



## Strategic Intelligence and Organizational Development: An Empirical Analysis in Madurai District

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**Abstract:** Organizational Development is a set of techniques and strategies for ever changing, developing and enhancing the functions of organizations. Authors identified the high strategic relevance of intelligence in the organizational development. The present study attempts to find whether there is a significant relationship between the strategic intelligence and organizational development in SMEs. The research design applied for the study is descriptive and casual. It is found that there is a significant influence of independent variables on the dependent variable (OD) in SMEs.

**Keywords:** .D., SMEs, Strategic Intelligence, Tacit knowledge.

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### Introduction

In India, small and medium enterprises (SMEs) are accepted as the important influences of the Gross Domestic Product and employment opportunities (Ahlstrom, 2003)<sup>i</sup>. The SMEs are receiving some benefits from the Governmental Organizations as financial and non-financial incentives (Audet and Couteret, 2012)<sup>ii</sup>. The financial incentives are related to liberal credit system, lesser rate of interest and subsidies (Sullivan and Branicki, 2011)<sup>iii</sup>. The non financial incentives are correlated with the self development of the SMEs in all the business process (Parry, et al., 2012)<sup>iv</sup> and also for a continuous enrichment in their performance (Hill and McGowan, 1996)<sup>v</sup>. But the SMEs are facing organizational crisis especially after globalization (Gray et al., 2012)<sup>vi</sup>. The important reasons for that crisis are changes in customer preferences, business environment, product life cycle, operational systems etc. (Baldock and Blundel,

2013)<sup>vii</sup>. There is a dare need for organizational development in SMEs to survive in the market. Hence, the present study has made an attempt on it.

### **Organizational Development (OD) in SMEs**

The organizational development refers to the development of internal human features of the organization (Glover, 2012)<sup>viii</sup>. It is a set of techniques and strategies for ever changing, developing and enhancing the functions of organizations (Lok and Crawford, 2000)<sup>ix</sup>. The OD is a planned change, usage of behavioural science and social science knowledge, consulting process, process and culture, use of the OD values and principles in order to improve the organizational effectiveness (Shatrerich, 2014)<sup>x</sup>. This organizational development requires basic, tacit and creative knowledge for the organizer (Winston and Patterson, 2006)<sup>xi</sup>. In total, the strategic intelligence is essential for the successful implementation of OD at the organization (Preller et al., 2018)<sup>xii</sup>. In the case SMEs, the possession of strategic intelligence is very weak (Tham and Kim, 2012)<sup>xiii</sup> because of its scale of operations and also talk of awareness on the importance of OD (Levine et al., 2017)<sup>xiv</sup>.

### **Strategic Intelligence and Organizational Development**

Kuosa (2011)<sup>xv</sup> identified the high strategic relevance of intelligence in the organizational development. Maccoby (2011)<sup>xvi</sup>, stated the important dimensions in strategic intelligence are foresight, visioning and motivation. Agha et al., (2014)<sup>xvii</sup> noted that strategic intelligence is a systematic and continuous process of producing needed intelligence of strategic value in an actionable form to facilitate long term decision making. The positive significant relationship between the strategic intelligence and OD is revealed by Frese et al., (2009)<sup>xviii</sup>. The strategic intelligence increases the effectiveness of managerial decision making and competitive advantage (Pellissier and Kruger, 2017)<sup>xix</sup>. The significant impact of strategic intelligence on OD is found by Esmaeili, 2014<sup>xx</sup>.

Regarding the related literature, the following hypothesis is proposed:

H<sub>1</sub>: There is a significant relationship between the strategic intelligence and organizational development in SMEs.

### **Conceptual Framework of the Study**

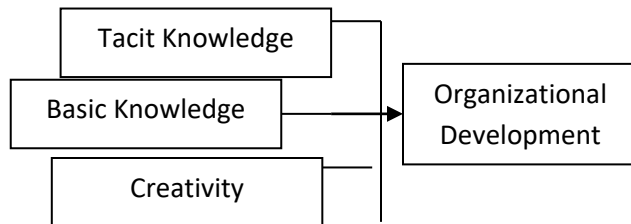
The strategic intelligence in the present study is measured by the components namely tacit, basic and creative knowledge (Zhou, et al., 2005)<sup>xxi</sup>. The ‘tacit’ component of strategic intelligence covers analytical thinking ability, critical thinking ability and practical intelligence (Mu et al.,

2017)<sup>xxii</sup>. The ‘basic’ component includes the problem solving, situational adjustment, evaluation and selections and implementation skills (Analoni et al., 2010)<sup>xxiii</sup>. The ‘creative’ component covers the deep thinking, strategically thinking, innovative thinking; learn from experience and learning ability (Boyatzis and Rathi, 2009)<sup>xxiv</sup>.

The organizational development in the unit is measured by sense of identity and direction (Cummings and Worley, 2009)<sup>xxv</sup>, Coherence of values and behaviour (Gunasundari, 2013)<sup>xxvi</sup>, stakeholder sensitivity (Lau and Ngo, 2001)<sup>xxvii</sup>, relationship and networking orientation (Muili and Gung, 2011)<sup>xxviii</sup>, flexibility (Neuman et al., 1989)<sup>xxix</sup> and innovativeness (Xavier, 2014)<sup>xxx</sup>. The important components are integrity, system approach and adaptability (French, 1969)<sup>xxxi</sup>.

### **Research Model**

The conceptual model is based on the review of previous research. The model explains the linkage between strategic intelligence and organizational development:



### **Research Methodology**

The research design applied for the study is descriptive and casual. Since the SMEs are playing a dominant role in the income and employment generation in the developing countries like India, the present study confined its scope to SMEs only. In total, the registered SMEs in Madurai

District are 56,899. The sample size is determined with the help of the formula  $n = \frac{N}{Ne^2 + 1}$ . The

determined sample size of the study is 396. The list of 396 SMEs has been collected from DIC, Madurai. The tested questionnaire has been used to collect data from the sampled SMEs. The responded SMEs on the questionnaire are only 139 SMEs. The collected data are processed with the help of statistical tools.

In this research, the structural equation modeling used to find out the data sufficiency, reliability content and convergent validity in dependent and independent variables (Fornell and Lascker, 1981)<sup>xxxii</sup>. The influence of independent variables on dependent variable is assessed with the help of multiple regression analysis. (Hulland, 1999<sup>xxxiii</sup>; Nunnally and Bernstein, 1978)<sup>xxxiv</sup>.

As per the result of KMO and Alpha tests, the questionnaire have data sufficiency because KMO is greater than 0.7 and the alpha is also greater than 0.70.

**TABLE 1**  
**Content and Convergent Validity of the Questionnaire**

<i>Sl. No.</i>	<i>Particulars</i>	<i>Strategic Intelligence</i>	<i>Organizational development</i>
1.	Data sufficiency (KMO)	0.88	0.81
2.	Reliability results (Cronbach alpha)	0.89	0.85
3.	Bartlett's test of sphericity (Chi-square value)	108.89 (0.0124)	114.43 (0.0017)
4.	Standardized factor loading	0.9085*-0.6433*	0.8947*-0.6608*
5.	Composite reliability	0.84	0.82
6.	Average variance extracted (in %)	54.93	51.89

The content validity of variables in each concept i.e. three components of strategic intelligence are greater than 0.60. The congruent validity is confirmed by the composite reliability and average variances extracted which are greater than its standard minimum of 0.50 and 50.00 per cent respectively.

**Measurement of the Concepts (Dependent and Independent Variables)**

The measurement of dependent and independent variables are shown in Table.2

**TABLE 2**  
**Respondents view on Concepts Included in the Study**

<i>Sl. No.</i>	<i>Concepts</i>	<i>No. of variables</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Co-efficient of variation (in %)</i>
1.	Tacit knowledge	3	2.7142	0.5492	20.23
2.	Basic knowledge	5	2.9084	0.6174	21.23
3.	Creativity	5	2.8011	0.5908	21.09
4.	Strategic Intelligence	13	2.8223	0.5739	20.33
5.	Organizational development	7	2.9711	0.7024	23.64

The mean of three components of strategic intelligence in SMEs are just moderate since its mean scores are around 2.80. But there is an inconsistency in the level of strategic intelligence and its three components since the co-efficient of variations are greater than 20.00 per cent. The level of organizational development in SMEs is measured with the help of seven variables whereas its mean score is only 2.9711 which indicate that there is a moderate level of OD in SMEs.

**Influence of Strategic Intelligence on Organizational Development in SMEs**

The components of strategic intelligence at SMEs are treated as the independent variables whereas the level of O.D. is considered as dependent variable. The descriptive statistics are used to analyze the components of strategic intelligence that intended to O.D. in SMEs. The result of multiple regression analysis is given in Table.3

**TABLE 3**  
**Results of Multiple Regression Analysis**

<i>Sl. No.</i>	<i>Independent Variables</i>	<i>No. of variables</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Co-efficient of variation (in %)</i>
1.	Tacit Knowledge	0.5419	8.4549	0.00	
2.	Basic Knowledge	0.4902	10.1702	0.00	
3.	Creativity	0.6117	14.8993	0.00	
	Content	1.7982			3.4969
	R <sup>2</sup>	0.7844			
	F-Statistics	26.8342		0.0174	

As per the result of regression analysis, the value of Darbin Watson for latent variables is approximately equal to 3, indicating no serial correlation. All ‘t’ statistics are greater than 1.96 shows that there is a significant influence of independent variables on the dependent variable (OD) in SMEs. Based on the value of β, OD (dependent variable) value of 0.54 is under the influence of tacit knowledge whereas under the influence of basic knowledge, it is 0.4902. In the case of creativity, the ‘β’ value is 0.6117 which reveal the influence of creativity on OD in SMEs. The R<sup>2</sup> shows that the included three variables explain the changes in OD at SMEs to an extent of 78.44 per cent. The significant ‘F’ statistics justifies the significance of estimated regression model.

### **Concluding Remarks**

The present study concludes that the level of strategic intelligence and its components; and the level of organizational development at SMEs. All the three components of strategic intelligence are significantly influencing the level of OD at SMEs. The most important component of strategic intelligence is the creativity. It shows the need to develop the creativity among the SMEs. It can be enriched through deep thinking, logical thinking, analytical thinking, critical thinking, strategic thinking and learn from the experience. If the above said activities are continuously enriched by the SMEs, they will achieve more performance through its organizational development.

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