



Key activities of competitive intelligence

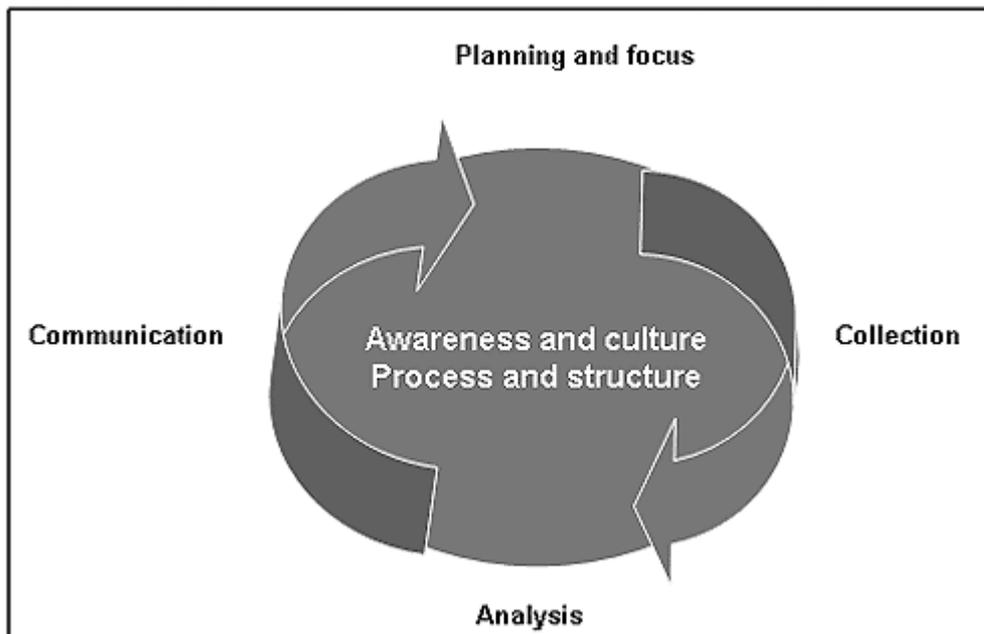
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Introduction

The next four deliveries of this column, will be devoted to the basic operational areas or constructs of competitive intelligence. Competitive intelligence (CI) is increasingly attracting attention throughout the world, including South Africa, as a strategic management tool. The concept of intelligence as a process has long been proposed as an effort to increase a firm's competitiveness (Montgomery and Urban 1970; Pearce 1976; Montgomery and Weinberg 1979). In 1966, William Fair proposed the formation of a corporate central intelligence agency within a firm to 'collect, screen, collate, organize, record, retrieve and disseminate information'. Since that time, this proposition has grown to become an emerging business construct with delineated job functions directly responsible for intelligence collection, analysis and dissemination (Kahaner 1996). In South Africa, the idea of CI is increasingly attracting coverage conferences, university courses, consultants and associations (Viviers 2001; Naudé 2001). It is, however, still a fledgling business discipline. CI can be broadly defined as actionable recommendations arising from a systematic process that involves planning, gathering, analysing and disseminating information on the external environment for opportunities or developments that have the potential to affect a company's or countries 'competitive situation' (Calof and Skinner 1998).

If companies want to gain lasting benefits from CI that pay dividends to strategy development and execution, it is critical that competitive intelligence is a systematic, ongoing activity that resides within the organization. Figure 1 demonstrates the key operational areas of competitive intelligence, namely planning and focus, collection, analysis, communication, awareness and culture, and process and structure. The last two provide the basis for the process of CI, which starts with identifying the company's key intelligence needs, then moves to collecting and analysing information that would provide an answer to the intelligence need and finally communicating the intelligence to the decision-maker. The operational areas are all important and not one can stand alone – there is no short cut. Omitting any part may have dire consequences. For example, leaving out the analysis task will lead to the delivery of un-integrated data summaries to management (Marceau and Sawka 1999).

Figure 1 Operational areas of the CI model (Viviers *et al.*)



The following are operational areas of competitive intelligence:

- **Planning and focus:** Competitive intelligence should only focus on those business issues that are of critical importance for a company. These issues are known as key intelligence needs or requirements. The importance of this function is also to give guidance on the required resources for the CI project or process, as well as to establish the purpose and result of the findings.
- **Collection:** during this phase, information is collected from a variety of sources for examination and verification. Collection comes from a variety of different sources and gathering techniques.
- **Analysis:** during this phase, information is turned into intelligence through a process of interpretation. The results should be useable in strategic decision making.
- **Communication:** the results of the CI process are communicated to those with the authority and responsibility to act on the findings in an appropriate format and at the right time.
- **Process and structure:** CI requires appropriate policies, procedures and an infrastructure so that employees may contribute effectively to the CI system as well as gain the benefits from the CI process.
- **Organizational awareness and culture:** for a company to use its CI efforts successfully, an appropriate organizational awareness of CI and a culture of competitiveness is necessary. While decision makers should call the shots on what intelligence is required, information gathering should be on everyone's mind (Kahaner 1997).

Planning and focus

According to Herring, 'defining an organization's actual intelligence needs doing (it) in a way that (it) results in the production of intelligence that management feels compelled to act upon on one of competitive intelligence's ultimate aims' (Herring 1999).

In this column attention is paid to the planning and focus area of competitive intelligence. It is also the starting point of a continuous cycle. An answer to an intelligence need invariably gives rise to more questions being asked about a specific topic – and the process of collection, analysis and communication starts all over again.

The aims of the planning and learning phase are to set required resources for the CI project as well as to establish the purpose and result of the findings. The planning and focus area ensures that competitive intelligence is a focused activity and that it is not about collecting any information, but only information on issues of highest importance. These issues are called key intelligence needs (KIN) and can be roughly assigned to three functional categories:

- Strategic decisions and actions (e.g. assessment of the current competitive situation in North Africa in terms of energy consumption and generation);
- early warning intelligence (e.g. potential impact of a merger between two competitors or suppliers); and
- intelligence on key players, including competitors (e.g. in-depth assessments of top competitors, including their capabilities, strategic intent, target markets and international expansion) (Herring 1999).

The following example highlights the importance of key intelligence needs:

When a player in the courier industry notices a decline in its market share, the marketing director might attribute it to a general decline in the market that competitors also experience. If the chief executive officer (CEO) is not satisfied with the answer, he will want information on the market size of the courier industry, the top 10 players, how these rate in size and market and a brief SWOT analyses on each competitor to ascertain strong and weak areas in each. The CEO might also want to determine particular growth areas and factors that provide competitive advantage in the particular market segment.

These types of information requests should not be once-off snapshots, but ideally an activity that is ongoing. Key intelligence information should track and scan the competitive environment in search for opportunities to capitalize on and threats to avoid. Successful competitive intelligence systems are needs-driven and must provide specific answers to the questions the company decision makers ask. It is not about providing all of the information – there's enough of that. Failing to provide a value-added service of no strategic value is failing to answer the 'so what' and 'now what' questions, and this will lead to competitive intelligence being viewed as a nice-to-have library function or a market information division.

In the next issue, the collection activity of competitive intelligence will be examined.

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ISSN 1560-683X

Published by [InterWord Communications](#) for the Centre for Research in Web-based Applications, Rand Afrikaans University

