

Competitive intelligence in UK firms: a typology

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Abstract

There is a danger of allowing competitive analysis to receive less than adequate attention in the marketing-planning process as it is subordinated to a customer-driven focus. Clearly important though customers are, they should not dominate marketing strategy and planning to the exclusion of other influential groups, one of these being competitors. With this in mind, a pilot research project was undertaken to gain a better understanding of how UK companies conduct competitive intelligence. From this pilot, a tentative typology of companies was developed to reflect four attributes of competitive intelligence activity: attitude, gathering, use, and location. Further research was subsequently undertaken to corroborate the findings of the pilot study, test the appropriateness of the typology and further develop the classification definitions. The research has resulted in a typology that illustrates a continuum of behaviour on the four strands of investigation. From this, an understanding of CI best practice can be deduced.

Introduction

The relevance of monitoring, understanding and responding to competitors has long been recognised as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding customers and consumers. Clearly important though customers are, they should not dominate marketing strategy and planning. Although accused of blasphemy, some might argue that marketing management has lost its way by focusing too narrowly on customers to the exclusion of other influential groups, one of these being competitors.

With this in mind, a pilot research project was undertaken to gain a better understanding of how UK companies conduct competitive intelligence. Its four principal aims were:

- 1 To determine the attitude towards, and understanding of, competitive intelligence by UK companies.
- 2 To identify competitive intelligence-gathering strategies.
- 3 To assess the use of competitive intelligence in the formulation of strategy.
- 4 To identify where the responsibility for competitive intelligence gathering was located.

From this pilot, a tentative typology of companies was developed to reflect four attributes of competitive intelligence activity:

- 1 attitude;
- 2 gathering;
- 3 use; and
- 4 location.

The findings revealed that, if companies were to produce valuable competitive intelligence

(CI), firms needed to take a specific stance on all four strands in order to produce successful, targeted marketing strategies. The fact that only three of the responding firms demonstrated such an approach was of concern.

Further research was subsequently undertaken through the use of questionnaires and in-depth interviews with CI active UK firms. The purpose was to corroborate the findings of the pilot study, test the appropriateness of the typology and further develop the classification definitions. The research has resulted in a typology that illustrates a continuum of behaviour on the four strands of investigation. From this, an understanding of CI best practice can be deduced, but this is not to denigrate what appear to be the intervening developmental or transitional stages through which firms may need to pass on their way to best practice. For many UK firms, competitive intelligence is a new philosophy and this was reflected in the survey responses.

Literature review

Prior to determining the focus of research, a literature was carried out. It was discovered that literature on competitive intelligence is limited. The review revealed that 25 English language books have been written, five by Mcgonagle and Vella (1987, 1988, 1993, 1996, 1998), three by Fuld (1985, 1988, 1994), two by Bernhardt (1993a, b), and one each by Tyson (1989), Gordon (1989), Smith (1989), Prescott (1989), Perry *et al.* (1992), Prescott and Gibbons (1993), Combs and Moorhead (1993), Barndt (1994), Kahaner (1997), Burwell (1999), Coburn (1999), Pollard (1999), Hussey and Jenster (1999), Shaker and Gembecki (1999) and Cook and Cook (2000). The only UK authors in this list are Pollard (1999) and



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Hussey and Jenster (1999). Both their texts are titled competitor rather than competitive intelligence, the significance of which will be explained later.

The lack of a UK perspective on the subject in book format required the examination of other sources of material. A search of databases identified 359 relevant articles. By relevant is meant those containing the key words “competitor intelligence” or “competitive intelligence”. This was done to eliminate some of the more general articles on business and/or market intelligence as well as those which were simply selling or reviewing software products.

A chronological breakdown illustrates the increasing popularity of CI subject-matter since the early 1980s. This is shown in Table I.

To this must be added the contents of the only CI specific journal in the English-speaking world. Published by The Society of Competitive Intelligence Professionals (SCIP), *Competitive Intelligence Review (CIR)* is issued quarterly, and has a major US bias. The editors have identified that this bias is due to non-submission of articles from other parts of the world rather than any intention on their part to create a US focus. This is despite the international recognition of SCIP and the journal. A total of 343 articles from *CIR* were reviewed.

From this total of 702 articles, none concerned UK companies and the concentration was heavily of US or Canadian origin. It would be easy to conclude that UK companies have not wanted to make any comments about their competitive intelligence experiences, that academics have seen no value in researching CI in the UK, or simply that UK companies have had

Table I
Chronological analysis of relevant CI articles

Year	Number of CI articles
1984	4
1985	1
1986	1
1987	1
1988	1
1989	15
1990	7
1991	22
1992	27
1993	26
1994	41
1995	20
1996	28
1997	51
1998	56
1999	45
2000	13 (first quarter)

no experience at all. Indeed there is little evidence in the literature to show that UK companies have developed competitive intelligence units within their organisational structures or have even acknowledged the importance of competitive intelligence at all, yet the UK membership of SCIP would suggest otherwise. Clearly, some CI activity does take place in the UK; it is just that little has been reported in the academic literature. It could be argued, though, that the very nature of CI encourages firms not to report on their activities and this is a view that the authors would support. Therefore, maybe UK firms are just as active, but are more cautious in letting their competitors know this. Furthermore, it is clear that UK competitive intelligence practices have, by and large, been ignored as an area of academic interest and research.

However, from the review of the literature, a total of 25 articles have appeared in UK publications but these have been sporadic with only *Marketing Intelligence & Planning* and *Long Range Planning* covering the topic with any frequency. Table II illustrates the spread of articles in UK publications.

Competitor or competitive intelligence?

Competitor intelligence has been defined as those activities by which a company determines and understands its industry, identifies and understands its competitors, determines and understands their strengths and weaknesses, and anticipates their moves (Lendrevie and Lindon, 1990). The keywords are identify/determine, understand and anticipate industry and competitors, but this only defines

Table II
Number of CI articles in UK publications

Number	Year	Publication title
1	1989	<i>Marketing Intelligence & Planning</i>
2	1994	<i>Marketing Intelligence & Planning</i>
1	1995	<i>Marketing Intelligence & Planning</i>
1	1996	<i>Marketing Intelligence & Planning</i>
2	1997	<i>Marketing Intelligence & Planning</i>
2	1999	<i>The Times</i>
1	1998	<i>Long Range Planning</i>
1	1991	<i>Long Range Planning</i>
2	1993	<i>Long Range Planning</i>
1	1994	<i>Long Range Planning</i>
7	1997	<i>Long Range Planning</i>
1	1998	<i>Long Range Planning</i>
1	1998	<i>Marketing Week</i>
1	1998	<i>Strategic Change</i>
1	1998	<i>Financial Times</i>

competitor intelligence. Competitive intelligence, on the other hand, extends the role to include consideration of competitor responses to customer/consumer needs and perceptions and one's own responses in the strategic decision-making process.

According to Lendrevie and Lindon (1990), determination of consumers' needs is the first step of competitive intelligence, followed by the recognition of competitors' strengths and weaknesses, assessment of likely activity and finally the identification of the company's own strengths and weaknesses. The steps are of course interrelated and define a never-ending process. Lauginie *et al.* (1994, p. 23) make a more descriptive and succinct distinction:

Competitor Intelligence is not Competitive Intelligence but only a part of it. The focus of Competitor Intelligence tends to be on problems associated with the daily profitable marketing of a company's products or services. The scope of Competitive Intelligence is a value-added concept that associates Competitor Intelligence and Strategic Planning.

While there may be arguments concerning the distinctions between competitor intelligence and competitive intelligence, and their roles in competitive strategy as described above, it is generally agreed that competitive intelligence is a more all-embracing term incorporating a wider range of activity.

Bernhardt (1993a, b), Mcgonagle and Vella (1993) and Fuld (1994) have already demonstrated the importance and value of competitor intelligence. Lendrevie and Lindon (1990) have highlighted the special element – consumers' needs – which distinguishes competitor intelligence from competitive intelligence. Lauginie *et al.* (1994) have subsequently defined competitive intelligence as competitive strategy. However, much earlier, Porter (1987) identified that competitive strategy should concern itself with how competitive advantage should be created in each of the businesses in which a company competes and from this emerges the notion of critical success factors (CSFs). These according to the Pareto principle are those few things that must go well if a corporation's success is to be ensured (Rockart, 1979). These are typically the 20 per cent of the total factors that determine 80 per cent of the corporation's or business unit's performance (Wheelen and Hunger, 1992). They therefore represent those areas that must be given the special attention needed to ensure high performance. By adding the concept(s) of critical success factors defined

by Hofer *et al.* (1978), Rockart (1979), Leidecker and Bruno (1984) and Wheelen and Hunger (1992), the authors now propose a simple definition of competitive intelligence as follows:

Competitive Intelligence is the strategic process of identifying, understanding and using Critical Success Factors (Wright and Pickton, 1998a, p. 76).

By "using" is meant that CSFs are actively employed to direct the CI effort, which in turn informs the development of competitive strategy. This definition not only embraces all that is important in the task of gathering competitor intelligence, but also draws attention to the need to focus the entire CI effort towards the task of properly identifying and informing on the firm's competitive CSFs. Without the added element of a focus on CSFs, which most likely will include satisfying customer/consumer needs, CI effort risks becoming an expensive and unfocused "like to have" rather than "need to have" data collection exercise. Implicitly, through emphasis on the strategic process, the definition focuses on information generation and use in determining critical decisions.

Interestingly, more recent articles have emphasised the need for CI to have strategic impact with authors concentrating on the "how" rather than the "why" of CI (Jordon and Jones, 1997; Wang *et al.*, 1998; Ghingold and Johnson, 1998; Montgomery and Weinberg, 1998; Flora, 1998; Davenport *et al.*, 1998; Cottrill, 1998; Crouch, 1998; Westerby, 1999; Kahle, 1999; Carey, 1999; Maccurrach, 1999; Tucker, 1999).

Competitive intelligence in the UK

Focus of pilot study and methodology

Howsoever it might ultimately be defined, and its operational and strategic domains be determined, it remains the case that an investigation of the use of CI in whatever form it is practised provides a valuable research focus in its own right. A pilot research project was thus undertaken, the primary goal of which was to obtain a qualitative picture of competitive intelligence in the UK. Whilst US firms in particular have recognised that, theoretically, competitive intelligence is the corner-stone of effective and efficient strategy formulation, in practice, most appear to have misjudged its importance and do not yet have a dedicated competitive intelligence unit (Gordon, 1989). There is little evidence in general that this situation has changed in more recent years, although,

clearly, some firms have made significant strides forward. However, all but a few fully integrate competitive intelligence operations into their strategic decision-making processes (Gilad and Gilad, 1988; Snow, 1989; Herring, 1991; Fuld, 1991; Babbar and Rai, 1993; Cason, 1994; Cowan, 1994). These findings raised two broad interrelated considerations for this study – the attitude towards, and the use of, competitive intelligence by UK companies. These were further articulated as:

- 1 *Attitude:*
 - Do UK companies know about competitive intelligence and if so ... ?
 - What is their definition of competitive intelligence?
 - How important do they think competitive intelligence is?
- 2 *Use:*
 - Do UK companies use competitive intelligence and if so ... ?
 - Do they have a specific competitive intelligence unit and, if so, who is in charge of that unit?
 - Do they make use of competitive intelligence in strategy development?

With these considerations in mind, a postal questionnaire was developed around four major aims:

- 1 To determine the attitude towards, and understanding of, competitive intelligence by UK companies.
- 2 To identify competitive intelligence-gathering strategies.
- 3 To assess the use of competitive intelligence in the formulation of strategy.
- 4 To identify where the responsibility for competitive intelligence gathering was located.

The questionnaire was sent to a sample of 200 companies and public corporations, the authors assuming that companies and public corporations were probably more aware of the competitive intelligence concept than enterprises managed by sole proprietors or in partnerships (which are smaller by nature). This constitutes an assumption that cannot be verified without further research but, since the main purpose of the research was to obtain qualitative information, it seemed appropriate to limit the population to companies that were perceived as an appropriate source of information. The targeted 15 per cent response rate could be considered low but, since competitive intelligence is a sensitive topic (Gordon, 1989; Mcgonagle and Vella, 1993; Fuld, 1994), it was thought to be a reasonable expectation.

Development of a competitive intelligence typology

A total of 39 completed questionnaires were received. Of those, 31 were usable, representing a 15.5 per cent response rate, just in excess of that expected when compiling the sample frame. Surprisingly, one leading UK businessman, a very well-known name, sent a one-line response which said:

Prior to your letter I have never heard of the phrase Competitor Intelligence, so I regret that I am unable to help you.

From the analysis of responses received for the pilot study, an initial typology was developed to reflect four attributes of CI activity: attitude, gathering, use, and location of competitive intelligence (Wright and Pickton, 1998b).

The attitude towards competitive intelligence

The different competitive intelligence descriptions given by company executives were classified into three “attitude-types”:

- 1 *Attitude-type 1.* A list of what a company needs to know about its competitors. This constituted a definition which centred on competitors: “Knowing competitors’ products, new product development programmes, key personnel, financial results, market share, customers’ perceptions, prices”.
- 2 *Attitude-type 2.* A process, revolving around the company as its centre: “Understanding the market in which we are competing, analysing and interpreting the market in which the company operates”.
- 3 *Attitude-type 3.* An integrated procedure, in which competitors are determined by the satisfaction of a customer’s need (current and/or future): “Who are our competitors? Those who are satisfying or will satisfy the same need that we do? After identifying them it is time to monitor their moves even if they don’t know yet what they will do next”.

Attitude-type 1 definitions represented the majority of the answers. Five companies gave the Attitude-type 2 definition as the process centred on the company and only three companies gave an Attitude-type 3 definition. Attitude-type 3 is the only one which goes back to the basics of defining the industry and market boundaries and is closer to competitive intelligence than competitor intelligence as described earlier. It has to be noted that these definitions were sometimes not related to the responses that followed in

the questionnaire. For instance, some executives answered subsequent questions which demonstrated an Attitude-type 2 activity, but having previously given Attitude-type 1 descriptions. This is suggestive of a degree of confusion or it could be due to the fact that the respondents had not previously been required to articulate their views on such matters in a coherent fashion.

Intelligence-gathering strategies

The responses obtained in this category can be identified under two distinct

Gatherer-types:

- 1 *Gatherer-type A*. Firms using general publications and/or specific publications related to their industry.
- 2 *Gatherer-type B*. Companies using Gatherer-type A methods and conducting their own primary research about competitors.

A correlation between Gatherer-type and Attitude-type appeared to exist, in which Gatherer-type B firms were predominantly Attitude-type 3 and were significantly outnumbered by Gatherer-type A, Attitude-type 1 firms.

The use of intelligence in the formulation of strategy

There being little disagreement that intelligence gathering is an important precursor to strategy formulation, it was appropriate in the pilot study to try and understand whether CI specifically was also viewed as a useful tool of analysis. Responses were classified into three categories:

- 1 *User-type G*. Companies which only use general publications and/or specific industry periodicals and think these constitute exhaustive information, i.e. that it is the only information they need.
- 2 *User-type H*. Companies adopting User-type G methods, yet realise this is insufficient to produce useful analysis, but which are unable, through policy, lack of resources or lack of inclination to become User-type I companies.
- 3 *User-type I*. Companies which use general and/or specific industry publications and conduct primary research, and use this to produce useful analysis. Clearly, this User-type is closely related to Attitude-type 3 companies in which attitudes are translated into strategic actions.

The location for intelligence gathering

Location of CI refers to the place in the organisation where the *locus* of CI activity

resides, the location having a bearing on its status within the firm and, in turn, being affected by the nature of the firm's CI champion and the role CI plays in strategic decision making. If the chief executive officer had instigated CI activity, then there was a far better chance that it would inform the strategic decision-making process. On the other hand, if a more lowly placed employee had championed the CI cause, then its organisational integration and impact would more likely be slower in taking effect.

Consequently, on the basis of the pilot study results, firms tended to be at either end of a continuum, resulting in just two categories:

- 1 *Location-type N*. Firms which did not have any specific competitive intelligence unit within their organisational structure. Intelligence activities (such as they were), generally undertaken by the marketing department, or sometimes the sales department.
- 2 *Location-type M*. Those which had a specific competitive intelligence unit working full-time monitoring competitors. Also involved in addressing particular issues specified by the "strategy unit".

The findings would suggest that, in order to produce successful, targeted strategic policies, based on sound CI analysis, firms need to develop an Attitude-type 3, Gatherer-type B, User-type I, and Location-type M, approach to competitive intelligence. In the study reported here, only three of the responding firms demonstrated such an approach. If the results of this survey are extrapolated, then it could be presumed that whilst UK companies may be aware of the necessity of competitive intelligence activities, they do not fully implement these into their organisational structure.

Extending the research

To corroborate the tentative findings of the pilot study, a larger qualitative and quantitative study was required in order to test the appropriateness of the typology and further develop the classification definitions with the objective of developing an operational model for UK firms wishing to start and/or develop CI activity at the strategic level. It was also thought important to try to put descriptive names to the various typology levels, rather than using A, B, C, etc. with the aim of making the final classifications easy to remember and more descriptive of their role.

Methodology

A mail questionnaire was produced with the underlying assumption that the respondents selected would at least be aware of CI. The Society of Competitive Intelligence Professionals (SCIP) membership directory was used as the best source of information for the primary sample frame. Permission was obtained from the US headquarters for their UK list to be used and an errata sheet was supplied by them as an update of their directory. SCIP officers in the UK were also contacted to provide verification on the status of some members, i.e. whether they were management consultants or employed by CI practising firms. The sample selected for research was all UK SCIP members.

In total, 218 questionnaires were mailed. Some of the larger firms had several CI active personnel, usually but not always, in different divisions or departments. As expected, some group answers were received, so the number of firms represented became 178. Electronic and face-to-face interviews were also held with a total of 20 companies to discuss some of the issues in greater depth. As the responses were analysed, it became clear that the views of consultancy firms were atypical from respondents who worked in CI within firms. Whether they were general management or CI specific consulting firms, their exposure to CI was typically via an assignment or one-off contract. The research team felt that these views did not entirely reflect the breadth of exposure or potential impact for strategic influence which was being sought and, for those reasons, 29 returns had to be set aside. In the final analysis, 45 questionnaires were returned from genuine CI active employees, all of which were usable. This represented a 30 per cent response rate of usable questionnaires.

Sample profile

Scientific, pharmaceutical and chemical companies accounted for 20 per cent of respondents. Telecommunication companies have necessarily become more CI active and they made up 11 per cent of respondents. Owing to deregulation and legislation, it has been necessary for previously public companies to become proactively competitive. This was emphasised by the 17 per cent representation of energy-related companies. Another sign of recent market changes was the large number of financial services companies (33 per cent) which are finding it essential to undertake CI in order to stay alive.

The difference in the length of time that manufacturing and services companies have been competitor aware was reflected in their personnel. In both cases the majority of respondents had only been in their current job for two years or less (manufacturing – 66 per cent, services – 61 per cent). However, the length of time that the manufacturing respondents had been actively involved and aware of CI extended much further into the past than the comparative respondents in services companies. The longest that a manufacturing respondent had been actively involved in CI was 40 years. Many respondents answered that they had been aware of CI all their business lives. Services companies had an awareness and involvement in CI more geared towards ten years and under. Practitioners with job titles specific to CI undertook the highest percentage of CI work. For respondents with the words “competitor”, “competitive”, “intelligence” and “analysis/analyst” in their job titles, the average percentage of the job dedicated to CI was 70 per cent. For other respondents, without CI specific job titles, the average was 41 per cent. The trend from the research was that the companies with officially named and delegated CI practitioners tended to be the companies with dedicated CI units. They also tended to be the companies with the most positive responses regarding attitude to, and use of, CI.

Findings

Attitude towards CI in respondents' firms

The top three ways that senior management viewed CI activities were “of good use for the company's situation”, “as a crucial and integral part of company success”, and “as a long-term investment of increasing importance”. However, the fourth most common response concerning top management was that they “don't understand but give support and show interest”. Only one respondent indicated that the company's top management saw CI as “a short term fad”.

For most respondents, the way that CI was viewed by other departments was similar to the view taken by top management. However, general ambivalence and misunderstanding seemed to be higher in other departments than at top management level. This suggests problems of interaction, integration and communication as well as hinting that the structure and culture of these particular companies may not be CI-friendly. In some cases, the same respondent ticked both positive and negative statements, indicating

a more complex and potentially inconsistent attitude towards CI.

When considering the main benefits that CI had brought to the respondents' companies, it was encouraging to see that "strategic guidance/insight" was quoted by 44 per cent of respondents, with "identify, understand and exploit significant threats and opportunities using market and competitor knowledge" being the next most popular benefit for 40 per cent of respondents.

General awareness and alertness, whether or not any action was taken, was also high on the list for 33 per cent of respondents. Whereas knowledge of customers was only mentioned by one manufacturing company, 22 per cent of services companies mentioned a customer focused benefit. This trend of services companies focusing more on customers, as well as the more tactical use of CI by services, are echoed in future sections of the questionnaire.

The majority of the services companies responding to the questionnaire had a dedicated CI unit (71 per cent as compared with manufacturing companies 55 per cent). Furthermore, services companies may well believe the widespread "myth" that CI is not possible without a dedicated unit and initial investment. Also, 83 per cent of the services companies in the sample frame had a turnover of over £10 million, so they could have the backing to dedicate time, resources and staff to a specific CI unit. It was interesting to note that, in the services sector, the length of time the CI units have been established is often equal to the length of time that the respondent had been actively involved in CI.

This research drew sharp attention to a missing element in the initial classification which had focused exclusively on a firm's attitude toward CI from an external perspective. Here the issue of internal perception of CI and the support, or otherwise, which a practitioner might enjoy from senior managers and/or other departments was raised. In devising the original typology the research team had neglected to take the internal situation into account, and instead had focused simply on the tasks to be carried out. If ever it were needed, this was probably the best demonstration of the value of testing pilot study findings and widening the sample base.

The typology was thus amended to provide four attitude types:

- 1 *Immune attitude*. Too busy thinking about today to worry about tomorrow. Thinks that the firm is so small, so big or so special that it enjoys immunity from

competitors and thus CI is a waste of time. Minimal or no support from either top management or other departments.

- 2 *Task driven attitude*. Finding answers to specific questions and extending what the firm knows about its competitors, usually on an *ad hoc* basis. Departments more excited about CI than top management who do not realise the benefits.
- 3 *Operational attitude*. A process revolving around the company as its centre, trying to understand, analyse and interpret markets. Top management usually trying to develop a positive attitude towards CI because they can see it might increase profit, and therefore personal bonuses. Unwilling or unable to think about the application of CI for the long term.
- 4 *Strategic attitude*. An integrated procedure, in which competitors are determined as those who are satisfying our customers' needs, current and/or future. Monitoring their moves, anticipating what they will do next and working out response strategies. Receives both top management support, co-operation from other departments and is recognised by all as essential for future success.

The interviews enabled the research team to assess how different management styles had a direct influence on the attitude towards, and use of, CI. The culture of company A, a large chemical manufacturing firm, was described by the interviewee as "traditionally hierarchical and unresponsive with a competitive philosophy". Recent restructuring was said to be transforming this, but it was a very slow process. All employees had their own individual dark oak panelled office, even the junior staff, and there was an oppressive, dull atmosphere to the entire building. Although CI was taking place in this firm, it was subsumed into a neutral job title and there was a somewhat secretive feel to its existence. A recent merger announcement in the sector had not taken this employee by surprise, or his immediate colleagues, but it had shocked some of the most senior management and people in other departments. The interviewee reported that he had taken great delight in reminding senior managers that he had predicted a similar scenario some eight months earlier.

In contrast, the culture of company B, a non-UK-owned telecommunications firm operating in the UK, was described by the interviewee as "alert, dynamic, and communicative with the philosophy of what I know everybody knows". Here the offices

were open plan, bright and lively. Employees were laughing, talking freely and clearly enjoying their work. Contact with the interviewee was easy and a response was guaranteed to any message left. This firm had a CI programme in place to ensure that information was communicated quickly and effectively up, down and across the firm at all levels. It was not difficult to see why CI was thriving in such an encouraging environment.

Intelligence gathering

The least common methods of information gathering were “sending bogus customers into contact with competitors”, “watching competitors’ premises” and “hiring competitors’ staff”. Hiring competitors’ staff was much more prevalent in services companies. Although mention of customers was scarce in most of the replies, it seems that the majority of respondents do communicate with them in order to gain information. All respondents indicated that they mainly use material in the public domain but 70 per cent also use other resources.

It was pleasing to see that 49 per cent of respondents said that CI was the “understood responsibility of all company employees”, which indicates an increasing move towards a better CI company, which would be able to class all of its employees as CI practitioners to a greater or lesser extent.

The list of problems faced when gathering CI reinforces previous findings. The most common problem cited by respondents from companies with no CI unit was “lack of time/too many projects”. Conversely, disinterest and difficulties in the identification of accurate information sources was a concern for 21 per cent of respondents, while a lack of CI understanding in the firm was a problem for 14 per cent.

The most common problems faced by respondents in the dissemination phase were “making the information and structure relevant to the audience whilst being brief yet useful” (21 per cent), “targeting the correct/most influential audience” (19 per cent), “making sure CI is timely” (12 per cent) and busy or disinterested people leaving reports unread (10 per cent). All these problems are surmountable with increased experience of CI and a more dedicated and effectively run CI process.

The initial typology therefore required only a slight amendment to reflect these findings:

- *Easy gathering.* Firms that use general publications and/or specific industry

periodicals and think these constitute exhaustive information. Unlikely to commit resources to obtain information which may be difficult or costly to obtain. Always looking for an immediate return on investment.

- *Hunter gathering.* Firms knowing that easy gathering information is available to all who care to look. Realise that if CI is to have a strategic impact then additional, sustained effort is required. Resources are available which allow researchers to access sources within reasonable cost parameters, back their instinct, follow apparently irrelevant leads, spend time talking, brainstorming and thinking about CI problems without always being pressured for “the answer”. Firms which appreciate and support intellectual effort.

Use of CI in respondents’ firms

Strategy’s marriage with CI is well documented and the use of CI is the step that makes all the other steps worthwhile. In 73 per cent of the respondents’ companies CI was said to be used either “always” or “often” in strategic planning and decision making.

When using CI methods for strategy formulation, some activities and sources were relied on more than others. For both services and manufacturing, industry publications were used less than the company’s own primary research. This is a positive finding, as information gained from less-public sources is often the most valuable and it suggests a more proactive approach to intelligence gathering. Unsurprisingly, “industry knowledge/experience” (84 per cent), “competitor analysis” (77 per cent) and “customer/market analysis” (65 per cent) were the top three most used elements.

Services companies tend to use CI more for tactical decisions than manufacturing companies. A total of 94 per cent of services companies and 85 per cent of manufacturing companies indicated that CI was used always, often or sometimes when making tactical decisions. These high figures show that CI’s focus need not be entirely on strategy and it seems that most companies would agree with one respondent’s view that CI is choked if only used at a strategic level.

For all respondents, new product development was the most common tactical action with “change type/mix of marketing activities” and pricing changes following closely. For both manufacturing and services companies 46 per cent of respondents used CI to add services. It was encouraging to find that the more reactive reasons for undertaking CI were often the least cited. For example, “copying competitor activity” was

only ticked by 11 per cent of respondents, whereas “exploiting competitors’ weaknesses” was ticked by 44 per cent. The most common reason for undertaking CI, in both services and manufacturing companies, was to “identify opportunities/threats in the industry”.

The second most common reason for services companies to undertake CI was to “aid effective strategic decisions” (56 per cent). However, for manufacturing respondents, it was to “track competitors” (70 per cent), which could hint at a focus on gathering rather than analysis, dissemination and use.

For all the questions about action taken using CI, the companies with the newest CI processes (three months-one year) indicated that it was too early to be able to answer. These were also the questions with the most blank answers, mainly from services respondents. A small number of respondents admitted that decisions using CI had, on occasion, proved detrimental but did not offer further details. This is consistent with the assumption that it would be more difficult to get respondents to discuss failures or negative cases than to give positive examples.

It is in this area that the main research informed and affected change in the initial typology. The original classification had related only to the use made of the data gathered and the focus was, perhaps inappropriately, the type of data used rather than the use to which the data were put. It also became clear that the original typology produced an unnecessary overlap in the “intelligence gathering” and “use” categories.

The typology was thus amended, and extended to show the different uses to which CI data were put within a firm:

- *Joneses user.* Firms trying to obtain answers to disparate questions with no organisational learning taking place. Has commissioned a CI report from a consultant because that is what everybody else has done.
- *Knee jerk user.* Firms which obtain some CI data, fail to assess their quality or impact, yet act immediately. Can often lead to wasted and inappropriate effort, sometimes with damaging results. Such firms are most vulnerable to planted mis-information by competitors who are more CI aware.
- *Tactical user.* Firms which use CI mostly to inform tactical measures such as price changes, promotional effort. Some firms can successfully argue that CI loses its impact and timeliness if it gets stuck at

the strategic level but are, nevertheless, acutely aware of its potential value to the business.

- *Strategic user.* CI is used to identify opportunities/threats in the industry and to aid effective strategic decision making. All levels of staff, both management and operational, are aware of critical success Factors and their attendant CI requirements. Continuous, legal measures are used to track competitors, simulate their strengths and weaknesses, build scenarios, and plan effective counter-attacks. Decision-makers are involved in a high number of “what-if?” discussions to which CI data are applied. Contingency planning and counter-intelligence are a part of normal strategic thinking. Action plans are implemented and competitor reaction monitored. Mistakes are seized upon as learning rather than firing opportunities. Open and facilitative management culture which displays trust and encourages involvement. Tactical plans and strategy are developed in conjunction.

The location for CI activity

Those with a dedicated CI unit represented companies with a turnover in excess of £10 million. A total of 48 per cent of the units had only one or two members and lack of resources represented only 12 per cent of all major hurdles in establishing the unit. The other major hurdles highlighted constantly recurring themes such as the need for evidence of the benefits of CI (44 per cent), problems of integration and acceptance by other departments/managers (41 per cent) and location and responsibility issues (44 per cent). Also, the lack of experience in CI and scarcity of UK models of CI in action caused 44 per cent of respondents to have a problem of knowing what was needed for the unit.

Most (67 per cent) of the respondents with a dedicated CI unit believed it was essential to have one. Reasons included the need to have a centre of expertise to which information can be channelled and the need for an unbiased, specialist skill set devoted to company-wide CI. A total of 15 per cent of respondents indicated that a CI unit is only sometimes essential or that it is “a good idea but never essential”. However, 30 per cent of respondents with CI units indicated that their company’s performance had not really improved. This is not as depressing as it initially seems and many of the reasons given for the “improved somewhat” answers explain the current situation more fully. Respondents felt that it was too difficult to relate the use of CI directly with business

performance and that it was the lack of CI-based action taken by top management that had hindered improved performance.

Questions were also included about the impetus for CI projects. A total of 55 per cent of respondents “agree projects in consultation with senior management/strategic unit”. A total of 21 per cent of respondents indicated that they initiate their own projects and 24 per cent “work on projects specified by senior management/strategic unit”. From this, it seems that there is a lot of interaction with top management, at least in the conception of CI projects. It also appears that there is slightly more interdepartmental liaison/communication (48 per cent) than in companies without a CI unit (44 per cent).

For those without a dedicated CI Unit, 38 per cent of respondents indicated that this was due to the limited size of the company. The perception that CI is too costly and that extra human resources are needed was cited by 25 per cent and 31 per cent respectively as the reasons for not having a dedicated CI unit. Even though 88 per cent of respondents believed that a CI unit would probably or definitely aid business performance, only 13 per cent of respondents could see a unit being established in the near future.

All those respondents who were not part of a dedicated CI unit did indicate that their colleagues were aware of CI and that they either “show an active interest and offer support and help” or “support and help if asked”. For both services and manufacturing, the targeted CI practitioners were mainly based in marketing related departments (50 per cent). The fact that 44 per cent of respondents said “a lot of interdepartmental liaison/communication occurs” and the same amount again said “some interdepartmental liaison/communication occurs” would suggest that CI is appreciated in these companies.

The research highlighted the potential for CI units to be placed at different levels within a business, and this is reflected in the amended typology. For firms operating a strategic business unit (SBU) or similar organisational structure this makes sense, although there is still much merit in CI activity also taking place at the corporate level:

- *Ad hoc location.* No dedicated CI unit within the organisational structure. Intelligence activities, where undertaken, are on an *ad hoc* basis. CI activity may be subsumed into the marketing or sales department, with intermittent or non-existent sharing policies.

- *Designated location.* Firms supporting a specific CI function, with staff working full-time on monitoring competitors and the competitive environment at the SBU or corporate level. Also involved in addressing particular issues specified by the strategy unit. Staff have easy access to decision makers and status is not a barrier to effective communication.

Conclusions

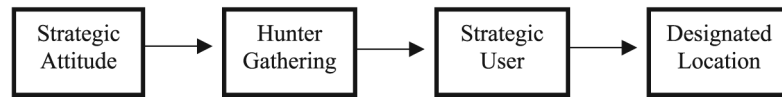
The purpose of this research was to establish the type of conditions and behaviour required to ensure that CI activity had an impact at strategic level and to develop an understanding of the use of CI by UK companies. What has been illuminating, however, was the realisation that misunderstandings surrounding CI persist. CI is still thought to be the domain of large companies and is seen as needing considerable financial and human resource investment, neither of which need be the case. It could be argued that, the focus on tactical use of CI suggests that in general, few companies are taking a longer-term strategic view of CI, but that may be entirely acceptable to their market. It may be that tactical actions are more easily identified, reported and measured, which are the critical success factors for some firms, so such activity should not be discouraged, but allowed to mature.

Furthermore, especially in the services sector, many companies were new to CI, so have had limited opportunity to implement CI-based strategies. The fact that so many are establishing dedicated CI units suggests that a long-term commitment to CI in the UK is starting to take shape.

The evidence from this research suggests that the overriding influence on successful CI activity is the existence of a management style, culture and structure which encourage trust, facilitate communication and encourage the easy flow of information.

Nowhere was this more evident than in the response from one company's CI practitioner, who was really struggling with every aspect of CI. The firm had no CI unit, there was no management support and obstruction of CI effort had been experienced. Other departments saw CI as a waste of time, there was no interdepartmental liaison and only secondary sources were used because of huge organisational constraints. Consequently, the respondent could not answer any of the questions asking how CI was used, nor could examples of benefits be

Figure 1
CI practice



given. This company epitomises all that is wrong if CI is seen as an “optional extra”.

Based on the typology developed, it is obvious that we would wish all firms undertaking CI activity to display the following connected behaviour, which, it may be argued, represents the best CI practice (see Figure 1).

At the same time, though, we realise that many of the research data, and views expressed, were indicative of transitional situations. Not all firms can immediately go from a cold start to the ideal situation, nor would it make sense to recommend this as universally ideal. Intermediary stages are there for a purpose and the organisational learning that takes place through these stages as the firm moves towards “best” practice is highly valuable.

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