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Competitive Intelligence Adds Value: Five Intelligence Attitudes

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The authors report on the growing importance of competitive intelligence as a management practice in the majority of leading companies. Reviewing the history and definition of competitive intelligence, they then go on to distinguish types of competitive intelligence, to analyse the competitive intelligence process, and identify five categories of attitudes towards competitive intelligence. The advantages of this practice are set out in the conclusion. © 2001 Published by Elsevier Science Ltd.

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Introduction

Competitive intelligence tracks the activity of direct and indirect competitors in a range of fields: general business activity, business development, strategy and tactics in different sectors or new activities (sometimes designed to confuse and mislead), market penetration, patent registration, research activity and so on.

It is a kind of radar screen spotting new opportunities or helping to avert disasters, enabling the firm to observe its environment. It also empowers the firm in monitoring its own development. It is important that business leaders are not left uninformed through the overlooking of crucial data and information that may appear, at first sight, insignificant.

This article presents characteristics of the competitive intelligence concept which is an important management practice in most leading companies. It presents its own definition, and compares with those found in literature on the subject. Key questions to be answered are: what are the different types of competitive intelligence? How do companies practice it, and are there examples of best practice? Research has been undertaken in the last three years on such questions by the authors in ESCP-EAP's GTI Lab.[1]

From Information to Intelligence

Porter and Millar (1991) have pointed out in an early article how information changes industry structure and alters the rules of competition. Clearly, the information technology (IT) revolution has created competitive advantage by giving companies new ways to outperform their rivals. It is especially affecting the entire process by which companies create their products. It permeates a company's value chain at every point, transforming the way value activities are performed as well as the nature of linkages among them. It affects individual activities and, through new information flows, enhances a company's ability to exploit links between activities, inside and outside the company. IT affects competitive scope and reshapes the way products meet buyers' needs.

Competitive Intelligence: An Old Management Practice

Whilst it is integrated into the organisational culture of many leading companies today, competitive intelligence practices are not new. Its benefits were long understood in the States of pre-modern Germany. In the fifteenth century, for example, the House of Fugger, from its base in Augsburg, disseminated manuscript letters which provided its key officers with a steady flow of confidential political and commercial information. More modern German intelligence grew in the eighteenth century, and by scouting the European Continent the Germans discovered they could compete with British and French firms by applying foreign scientific advances to their own industrial processes. They rapidly developed their own base of education and research as a foundation for technological innovation. By the late 1800s, they held international rights to many formulae and processes, particularly in chemicals.

Japan was also early endowed with a grasp of the importance of competitive intelligence. With the American invasion of 1854, the country opened up to external influences after two centuries of self-imposed seclusion. In 1868, Emperor Meiji (the 'Enlightened') encouraged policies of community, nationalism and modernisation with the intention of enabling Japan to compete with the West by absorbing the latter's best practices. Emperor Meiji was an earlier adherent to global competition and strongly against any 'not invented here' syndrome. Following the end of World War Two, Japan converted its military espionage capability into a system of economic intelligence, for example, in the early 1950s, tens of thousands of market researchers were sent around the world to assess the potential of the photographic market which was to be a major breakthrough for the country. It is the country to have created a national system of intelligence when more liberal economies have been unable to integrate national and business interests. Japan and intelligence have grown hand-in-hand. As far back as 1868, the pledge of allegiance to the Imperial Kingdom called for every subject to gather information about the rest of the world. The system is mature and effective. Information serves as the axis and central structural support of the nation's companies.

More generally, the competitive intelligence approach benefits from other more recently-developed concepts like Knowledge Management, which most larger companies have institutionalised.

Defining Competitive Intelligence

The authors give their own definition of the Competitive Intelligence concept. They believe Competitive Intelligence has the following characteristics: it is an art of **collecting**, **processing** and **storing** information to be made available to people at all levels of the firm to help shape its future and protect it against current competitive threat: it should be legal and respect codes of ethics: it involves a transfer of knowledge from the environment to the organisation within established rules.

Although information is at the centre of the concept of competitive intelligence, the latter covers wider objectives than just the gathering of this information.

❖ Fuld (1995) describes what intelligence is not:

> It is not reams of database print-outs. It is not necessarily thick, densely-written reports. It is most certainly not spying, stealing, or bugging. Put most basically, intelligence is analysed information.

❖ Kahaner (1996) emphasises the need to distinguish between information and intelligence:

> Information is factual. It is numbers, statistics, scattered data about people and companies. *Intelligence* is information that has been filtered, distilled and analysed. Competitive intelligence requires knowing precisely the differences between information and intelligence. Intelligence, not information, is what managers need in order to make decisions.

❖ Achard and Bernat (1998) point out that competitive intelligence managers have a role in enriching data throughout the information cycle — to transform information into exploitable intelligence which can be used by decision-makers. The information cycle is as follows:

Data ⇒ human intelligence ⇒ information ⇒ exploitable information
⇑ collection and selection
⇑ analysis and synthesis

Bringing value to information and being able to transmit it is the major purpose of intelligence initiatives.

❖ Drucker (1998) puts this succinctly and links it to knowledge. Drucker defines information as data 'endowed with relevance and purpose', and states that, in order to survive, companies must build systems capable of fostering and optimising added value. They need to be more knowledge-based. They should include specialists to direct and discipline their own performance through organised feedback from colleagues, customers and clients and headquarters, who can transform their data into information.

The Scope of Competitive Intelligence

❖ Deschamps and Ranganath Nayak (1995) categorise three types of competitive intelligence:

1. *Market Intelligence*. This is needed to provide a road map of current and future trends in customers' needs and preferences, new markets and creative segmentation opportunities, and major shifts in marketing and distribution.
2. *Competitors' Intelligence*. This is needed to evaluate the evolution of competitive strategy over time through changes in competitors' structure, new product substitutes and new industry entrants.
3. *Technological Intelligence*. This is needed to assess the cost/benefit of current and new tech-