

Course 12: Competitive Intelligence (Part 1 of 2)

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This course provides an overview of how competitive intelligence works, including some of the techniques used to conduct competitive intelligence. This course is recommended for 2 hours of Continuing Professional Education. In order to receive credit, you will need to pass a multiple-choice exam which is administered by installing the exe file version of this short course. The exe file can be downloaded from www.exinfm.com/training

Note: This course continues with Part 2 – Analytical models, CI Systems, and more advanced topics.

Basic Concepts

There is a Chinese saying:

Know thy-self, know thy competition, and get it right almost every time.

Know thy-self, not know thy competition, and get it right about half the time.

Not know thy-self, not know thy competition, and get it wrong almost every time.

We now live in a world driven by hyper-competition. Hyper-competition is where too many businesses are pursuing too little business; i.e. there is not enough demand to go around for all providers of goods and services. The knowledge base for managing in this hyper-competitive environment is called Competitive Intelligence. Competitive Intelligence is a process of giving you insights into what might happen in the near future. This process requires that we go from data to information to intelligence. Here is a basic example:

Data => Prices for our products have dropped by 5%

Information => New offshore facilities have lower labor costs

Intelligence => Our key competitor is about to acquire a facility in India that will

The differences between data, information, and intelligence can be subtle, but very real:

Data => Unconnected pieces of information: Nice to know, but so what!

Information => Increased knowledge derived by understanding the relationships of data: Interesting, but how does it relate to what I do!

Intelligence => Organizing the information to fully appreciate the implications and impact on the organization: Oh really, then we better do something!

“Knowledge is what you are after. Information is the raw material you use.
Intelligence is what finds and processes information.”

- [The Intelligence Edge](#) by George Friedman, Meredith Friedman, Colin Chapman
and John S. Baker, Jr.

Intelligence differs from data and information since it requires some form of analysis. The purpose of this analysis is to derive some meaning from the piles of data and information that bury everyone. By going through analysis and filtering, we can refine it enough so that someone can act on it and understand their options, giving them an opportunity to make forward-looking decisions. When we present “intelligence” to people, they can draw a conclusion and make an important decision quickly. Therefore, competitive intelligence should put conclusions and recommendations up front with

supporting research behind the analysis. Competitive intelligence should not simply present the facts, declaring what we found; but instead make a statement, saying this is what we believe is about to happen.

Key Point → Intelligence should be Actionable

Unless someone can take some form of action from knowledge, then you really do not have intelligence.

Competitive Intelligence (CI) pulls together data and information from a very large and strategic view, allowing you to predict or forecast what is going to happen. This in turn allows you to effectively strategize in relation to your competitive environment. Therefore, competitive intelligence allows you to remain competitive by improving your strategic decisions and this leads to better performance against your competitors.

Competitive intelligence does not attempt to collect and analyze all information for an exact picture, but attempts to get enough information so that we can tell what's going on. It's like a picture that is out-of-focus. We need to analyze enough details so we can discern the big picture and report it to management. Therefore, competitive intelligence does not chase down all the facts, but gets enough information to draw a reasonable conclusion for immediate action.

The Evolution of Competitive Intelligence

Competitive intelligence has some basic forms, such as market research and benchmarking. However, good competitive intelligence goes beyond simple research. For example, competitive intelligence attempts to answer specific critical questions that can impact your organization:

- How is the competitor XYZ able to grow and capture market share?
- What new products will competitor ABC develop and when will they release these new products?
- What are the core competencies of competitor DEF?
- Can we compete with new business lines or should we acquire another company to establish our market presence?

Many equate competitive intelligence with other disciplines, such as business intelligence and knowledge management. Although there are major overlaps between all of these disciplines, competitive intelligence tends to be very analytical, very intense, and very savvy in its approach whereas knowledge management and business intelligence are more automated through technology and less dynamic than competitive intelligence. However, as competitive intelligence becomes “main-stream” thinking, all of these disciplines begin to merge.

So why hasn't competitive intelligence grown into a basic competency within most organizations? One contributing factor has to do with how competitive intelligence gets done. Good competitive intelligence requires old-fashioned analysis and filtering, somewhat like a detective who wants to solve a case – you can't automate the art of

solving a crime and you can't automate the insights derived from competitive intelligence. It takes very intense and serious focus in a very short period of time. And this type of skill set is not common in many organizations; especially where competitive intelligence receives little or no emphasis.

“Regardless of the tools you use, the single indispensable element to CI is the human factor: the smarts, experience, and instinct that can turn huge collections of dead facts into live intelligence that plays a central part in making business decisions. The best competitive intelligence team, experts agree, is one that is distributed, involving the company’s entire workforce.”

- Special Report: Competitive Intelligence Smart Business Magazine, March 2001

The Importance of Competitive Intelligence

No organization can sit still and expect things to be the same month after month, year after year. At some point, something will happen to change your assumptions. And almost every decision (especially a strategic decision) is based on certain assumptions. Over time, these assumptions fall apart and if you fail to adjust with a continuous flow of new intelligence, then you will be forced to react in a way that makes it difficult to compete.

“Competitive analysis is critical for managers formulating corporate or divisional strategies. Executives and planners must be aware of the levels and trends in performance of their competitors to determine the best direction for their divisions and parent corporations. They also must be capable of critically assessing their own organization’s performance, over time, relative to its competitive peers.”

– Corporate Strategy by John L. Colley Jr., Jacqueline L. Doyle and Robert D. Hardie

Therefore, competitive intelligence can help test and validate your assumptions. Competitive intelligence also fills in gaps, covering areas that you failed to consider in your assumptions. And of course, competitive intelligence can yield some basic benefits:

- Source for best practices – the only real way to isolate and find “best practices” is to engage in some form of competitive intelligence; otherwise you end up relying on crude and generic type benchmarking data.
- Helps formulate strategy through an understanding of your industry, yourself, and your competitors. Competitive intelligence is the essence of strategic business analysis!
- Helps identify areas for improvement as well as risks and opportunities.
- Isolates performance gaps in relation to the competition.

Key Point → Fundamental Intelligence

Competitive intelligence should be in hot pursuit of certain fundamental information:

- Information about your industry (such as monitoring trade journals)
- Financial transactions (such as credit ratings)
- Publicly released information (such as regulatory filings by a competitor)
- Non Confidential Information between buyers and sellers to identify who the competition is

In their book Outsmarting the Competition, authors John J. McGonagle, Jr. and Carolyn M. Vella provide these guidelines on when to use competitive intelligence:

- Competition increases from firms outside your industry's traditional boundaries.
- Competition, both actual and potential, increases from non-U.S.-based firms.
- Consumers and customers become increasingly sophisticated and knowledgeable, demanding more and openly comparing products, services, and sources.
- Changes occur continuously in the nature and variety of the products and services you must offer to continue to compete.
- Significant changes occur in the ownership or senior management of firms in your industry, which may bring in new operating or marketing philosophies.

The 80 / 20 Rule – Primary vs. Secondary

Competitive intelligence follows a two-phase process when it comes to collecting information:

Phase I: Secondary Research (80% volume / 20% time)

Phase II: Primary Research (20% volume / 80% time)

Phase I Secondary Research leads to Phase II Primary Research. Secondary research consists of press releases, analyst reports, trade journals, regulatory filings, transcripts of speeches, and other published sources of information. The bulk of the information (let's say 80% of it) that we collect comes through secondary research. Once we sift through this information overload, we can move to Phase II where the "golden nuggets" of competitive intelligence reside. Phase II Primary Research is more hands-on and direct, interviewing sources of published information, meeting face-to-face with key decision makers and flushing out the critical unknowns not found in secondary research. It is here, primary research, where we should spend most of our time (80%) on the pertinent information (20%) derived from secondary research. Therefore, we should recognize the 80 / 20 rule of competitive intelligence: Spend less of your time gathering the information and spend more of your time analyzing and refining it through primary research.

	Secondary Research	Primary Research
Volume of Data	80%	20%
Time Spent	20%	80%

Example: *A Wall Street Analyst has just released a very upbeat report (secondary research) about your main competitor. The report is not very specific, but the Analyst has issued a very strong buy recommendation to investors. In an effort to better understand what is driving this recommendation, you contact the Analyst directly as part of primary research. This leads to a detail understanding of how the competitor plans to acquire a warehouse for selling consumer electronics in the United States. This is expected to take place in six months. Based on this intelligence, your company goes into action, partnering with a nationwide consumer electronics store and within three months you have out maneuvered the competition to solidify your market share.*

Secondary research tends to be easier than primary research since secondary sources of information are public knowledge. Primary research is more difficult because you are on a detective hunt, trying to track down loose ends. Primary research is often done through a telephone interview, such as contacting suppliers, customers, business writers, and government agencies. Surveys are sometimes used where several sources are involved.

There are several fine points to both secondary and primary research. Here are some basic guidelines:

1. Secondary sources of information that are local as opposed to national or global can be more revealing. For example, suppose we are analyzing Harley-Davidson Motorcycles and Harley-Davidson is headquartered in Milwaukee, Wisconsin. The local newspaper in Milwaukee will most likely carry more stories about Harley-Davidson since it is a major employer in town. On the other hand, a nationwide publication like Business Week will rarely carry stories about Harley-Davidson. Competitive intelligence is the savvy art of knowing where to get the information.
2. Secondary sources should be varied so that you collect different viewpoints. This helps reduce bias in your research.
3. Internet related sources of information are often opinionated. Opinion related information is usually subjective and unreliable. Try to find sources of information that are based on solid investigative research as opposed to someone giving an opinion that turns out to be wrong.
4. Your competitor's will release an abundance of information – regulatory filings, credit reports, company newsletters, press releases, executive speeches, and other sources of information.

Key Point → Most Valuable Sources

Secondary research consists mainly of printed type sources of information. The most valuable sources of information are not published at all; but reside in those people who created the published materials.

You should also consider the 80 / 20 rule in relation to internal vs. external sources of information. For example, most of what you need to know about your competition can be found somewhere within your own organization. Sales people mingle with other sales people within the industry. Many employees have experience from competing companies. Procurement personnel will have a complete listing of suppliers for your industry. Senior managers, research personnel, and others may have published reports, given speeches pertinent to developments in your industry. Call center personnel are always engaged in listening to customer complaints and suggestions. Legal personnel can help define regulatory risks unique to your industry. All of these internal sources can represent great sources of intelligence. The external sources represent the general body of information at large, easy to obtain, and widely distributed. Also, by spending more time upfront on internal sources, you are led to the appropriate external sources (both published and human).

“Success for every business, whether it’s a one-person operation or a Fortune 500 corporation, increasingly depends on a timely awareness by key executives of the rapidly changing events impacting their organizations. Yet in most corporate settings, executives consistently work with massive amounts of raw data, small amounts of value-added information derived from analysis, and very little intelligence. Competitive intelligence reverses this traditional trend toward data and information and redirects it toward actionable intelligence.”

– The War Room Guide to Competitive Intelligence by Steven M. Shaker and Mark P. Gembicki

The CI Hypothesis

Competitive Intelligence centers on building and solving a hypothesis – something that is unexplained, but requires some research to answer. For example, suppose your company is losing market share in Europe. Management is perplexed as to why this is happening. Everyone is asserting the root causes behind lost market share. Competitive intelligence attacks this issue similar to how a scientist would solve a problem:

- Define the issue or problem first – Do we have the wrong products, wrong marketing approach, failure to recognize a new competitor, etc.
- Research each possible explanation or hypothesis.
- Test and validate your hypotheses until you can reach a reasonable conclusion as to what’s driving your lost market share.

It’s not usual to have competing hypotheses. You must collect and research various sources, analyze the knowledge and determine which of these hypotheses is true. You are seeking the facts – trying to get to the truth by tapping into expert sources or looking for common themes from multiple sources. Competitive intelligence (CI) is a logical approach to resolving critical business issues. A typical CI project gets organized around certain steps:

1. What critical question(s) must get answered?
2. What is the time frame for meeting the competitive intelligence objective?
3. Define the CI Project, allocate resources, establish a scope, and issue a quick plan for execution.
4. Launch secondary research – collect and organize data.
5. Analyze appropriate information, conduct primary research, and enlist others in developing the deliverable.
6. Draft findings and recommendations; circulate for review.
7. Approve and distribute final report.

“Data, when organized, becomes information; information, when analyzed, becomes intelligence. Based on this model, intelligence professionals usually execute on a four-phased process, or cycle: 1) they identify the intelligence needs of key decision makers across the firm; 2) they collect information about events in a firm’s external business environment from print, electronic, and oral sources; 3) they analyze and synthesize the information; and 4) they disseminate the resulting intelligence to decision makers.”

– Millennium Intelligence: Understanding and Conducting Competitive Intelligence in the Digital Age by Jerry Miller

Tools and Techniques

Competitive intelligence usually starts with some understanding of critical issues confronting the organization. The major concerns of management should get the attention of competitive intelligence. You must ask the question: What kind of intelligence do we need for making decisions? What kind of information are we currently using and should we transform some of this into intelligence?

If you must compete with other products in the marketplace, you may want intelligence about how your competitor's produce and sell their products. If you compete for services, perhaps a critical issue is how the competition builds customer loyalty and how can we do it better. Depending upon your business issues, the key is to be pro-active regarding competitive intelligence. You should continuously monitor key intelligence factors – the events that have major implications on your organization. Competitive intelligence should position the company so it is prepared for the events driving change; i.e. early warning indicators on things management must act on.

“Some people use information like a drunk uses a lamppost . . . more for support than illumination. By using a variety of analytical tools, CI analysts must leverage the collected data – the information – and create the requisite illumination. Analytical tools provide a means to create intelligence.”

– Creating a Successful CI Operation in Today's Corporate Environment by Tim Kindler, Competitive Intelligence Magazine, Vol. 6, No. 5

Sometimes it is useful to work backwards. For example, you may want to conduct an Intelligence Audit. The purpose of the audit is to identify various types of information and what processes are used to collect and distribute the information. Once you identify your resources, you can fall back on your key intelligence issues and look for missing gaps. This will give you insights into areas that need development.

Environmental Mapping Defines the CI Universe

One of the building blocks for competitive intelligence is a thorough understanding of the respective industry. You need to map out and understand the forces driving change within your industry. One of the most popular models for analyzing an industry is Porter's Five Forces Model, created by strategy expert Michael Porter of Harvard University. According to the Porter Five Force Model, there are five forces impacting your industry:

1. Customers – They have the power to bargain for lower prices and force certain kinds of change within your industry.
2. Suppliers – Suppliers may have certain power to dictate prices and options upon a company.
3. Substitutions – Your market share is subject to change from substitute products or a new use of an existing product.
4. New Competition – New entrants into the marketplace are not uncommon in this global world and they can be difficult to identify.
5. Existing Competition – Your organization is currently competing for market share, trying to position itself as a leader.

These five forces will vary and change with each industry. For example, Microsoft has a very dominant position when it comes to operating systems for personal computers. So as a supplier to manufacturers of personal computers, Microsoft will have a lot of power over the manufacturer. Take the case of consumers who often respond to lower prices. This can drive Wal-Mart to seek lower prices from manufacturers such as Proctor and Gamble. New technologies can remove barriers to competition. For example, local phone companies now offer high-speed internet access. All types of forces can impact your industry. You need to map this out within a structure so you can see the entire landscape. Keep in mind that competitive intelligence must be both tactical and strategic; so a broad environmental assessment is needed.

Key Point → Reduce Bias thru Broad Assessment

One reason why competitive intelligence professionals use tools such as the Five Forces Model is to reduce bias in their analysis. There is sometimes a tendency to over-analyze the competition, forgetting about the other forces impacting your organization. Competitive intelligence should cast a wide net when assessing impact.

Another key point from strategy expert Michael Porter concerns type of strategy. According to Porter, all companies must ultimately fall back on one of three types of strategies:

- Low cost provider – very difficult to maintain, only a few companies can execute on this (such as Wal-Mart).
- Differentiation – provides a unique type product or service, such as Swatch vs. Rolex when it comes to wrist watches – one is very fashionable and reasonably priced and the other is high quality and much more expensive.
- Highly Focused – very geographic or market niche oriented. This is probably the more common type strategy for most companies. Examples include banks, software companies, media companies and airlines.

An understanding of which strategy your organization follows is critically important to understanding what you need to monitor in the competitive universe. Additionally, we may want to expand our environmental mapping to include indirect forces. By considering these indirect forces in conjunction with the direct forces defined in Porter's Five Force Model, we define the competitive intelligence universe. Indirect

forces can include things like government regulation, economic conditions, political changes, and demographic shifts. For example, changes in interest rates will impact home construction companies. Therefore, indirect forces can have profound impacts on certain types of businesses.

One of the more popular models for capturing both direct and indirect forces comes from Karl Albrecht, author of the book Corporate Radar: Tracking the Forces that are Shaping Your Business. This model views the competitive environment over eight strategic areas:

1. Customer – Range and complexity of customers in the value chain.
2. Competition – Motive and behavior of competitor's.
3. Economic – The marketplace, economic conditions, resources, pricing, etc.
4. Technology – Trends and events impacting productivity and processes.
5. Social – Culture, values, beliefs, behavior of people, etc.
6. Political – National, regional, state, and local political forces.
7. Legal – Litigation, rulings, fair use, etc.
8. Geophysical – Physical environment, location of distributors, natural ecosystem, etc.

Through environmental mapping of direct and indirect forces, we establish a baseline understanding of the critical concerns that competitive intelligence must address. We can now move forward with our competitive intelligence effort.

Know Thy Self

Not only do we need a solid understanding of our industry, but we also need a very detail understanding of our own organization. We will use this baseline data to help analyze other companies. This internal data can be applied to fill in missing pieces of the competitive picture. Examples include:

- Financial ratios
- Operating cycle times
- Workforce statistics
- Sources of revenues (fees, contracts, passive sources, etc.)
- Expenditure profile (operating, marketing, depreciation, etc.)
- Asset composition (current, fixed, leased, overseas, etc.)
- Capital structure (debt level, interest rates, cost of capital, etc.)
- Overhead rates
- Strategy, operating decisions, and tactical decisions
- Suppliers, distributors, key customers, and other partners
- Organizational layout, functions, and business units
- Processes (including taking a tour of your own facilities)

Here is how competitive intelligence uses internal metrics:

You have been assigned to study a private company that is competing against your company. Senior management wants to know how much revenue growth is taking place within this company. However, the competing company is private and there are no available financial records anywhere. However, the competing company does reveal the

total number of employees, year by year in a trade journal. From your own in-house database, you know that Revenues per Employee are \$ 1,200 and the industry average is about the same. So we simply fill in the missing pieces by multiplying the \$ 1,200 by the competing company's headcount each year and we have some idea of top line revenue growth.

This is a common practice for CI Professionals, applying internal information to derive what is happening financially within a competing company. Several critical questions can get answered through this form of financial analysis, such as:

- Can a competing company finance a new acquisition or major expansion?
- What are the financial weaknesses and strengths of a competing company?
- Is the company starting to decline or is the company growing?
- What is the cost structure of the competing company?
- What are the cash flows for a start-up company?

“We observed that organizations that were better at learning and translating knowledge into action understand the virtue of simple language, simple structures, simple concepts, and the power of common sense, which is remarkably uncommon in its application.”

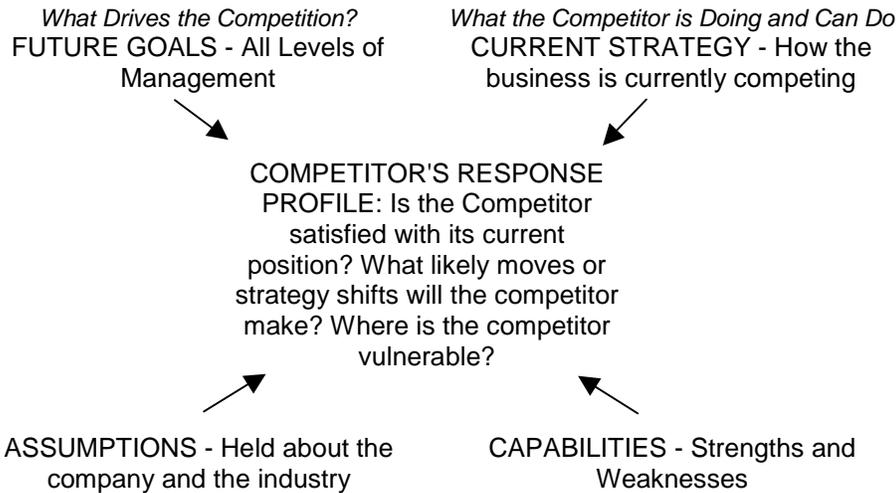
– The Knowing-Doing Gap: How Smart Companies Turn Knowledge into Action by Jeffrey Pfeffer and Robert I. Sutton

War Games

When competition is clearly defined and we have some predictability about what is going on, we can use war gaming to focus on key competitors. This can be extremely useful when the rate of change has slowed down, allowing us to out-guess a small number of competitors in a “game” that has fairly well established rules of engagement. It's not unlike war strategy where you study the likely moves and positions of the opponent, create a strategy to counter the opponent and launch an assault to improve your position on the battlefield (marketplace).

Most war games will use cross-functional teams to facilitate a strategy based on what you think will happen. In order to forecast what you think will happen, you will need to do both internal and external research. This research can be presented to the cross-functional team in the form of a research report. Team members will use certain analytical techniques, such as four-corners analysis to estimate likely moves by the competition.

Four Corners Analysis



Source: Competitive Strategy: Techniques for Analyzing Industries and Competitors by Michael E. Porter

War games should deliver a set of action items for dealing with the competition. The best results from war games are derived when you include some outside stakeholders, such as key suppliers, joint venture partners, and others who are critical to your strategic launch.

Scenario Analysis

For environments that involve rapid change and high levels of uncertainty, competitive intelligence may have to construct different scenarios based on what might happen. This can be very important where barriers to competition are low and numerous companies are competing in the marketplace. As a result, your assumptions tend to be very unreliable and there is a real need to map out alternative strategies.

Scenario analysis is somewhat involved, usually taking place over several months in distinct stages:

Stage 1 – Identify key drivers within your organization. This will require brainstorming with key management personnel.

Stage 2 – Study the competitive universe to isolate possible scenarios. This may result in a real need to develop competitive intelligence for filling in certain unknowns.

Stage 3 – Create three to five different scenarios and try to assign a probability on the likelihood that the scenario will happen.

Stage 4 – Conduct a series of strategic meetings to build a set of strategies for addressing different scenarios.

Stage 5 – Establish and monitor a set of indicators for each scenario. You will need to assign responsibilities to different people for researching and analyzing these indicators. When a threat or opportunity becomes real, take appropriate action.

Key Point → More Competition More Possible Outcomes

The strategic choices you have depends to a great extent on the level of competition. The more competition, the more possible outcomes.

Growth Share Matrix

For companies trying to sell products in a highly competitive marketplace, the use of a matrix can help categorize and understand how strategy should be developed around the product mix. The Growth-Share Matrix, developed by Boston Consulting Group, can be used to forecast how a company should manage its product line.

You will need to segment your products between growing markets and mature markets. For mature markets, you need to determine which products are stable, not requiring major investments. If you have growing markets, you should determine if additional investments could accelerate the growth. The objective is to have a “balanced” portfolio of products – mix of stable products and rising stars.

Low - Growth - High	Star Products	Marginal Products
	Stable Products	Poor Products
High - Market Share - Low		

Another variation of the market type matrix is illustrated below, showing the relationship between product life cycles and the competitive marketplace:

	Developing Market	Maturing Market	Saturated Market
Level of Product Differentiation →	High	Decreasing	Very low
Competitive Dynamics →	Evolving	Positioning	Price wars

The Art of Primary Research

There are a host of techniques that CI Professionals use during primary research. Keep in mind that primary research can be tricky and people will not openly volunteer information. You are trying to elicit a response. There are several ways of doing this. For example, a mild criticism can provoke a better understanding of what the primary source is really trying to say. Show respect for their expertise and explain what your objective is – *I need more information to better understand this and you seem to have a lot of expertise with this.* Primary research can be more effective if you start with softer, less offensive type questions. Don’t unload your key questions upfront – try to lead through the discussion by listening and watching for what you can and cannot do.

Another common practice is the use of bracketing. CI Professionals often need to understand the time frame for an event. The primary source may not provide an exact answer. So the CI Professional attempts to “bracket” a response, such as confirming that the new venture will be launched in the next six months or between August and December. CI Professionals try to gently move into an answer without asking it directly.

“Studies have shown that managers get two-thirds of their information and knowledge from face-to-face meetings or phone conversations. Only one-third comes from documents.”

– Working Knowledge: How Organizations Manage What They Know by Thomas H. Davenport and Laurence Prusak

Filtering Information

Part of the analytical process of competitive intelligence involves filtering. We need to make some distinctions as to what information to use and what information not to use. CI Professionals apply several filters, some of which have already been mentioned in this short course. None-the-less, here is a recap of how competitive intelligence filters through information:

1. Impact – The higher the impact, the more likely we need to select this information. Ask some basic questions: Do we really need to take action on this information? Does it impact our company in some way?
2. Clarity – Sometimes information can be very difficult to understand, requiring extensive analysis. Information that is easy to understand and apply is usually more value added.
3. Reliability – Different sources of information have different levels of reliability. For example, a Wall Street Research Report is probably more reliable than an internet discussion board full of opinions. When you can readily verify information through primary research, it tends to be more reliable.
4. Timeline – As noted earlier, the most recent information is more likely to impact your company. The timeliest sources of information tend to be primary (unpublished) since there is a time lag for published materials.

“It is impossible to comprehend just how much information is actually floating around the globe, but it makes the odds of information you need existing very reasonable. Finding it is the real task. You need to know where to look and how to sift through the information, recognizing what you need and discarding that which lacks value to you.”

– Competitive Intelligence: Create an Intelligent Organization and Compete to Win by Michelle and Curtis Cook

Up Close Analysis of Non Competing Companies

Another practice used by CI Professionals is to improve internal performance by not studying the competition, but studying a non-competing company. The reason CI Professionals do this is simple – it's much easier to obtain inside information from a non-competing company. For example, suppose management wants to improve inventory control and performance. Numerous other companies outside your industry may have great inventory practices. By arranging a visit or a series of interviews, you can learn first hand how the company manages its inventory. You can then take this knowledge and apply it to your operations. Your competition is not about to volunteer this type of information, but a non-competing company will be much more receptive to relinquishing this type of best practice.

Two Important Windows – Job Ads and Trade Shows

The world of competitive intelligence is full of small windows, providing a wealth of knowledge. Two such windows are jobs ads and trade shows.

Job Ads – When a company seeks out new talent, it can reveal key strategic moves that a company is making. Job ads are sometimes very predictive about a company's marketing strategy. Here is an example:

Mercer BioResearch is looking for chemist and research analyst to join our new research lab in Montgomery County, Maryland. Our new research lab will develop disease resistant fruits for the Southeastern United States. We are seeking top-notch chemist and researchers in the field of food genetics. This five-year research program is part of our strategy to enter the exciting market of bioengineering.

Trade Shows – Almost every industry will have some form of a trade show. Trade shows provide a direct face-to-face venue for studying the competition. As you might expect, competitive intelligence should be somewhat aggressive at trade shows. Here are a few examples:

- Collecting all brochures, samples, pricing lists, and other product information.
- Conversing with the competitor's people as well as industry experts for unpublished, exclusive information.
- Obtaining the trade show directory for a complete listing of competitor's, suppliers, sponsors, and other key players in the industry.
- Where allowed, taking photographs of products and other displays to document for management critical developments within the industry.

Tracking Behavior

Certain industries are understood through the CEO's and other key players in the industry. Over time, these people have a consistent pattern of behavior, giving the CI Professional critical clues as to what will happen in the future. This is particularly useful when a senior executive moves from company to company. For example, Al Dunlap was a CEO well known for his aggressive cost cutting. So when Mr. Dunlap became CEO of Sunbeam, it was fairly easy to predict what was going to happen to Sunbeam.

CI Professionals will usually profile CEO's by looking at their past decisions at previous companies. This provides insights into how the CEO thinks and what are the possible strategic decisions that the competitor is likely to make. By plotting behavior of key decision makers, you can predict possible actions by your competitors. Additionally, you may want to track "thought leaders" within an industry for key insights.

Key Point → The Best Intelligence

Intelligence that is collected around the future is the best form of intelligence. When you can anticipate something, you will have the ability to protect and build on your competitive advantages. This will enable you to become a leader in the competitive market place. This is one of the primary goals behind any competitive intelligence effort.

Best Practices

There are several finer points that we need to consider throughout the competitive intelligence process. This chapter will highlight some of the underlying “best practices” behind competitive intelligence.

Tasks to be performed by CI Professionals:

- Go beyond internet searches: collect from human resources.
- Go beyond public databases: collect hard-to-get information (e.g. private firms) from less obvious sources.
- Go beyond competitors: analyze whole markets and industries.
- Go beyond static analysis and current market statistics: predict change.
- Go beyond marketing intelligence: understand finance and cost accounting.
- Go beyond marketing, finance, and cost: understand strategy.
- Go beyond strategy: understand risk.

– CI Education Harvard Style? by Ben Gilad, Competitive Intelligence Magazine, Volume 6, Number 4

Time is Critical

Slowness is the enemy of competitive intelligence. Having knowledge about something three weeks after you need to act is of little value. Two critical questions you must address are: Where do we go to get the information and how long will it take? This requires a very deliberate and strong competitive intelligence effort. Without a serious commitment to competitive intelligence, time will erase whatever hope you have for effective decision-making.

The objective should be to close the gap between when the event occurred and when you have the knowledge to act. You may want to measure this gap by using the Event to Knowledge Metric. On what date did the event occur and on what date did our company have this knowledge and act on it?

Universal Sweep

Competitive intelligence requires a very broad scope inside and outside the organization. Competitive intelligence should not be a distinct and isolated function. Instead, you should have the entire organization engaged in the effort. This will require a basic level

of training as well as some form of recognition and reward. For example, some companies issue certificates of appreciation after each competitive intelligence project. Another useful tool is to enlist people when they are first hired. Have them complete a voluntary form for participation in a competitive intelligence project. You should also capture key intelligence about the employee, such as prior employers, foreign experience, and other critical facts for building your internal database.

You want to build your internal resources – marketing, consultants, customer service, public relations, legal, human resources, operations, research, procurement, and so forth. Additionally, it can be useful to have a CI Expert established within many of these functions. Many companies maintain a Yellow Book of inside experts on various subjects, helping to establish a network of knowledge inside the company.

“A well-organized competitor-monitoring program can significantly increase your company’s profits and protect your firm from losing business to its competition. The keys to a successful monitoring program are the same whether your company is a bank, a software designer, or a soap manufacturer. For a monitoring program to succeed it needs to have three overriding traits: constancy, longevity, and involvement.”
– Monitoring the Competition: Find out What’s Really Going on There by Leonard M. Fuld

Remain Neutral

Although it’s not easy, it is critical that competitive intelligence remain free of bias, providing neutral type results. Competitive intelligence is not intended to support an existing management decision. Good competitive intelligence should speak the truth and let management decide how it wants to proceed.

One way to ensure competitive intelligence is neutral is to make it independent, similar to other independent functions such as internal auditing. Also, where you place competitive intelligence within the organization can influence the “freedom” that competitive intelligence has. Instead of making it a sub-section of marketing, make competitive intelligence accessible to all functions. The CI Function tends to fit well with functions like Strategic Planning and Knowledge Management.

Key Point → Big Egos kills CI

One reason competitive intelligence is not widely used is simple – it can be very unpopular. Competitive intelligence can contradict what management has been advocating. And if management is not willing to listen to competitive intelligence, then it will have little value.

Go Where the Information Is

Sometimes competitive intelligence can be highly effective through casual and obvious sources of information. In his book How to Drive Your Competition Crazy, author Guy Kawasaki outlines these simple steps for understanding the competition: Shop the competition, become a customer of the competition, query the competitor's customers, ask the government about the competition and become friends with a research librarian.

One of the more time consuming activities within competitive intelligence can be collecting and categorizing information. So knowing where to look can be half the battle. For example, several critical directories can lead you to direct sources. Here are some examples, some of which are available at public libraries:

- Directory of Wall Street Analyst by Industry
- Gale's Directory of Directory (identifies leading industry experts)
- Directory of Industry Associations

Other useful sources for competitive intelligence include commercial databases (such as Dialog, Lexis Nexus, and Factiva), trade publications, research reports from analyst, and regulatory filings. Make sure you compliment all of these published sources with primary sources, such as your own personal contacts (authors, academic scholars, outside consultants, and others). You need to spend time talking to people who are in the know.

Challenge Conventional Thinking

Great competitive intelligence will challenge management to think in new ways. There are too many changes taking place in the world today. There is no way management should be comfortable with the status quo. Therefore, competitive intelligence should deliberately test and validate critical management decisions. Likewise, management should welcome and encourage competitive intelligence to challenge both tactical and strategic decision-making. Competitive intelligence should be a reality check.

Key Point → The Learning Organization

Competitive Intelligence becomes invaluable when it changes the behavior of an organization. This is best accomplished when the organization becomes a learning organization.

Act Ethically

Competitive intelligence should not engage in illegal acts. Additionally, competitive intelligence should not jeopardize the reputation of a company. Fuld & Company, a leading consulting firm in the field of competitive intelligence recommends the following ten commandments of competitive intelligence:

1. Do not lie when representing yourself.
2. Observe your company's legal guidelines.
3. Do not secretly record an interview if it is against the law.
4. Do not issue a bribe.
5. Do not use eavesdropping devices.
6. Do not mislead anyone in an interview.
7. Do not swap price information or capacity with a competing company.
8. Do not distribute or exchange misinformation.
9. Do not steal a trade secret.
10. Do not knowingly pump someone for information that could sacrifice that person's job or reputation.

Key Point → CI is not spying

Some people equate competitive intelligence with spying. Competitive Intelligence is not about spying, it's about knowledge.

Partner with Risk Management

Over the last several years, there has been increased emphasis on Risk Management – protecting the company from unexpected losses. This is usually done under the name: Enterprise Risk Management or ERM. However, ERM is very internally focused; things like control procedures within the company, security safeguards, authorizations and approvals, transparency in reporting, and so forth. Since risk management is internal, we need to compliment risk management with competitive intelligence. The reason is simple – CI is externally focused and these external forces have major risk implications. Therefore, it is extremely important to combine ERM and CI for a comprehensive approach to risk management.

Human Intelligence

Intelligence collected and analyzed by and from human sources is often the determining factor behind your intelligence capabilities. Those organizations with extensive human sources as opposed to over-reliance on published sources will have superior competitive intelligence capabilities. This will lead to increased effectiveness in strategic decision-making, giving the company a fundamental competitive advantage.

Infrastructure before Software

No doubt that many professionals will seek out a software solution to competitive intelligence. Although technology can help (and it continues to evolve), you should focus most of your efforts on building the infrastructure (staffing, training, processes, etc.) associated with competitive intelligence. Don't work in reverse, forcing your processes to fit some software solution – design your processes first and then supplement your

competitive intelligence with investments in basic technologies. Additionally, you may want to leverage existing technologies, such as internal databases, intranets, Lotus Notes, and other applications for building your CI infrastructure.

Key Point → World Class CI takes time

The usual time required to build a world-class competitive intelligence program is between 5 and 7 years.

Chapter

4

Counter Intelligence

In an effort to close the loop on competitive intelligence, we need to recognize that other companies will be performing competitive intelligence against our company. This last chapter will summarize specific practices for engaging in counter intelligence; i.e. making it more difficult for others to learn how our company works. You can start by doing competitive intelligence against yourself, providing insights into how your competitor's learn about your company.

Key Point → Counter CI improves CI

When you understand what the competition knows about your company through Counter Competitive Intelligence, it helps you understand what the competition will do based on what they know. This in turn helps you think like your competitor, improving your own competitive intelligence.

Don't Over Disclose

There are generally accepted guidelines for disclosing information, such as minimum disclosure requirements when filing with a regulatory agency. There is no rule that says you have to disclose more than the minimum required information. Some companies go overboard, putting way too much information into their public disclosure documents. This gives your competitor's increased opportunity for doing competitive analysis against your company. Try to stick to the minimum guidelines for disclosures where practical.

Contain the Information Flow

Certain types of information can go outside the normal channels of communication. For example, an in-house company newsletter or publication may find its way outside the company. Any information that could give away your intentions warrants some form of protection. This usually involves anything that is crucial to your future business success. Some of the potential sources for leaks include CEO speeches, market surveys, and trade shows.

Special information that is difficult for a competitor to readily duplicate in the marketplace warrants aggressive protection. This includes things like trade secrets, brand images and new inventions. Sensitive items can be protected through fair use agreements, litigation against unfair use, and regulatory filings that carry certain protection (such as patents and trademarks).

Finally, almost all information seems to make it onto a computer file. Therefore, it is important to have controls over the electronic distribution of information. As a general rule, distribute information to only those people who need it.

Sending False Signals

Although this is somewhat sneaky, many companies will unveil new products or release certain information for the sole purpose of getting the competition to move in a certain way. After several months of evaluating the competitive reaction, the company abandons or changes its original intentions. This strategy of sending signals before you really intend to act is an effective way of gauging the competition before you invest heavily in a new venture. This can be important where innovation is high and product life cycles are extremely short (such as technology).

Don't be Predictable

As we previously indicated, CI Professionals often focus on patterns of predictability. So one obvious way to counter competitive intelligence is to become unpredictable. The strategic decisions an organization makes should not be directly linked to who is running the company. Also, sudden shifts in strategy can sometimes throw the competition off, improving the opportunities for a company. And obviously, these shifts should be grounded in the reality of competitive intelligence.

As previously noted, it can be informative to study yourself just like you were a competitor. This can help you identify predictable patterns and if you happen to be a market leader in a mature marketplace, these patterns can be very predictable.

Recognize Intelligence Attacks

Whether you realize it or not, you are under some form of intelligence attack. If you fail to recognize these attacks, they will manifest themselves in a very dramatic way. For example, your organization works hard to compete, but somehow the competitor is always one step ahead of you. Each time you introduce a new product or service, the

competitor keeps beating you to the punch. How can this keep happening? The answer is: The competitor is obtaining critical intelligence about your company as a result of leaks from your own people.

Here is a typical example: An independent research firm has called your Marketing Manager, indicating he is doing some research about your industry. He asks questions about your market share, key customers, and other confidential type information. Another common method is to send a survey to your company from a company seeking to do business with you. The survey seeks “inside” information about your company.

Therefore, it is important to be on the look out for suspicious phone calls, unusual surveys, inquiries from regulators that are out of the ordinary, or anything that requires abnormal disclosure on a voluntary basis.

Key Point → Wide Range of Intelligence Consumers

Intelligence attacks can come from a wide range of people – Lobbyists, Researchers, Suppliers, Customers, Former Employees, Government Regulators, etc. Each has its own agenda.

Don't be afraid to Counter Attack

Once you begin to recognize intelligence attacks, you can counter-attack in many ways. The most common tactic is to buy time and delay the attacker, allowing you to trace the attack back to the source. For example, when you receive an unusual phone call asking about critical information, simply tell the caller you are very busy and can you take their phone number and name. This buys time and gives you a trail back to the attacker.

In some cases, you may need to throw the attacker off to expose his real motive or refer him to another source. The reason you want to do this is simple – you want to continue to monitor intelligence attacks. By conversing with the attacker in a fake maneuver, you leave the door open just enough to assess his intelligence attacks going forward.

“Think of the fake that is a fundamental – and legal – tactic in any number of sports: the head fake in basketball, the fake handoff in football, a pitcher’s fake pickoff throw in baseball. The aim of all these feints is the same: getting your rival to setup or move in a way that puts him off balance and reduces his ability to meet your attack.”

– Hard Ball: Five Killer Strategies for Trouncing the Competition by George Stalk, Jr. and Rob Lachenauer, Harvard Business Review, April 2004

Questions for Review

The following questions are for review purposes only. Answers appear at the end of this short course.

(1) What are some critical reasons for having a Competitive Intelligence function?

(2) The following information may or may not represent intelligence since it reveals nothing really new about the competition. For each of the following, indicate if the information is information or intelligence.

	Information (so what)	Intelligence (oh really)
a. The earnings per share trends for a key competitor are.	_____	_____
b. The new CEO for our key competitor has a consistent pattern of investing in research type projects.	_____	_____
c. The amount our competitor bid on the Asian construction project is.	_____	_____
d. The size of the marketing department for our key competitor is.	_____	_____
e. Six suppliers make up our industry value chain.	_____	_____
f. The mission statement for our key competitor is	_____	_____
g. The amount of time our competitor takes to deliver new systems to customers are.	_____	_____

(3) Give an example of an analytical tool to help define the competitive intelligence universe.

(4) For each of the following, identify the source as primary or secondary:

- a. Company newsletter
- b. Investment analyst report
- c. Phone interview with major distributor
- d. Electronic filing of quarterly financial statement
- e. Face to face meeting with an industry expert
- f. Surveying the competitor's key customers

(5) Why is it useful to track the behavior of key industry leaders, such as CEO's (Chief Executive Officers)?

Course Summary

If a question is important enough to ask and it impacts a company, then there should be a willingness to explore answers through competitive intelligence. And when we define questions in such a way that we also define the information required for answering the question, then competitive intelligence should be able to deliver some type of answer. Competitive intelligence seeks the truth about a company's future through extremely intense analysis. This analysis can cover a broad range of direct and indirect forces influencing the organization. Analytical models, such as Porter's Five Forces Model, are used to understand these forces.

Several hot spots will warrant serious analysis, such as researching and analyzing primary sources of information since these sources are direct and high impact. Depending upon your industry, you may need to research and analyze specific windows of competitive intelligence. For example, innovation and new inventions may be critical to a high-tech company. Therefore, continuous monitoring of patents might be useful.

We all must learn to accept high levels of uncertainty and change, but we don't have to accept mounds of useless data for making poor decisions. Time is too short and critical in today's global, competitive world. The process for breaking through this maze is competitive intelligence. For competitive intelligence to work it must be continuous, far-reaching inside and outside the organization, independent, and supported by all people throughout the entire organization.

The rewards of world-class competitive intelligence are extremely evident in companies like General Electric and Met Life. Competitive intelligence drives strategic decision-making and as a result, these companies are leaders in their respective industries. If you want to remain competitive and ultimately become a market leader, you will have to engage in competitive intelligence.

“As professionals, we believe that the success formula for any organization is:

CI (Competitive Intelligence) + SI (Strategic Implementation) = CA
(Competitive Advantage)

Proving CI's worth to your executives is necessary, but may not be sufficient to help executives understand the considerable contribution CI can make to a firm. What is essential is establishing the direct relationship of CI to the creation of competitive advantage of your firm or division. To do this, we need to focus on the right side of the equation and always relate our CI efforts to how they contribute to the formation of Competitive Advantage.

– Paul Dishman, President, Society of Competitive Intelligence Professionals

Recommended Reading:

1. Competitive Strategy: Techniques for Analyzing Industries and Competitors by Michael E. Porter
2. Competitive Intelligence: Create an Intelligent Organization and Compete to Win by Michelle Cook and Curtis Cook
3. Competitive Intelligence: How to Gather, Analyze and Use Information to Move Your Business to the Top by Larry Kahaner
4. Competitive Intelligence for the Competitive Edge by Alan Dutka
5. Competing for the Future by Gary Hamel and C. K. Prahalad
6. The Complete Guide to Competitive Intelligence by Kirk W.M. Tyson
7. Corporate Espionage by Ira Winkler
8. Millennium Intelligence: Understanding and Conducting Competitive Intelligence in the Digital Age by Jerry P. Miller
9. The Intelligence Edge: How to Profit in the Information Age by George Friedman, Meredith Friedman, Colin Chapman and John S. Baker, Jr.
10. Corporate Radar: Tracking the Forces that are Shaping Your Business by Karl Albrecht
11. War Room Guide to Competitive Intelligence by Steven M. Shaker and Mark P. Gembicki
12. Outsmarting the Competition: Practical Approaches to Finding and Using Competitive Information by John J. McGonagle, Jr. and Carolyn M. Vella
13. The New Competitor by Leonard M. Fuld
14. The Business Intelligence System: A New Tool for Competitive Advantage by Benjamin Gilad and Tamar Gilad
15. The Art of Being Well Informed by Andrew P. Garvin
16. The Knowing-Doing Gap: How Smart Companies Turn Knowledge into Action by Jeffrey Pfeffer and Robert I. Sutton
17. Internet Business Intelligence by David Vine

Selected CI Vendors:

Commercial Databases for Data Collection:

Lexis-Nexis (www.lexis-nexis.com)

Dialog (www.dialog.com)

Factiva (www.factiva.com)

Online Business Research:

ABI / Inform (www.il.proquest.com)

Skyminder (www.skyminder.com)

CI Research (primary and/or secondary):

Bacon's Information (www.bacons.com)

Edwards Research Group (www.edwardsresearch.com)

Global Intelligence Alliance (www.globalintelligence.com)

NERAC (www.nerac.com)

Provizio (www.provizio.com)

Strategic Analysis Inc. (www.strategicanalysis.com)

Investigative Research:

Kroll (www.krollworldwide.com)

Events Research:

CCBN (www.ccbn.com)

Global Patents Research:

WIPS (www.wipsglobal.com)

Foreign Country Intelligence:

World Markets Research (www.wmrc.com)

Professional Organizations:

1. Society of Competitive Intelligence Professionals, 1700 Diagonal Rd, Suite 600, Alexandria, VA 22314, Phone: 703-739-0696, Website: www.scip.org
2. Association of Independent Information Professionals, 8550 United Plaza Blvd, Suite 1001, Baton Rouge, LA 70809, Phone: 225-408-4400, Website: www.aiip.org
3. Institute for International Research, 708 Third Ave, New York City 10017, Phone: 1-888-670-8200, Website: www.iirusa.com
4. Center for Business Intelligence, 500 W. Cummings Park, Suite 5400, Woburn, MA 01801, Phone: 800-767-9499, Website: www.cbinet.com

Final Exam

In order to receive credit for this short course, you will need to download and install the exe file version of this short course, located on the internet at www.exinfm.com/training. The exe file includes review questions, self-grading final exam, and certificate of completion. In order to receive a certificate of completion, you must answer at least seven of the following ten questions correctly:

1. Three information types are described as follows:
(1): Knowledge that requires some form of action or response
(2): Public information and statistics about a company
(3): Analyzed data that is somewhat value added to the decision maker
For each, categorize it as to Data, Information, or Intelligence:

	<u>Data</u>	<u>Information</u>	<u>Intelligence</u>
a.	(3)	(1)	(2)
b.	(2)	(1)	(3)
c.	(2)	(3)	(1)
d.	(1)	(2)	(3)

2. Which of the following is an example of primary research?
 - a. Interview with critical supplier
 - b. Company press release
 - c. Legal abstract from court case
 - d. Article in Trade Journal

3. If we follow the 80 / 20 Rule, how should we spend our time between primary and secondary research?
 - a. Spend more time on secondary research than primary
 - b. Spend more time on primary research than secondary
 - c. Spend the same time between secondary and primary
 - d. Spend less time on primary research than secondary

4. Information has numerous sources and these sources have different degrees of reliability. Which of the following sources has the lowest level of reliability for competitive intelligence?
 - a. Surveys of key customers
 - b. Interviews of CEO's
 - c. Observations at Trade Shows
 - d. Employee opinions of the Industry

5. Mertz Food Company is facing intense competition in a fast moving global marketplace. Past assumptions for competing no longer hold up and Mertz management is having trouble making the right strategic decisions. The CEO for Mertz has asked the Competitive Intelligence Group to develop some alternatives for helping Mertz react to sudden changes in the marketplace. Which of the following analytical approaches would be most helpful to Mertz's situation?

- a. War gaming
 - b. Market share analysis
 - c. Scenario analysis
 - d. Secondary research
6. In an effort to understand an industry, one of the more popular analytical approaches is to look at:
- a. Competitor Profiles
 - b. Porter's Five Forces
 - c. Cost Trend Curves
 - d. Mature Markets
7. Competitive intelligence is not about espionage or illegal activities. Therefore, competitive intelligence should not:
- a. Impair a company's reputation
 - b. Survey outside suppliers
 - c. Use subcontractors for research
 - d. Contact CEO's directly
8. Which of the following is a potential source for an intelligence attack against your company?
- a. Outside Supplier
 - b. Research Analyst
 - c. Former Customer
 - d. All of the above
9. Risk management may not be very comprehensive when it comes to identifying and assessing all potential risks to a company. Therefore, it is important for risk management functions to partner with competitive intelligence (CI) since CI will pickup and identify potential risks that are:
- a. Internal within the company
 - b. Externally driven outside the company
 - c. Both internal and external
 - d. Neither internal or external
10. You are trying to better understand a specific competitor. This competitor operates in a small local town as the principal employer. You would like to collect some background information from some published sources. Which of the following published sources might be your best source?
- a. Global financial news
 - b. National business magazines
 - c. Local newspapers
 - d. Industry newsletter

Answers to Review Questions:

(1) Most people have concluded that competitive intelligence is critically important for maintaining and improving your competitive advantages. Some other reasons for having a competitive intelligence function include: Helps you make strategic decisions, helps you understand best practices, and helps you manage risks.

- (2)
- a. Information, not very revealing
 - b. Intelligence, gives insights into what the competitor will do
 - c. Intelligence, tells us how much we should bid to outbid the competitor
 - d. Information, not that useful
 - e. Information, common type information
 - f. Information, well understood by everyone
 - g. Intelligence, helps us plan on how to out compete

(3) One of the most common analytical tools used in competitive intelligence is Porter's Five Forces Model. We can also extend this model by looking at indirect forces. A good analytical model for looking at multiple forces is Albrecht's Eight Strategic Areas.

- (4)
- a. Secondary (published)
 - b. Secondary (published)
 - c. Primary (direct source)
 - d. Secondary (published)
 - e. Primary (direct source)
 - f. Primary (direct source)

(5) Understanding the behavior of CEO's could be useful since CEO's tend to move around within their respective industries. For example, Steve Jobs at Apple Computer, Michael Eisner of Disney, and Larry Ellison of Oracle all have certain patterns of decision-making. If these CEO's move to your key competitor, you can predict some of their strategic decisions ahead of time based on their past decisions.

Continued with Short Course 12 – Part 2:

Chapter 1: Critical Concepts
Chapter 2: Analytical Models
Chapter 3: Advanced Techniques
Chapter 4: Case Studies
Chapter 5: CI Systems