemented among local authority in Romania, it creates the premises for related efforts to the topic presented in this research area. This project addresses to the indivisible territorial administrative unit: the local government. Once identified workable methods to implement Competitive Intelligence management at this level, it is necessary to get move to the next level of research. A future research direction will be the impact of Competitive Intelligence management within development of macro-regions. Also, since the implementation of this concept is binding correlated with IT&C, another research direction will be the feasibility study on the use of Competitive Intelligence expert system dedicated to the local public administration.

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