Ahead of the Game: Competitive Intelligence Strategies for Sustained Advantage

SOO DARCY

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Chapter 1: Introduction to competitive intelligence

What is competitive intelligence?
Competitive intelligence (CI) is the power to make the right decisions at the right time. It is awareness, foresight, and an informed understanding of how the competitive environment around us affects our business. It is both a process and an outcome. It is a process because, to gain and maintain true competitive advantage, it must be conducted as an ongoing activity within the organisation. It is an outcome because, when intelligence feeds into strategic or tactical decision-making in a specific area, the process has produced a tangible, actionable outcome: insight that creates a foundation for sound decisions. CI arms us with the power to create and maintain a dynamic competitive edge for organisations of any size, in any sector.

So, how do we go about harnessing the power of intelligence? CI can be defined in a variety of ways, and there are several key factors that theorists refer to as being crucial to the notion of intelligence rather than simply information. Practically speaking, CI is the collection of data, bearing in mind pre-agreed objectives, and the subsequent analysis of that data to generate insight and knowledge about the competitive environment, which is then communicated to the decision makers who need it. This insight – the outcome of the process that is known as intelligence – must be available so that decisions can be made as early as possible, rather than after the event. In his book Competitive Intelligence: How to Gather, Analyze, and Use Information to Move Your Business to the Top, Larry Kahaner describes CI as ‘[a] systematic program for gathering and analyzing information about your competitors’ activities and general business trends to further your own company’s goals.’ Fuld & Co describes CI as ‘the process of ethically gathering and refining information enough so that it can be used to make a strategic business decision.’ The organisation Strategic and Competitive Intelligence Professionals (SCIP) defines CI as ‘a necessary, ethical business discipline for decision making based on understanding the competitive environment.’

What can we learn about CI from these descriptions, bearing in mind that these are only a small selection of the available definitions? CI should be:

- Ethical;
- Necessary;
- A business discipline;
- Systematic;
- Gathering, refining, and analysing information;
- About your competitors’ activities;
- About general business trends;
- About the competitive environment;
- Used to further your company’s goals; and
- Used to make strategic business decisions.

Kahaner points out that CI should be a ‘systematic program’: it must be planned
and approached in a consistent, informed manner and managed in such a way that it delivers to the objectives within the defined timeframe. The aims of the process must be identified at its inception, and regularly reviewed throughout the program in response to intelligence that is gathered along the way. Kahaner’s reference to furthering goals is another important element. Many organisations derive great value from discrete CI projects that deliver to the objectives of a single tactical goal, such as an overhaul of marketing efforts or product development. That is all well and good, and this type of intelligence most certainly has its place. But to narrow your research to only those goals is to be blinkered to the wider competitive forces that act on a business all of the time, and it is through an awareness of this wider environment that CI can deliver value as a dedicated function that feeds into the company’s strategy at the highest level.

CI must be ethical – and within this we can, of course, include legal. Our second definition above also gives us clues as to the process of CI: gathering and refining information so that it can be used by the organisation to further its goals. SCIP’s definition gives us perhaps the most important feature of CI with its use of the words ‘necessary’ and ‘business discipline’; quite rightly, this focuses on the conviction that understanding our competitive environment and acting on what we know is crucial to business success. Furthermore, it identifies CI as a business discipline in its own right, one that deserves attention and dedicated resources in the form of time, skills, and ongoing development.

CI incorporates (or can be classified as a sub-set of) a variety of disciplines and functions, each of which can play an important role in the firm’s decision-making processes. Opinion varies as to what should rightfully fall under the banner of CI, but the most important thing is that your intelligence function works for your specific needs. Therefore, competitor intelligence, business intelligence, customer relationship management, and knowledge management can all contribute to the CI process and can be integrated to create a holistic approach to intelligence-gathering. At the very least, the intelligence generated by each of these disciplines and the operational structure they utilise should be borne in mind when planning and integrating the CI function in your organisation.

An introduction to some key concepts

**Competitive intelligence should be active**

In the absence of a dedicated CI function, many organisations are only spurred into action when a specific opportunity or, more likely, threat becomes apparent. Although this approach has a place in the overall CI activity, it may well be that the intelligence comes too late to allow the firm to take an offensive or defensive stance towards the opportunity or threat identified. The purpose of CI is to keep the organisation ahead of the curve: if the business strives to be active in its own markets, then reactive CI will contribute little of value. Intelligence allows you to act before an opportunity arises or a threat materialises, so a consistent and forward-looking CI function is essential to maintain such a competitive edge.

**Intelligence is not the same as information**

In today’s world we are overloaded with information on a daily basis. Some of it lands on our desk or in our inbox uninvited; some we actively seek out;
some, indeed, we commission or pay a subscription for. It might appear to be relevant to our business, or it might appear to be superfluous. The reality is that we make unconscious or snap decisions about what we will and won’t pay attention to depending on whether or not it catches our eye or has a title that takes our fancy – or even whether we have the time to read it. The job of the CI practitioner is to deduce what information is relevant, and to follow leads to new sources. The irrelevant information must be discarded – often a difficult decision to make, but essential if you are not to be left with an overwhelming and unwieldy supply of data – and insight drawn from what is left. Information is passive, while intelligence is an analysed, interpreted collection of insights that can be used to inform decisions.

Planning is key
In order to feed into strategic or tactical decision making, CI outputs must be clearly aligned with a set of aims and objectives that are agreed before the programme commences. Key intelligence topics (KITs) and questions (KIQs) help the CI researcher to take an informed, targeted approach to the process of gathering data and retaining only what is useful. Furthermore, analysis can be conducted with the key objectives in mind so that the final dissemination of the intelligence matches the needs and expectations of decision makers.

Without this planning, data gathering is in danger of spreading out into an unmanageable task that generates huge volumes of information but very little in the way of actionable intelligence. If the CI function is not seen to deliver, it is in danger of being undermined or, worse still, cut altogether. It is therefore in the best interests of all who are internally championing or actually carrying out the programme that clear KITs and KIQs are put in place at the beginning, in order to act as a standard against which the value of the programme can be measured.

Consider intelligence objectives within the wider context
CI is not only competitor intelligence, nor is it only business intelligence. It looks beyond the immediate set of competitors and, indeed, beyond the industry context to consider how broader factors such as the economic, political, social, and technological environment influence the business, the competitor set, the industry as a whole, suppliers, buyers, and any other group that could erode or enhance the competitive edge of the business. CI is about identifying opportunities and being prepared to seize those opportunities to harness their full potential before others do; it is also about avoiding threats from market fluctuations or new competitors that could have been, had we been paying attention, spotted before they hit.

There is also some benefit to an inward focus within the more usual outward-facing work that makes up CI. Being aware of our own business processes, values, and culture helps us to identify weaknesses that could hinder our response to intelligence. Indeed, significant gaps in knowledge management capabilities or a cultural reluctance to share knowledge could prevent effective integration of the CI function altogether. Perhaps more importantly, once the CI function has demonstrated to senior management the intelligence that can be gathered quite legitimately from competitors, it will be prudent to consider how your own activities might make it easy for competitors to gain a competitive edge over you.
Past and future
The main focus of CI should, of course, be the anticipation of circumstances that could affect your business; therefore, it should always be forward-looking in its approach. However, the CI practitioner can use historical information to spot trends that may not be obvious in the ‘here and now’ data, or to develop an understanding of competitors’ past movements so that informed assumptions can be made about their likely future activities.

Intelligence must be actionable – and actioned
The output of CI – the insight and opinions formed by the CI practitioner based on the data gathered – must not be seen as the end of the project. If it is to have any worth and value to the organisation, it must be communicated effectively and acted upon. Moreover, action is likely to be highly time-sensitive so communication of intelligence needs to be fast, to the right audience, and in a manner that they can easily digest and act upon decisively. Wordy reports and sketchy conclusions are useless when decisions need to be made quickly based on concise, salient findings.

In terms of CI itself, the results should feed back into the process when the cycle of information-gathering begins again. Learnings from each cycle – whether they are related to the scope of the project, sources of data, areas for improvement, or information that can feed into long-term objectives – should be incorporated into the ongoing CI activity.

Common concerns and misconceptions
Competitive intelligence activity is illegal
This was a relatively common misconception in the past, but as the general profile of CI has risen in recent years it has become better understood as an important and valuable discipline in its own right that complies with relevant law just as any other business function should. The simple fact is that CI, if conducted properly, will never utilise any illegal technique; genuine, skilled CI professionals are creative in their approach to data sourcing and analysis, meaning that trends and patterns can be spotted without resorting to illegal activities.

Competitive intelligence activity is unethical
Even when every care is taken to observe all legal requirements for CI in your region, it may appear that ethical boundaries are less easy to define because they are, to some extent, subjective. A small number of high profile cases of alleged improper practices do still crop up, but it should be remembered that businesses all over the world carry out CI activity in a perfectly ethical manner and gain not only the huge benefits of intelligence but also the assurance of a clean corporate reputation. Clear boundaries should be set up when CI activity commences, based on legislation and industry standards at the very minimum and incorporating a solid set of ethical guidelines such as the code of conduct of SCIP. Chapter 8 details some of the key legal and ethical issues to consider when establishing or developing your CI function, as well as the SCIP code.

We already know what we need to know
This is a very short-sighted view that neglects to consider the fact that the competitive environment in which any business operates is in a constant state of flux. As we shall see in Chapter 2, CI takes into account not only the organisation’s immediate competitor set but also the broader competitive...
environment. Even if your organisation has been fortunate enough never to have been caught short by an unexpected new entrant to the market or rival product launch, how many opportunities are passing you by that could have been spotted and harnessed to increase bottom line gains? You might never know the extent of what you are missing if you do not have eyes and ears open to these opportunities. However, you may well notice the gradual erosion of your market share or profit margins as your competitors figure out how to use your lack of awareness to their own competitive advantage.

**Competitive intelligence is too expensive**

There is no simple way around this one: establishing and developing a CI function in your organisation will involve a considerable investment in people, skills, time, and technology resources. The point is that CI should be viewed as a necessity rather than a luxury – can you afford not to invest?

**We don’t have the resources to carry out CI**

This concern is linked to the worry that CI is too expensive, but has wider ramifications for resourcing within the organisation as a whole. The temptation when resources are stretched is to tag CI activity on to existing roles and responsibilities without making allowance for the time and resource commitment involved, but this will frustrate the CI activity in several ways:

- It indicates a lack of commitment from senior decision makers – the very people who need to support the activity if it is to be effective;
- CI is likely to be ad hoc at best if day-to-day responsibilities take priority;
- Where a CI role has been assigned but not fully committed to, the organisation may believe that it has its ‘ear to the ground’ when, in fact, little active CI is going on – resulting in missed opportunities or threats;
- Poor results from CI activity will be blamed on either the individual responsible or an inherent failure of CI as a discipline to deliver value; and
- Where such failures occur, organisations may be wary of committing to CI again in the future. Arguably, poor or sporadic CI is no better than no CI at all, but it is unfortunate if the business is deterred from future efforts because of a poor experience that was, due to lack of commitment, doomed to failure from the outset.

CI will deliver the best returns if the appropriate effort is put into its planning, integration, and execution in terms of bringing it into the business. Likewise, each stage of the CI programme or cycle will deliver the best returns if appropriate effort is put into its planning and execution. In short, once the decision has been made to bring in a CI function it must be championed internally and given sufficient commitment to allow it to fulfil expectations, otherwise all of the objections listed above will become self-fulfilling prophecies.

**Exploring the benefits of competitive intelligence**

The following sections introduce just some of the ways in which CI can bring value to your organisation. This list is certainly not exhaustive, but is intended merely to summarise some of the key areas in which you can expect to see results if CI is targeted towards the right end goals. Many of these issues are returned to and dealt with in detail throughout the report and in the case studies that follow.
Identifying opportunities
One of the most ‘proactive’ CI applications – the identification of opportunities – can demonstrate value and is therefore a prominent role for the CI team. The identification of an opportunity in the market may come from a variety of sources; one of the most important features of an effective CI function is the involvement of employees at every stage. Often, chance conversations at client meetings, conferences, and informal social gatherings can alert a member of the business to a possible opportunity, and it is essential to have facilities in place for clear communication to the CI team or individual.

Spotting risks
Risks posed to the organisation include a new competitor entering the market, the launch of a rival product, large numbers of customers migrating to another provider, changes to regulation that affect your product or service…the list of potential threats is almost endless. While many businesses simply react to damaging events once they have happened, CI can provide you with early warnings that allow the organisation to prepare for – and thus mitigate – the impact of threats or, where possible, take steps to avoid their impact altogether.

Monitoring the competitor landscape
The classic ‘competitor intelligence’ approach helps you to anticipate the activities of your competitors by monitoring changes in the competitor environment, thus protecting yourself from potential threats. The activities and strategies of competitors should be considered in light of broader market and industry factors, including the economic and political climate, technological issues, and legal considerations. This approach may make up the majority of a traditional CI program but it should not be its only aim.

Learning from others
Looking at the successes and failures of your competitors – known as ‘benchmarking’ when conducted formally – can be of great benefit not only to understand the competitive environment but also to apply those learnings internally. Ideally, you should be looking for best practice examples from organisations beyond your direct competitors, identifying tactics that could give you the edge. What is it about the most successful companies that differentiates them from yours? What are they doing operationally to achieve their success – and what could you incorporate into your own operations to emulate that success?

Customers and suppliers
CI allows you to build up a profile of the customers and suppliers that interact with your competitive set: who buys from whom; who controls the supply chain; how are customer tastes changing – and how might these changes affect your business and that of your competitors? The monitoring of the customer and supplier environments has two key benefits. First, it allows you to understand how changes to the supply chain or the target market would affect your competitors’ operations and margins – are their costs likely to go up, presenting an opportunity to seize market share? Are customers tiring of a flagship product? Second, understanding this environment gives you an informed basis on which to make decisions and judgements about your own organisation’s activity – how would it be affected by changes to customer or supplier behaviour? Armed with both external and internal insight, your business will be better prepared to move when an opportunity or risk is perceived.
Sales and marketing
As with many of the benefits covered here, CI has the potential to generate insight that will help the business in two ways. First, an understanding of competitor sales and marketing techniques will help you to understand their strategies, sales channels, and how they interact with their customers. This will feed into your competitor profiling activity and assess the successes and failures of competitors’ sales and marketing techniques. Second, understanding the needs and behaviours of your customers allows you to adapt your own sales and marketing efforts to enhance returns. This type of targeted knowledge generation is often well served by market research; such activity should support, and be supported by, CI.

Tactical goals
The intelligence generated by CI activity can feed into a whole range of tactical goals, such as marketing activity as described above. These goals generally require a shorter-term CI project for a specific purpose, but can also benefit from the insight produced during the longer-term CI activity that should be going on alongside discrete projects. Intelligence can be used to inform IP licensing, R&D, due diligence for M&A or partnership decisions, and a host of other areas.

References
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