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The Impact of Competitive Intelligence Practices on Strategic Decision-making

By

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Confidentiality

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Declaration

I, Audrey Naidoo, declare that this research report is my own, unaided work, except as indicated in the acknowledgements, the text and references. It is being submitted in partial fulfillment for the degree of Master of Business Administration at the Graduate School of Business, Natal University. It has not been submitted before, in whole, or in part for any degree or examination at any other institution.

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Abstract

Today, the only certainty is uncertainty. The rate of change is continuing on a steep curve upward, information is growing in volume constantly, and the complexity of the marketplace is increasing exponentially. In order to survive, decision-makers need to anticipate and accommodate developments in the world outside, to sustain and exceed their core competitive advantage. The question is how do they go about doing this?

The answer lies in competitive intelligence! Competitive Intelligence is a systematic process involving planning, gathering, analysing and disseminating information on external environment for opportunities or developments that have the potential to affect a company's competitive situation. Research reveals that competitive intelligence (CI) has evolved from an informal into a formal discipline. While many still confuse it with just being competitor information, it has proven to expand much further into a meaningful and value-added input in the strategic decision-making process. Decision-makers need to be equipped with the proper tools before they start the strategic planning process.

The purpose of this research study is to explore the impact of competitive intelligence practices on strategic decision-making. It aims to identify the best way forward in making competitive intelligence more credible within organisations.

The accelerating speed and complexity of change in the business environment places a heightened premium on timely, rigorous understanding of developing threats and opportunities. Consequently, the success of competitive advantage within organisations increasingly depends on aggressive and systematic competitive intelligence efforts to support and enable strategic decision-making.

The study presents an holistic competitive intelligence framework, taking theoretical, best practices and a case study approach, enabling any organisation to successfully adapt CI processes and structures in any given situation.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

The marketplace is changing at a radical pace as a result of major societal forces such as technological advances, globalisation, consumerism and increased competition (Kotler, 2000: 26). Organisations are doing a great deal of soul searching, and many highly respected organisations around the globe are changing in a number of ways by following one or a combination of the following practices – re-engineering, outsourcing, e-commerce, benchmarking, forming alliances and becoming more customer and market centred.

According to Kotler (1997: 37) today's organisations are facing their toughest competition ever and organisations should strive to retain customers by outperforming their competitors. All of the above forces making it difficult for managers to make the right strategic decisions effectively and efficiently.

The quality of strategic decision-making has always been depended on good information. As the business environment becomes faster moving and less predictable, strategists are searching for better ways to collect and analyse information that impacts on their strategy priorities.

The traditional approaches for gathering information are being stretched to their limits, as most competitive intelligence (CI) groups remain focused on their conventional role of monitoring competitor's capabilities and activities.

The most progressive competitive intelligence groups, however, strive to serve the firm's most senior decision-makers as well as their traditional constituencies. These groups consolidate intelligence from throughout the company – not only about competitors but also about changes in industry dynamics, consumer behaviour and technological innovation.

Increasingly, management strategists are relying on a frequently misunderstood practice known as Competitive Intelligence (CI). Today's CI professionals are legally and ethically collecting, analysing, and applying information about the capabilities, vulnerabilities, and intentions of their competitors, and monitoring developments within the overall competitive environment (such as previously unseen rivals over the horizon, or new technologies that could change everything).

The goal: actionable intelligence that will provide a competitive edge. By analysing rival's moves, CI allows companies to anticipate market developments – rather than merely reacting to it (Miller, 2000).

"The big payoff for competitive intelligence is that it will point out weakness that you have internally because of the strengths of your competitors. Companies that don't do this will fail" (Former Kellogg USA President Gary Costly).

Likewise, John Pepper, chairman of Procter and Gamble, **" I can't imagine a time in history when the competencies, skills and knowledge of the men and women in competitive intelligence are more needed and more relevant to a company being able to design a winning strategy and act on it. I can't imagine a company not realising the fundamental need for it today."**

Having deduced that competitive intelligence is critical for strategic decision-making, understanding why it is not taken seriously and implemented effectively becomes fundamental.

1.2 Problem Statement

The dilemma is the lack of awareness and understanding of the true value of competitive intelligence as a key contributor to decision-making. It is about directing and validating the construction of a decision. Sparse intelligence structures and information increase the risk of poor decisions being made in isolation. For many companies, outdated infrastructures, inconsistent data and limited resources cannot adequately respond to increasing business user needs.

Many companies are experiencing information overload from various sources which are often not directly relevant to decision-making. Information needs to be synthesised and made sense of in an orderly and accurate manner before being disseminated to key stakeholders.

This study attempts to investigate competitive intelligence practices and it's impact on strategic decision-making within all organisations. The case study section of this study will focus on a South African bank, whose competitive intelligence structure and process will be investigated at length, resulting in proposed insights and recommendations.

1.3. Aims of the Study

1) To investigate how competitive intelligence practices and processes result in CI becoming a central component of the users' strategic decision-making process.
2) To identify the best way forward in making competitive intelligence more credible and valuable within organisations.

The following **sub-problems** are derived from the aims listed above:

- Unclear perceptions and understanding of what competitive intelligence truly means
- Lack of proper competitive intelligence structures and processes within organisations leads to "failure of intelligence"

- Decision-makers are suffering from information overload
- CI teams generally deliver on what they perceive to be important, rather than focus on key information needs of their stakeholders
- The value of CI within organisations is not being optimised
- There is generally a "disconnect" between CI and strategy
- Often, there is no relationship between the CI professional and the decision-maker

Chapter 2 of the study contains a Literature Review. The chapter details a list of key concepts and definitions used within the Competitive Intelligence discipline. It seeks to understand the evolution of Competitive Intelligence over the years and how it links to strategy. An investigation into the writings of Michael Porter (1980), Ben Gilad (2001), Jonathan Calof (1998) and Kahaner (1996) is included. The chapter further explores the literature sources on the decision-making process and finally looks at the measurement of competitive intelligence effectiveness within organisations.

Chapter 3 contains the research methodology of the study. The research aims, design and procedure are described. The quantitative method (including sampling strategy, procedure for data collection, and method of analysis) is included. The chapter further describes the qualitative method and the components thereof.

Chapter 4 explores the competitive intelligence best practices gleaned from various organisations globally, providing a clear guideline into proper CI processes and structures. It further refers to a recent study conducted within the South African domain and how South African organisations fair with CI.

Chapter 5 delves into the case study of Standard Bank South Africa, seeking to understand their current CI structure and processes. Results from quantitative research conducted will be presented and discussed.

Chapter 6 presents key findings derived from the study and thereafter recommendations will be offered. A final conclusion will be presented based on the entire report's findings.

1.4. The Importance and Value of the Study

Why do giants fall? Benjamin Gilad, author of Business Blindspots (1996), say that they fall because they no longer know how to read market signals. Because the market is changing so rapidly, management is never close enough to the market. Top management's information is invariably biased, subjective, filtered or late.

We have seen evidence of this through the years with companies like IBM, General Motors, Kodak, Xerox, Enron, and the list goes on. Local companies like Saambou, Regal Treasury, CNA have fallen, because of their inability to read the market. Gilad further goes on the say that survival is tentative and success is transitory, unless a company finds a way to keep its management alert. And the answer to these problems lies in competitive intelligence.

This study will highlight how CI is gaining new ground, moving from a traditional tactical approach of gathering and storing information on competitors to tracking, gathering, analysing a broad array of indicators. Competitive intelligence is necessary to reduce risk and uncertainty in decision-making.

The emerging approach of CI identifying changes that suggest large shifts in the future and ensuring the provision of timely, comprehensive information about the external environment for the explicit purpose of supporting strategic decision-making.

The study thus provides organisations with the proper tools to successfully develop and implement a competitive intelligence strategy.

CHAPTER 2
Literature Review

2.1. Introduction

The literature review aims to present a critical review of the available literature pertaining to the main concepts of the study (Saunders, Lewis & Thornhill, 2000).

Firstly, in order to fully understand the need for competitive intelligence within organisations, one has to create a clear picture of the business environment and the forces that influence it. The problems facing businesses today demand a turn to integrated, holistic thinking. And this is what the author is proposing, a new way of looking at an organisation internally and in the context of the world in which it operates.

The entire concept of Competitive Intelligence will then be reviewed, with particular reference to how it has evolved, a most recent agreed upon definition, it's goal and benefits, and finally a theoretical explanation of the decision-making process and it's link to the strategic planning process.

2.2. What causes the Industry and Competitive Structure to Change?

Around the world industry boundaries are shifting and blurring. Yesterday's "key success factors" are fast becoming today's key triggers of failure. Competitiveness is a global obsession. Everywhere you look, companies are cutting costs, restructuring, hiring more skilled people, spending more on R&D, and spending more on training and development. Consultants worldwide report that re-engineering is the still the biggest concern for most managers, even though it has been badly misused.

There are several factors driving companies globally to take a more expansive view at Competitive Intelligence, and they are:

2.2.1. Increasing Pace of Business Transactions

Advances in technology have dramatically increased transaction speed, leading companies to handle more projects with fewer resources. The fast pace of the modern business world requires faster decision-making. The key to keeping pace with the new speed of business is through efficient management and use of competitive intelligence.

2.2.2. Increased Global Competition

The growing global marketplace is rife with global competitors as a result of the institutionalisation of the global economy. Cross-border trade has become easier as regulatory barriers to foreign investment have eased and capital markets have opened up. Globalisation and competitiveness feed off each other.

As more companies reach beyond their home bases, competition increases. Competitive intelligence can help identify new and emerging competitors in a timely manner.

2.2.3. Aggressive Existing Competition

The growing marketplace coupled with a maturing market in industrialised countries has heightened competitiveness. This has lead companies to aggressively increase their market share at the expense of their competitors, finding and capitalising any weaknesses. Competitive Intelligence can assist in anticipating competitors' actions, allowing companies to proactively counteract new developments.

2.2.4. The Global Economy is a Knowledge Economy

The global economy is increasingly being characterised as a knowledge economy. A paradigm shift has occurred as we move further away from the industrial economy to a knowledge-based economy.

Companies are drowning in data and information, and they don't recognise that knowledge is not the same as information. Information has become increasingly meaningless.

Sustaining a competitive advantage requires companies to uniquely apply data and information, to create order out of chaos and complexity and to leverage and transfer knowledge whilst striving towards acquiring expertise.

Knowledge is the capacity to act and it is mostly tacit – that is, individuals typically know more than they can tell about it. The conversion of knowledge to intelligence and action, a critical task underlying the CI processes, requires competence.

2.2.5. Rapid Technological Changes

Advances in technology are transforming products and processes. Just as political change can alter markets, new technological advances can result in both opportunities and threats. To take advantage of the opportunities and forestall threats, companies need to keep track of technological changes in the industries in which they operate, as well as in other industries.

2.2.6. The Changing Consumer

Globally, consumers have more choices in brands, products, prices, etc. than ever before. Competitive Intelligence allows companies to track changing consumer needs resulting in a satisfied customer.

2.3. The Competitive Environment

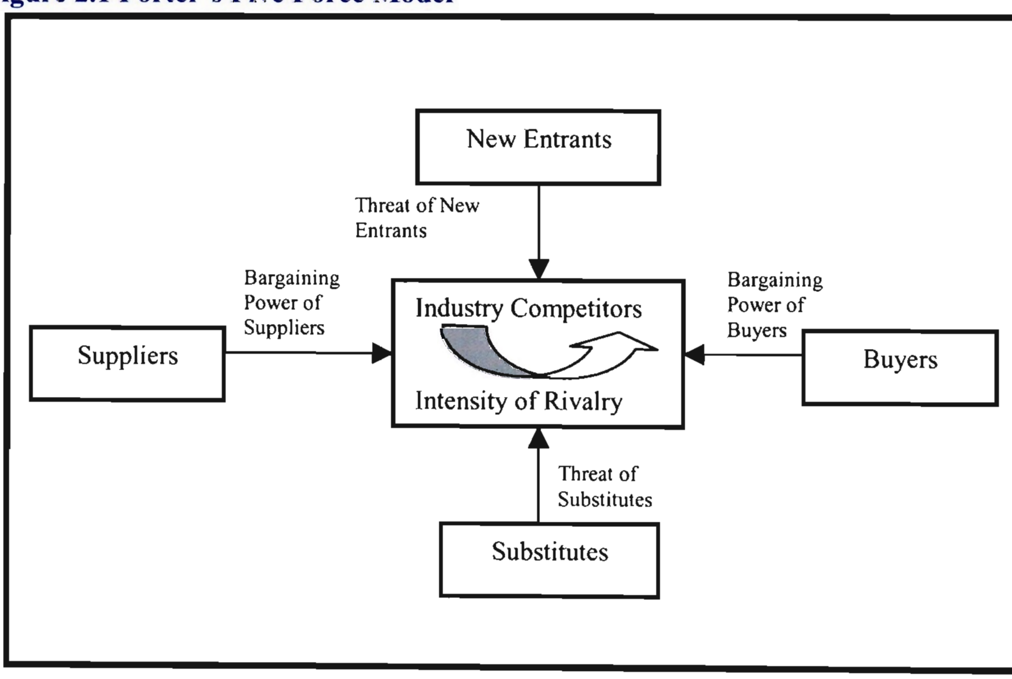
In order to understand Competitive Intelligence it is necessary to briefly review the competitive nature of the business environment and the forces involved. An organisation does not exist in a vacuum; it interacts with its environment (Rosen; 1995).

In a more turbulent environment, the process of strategic management becomes more complex and demanding. Information systems must be sufficiently sensitive to detect change as early as possible in order to analyse the existing and probable future situation and to adapt to it in good time.

There are various methodologies that can be utilised in seeking to understand the external environment, but for the purpose of this report, the author will concentrate only one model proposed by Michael Porter of the Harvard Business School.

2.3.1. Porter's Five Force Model

Figure 2.1 Porter's Five Force Model



Source: Adapted from Michael E. Porter: 1979

Michael Porter, an authority on competitive strategy, has developed the five-forces model for analysing the forces of competition that can be utilised as a framework for both the directing and analysis of competitive intelligence (Porter: 1979).

2.3.1.1. Threat of New Entry

New entrants to a market bring new production capacity, a desire to gain market share, and substantial resources. The threat of new entry depends on two factors: barriers to entry and the expected reaction of incumbent firms to new entry.

2.3.1.2 Rivalry among Existing Firms

The strongest of the five competitive forces is usually jockeying for position. Every company is therefore challenged to craft a successful strategy for competing – ideally one that produces a competitive edge over rivals and strengthens it's position with buyers. According to Porter, intense rivalry is related to the pressure of several factors, including:

- Number of Competitors
- Rate of Industry Growth
- Product or Service Characteristics
- Amount of Fixed Costs
- Capacity
- Height of Exit Barriers
- Diversity of Rivals

2.3.1.3 Threat of Substitute Products or Services

Substitute products are those products that appear to be different but can satisfy the same need as another product. The availability of substitutes inevitably invites customers to compare quality, features, performance, ease of use and other attributes. Competition from substitute products pushes industry participants to heighten efforts to convince customers their product has attributes that are superior to that of substitutes.

2.3.1.4 Bargaining Power of Buyers

Buyers affect an industry through their ability to force down prices, bargain for higher quality or more services, and play competition against each other.

2.3.1.5 Bargaining Power of Suppliers

Suppliers can affect an industry through their ability to raise prices or reduce the quality of purchased goods and services.

The special contribution of the above model is the thoroughness with which it exposes what competition is like in a given market. To contend successfully, managers must craft strategies that shield the firm as much as possible from the five competitive forces and that help make the rules, put added pressure on rivals and perhaps even define the business model for the industry.

Managers cannot expect to develop winning competitive strategies without first identifying what competitive pressures exist, gauging the relative strength of each, and gaining a deep understanding of the industry's whole competitive structure.

The five-forces model is a powerful tool for giving strategy makers the competitive insights they need to build successful enterprises – ideally one that enjoys a sustainable competitive advantage. (Thompson; Strickland: 2001)

2.4. Structural Analysis and Competitive Strategy

Once the forces affecting competition in an industry and their underlying causes have been diagnosed, the firm is in a position to identify its strengths and weaknesses relative to the industry.

An effective competitive strategy takes offensive and defensive action in order to create a defendable position against the five forces. Broadly, this involves a number of possible approaches identified by CBIA: (2002)

- Position the firm so that its capabilities provide the best defence against the existing array of competitors
- Influence the balance of forces through strategic moves, thereby improving the firm's relative position
- Anticipate shifts in the factors underlying the forces and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognise it.

The key objective in competition is to improve the organisation's performance along these dimensions:

- To generate better information than your rivals do
- To analyse that information and make sound choices
- To make those choices quickly
- To convert strategic choices into decisive action

Together they represent informed decision-making.

2.5. The Evolution of Competitive Intelligence

The intelligence networks from past ages were primarily focused on military and political intelligence and the methods used were both overt (open) and covert (secret), in many cases the latter involving a network of spies. A manual from the Hittite Empire in the late Bronze Age about 1200 BC describes soldiers performing intelligence work.

The fourth century Chinese military theorist, Sun Tzu, already emphasised the need for intelligence: **"Now the reason the enlightened prince and wise general conquer the enemy whenever they move, and their achievements surpass those of ordinary men, is foreknowledge."**

Military intelligence developed greatly in sophistication during the Second World War with emphasis on analytical techniques, including the use of computers. Prior to this war, there has been a large dependence on spies for intelligence gathering.

It was only in the 1980's that large corporations started using CI techniques in helping in providing more accurate information for use in strategic planning.

The concept of intelligence as a process has long been proposed as an effort to increase a firm's competitiveness (Montgomery & Urban, 1970). In 1966 William Fair proposed the formation of a corporate "Central Intelligence Agency" within the firm whose function would be to "collect, screen, collate, organise, 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).

The practice of competitive intelligence is gaining new ground, moving from the traditional tactical approach to gathering and storing information on competitors to tracking, gathering and analysing a broad array of indicators.

The emerging approach to CI emphasises identifying changes that suggest large shifts in the future and ensuring the provision of timely, comprehensive information about the external environment for the explicit purpose of supporting strategy development. CI is starting to attract a lot of attention.

2.6. The Definition of Competitive Intelligence

Defining Competitive Intelligence has proved to be extremely difficult. Managers are still uncertain as to what Competitive Intelligence truly means: a meaningless collection of just competitor information or a continuous tracking and analysis of all external information turned into knowledge for informed decision-making.

The ultimate objective of good competitive intelligence work is the formulation of sound, fact-based, rational decisions for action. All companies, small or large, need to have some form of competitive intelligence activity.

According to Jonathan Calof, Director of the Canadian Institute of Competitive Intelligence, Competitive Intelligence is: "Actionable recommendations arising from a systematic process, involving planning, gathering, analysing and disseminating information on the external environment, for opportunities or developments that have the potential to affect a company or country's competitive situation." (Calof & Skinner, 1998)

A review of the literature related to competitive intelligence suggests that CI is a strategic tool that enables senior management to improve it's competitive advantage by identifying key driving forces and anticipating future market directions.

CI can provide support for strategic decision-making, early warnings of opportunities and threats, competitor assessment and tracking and advice on effective implementation. It is pro-active, opportunistic and forward thinking (Montgomery and Weinberg; 1998). With the competitive nature of the marketplace, companies are finding that they have less room for mistakes.

Modern Competitive Intelligence essentially provides companies with intelligence on their current and future competitors and also break down their marketplace, highlighting possible changes within it and, as such, often serves as a form of early warning system. It thus creates value by informing the decisions and calculated risks that will need to be taken to allow a business to thrive and survive. CI is an ongoing process. It is not a "quick fix", as some may presume, since the competitive battles that firms face are constantly changing (refer to appendix 3 to ascertain "what competitive intelligence is or is not").

Further review of the literature related to competitive intelligence suggests that competitive intelligence is a marketing discipline focused on gathering information on the competition (see for example Schollhammer, 1994). However, a broader examination of the literature shows that intelligence is not only about monitoring competition but also the entire business environment.

Mere environmental scanning does not capture all of the multiple functions within the intelligence process. Gilad (1996) talks about the objective of intelligence as "being able to predict competitors' moves, customers' moves, government moves and so forth." CI therefore consists of both internal and external research efforts (Cleland & King, 1975). In the broadest sense, competitive intelligence (including the collection, analysis, and dissemination of knowledge) is the process to reduce managerial decision uncertainty.

Although part of the nature of competitive intelligence is vested in the environmental scanning literature, subsequent studies prove that intelligence is more than just collecting information – it is a systematic process involving planning, analysis, data collection, collation or preparation for analysis, communication, and process management. In fact, one study has shown that no more than 25% of a typical intelligence project is spent in collecting information (Calof & Miller, 1997).

Competitive intelligence is therefore a systematic programme for gathering and analysing information about key stakeholders such as customers, competitors, legislation, and suppliers to find new opportunities and stay competitive.

Those that truly understand competitive intelligence refer to a multistage process called the competitive intelligence wheel or process consisting of defining intelligence needs, planning the intelligence project, data collection, analysis of the data and then evaluation and dissemination of the entire project.

2.7. The Competitive Intelligence Framework

Various literature reveal that Competitive Intelligence is usually composed of five major areas of endeavour, and is approached by three main approaches in the CI framework:

- Assessment of strategies
- Competitor perceptions
- Effectiveness of current operations
- Competitor capabilities
- Long-term market prospects

Strategic Intelligence is concerned mainly with competitor analysis or gaining an understanding of a competitors' future goals, current strategy, assumptions held about itself, industry and capabilities – diagnostic components. Intelligence about a firm's major customers, suppliers and partners, is also of strategic value.

Tactical Intelligence is generally operational and on a smaller scale, not so centred on being predictive. Tactical issues include competitors' term of sale, their price policies and the plans they have for changing the way in which they differentiate one or more of their products from yours. Middle level marketing and sales managers number among some of the main users of tactical intelligence.

Counter Intelligence is defending company secrets. Every firm has competitors as interested in knowing your plans as you are in knowing theirs. Often this area of endeavor will involve security and information technology, to contain competitor opportunities within the firm.

2.8. The Goal of Competitive Intelligence

The goal of competitive intelligence is to develop a profile of the nature of strategy changes in its business environment that might affect it. CI should have a single-minded objective – to render intelligence that will enable management to develop the strategies and tactics necessary to maintain its competitive edge (eg. market share and profitability).

The basis for CI revolves around decisions made by managers about the positioning of a business to maximise the value of the capabilities that distinguish it from its competitors. CI must allow managers to develop and select strategies, which are not only successful but also sustainable. (CBIA: 2002)

2.9 Measuring Competitive Intelligence Effectiveness

As CI establishes itself as a business discipline in its own right, it will come under increasing pressure to prove itself. There are a number of reasons why it should be measured. It helps to justify CI's existence, promote consistency of outputs across the CI profession, and helps determine which outputs adds the greatest value to an organization (creates a feedback loop).

Very little literature could be found on the measurement of competitive intelligence effectiveness within organizations. Majority of CI professionals are unable to quantify their value and thus loose credibility within organizations. The following literature findings demonstrate key measurement tools available to CI professionals in demonstrating value and effectiveness in their job functions.

Dr. Martha C. Eger's presentation at the 1995 SCIP conference first began to look at measuring CI. She said that successful CI programs must possess the ability to measure the "monetary value" of its operations. He approach begins by focusing on the most important intelligence-related activity in the business world, "decision making." Dr Eger declared that CI must be focused not only on decision-making, but where the money is being spent. She asks the question," what happens to the money that the decision effects?" Once the monetary calculation has been conducted, it is very important to "send the message home" to management and the organization. (Herring: 1999)

It not only demonstrates the value of CI to the firm, but based on the amount of money saved, it can justify future CI budget. This was essentially known as the "existence theorem," proving that not only could CI's value be measured, its monetary value to the company could also be articulated.

A further survey conducted by Professor John Prescott and Gaurab Bhardwaj contains a very useful section on the perceptions of "practitioners" regarding the value of CI delivered to decision-makers. The benefits that were the most important to CI professionals included:

- Influencing decision-makers
- Improved early warning
- Identify new opportunities
- Sharing of ideas
- Better serving the company's customers

These were benefits that CI professionals believe are directly identifiable with their CI programs. The article offers an interesting conclusion concerning the evaluation of intelligence: CI practitioners must develop metrics to evaluate their products. These metrics should include bottom-line measures, i.e., cost savings and increased revenues. They go on to recommend that metrics also use the identified broader benefits, i.e., improved early warning, identified new opportunities and intelligence users' "quotes" concerning the projects. These conclusions seem to be on the right path as they call for both quantitative and qualitative measures.

Finally, during the 1990's, Neil Simon and Al Blixt's research identified a set of measures:

- Quality, relevance, timeliness and accuracy
- Accuracy in data analysis
- Increasing number of clients and additional business from current clients
- Business success and performance measured by industry benchmarking

What was interesting is that this method measures both the CI process and its products and the actual business success.

The types of measures that should be used include:

- Market share gains
- Reduction in cost
- Internal customer satisfaction
- Assistance in successful decision-making

A more meaningful approach was adopted by the Jaworski & Wee Report during the 1990s. For the first time, they analytically link competitive intelligence activities to business performance in three very important areas: market knowledge, strategic planning and product quality. Their research concluded that an increase in market knowledge resulting from CI activities produces a greater understanding of markets and competitors which, in turn, leads to speedier responses to both market changes and competitor actions. They describe how the use of CI in strategic planning results in greater confidence in, and therefore use of, these plans by organizations.

Jaworski & Wee's research goes on to assess the enhanced business performance that CI has had in these three strategic business areas, comparing the performance of the surveyed companies' business as a function of sales growth, financial results and overall performance relative to their competition. And, interestingly, the use of CI in developing superior product quality and performance produced some 68% better financial performance than their competitors.

Based on the above research material, it is clear that CI effectiveness is viewed from two sides. The practitioners views and beliefs are strong concerning their own products but somewhat ambiguous when it comes to understanding management's views of intelligence effectiveness. CI professionals tend to view the effectiveness in terms of organizational benefits and management in term of business and organizational performance or success.

So, in essence, proper intelligence function and process should provide:

- Early warning to all major competitor threats

- Early identification of competitive growth opportunities before they are obvious
- Benchmarking of best practices
- Quicker and more targeted response to market changes
- Better understanding of competitors, customers, suppliers, technology shifts and government planned action
- Future scenarios to lead strategy discussions
- Accurate marketplace assessments for supporting tactical moves
- Identification of blindspots: Soft spots in the company's operating strategy and market assumptions hindering its responsiveness to market changes.
- Improved development activities: better entry into the markets, increased acquisition success rate
- Reduce risk of all major investment decisions (directly measurable)
- Improved performance of all managers

2.10 Competitive Intelligence and Intelligent Decision-making

Decisions made within organisations are generally visionary, strategic or operational and are specific to the purpose and circumstance of the organisation. In order to produce a decision, the decision-makers require fact-based inputs to support hypotheses or the intuitive nature of human thought. Recent publications have suggested increasingly that the amount of disposable information in management exceeds the human processing capability. Frequently used catch phrases in these discussions are "information overload" and "information flood." An information overload on the part of the manager is viewed as being detrimental to the efficiency of the various decision processes.

A key fact-based input is intelligence. It is about feeding, directing and validating the construction of a decision. If done well, it actually determines the question to pose and the decision to be made with supporting evidence for which direction to take.

We are taught the **Rational Decision-making Model** is made up of the following:

1. Problem Recognition
2. Information search around the problem
3. Alternative Generation
4. Evaluation and Choice
5. Implementation and Assessment

(Source: Swystun: 2000)

"90% of any decision is emotional. The rational part of us supplies the reason for supporting our predictions." (W. Douglas, US Supreme Court)

Decisions will always be influenced by the personal preferences of the decision-maker, as well as past experience, expected results and ever-present time pressures.

2.10.1. Individuals Making Decisions within an Organisation

Decision-making is arguably the most important job of senior executive and one of the easiest to get wrong. The reason for this is that most managers treat as an event – a discrete choice that takes place at a single point in time. This classic view of decision-making has a pronouncement popping out of a leader's head, based one experience, gut research or all three. The fact is, decision-making is not an event. It is a process, one that unfolds over weeks, months or even years, one that's rife with discussions and debate and one that requires support at all levels of the organisation when it comes to execution.

Decision-making for individuals is further challenged when conducted within organisations. It is known that individuals employ personal preferences and prejudices when making decisions. If one has to mix that with organisations where:

- Other individual parameters exist
- Organisational structures (department, teams, business units) artificially group individuals
- Hierarchies and internal reporting relationships influence individual preferences and behaviors

- External relationships (customers, suppliers and competitors) drive priorities
- Geographic dislocation impact communication

Now to make a decision, managers are faced with structure and reporting constraints, group behavior dynamics and organisational culture. Within the strategic planning process, decision-making is often not a rational process and personal preferences often flaw the process. Therefore, it is the role of CI professionals to minimise the information available to decision-makers so that the answer does suggest itself.

In summary, the quality of strategic decision-making has always depended on good information. As the business environment becomes faster moving and less predictable, CI professionals are looking for better ways to collect and analyse information that impacts on their strategic priorities.

CHAPTER 3
Research Methodology

3.1. Introduction

A research design is a blueprint for conducting a research project. It details the procedure necessary for obtaining the required information, and it's purpose is to design a study that will test hypotheses or propositions of interest, determine possible answers to the research questions and provide the information needed for decision-making (Malhotra, 1996: 21-22). The design as presented has been formulated to achieve the stipulated research objectives.

This chapter will outline the research aims, the research design and procedure are discussed, detailing the research questions, the sampling strategy and selection of data and participants. Finally, the method analysis is described, including steps in the process of analysis.

3.2. Research Aims

The research aims may be stated as follows:

1) The study aims to explore global practices on competitive intelligence and its impact in the strategic decision-making process.
2) The study aims to evaluate the competitive intelligence positioning of a South African company.

3.3. Research Design and Procedure

The method of research utilised in this study is threefold:

1) **Extensive secondary data** has been collected from publications, journals, library searches, Internet searches and professional institutions on competitive intelligence best practices globally. Certain companies were identified as adopting CI best practices and they are discussed within the report.

The latter part of secondary research delves into South African CI trends, eluding to a valuable piece of research conducted by Potchefstroom University in 2001/2 called: "Competitive Intelligence Practices in South African Firms."

The aim of secondary research highlights global best practices and thereafter, evaluate where South African firms are currently. The purpose of best practice is not to find the perfect solution but to challenge one's existing way of thinking. Examples of best practice companies are identified and presented in the study, which should result in organisations rethinking their competitive intelligence strategy and possibly encouraging new insights and creative ideas.

2) Given the exploratory nature of this research, **a case study approach** was adopted. The organisation chosen is Standard Bank South Africa, who has given special permission to gather relevant competitive intelligence data. It was deemed necessary to collect a wide range of information about this bank in the belief that in-depth understanding will lead to a better general understanding of competitive intelligence practices within a typical organisation. The method is purposive, meaning that certain pieces of information about Standard Bank are deliberately selected to answer the research question as mentioned upfront in the study.

3) Finally, within the case study, **primary research was conducted** from a self-completed online questionnaire, using the group's intranet services. This was done in order to determine Standard Bank's CI positioning. This data has been graphed to allow visual interpretation.

3.4. Sampling Strategy

The method of sampling used was a census approach, meaning that all senior managers were asked to complete the online questionnaire. A list of manager's names was provided by Standard Banks' Human Resource Department.

3.5. Procedure

The questionnaire basically explored Standard Bank's existing CI structure, process, culture and resources. Guidelines on questionnaire design were extracted from Competitive Intelligence Professional Bodies, ensuring proper coverage of subject matter. This took the form of an internal online questionnaire (intranet), enabling contact with managers who were generally inaccessible. Accurate mailing lists were extracted from Standard Bank distribution lists. Selected respondents were e-mailed, asking them to visit the intranet site to complete survey.

This method was less costly and in addition, allowed respondents time to think about the answers. The major weakness of this method is non-response error. A return of 30% and more are often considered satisfactory. Reminders were sent at intervals to increase response rates. A 45% response rate was achieved, providing a more accurate and reliable set of results.

The questionnaire was target questions consisting of both open-ended and multiple-choice questions, to collect both standardised responses and unanticipated responses. These were approximately 20 questions (refer to appendices). Data analysis was done using the Mail Survey software package used by Standard Bank South Africa. The survey was encoded to match the return surveys with their corresponding outbound e-mails.

3.6. Pilot Testing

The questionnaire was pre-tested on a sample of 10 managers to test for understanding and relevance. Comments from these individuals were considered and changes to the questionnaire were made accordingly. These managers were also part of the total sample seeing that no major errors were depicted.

3.7. Nature and Form of Results

The type of data obtained from the survey identifies Standard Bank's current competitive intelligence positioning. It also looks at some of the challenges facing banks in South Africa and the need for informed strategic decision-making.

The combination of secondary, case study and primary research hopefully captures applied findings, best practices, recommendations and models and processes which can be adapted by any company in South Africa to further enhance and fully utilise CI to enable strategic decisions.

3.8. Limitations

Most of the data obtained for the case study will be at the discretion of Standard Bank South Africa. Other limitation includes lack of CI information on South African trends.

3.9. Ethical Considerations

No ethical problems were experienced. Standard Bank has stressed that all information provided is to remain confidential, only to be given to Natal University. A confidentiality declaration can be found upfront in the report.

CHAPTER 4
Competitive Intelligence Best Practices

4.1. Introduction

In-depth exploratory studies were conducted in this chapter, seeking to fully understand and identify key global practices relating to the research topic. The commonality in the various sources lies in the Competitive Intelligence Cycle, which supposedly forms the "core" of the CI process. The major weakness with the model is the absence of critical components. The model stops at the distribution of analysed intelligence to users. Intelligence producers are often separated from the actual decision-making process and it's implementation. Obviously, this is problematic: organizational goals, limited resources and the speed of competitive dynamics require an integrative approach.

It is fundamentally important to identify the structure and role of Competitive Intelligence, what factors need to taken into consideration for successful implementation and the organisational structure of the CI program. Very often, depending on how large or small the organisation, the question of where the CI function resides could result in success or failure in CI as a whole.

The main reason for CI not being effectively utilised can be attributed to organisations not recruiting the right caliber of individuals. The Society for Competitive Intelligence Professionals has been existence for the last few years and recently defined a set of attributes and skills needed for a competent and able competitive intelligence professional.

This is fundamental, as observation within the South African context shows that CI individuals are generally not equipped educationally to tackle the challenges presented in the workplace. Hence, they are not taken seriously and have no idea on how to implement a proper competitive intelligence strategy.

Finally, it can be argued that at the end of the day, CI contributes to minimising risk within an organisation. While well known authors have always made mention of the link between competitive intelligence and strategy, very little mention is made of risk minimisation. These two constructs are then researched in the study.

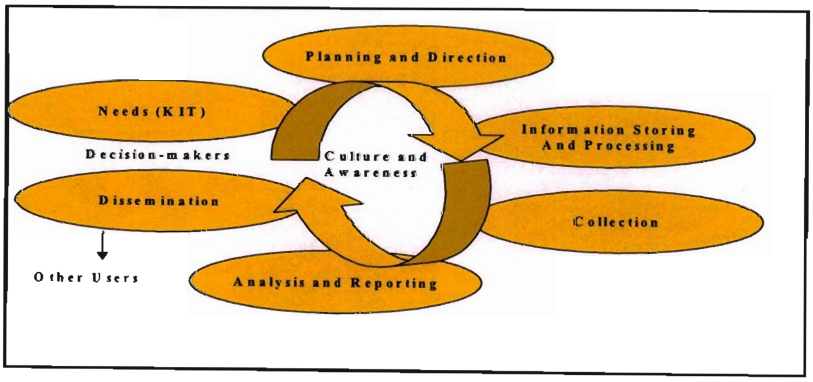
The chapter closes off with competitive intelligence practices in South Africa, referring to the study conducted by Potchefstroom University in 2001/2. To the author's knowledge, only one published study exists concerning this research topic.

4.2. The Competitive Intelligence Cycle

An effective competitive intelligence process deciphers trends and changes in the direction of the market as far in advance as possible, mapping the competitive environment and the company's position in it.

A CI process that continuously encourages an organisation to examine it's own thinking and practices against the competitive reality of the business environment begins with the intelligence cycle, which facilitates collection and deciphering of market signals. Through this continuous cycle, raw information is turned into intelligence (Miller: 2000).

Figure 4.1 The Intelligence Cycle



(Source: Stephen Miller; 2000)

The intelligence cycle as depicted above is a powerful tool and systematic process that relies primarily, but not exclusively, on human resources. The effectiveness of the cycle is contingent upon the optimal use of both human intelligence and available tools and resources.

4.2.1. Needs Identification

Effective competitive intelligence begins with a needs assessment to ascertain the company's needs as defined by the decision-makers. The absence of properly defined intelligence needs is often the cause of poor CI program performance.

Hence, actionable CI must begin with a list of CI requirements defined during a needs assessment that focuses primarily on management decisions that impact on the company's performance.

Competitive Intelligence has many uses including strategic planning, research and development, entry strategies, acquisitions, market timing and technology assessment. To prioritise its efforts, the CI function must determine who its key constituencies are within the organisation – senior decision-makers, middle management, front-line sales managers and which activities and decisions it is most crucial for them to support.

The CI function needs to determine what key decisions makers need and why they need it. This can be achieved through interviews or surveys about the company's critical success factors, then translating these factors into key intelligence topics (Sawka; 2001).

4.2.1.1 Key Intelligence Topics – A Process to Identify and Define Needs

The concept of Key Intelligence Topics (KIT) was derived from a national security model developed by Jan Herring at the CIA and refined for corporate context at Motorola. Key Intelligence Topics (KIT) set the pre-eminent list of priorities by which all intelligence activities are judged.

At the heart of the KIT process is an interactive dialog with key decision-makers in the company to ascertain topic areas aligned to the company's aspirations.

The outcomes of the KIT interviews are then categorised and prioritised. According to Jan Herring (1999), a company's intelligence needs can generally be assigned to any of the three functional categories outlined below:

- **Strategic Decisions and Actions:** internal inputs directly related to the company's vision including the development of strategic plans and investment decisions, action plans for new product rollout, and new competitor strategies.
- **Early-Warning Topics:** External events that may impact the company's performance including competitor initiatives, technological advances and government actions.
- **Description of the Key Players:** Profiles of all major market players including competitors, suppliers, regulators and potential partners.

Conducting KIT interviews provides the focus and prioritisation needed to conduct effective intelligence operations and produce appropriate intelligence. They also permit the program's designers to determine the level of both internal and external resources that best address the organisation's intelligence needs.

In effect, an analytical understanding of management's KIT permits the program resources to be optimally matched to the expected demand.

4.2.1.2 Case Study: Ford Credit

The case of Ford Credit below, demonstrates how the use of KIT interviews can streamline the intelligence process:

Challenge at Hand

In 1994, Ford Motor Credit realised that it would have to improve its business intelligence process to help it remain the largest automotive finance organisation in the world

Solution

Ford Motor Credit enlisted the services of a consulting firm to conduct an objective and capabilities audit and offer specific recommendations for improvement. To ensure maximum skill and process transfer, as well as employee buy-in, a joint employee/consultant team was formed.

The group identified business intelligence needs, evaluated current capabilities, designed a process that would fit the company culture and developed an implementation plan for management review and approval. Small teams began interviewing the top 22 company executives on the business intelligence needs.
The team identified 122 significant business intelligence questions, which it organised into 48 key intelligence topics (KIT) in three topics: strategic decision, early warning and key players.

Result

Ford Motor Credit has developed a much better understanding of the operations of its competitors. This has enabled the company to identify and implement more effective responses to specific competitive actions and initiatives, and to find new and better ways to successfully meet customer needs (Jan Herring: 1999).

4.2.2. Collection

Having identified topic areas that are crucial for the firm's strategies, the next step is to identify the most valuable sources for information collection. Companies collect information either as a first step in solving a specific problem or in response to a request from management. Alternatively, they can collect information on a continual basis to be saved in a database, which is updated regularly, so that it can be consulted when needed (Kahaner; 1996).

Effective CI functions should be attuned to industry and market changes and competitor actions prior to public disclosure. To reach the level of sophistication, CI functions form expansive knowledge networks and constantly seek out and tap into new resources.

There are many sources of information that can be broadly categorised into internal sources, primary and secondary sources. Internal sources are information gathered from within the company, primary material is acquired directly while secondary resources have been selectively taken from public information sources.

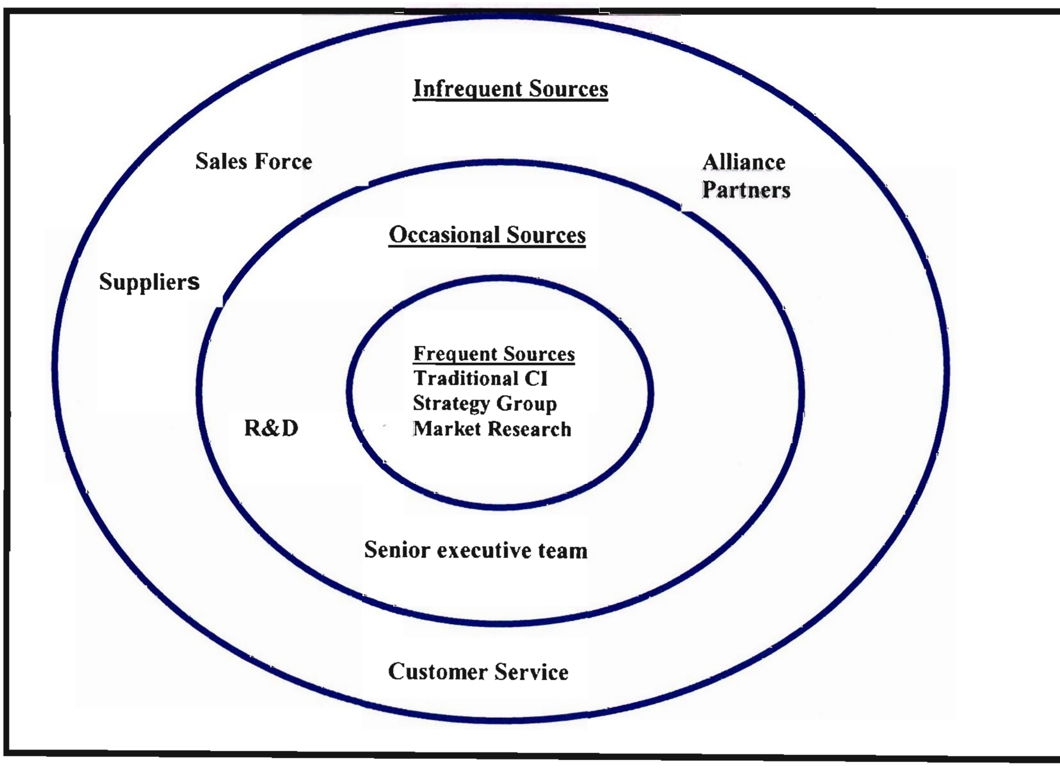
Fig. 4.2 Sources of information

Internal Sources	Primary Sources	Secondary Sources
▪ Employees in contact with competitors, consumers, regulators and the general public ▪ Front-line employees ▪ Sales/Marketing Force ▪ Technical Support Staff	▪ Analysts (Financial, Market, Industry) ▪ CI Consultants ▪ Competitive Media Alert - Electronic news clipping services - Interviews with competitors' customers through focus groups, former employees, suppliers, distributors - Meetings and seminars sponsored by industry groups - Patent information/database - Stock brokers - Trade Shows	- Association Publication - Case Studies - Corporate Directories - Employment advertisements - Financial analyst reports - Local newspapers - Public information and filings - SEC Reports - Annual Reports

Source: Corporate Strategy Board Research: 2002

While there are many sources of information, very few companies systematically tap into the full range of potential intelligence resources. Experts state that 80 percent of information that companies may need to know is already known – consciously or otherwise – by employees, suppliers, partners, customers and sales force. Unfortunately, few companies make a concerted effort to collect and analyse this information.

Fig. 4.3 Universe of Potential Intelligence Sources



Source: Corporate Strategy Board: 2000

4.2.2.1 Possible Sources of Information

These sources provide tactical intelligence information and are typically gleaned from publications and market research including:

- Advertisements and sales literature
- Classifieds
- Conference proceedings
- Directories
- Government filings

Market Reports and studies

Online databases

Periodicals

Press releases

Industry journals

Occasional Sources – In collecting strategic information, it is important to leverage both internal and external resources. Less than two percent of competitive information such as pricing, sales statistics, and market share changes and strategic plans and new product plans is publicly available. The remaining 98 percent must be obtained through a strong internal and external intelligence network.

Infrequent Sources – To ensure that a robust set of information is gathered, companies must tap into several external contacts, including customers, suppliers, manufacturers and business partners.

4.2.2.2 Methods of Collection

By definition, Competitive Intelligence is only gathered in a legal and ethical manner (refer to SCIP Code of Ethics in appendices). Some of the most common methods used in are briefly mentioned below:

- Observation
- Reverse Engineering
- Trade Show/Conferences
- Hiring the Competition's Employees
- Interviews and Interrogation
- Elicitation

4.2.3. Analysis

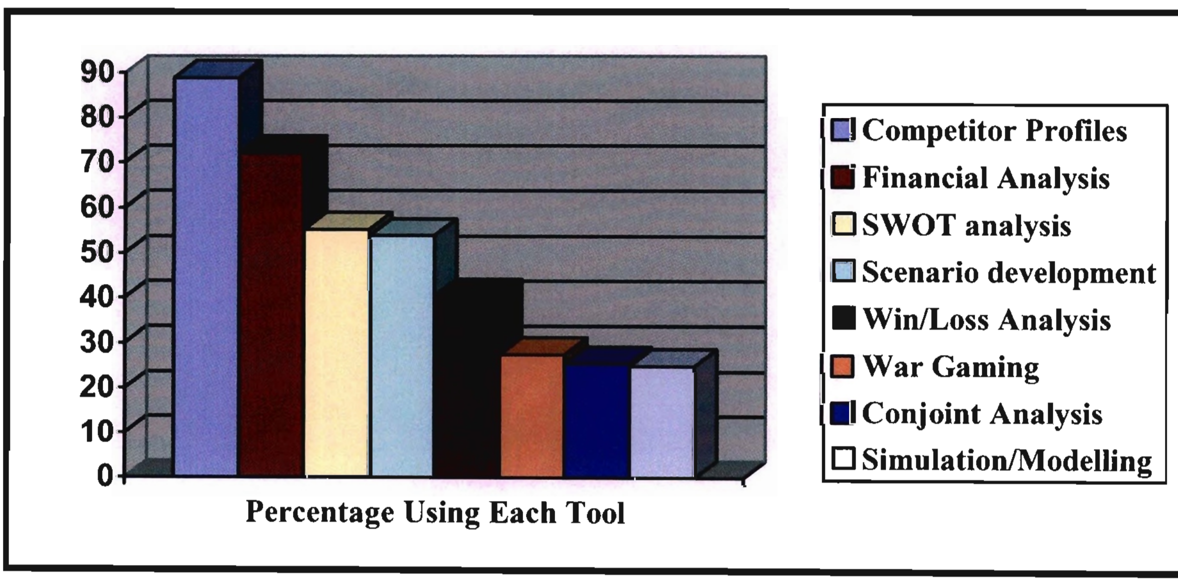
The key to providing actionable strategic information lies in the analysis of the gathered information. Despite the availability of considerable information, most firms suffer by not using an in-depth analytical framework.

CI analysis borrows heavily from strategy analysis and market analysis as well as from economics, finance, statistics and psychology. These disciplines assist in predicting the behaviour of market leaders and more specifically in understanding competitors' likely moves (Gilad: 2001).

Effective analysis supports managers' ability to make actionable decisions. There is a wide array of tools that companies use to analyse gathered information.

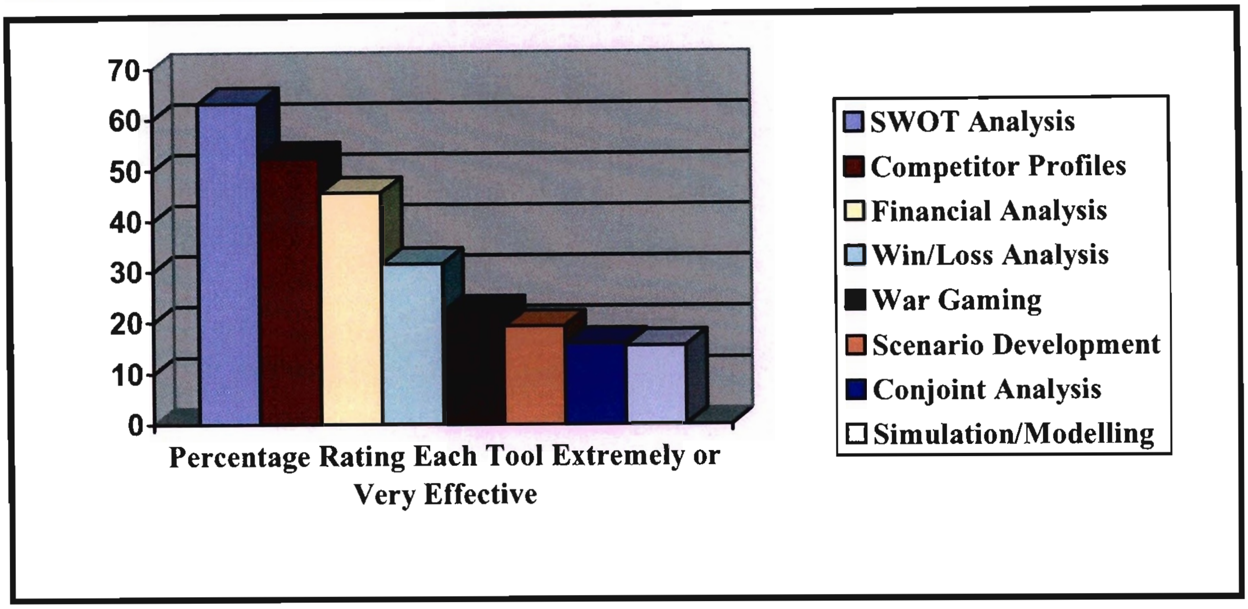
In a survey conducted by the Society of Competitive Intelligence Professionals (SCIP) on the use and effectiveness of the most widely used CI analysis techniques, competitor profiles and financial analysis were most frequently used. The graphs below present the results of the survey:

Figure 4.4: Tools for Analysing Information



Source: Powell & Allagier; 1998

Fig 4.5 Effectiveness of Analytical Tools



Source: Powell & Allagier; 1998

4.2.3.1 Why is analysis important?

Analysis is important from an organisational decision making sense because it performs a number of tasks, such as providing:

- Connections among numerous and often disparate data and information
- More time for decision-making: analysis allows decision-makers more confidence to proceed with decisions and lessens the perceived uncertain and often the risk, underlying these decisions
- A reduction in the number of input variables to consider
- Context that relate data and/or information to the organisation's situation: analysis is vital in helping decision-makers understand how phenomena in the broader environment relate to their organisation's missed objectives and strategy
- Working hypotheses about relationships

(Fleisher: 2000)

4.2.3.2 Strategic Significance of Competitive Analysis

In today's world of information overload, is not a key issue, instead it is the analysis of information that are key to defining appropriate strategic decisions.

Competitive analysis is a process by which a company attempts to define and understand its industry, identify its competitors, determine the strength and weaknesses of it's rivals and anticipate their moves. It embodies both competitive intelligence to collect data on rivals and the analysis and interpretation of the data for managerial decision-making.

This analysis provides valuable data that assists a company to avoid surprises in the marketplace by anticipating it's competitors' moves, and shorten the time required to respond to them.

The analysis also offers executives a forum to discuss and evaluate their assumptions about the firm's capabilities, market position, and the competition. It aids in selecting viable strategies that position the firm strongly in its market. Therefore, competitive analysis serves as the foundation for a firm's strategy formulation and implementation.

4.2.3.3 Analytical Tools and Techniques for Developing Competitive Intelligence

Research reveals that there has been an evolution of thought, practice, tools and techniques that support competitive intelligence efforts. These tools and techniques can be categorised as strategic, product orientated, customer orientated, financial and behavioural analysis.

Companies typically make superior profits either by entering a profitable industry or by establishing a competitive advantage over rivals. Their strategy is usually defined by the answers of two basic questions: "Which business should we be in?" and "How should we compete?"

The answer to the first question defines corporate strategy, which emphasis an in-depth understanding of the market, particularly the competitors and customers, and whose goal is only to gain insight into current conditions, but also to anticipate changes with strategic implications.

The answer to the second question defines business strategy, or how the organisation will compete within a specific industry or market. If the firm is to survive or win, it must adapt a strategy that establishes a sustainable competitive advantage.

Strategic analysis has evolved significantly during the past three decades, as competition increased and became global. Strategic analysis tools and technology originally developed to be used within a firm are equally applicable for competitive analysis. Organisations use several strategic analysis techniques in developing competitive intelligence for their corporate and business strategies.

Some of these techniques as identified by various CI Professionals are:

4.2.3.3.1 Industry Classification Analysis

Industry Classification Analysis is a valuable technique for revealing similarities among industries and for highlighting crucial differences. It helps to describe the "what" of competitiveness: what makes one firm or industry more profitable than another. One key basis for classifying industries is the level of maturity as commonly demonstrated in the typically industrial life cycle comprising four stages of evolution: introduction, growth, maturity and decline.

4.2.3.3.2 Core Competencies and Capabilities Analysis

For competitive intelligence purposes, organisations should be viewed not only as a portfolio of products and services, but also as a portfolio of core competencies. Core competencies helps to answer the question of why in competitiveness: why do firms continually create new forms of competitive advantage and why others are merely imitators.

A core capability is oriented not to products but to processes. A company gains a significant competitive advantage in its mainstream business process or processes. In appraising core capabilities, what are important are not just current competencies in existing activities but a firm's potential to expand, develop and deploy its core competencies.

Core competencies and capabilities represent two different but complementary dimensions of an emerging paradigm for corporate strategy. While core competencies emphasises technological and product expertise at specific points along the value chain, core capabilities encompass the entire value chain. Capabilities are visible to the customer, unlike core competencies. The combination of both gives a firm a competitive advantage.

4.2.3.3.3 Customer Orientated Analysis Techniques

An important success factor for firms is the ability to deliver better customer value than the competition. Customer value can usually be achieved only when product quality, service quality and value-based prices are in harmony and exceed customer expectations.

Organisations use several competitive intelligence techniques to help them determine how they are delivering customer value relative to their competitors, including: customer value analysis, value chain analysis and competitive benchmarking.

- **Customer Value Analysis**: Understanding where one's competitors stand in terms of providing superior customer value is a critical aspect of competitor analysis and competitive intelligence. There are a number of customer-value monitoring tools and techniques including customer contact, customer value analysis and customer value management.

- **Customer contact** – can be reactive or proactive.
- **Customer value surveys** – more formal processes are used to understand customer value.
- **Customer value analysis** – is a more formal process utilising a set of tools to better understand markets and customers. One technique used by organisations is its customer value map to compare itself to competitors and to compare the value positions of each of its internal businesses.
- **Customer value management** – the idea is to gather as much as possible about one's customers, making it an integral part of the management process, and use it to drive organisational behaviour.

4.2.3.3.4 Value Chain Analysis

Value chain is described as the internal processes of activities a company performs "to design, produce, market, deliver and support its product." Value Chain analysis is used by organisations to develop an understanding of the source of competitive advantage in a particular industry, as well as to assess their own unique competitive position in providing customer value.

By analysing how a firm or a competitor creates value for customers and by systematically appraising how each activity differentiate the company, the value chain permits an organisation to match demand and supply-side source of differentiation. In order to decide which elements of the value chain to focus on, companies must determine who the customers are, what they want from the product and what is the cost/benefit of the product to the customer?

4.2.3.3.5 Resource Analysis

A resource-based framework combines the internal analysis of certain phenomena within organisations with the external analysis of their industry and their competitive environment. The resource-based framework analyses organisations as distinct collections of physical assets (such as plants or equipment) and intangible resources (such as brand name or technological know-how).

Thus, competitive advantage is attributed to the ownership of a valuable resource that enables the organisation to perform activities better or at a lower cost than its competitors.

4.2.3.3.6 Future Analysis

Developing competitive intelligence about current markets and industries is useful, but equally important are thoughtful enquiries about events and forces that will determine the future. Future analysis asks critical questions about the organisation's future especially its future customers, channels and competitors, the basis of future competitive advantage and the skills or capabilities that will make the organisation unique in the future. It enables decision-makers and planners to grasp the long-term requirements to sustain competitive advantage.

4.2.3.3.7 Product-Orientated Analysis Techniques

The pursuit of sustainable advantage is typically the focus of corporate strategy. But once the advantage is copied or overcome, it becomes a cost of doing business. Over time, organisations are forced to shift their cost (and price) and quality position. A cycle of change then becomes a norm. As the cycle grows progressively shorter, it is important for firms to regularly and systematically monitor competitors' products.

4.2.3.3.8 Reverse Engineering / Teardown Analysis

By using reverse engineering or teardown analysis, a firm acquires its competitors' products, dismantles them in an attempt to understand their components, how they are made and to determine quality, cost and manufacturing process. This technique helps the firm to better understand its competitor's products and processes.

4.2.3.3.9 Competitive Benchmarking

Benchmarking is a customer-driven commitment to continuous improvement, linking customer value requirements to business strategy. Competitive benchmarking is a widely used competitive intelligence technique with which organisations carefully study other organisations' performance in an aspect of their business, with a view to improving their own performance. Benchmarks can be divided into two categories: what is to be measured and who is to be measured.

In deciding **what** is to be measured, an organisation should consider three types of benchmarks:

1. **Strategic benchmarks** – measure and compare the relative position of a particular company within an industry and the result of a company's performance at the functional and operational level
2. **Functional benchmarks** – identify products, services and work processes
3. **Operational benchmarks** – yield the reasons for a functional performance gap

In deciding **who** is to be measured, an organisation should consider three types of benchmarks:

1. **Competitive benchmarks** – identify the product, services and work processes of an organisation's direct and strongest competitors in the industry
2. **Internal benchmarks** – compare an organisation's own similar processes, products or services
3. **Analogous benchmarks** – compare performance to a world-class organisation that may occupy a different industry but performs a similar process.

4.2.3.3.10 Financial Analysis Tools

Several financial analysis techniques can be utilised within competitive intelligence. These include:

- **Traditional ratio analysis**- this is a usual starting point for understanding a competitor's financial condition and performance. Organisations can use the analysis to determine historical patterns and trends, and to make comparisons with other competitors in the industry.
- **Sustainable growth analysis (SGR)** – SGR is a dynamic future-orientated technique that permits the intelligence analyst to assess how a firm's financial practices will affect its ability to grow. It provides an analytical framework that relates a firm's sales growth, profitability, asset requirements and its financial policy.
- **Disaggregated financial ratio analysis** – in order to understand the economic characteristics and financial details of a competitor's business units or product lines, it is necessary to disaggregate some numbers from the publicly available financial information of competitors.
- **Competitive cost analysis** – in order to survive and prosper under price competition, firms must usually establish a low-cost position. Some companies are able to make a highly detailed estimate of the costs of competitor's products.

4.2.3.3.11 Behavior Analysis Techniques

In evaluating competitors, the conventional tools and techniques of competitor analysis tell only part of the story. Quantitative data on product characteristics, sales, costs and market share tell little about a competitor's culture and management style, and how it retains employee loyalty. One behavioural analysis technique that organisation's utilise in developing competitive intelligence is called Shadowing.

- **Shadowing** – means learning as much as possible about a competing firm's managers, their education, background and experience, previous actions, track record and whom they hire. Understanding a competitor's management team helps a company predict what that competitor might do. Shadowing implies that a company must stay on top of competitor's day-to-day actions rather than wait for the periodic release of financial results. In effect, a company must keep its ear to the ground in order to obtain, assimilate and act upon as much information about competitors as possible.

4.2.4 Dissemination

A successful intelligence dissemination effort is attributed to **two factors**:

4.2.4.1 Presentation

To be effective, CI must be presented to senior executives in an attractive and easy-to-use format. Executives are often too busy to spend time interpreting raw data forwarded by the CI function, so information must be presented in a way that can be acted on by executives.

In general, a combination of written and verbal delivery is most effective. Experts state that a written report followed by a Q&A session can produce excellent results. (Mockus; 2001).

The following are some ways in which competitive information can be presented to key decision-makers and the entire organisation: (Wagner; 1998)

- **Alerts**: these can be sent out regularly or as needed, typically over e-mail.
- **Monthly newsletters**: selected information for upper management, to keep tem informed of trends in the industry and competitor activity
- **Trend Reports**: these reports should be generated quarterly, however, should monthly reports be compiled they should focus on a different trend each month.

- **Issue Briefs**: these can be created on an as needed basis to cover specific topics of imminent interest

4.2.4.2 Follow-Up

To ensure that there is a thorough understanding of the CI information presented, it is important that the CI group proactively follow-up with internal clients to receive feedback. This can be achieved by scheduling regular follow-up sessions either by phone, email or in person.

Through these meetings, information can be clarified and it's significance reiterated. These sessions can also be a forum to bring up new intelligence issues that can be further developed and to open lines for further actionable deliveries. (Mockus; 2001)

4.2.4.3 Central Knowledge Repository

As an information delivery vehicle, the **Central Knowledge Repository** is the primary means by which information is disseminated throughout the organisation. Ideally, this system should provide a one-stop access to all competitive intelligence, industry information, economic information, product, service, consumer information, etc. These content types are categorised by either research, marketing materials, statistics, and news or training materials. (Corporate Strategy Council: 2002)

Given its integral role in competitive intelligence activities the Repository generates benefits that ultimately allow for the creation of a learning organisation leveraging common, market-based information for all levels of decision-making. Some benefits realised are:

- Creation of a two-way channel for gathering and disseminating information
- Self-service of intelligence needs allowing for the CI groups to focus on strategic rather than tactical intelligence needs.
- An organisation culture that realises value from information sharing and learning

- A standardised, common fact base for all decisions.

(Corporate Strategy Board: 2002).

Making intelligence information available to decision-makers can be very beneficial, but widespread access to sensitive information must be carefully managed.

Important questions should include:

- Should access to information be selective according to individual's information needs or seniority? If so, what are the appropriate criteria to determine access privileges (eg. Function, participation in the strategy process)?
- What technical solutions (eg. password control) can minimise the access the risk of outsiders accessing sensitive information? Consideration should also be given to internal staff "stealing" company information for the competitor. It then becomes necessary for Counter-Intelligence education to be facilitated with staff.

Expanding on the above process, Calof and Breakspear (1999) identified two additional processes, which collectively form the intelligence model:

4.2.5 Process / Structure

CI requires appropriate policies, procedures and a formal (or informal) infrastructure so that employees may contribute effectively to the CI system as well as gain the benefits from the CI process.

There are three prevalent CI structures identified globally – the centralised model, the decentralised model and the hybrid model. This shall be discussed in detail below. The structure of the Competitive Intelligence group should be aligned with the company's structure and information needs, so the ideal organisation will vary.

Results from a survey conducted by the Corporate Executive Board in 2000 confirm that central coordination enables intelligence activities to effectively support strategic decisions.

4.2.5.1 Centralised CI Groups

Centralised CI groups usually report to a high executive at the company such as the CEO or a director whose influence extends further throughout the organisation. The senior-level support translates into more resources for the group, higher budgets, more organisational power and the ability to make recommendations.
However, centralised groups do have their drawbacks – CI team members may find it more difficult to maintain close links to front-line management and to rapidly sense market changes.

Core Central Function – To provide company wide access, avoid duplication, achieve economies of scale and leverage knowledge, central or shared responsibility is often appropriate for:

- Strategic issues/non-product research
- Best Practice development and maintenance
- Central Budget Control
- Central Knowledge Archives (Source: C. Sibley: 1997)

4.2.5.1.1 Advantages

The strategic corporate perspective of a centralised CI function enables it to respond quickly to the needs of top management. It can also support all business units as a shared service.

4.2.5.1.2 Disadvantages

Standardisation of intelligence for firms operating in different industries, markets and countries may be inappropriate. Analysts at the corporate level may not be familiar enough with the specific business units to identify the most relevant information and make credible recommendation.

4.2.5.2 The Decentralised Model

A decentralized CI unit operates within the various divisions within an organization.

4.2.5.2.1 Advantages

A decentralised CI function brings enhanced communication and interaction with internal consumers of intelligence. CI needs and questions can be answered more quickly in a decentralised structure. Analysts become knowledgeable about the industry, product lines and competitors of the particular division. CI analysts are closer to the collection network and can more easily control and direct the flow of incoming data.

4.2.5.2.2 Disadvantages

A decentralised function may have difficulty taking the strategic perspective of the corporate parent, limiting its impact on operational decisions. Divisions that lack adequate resources, expertise and staff will be more likely to forgo organised CI activity. Duplications of effort are likely to occur.

4.2.5.3 Hybrid Models

A strong centralised structure that coordinates functional or business-unit specific groups or decentralised business-unit function that maintain strong networks (Prescott: 1998).

4.2.6 Organisation Awareness and Culture

For a firm to utilise its CI efforts effectively, there needs to be an appropriate organisational awareness of CI and a culture of competitiveness. While decision-makers should call the shots on what intelligence is required, information gathering should be on everyone's mind (Kahaner; 1997).

But without proper awareness and attitudes that favour both intelligence and information sharing, it is difficult to develop intelligence within an organisation.
Competitive Intelligence is therefore a systematic programme for gathering and analysing information about key stakeholders such as customers, competitors, legislation and suppliers to find new opportunities and stay competitive.

4.3 Structure and Role of the Competitive Intelligence Function

One of the most critical components of establishing a CI function is properly determining its role and structure within the organisation. A general operating assumption among CI practitioners is that the function must achieve the highest organisational placement possible and affect the most critical decisions facing the company, but the exact structure of the function depends many company-specific considerations. Balancing the strategic and tactical emphasis of the CI function is crucial to determining the appropriate structure.

While there is no established rule about the structure of a competitive intelligence function, it should be aligned with the company's structure and information needs, as well as the role played by CI in supporting strategy as opposed to tactical activities.

In a recent survey, Frost & Sullivan found that 78 percent of the successful companies (i.e. companies experiencing consistent growth in revenues) polled stated that the CI function was a critical element of their business and marketing strategy.

4.4 Implementing a Competitive Intelligence Program

Implementing a competitive intelligence program can take considerable effort and time, perhaps as much as three to five years. Organisations can take several steps to implement a successful programme. According to CBIA, these are:

- **Establish Context** – a context should answer the key question: What should be the mission of the competitive intelligence program? Missions can be informational, offensive, and defensive - most firms have a mixture of all three. Informational missions provide a general understanding of an industry and its competitors. Offensive missions attempt to identify competitors' vulnerabilities and/or assess the impact of strategic actions on competitors. Defensive missions attempt to identify a competitors' potential action that could endanger the firm's market position.

- **Ensure Senior Management Support** – In order to work throughout the organisation, competitive intelligence programs require full support of senior management, their endorsement of the process, active participation and commitment.

- **Select a Team, Team leader and Process Champion** – Competitive Intelligence programmes need a focal point, either an individual or a specific group. Some organisations establish a team, with a variety of disciplines, responsible for designing, developing, implementing and sustaining their intelligence programs.

- **Conduct a Needs Assessment** – Conducting a needs assessment helps focus the effort and energies of the team charged with building the competitive intelligence program. The assessment also helps identify the key people who must support the intelligence effort, both as suppliers and users. More importantly, the assessment narrows the planning and design of the competitive intelligence program by pinpointing which informational areas already exist and need development.

- **Create a Competitive Intelligence Framework** – organisations must develop a basic framework forgathering data that might become information and ultimately intelligence. This framework should be based on the needs of the firm's key decision-makers, customer expectations and the potential capabilities of competitors. To gather appropriate data about competitors, the firm must understand what drives customer behaviour, which is the foundation for building competitor and competitive intelligence.

- **Establish Structure, Location and Administration** – a key component of competitive intelligence program is the design of its administrative process and structure.

- **Involve Key Users** – it is essential that organisations bring key users of competitive intelligence information into the development process early in order to reflect their wants and needs. Organisations can ensure that they are heading in the right direction by asking key decision-makers about the nature of the decisions they make and the kinds of information they need about the market and competition.

- **Educate, Involve and Motivate Employees** – Competitive Intelligence is more a process than a product. Embedding it throughout the organisation requires extensive training. It is also important to give employees the foundation and techniques they need to legally and critically collect competitive intelligence data. Making intelligence visible is key to its success, but the organisation requires incentives to motivate its employees and needs a keen awareness, of what information is.

- **Establish a Storage and Retrieval System** – central to implementing a competitive intelligence program, is an effective system for data storage and retrieval. Technology can consolidate and maintain data and distribute throughout the organisation as appropriate. The database technologies should be simple and should function to speed up analysis and help management make sound decisions.

- **Implement Counterintelligence Procedures** – Firms recognise that they must protect their confidential information, ensure that employees understand the importance of confidentiality for remaining competitive and guard against the risk that competitors are obtaining intelligence of their own.

- **Evaluate the Competitive Intelligence Process** – Once organisations begin their competitive intelligence efforts, they should evaluate the process on several levels. Initially, the objective is to inform the organisation of the importance of competitive intelligence and gain commitment to the concept. A second objective is to involve the organisation in data gathering and thirdly, the organisation should recognise and encourage signs that competitive intelligence is being used in critical management decisions that incorporate the competitive element.

4.5 Management and the Competitive Intelligence Unit

In an organisational context, decision-makers must regard intelligence as inseparable from the conduct of operations and the formulation of policy, since intelligence provides an important basis for making these decisions. Decision-makers must also realise that there are limits to what intelligence can provide.

The power of intelligence relies on its ability to be actioned on. However, the "actionability" of intelligence effort within an organisation requires a partnership. The partnership between and their client decision-makers must be based on mutual understanding of practice and the shared commitment to the achievement of organisational goals.

The role of the decision-maker is to guide the intelligence staff in determining what is relevant by ensuring they are aware of his or her intentions, plans, key decisions and areas where lack of information constitutes a risk. The role of intelligence staff is to reduce uncertainty through intelligence effort thereby allowing considered formulation of strategy, the selection of targets and the prioritisation of organisational effort.

4.6 The Competitive Intelligence Professional

CI professionals must have a very specific set of skills to effectively execute the various phases of the intelligence process. These abilities are obtained from four sources:

- Inherent traits
- Professional training
- Professional experience
- Mentors

Interdependent and building upon one another, the abovementioned sources should provide the full array of competencies needed by successful competitive intelligence practitioners. Business leaders and managers must accept the significance of these sources.

The following list of competencies is widely agreed upon by practicing competitive intelligence professionals. Training/teaching, experience, or mentoring will often enhance skills that were acquired from other sources. (Cruywagen: 2003)

1. **Traits:** creativity, persistence, written and oral communication skills, analytical ability, understanding of scientific methodology, independent learning skills, and business savvy.
2. **Trainable/teachable skills:** strategic thinking, business terminology, market research and presentation skills, knowledge of primary information sources and

research methods, development of: interviewing and communication skills, analytical ability, familiarity of scientific methodology.

3. **Professional experience:** knowledge of corporate power structures and decision-making processes, industry knowledge, development of: primary research skills, business savvy and interviewing and observational skills.
4. **Mentoring:** creativity, persistence, strategic thinking, business terminology, enhancement of communication skills and research skills.

4.7 Organisational Location of CI Programs

The location of the CI function fundamentally influences its focus on either tactical or strategic issues.
A benchmark study of 50 companies published in 2000 by the Society of Competitive Intelligence Professionals (SCIP), 70 percent of firms indicated that their CI functions are located within the marketing department. Only 10 percent of the respondents indicated that the CI function is housed in the planning department, while an increasing number of respondents now house their CI unit in the Management Information Systems (MIS) department.

In an assessment of CI structure conducted by Ben Gilad (2001), a renowned expert on Competitive Intelligence, he concluded that the corporate centre is the ideal location for a CI program. Further details on his ranking of functional locations are outlined in the table below:

Fig. 4.6 Location of CI discipline within Organisations

OPTIMAL LOCATION OF CI DISCIPLINE WITHIN ORGANISATION			
Rank by Effectiveness	**Functional Location**	**Main Weakness**	**Main Benefit**
1 (highest)	Independent Corporate CI Group	Internal corporate politics can kill the CI initiative	Effect on company's overall risk level resulting from the presence of an independent, top executive to co-ordinate cross-functional response to structural changes
4 (lowest)	Strategy Group	Strategy headcount is declining, therefore lowering interaction between executives and strategy executives.	Focus on strategic issues
	Marketing	Focus is limited to supporting marketing activities and analysis of competitors, products & pricing	Influences short-term actions such as product launching.
	Market Research	Market research focuses on customer/consumer and uses primary research.	Provides customer research whose input into CI may have additional benefits or provide insights

Source: Ben Gilad: 2001

In placing a competitive intelligence function, companies should contemplate the locations where CI provides optimal external view essential for achieving a differentiated market position.

4.7.1 Case Study: Shell IT International

A case study of Shell IT International, demonstrates an ideal competitive intelligence environment:

4.7.1.1 Structure Overview

Shell IT International is one of the service companies of Royal Dutch/Shell Group, a large corporation with a decentralised holding company organisational structure. Each operating company within the group is responsible for the performance and long-term viability of it's own operations, but can draw on experience of other operating companies.

The competitive intelligence structure at Shell IT International mirrors the structure of the organisation. Business intelligence activities within Royal Dutch/Shell are segmented with each of the operating and service companies maintaining and operating their own individual cell of activities.

Like the group structure, Shell's competitive intelligence efforts are coordinated across the operating and service companies through the Global Business Intelligence Network (GBIN). GBIN meets about four to five times a year (20-25 members) made up of directors of Business Intelligence (BI). The mandate is for them to identify best-in-class practices for competitive intelligence and ensure the standards of professionalism for the group. In that capacity, the global community shares practices, tools and methodology.

Activities performed by the group include:

- Providing diagnostic tools and methodologies for BI
- Standardising approaches
- Sharing knowledge by facilitating active use of the intranet
- Developing training modules for new and existing staff members

- Providing infrastructure and technical support for BI intranet portals to ensure synchronisation

4.7.1.2 Structure of the CI Function

The CI function is composed of an eight-person team who conduct CI activities on a continuous basis:

CI Director – Reports to the vice president of Strategy and Business Intelligence Oversees the entire function and is a member of the global CI network, scenario planning, provides insight and input into strategy, tactical planning, business development, co-ordinates major Shell's responses to major strategic shifts (such as mergers, acquisitions, alliances, technology breakthrough's), detailed analysis of competitors

Full-time employees (4) – Engage in activities including horizon scanning and analysis, benchmarking studies, support business management team. Reports include external environmental monitoring, early warning alerts, technology alerts and competitor alerts.

Part-time employees (3) – Assist with adhoc requests, poll internal networks for information, conduct scenario analysis and assist with briefings. This typically includes demographics and statistics, company financial comparisons, competitive information, economic indicators and internal business research. (Best Practices,LLC, Report Summary: 2001)

The goal of the BI group is to work on projects that lend the highest value-added for the organisation and to spend less time on the more mundane, less analytical projects.

4.8 Integrating Competitive Intelligence into Risk Management

Competitive intelligence is used to identify and manage risks. Industry risk refers to all risk a company faces as a result of industry-wide forces. Industry risk comes from many sources, generated by change in the industry's landscape, known as structural changes.

Sources of structural changes are customer's emerging trends, competitor's strategic moves, new acquisitions and alliances in the industry, new government policies or disruptive technologies.

Identifying these risks requires an early warning system. Managing these risks means making sure that the company's response to such changes are appropriate. It includes co-ordinating and orchestrating the company's response mechanisms across departments, markets, product teams and customer segments.

Using competitive Intelligence to manage industry risk is a two-step process:

4.8.1 Risk Identification

The first step in identifying risks involves a strategic early warning system (SEWS). There are several steps to the process of setting up a SEWS (Gilad:1998).

- **Mapping High Risk Areas** – here risk is assessed across customer segments, products, capabilities and markets
- **Building Indicators** – Areas with high-risk profiles are targeted for early warning with a series of indicators, both qualitative and quantitative.
- **Monitoring Indicators** – A collection/monitoring plan is set in place, identifying sources that can provide input in a timely manner.
- **Issuing Alerts** – Alerts are issued when an indicator crosses a pre-determined threshold.

Updating of early warning targets are done continually, based on the information collected. Examples of companies who conduct SEWS are few but they are: Citigroup, Daimler-Chrysler Aerospace (DASA) and Best Foods.

4.8.1.1 Case Study: Daimler-Chrysler (DASA)

As traditional monitoring activities rarely differentiate between tactical information with strategic implications, many strategic threats and opportunities-although defined by business intelligence staff- are not effectively communicated to decision-makers. To address this situation, Daimler-Chrysler integrated future-focused strategy development with business-environment monitoring activities, creating a systematic, strategic early warning system in the mid 1990's. (Corporate Strategy Board: 2000)

4.8.1.2 DASA Early Warning System Process

DASA integrates its future-focused strategic planning activities with continuous, strategically focused monitoring activities that rigorously track environmental and market events and report critical shifts to decision-makers. The strategic early warning system establishes specific "signposts" that enable early identification of events with strategic implications. Designated expert scanners report trigger events to a cross-functional group of vice-presidents who, in turn, regularly present distilled strategic intelligence reports to top executives.

The focus of strategic early warning system is on analysis of how risk factors could change the future horizon. Two key elements of the strategic early warning system ensures the timely identification of market and industry changes are as follows:

- **Iterative Signpost Redefinition** – signpost monitoring criteria are defined by strategic driving forces identified in scenario exercises, the information gleaned from ongoing monitoring drives changes in future scenarios, which then determines redefined signposts.
- **Filtered intelligence** – evaluation committees of experienced managers filter intelligence reports for strategic importance and deliver their assessments and recommendations to top executives.

While companies cannot monitor all the fields that are essential to the business, DASA has overcome this challenge by tracking and monitoring vital statistics, which is broken down as follows:

- **Operative Early Warning "Quantitative"** – these figures cover all information on financial delivery, operating costs, goods sold, customer base inventory, etc.

- **Critical Environmental Descriptors** – general global indicators such as economic conditions, industry and market movements including changes in the world population and world economic growth and it's inherent effects on the business environment.
- **Strategic Early Warning "Qualitative"** – these are typically "weak signals" that serve as trend indicators. These are usually signals that cannot be classified and as a result, are gathered over a stated period of time and analysed to determine a trend.

Through the use of the strategic signpost monitoring and detailed analysis of identified information, DASA's executives were able to proactively formulate effective strategies.

4.8.2 Risk Minimisation

The second step in risk management is to propel and orchestrate company-wide corrective action early enough to minimise potential damage to market share and profitability. Risk minimisation typically results in one of four actions:

- Marketing strategy's revision
- Operational Strategy's revision
- Business development reaction
- R&D acceleration/deceleration

The role of competitive intelligence is to suggest options and make recommendations for strategic shifts based on the alerts issued.

The final strategy decision rests squarely with senior management. The role of competitive intelligence should not end there. Tracking and co-ordinating the response and measuring its effectiveness can be a natural role for an expanded CI –risk management function.

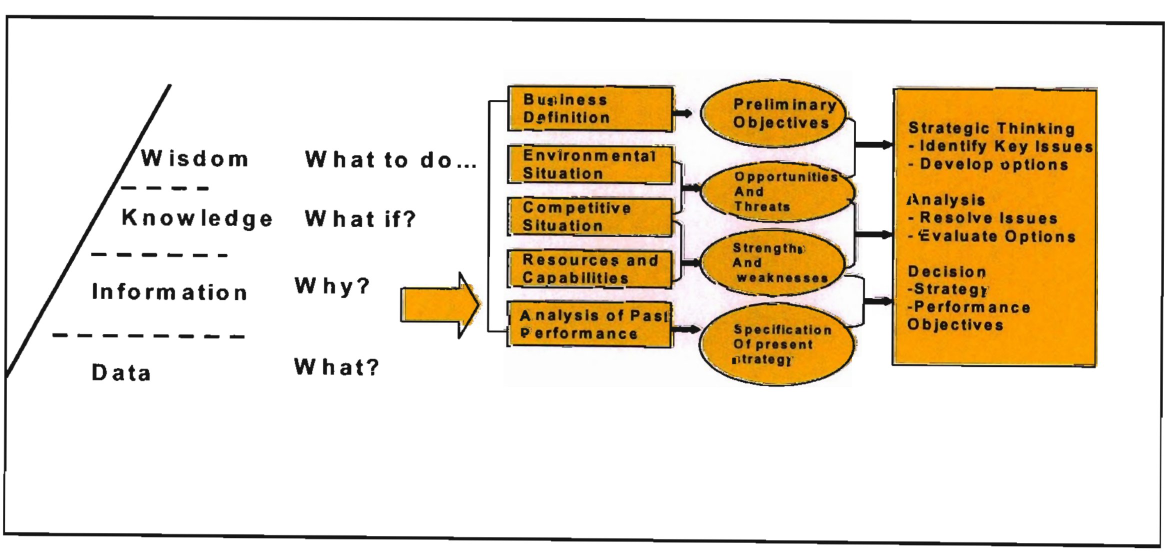
In summary, industry risk management should be a continuous CI process.

4.9 The Role of CI within the Strategic Planning Process

Successful competitive intelligence programs do more than simply allow companies ample time to react to market developments - they allow companies to anticipate them and provide them with the knowledge and foresight to spot weaknesses and opportunities in the organisation's strategy as well as that of it's competitors (American Productivity and Quality Centre: 2000).

Companies consistently struggle to ensure that decision-makers have timely and relevant intelligence for making strategic decisions. By integrating the competitive intelligence function into decision-making mechanisms within the organisation, it can serve as activist or advisor to the executive team. The diagram below details the flow of strategy planning process and shows how competitive intelligence can support strategic decision-making.

Fig. 4.7 The link between Competitive Intelligence and Strategic Planning



(Adapted from various sources)

The above diagram highlights the fact that competitive intelligence is a critical business function. All of the external forces impact on every organisation and strategic planning process. Competitive Intelligence is the stuff in which winning strategies are made. It is the decision-maker's raw material.

Strategic Planning is about:

- Fundamental decisions and actions
- Anticipating future environment
- Being disciplined

Michael Porter says that part of the process of strategic planning must look at how a company's industry will evolve and how the firm can be best positioned to compete in the long run.

In essence, Strategic Planning, Competitive Intelligence and ultimately decision-making share these goals:

- The process of each set priorities
- The action of each builds a shared direction and challenges the status quo
- The output of each should lead to action by matching resources to opportunities

The case below demonstrates how Avnet Incorporated has integrated its CI function into its strategic management system:

Avnet, the second largest distributor of electronic components and hardware in North America, has fully integrated its CI function into its strategic management system. The CI function has the critical responsibility of keeping the global executive team involved of the activities of its' key competitors on an ongoing basis.

4.9.1 Case Study: Avnet's Strategic Management System

The competitive intelligence group, known as the Business Information Office (BIO), is structured so that it assists in creating and finding new value propositions for the company. The role of the BIO is to assist in understanding and formulating internal and external strategies to compete with both existing and peripheral competitors. This comprehensive strategic planning system integrates CI processes into the strategic thinking and planning process of Avnet.

The strategic management system is composed of four core pieces:

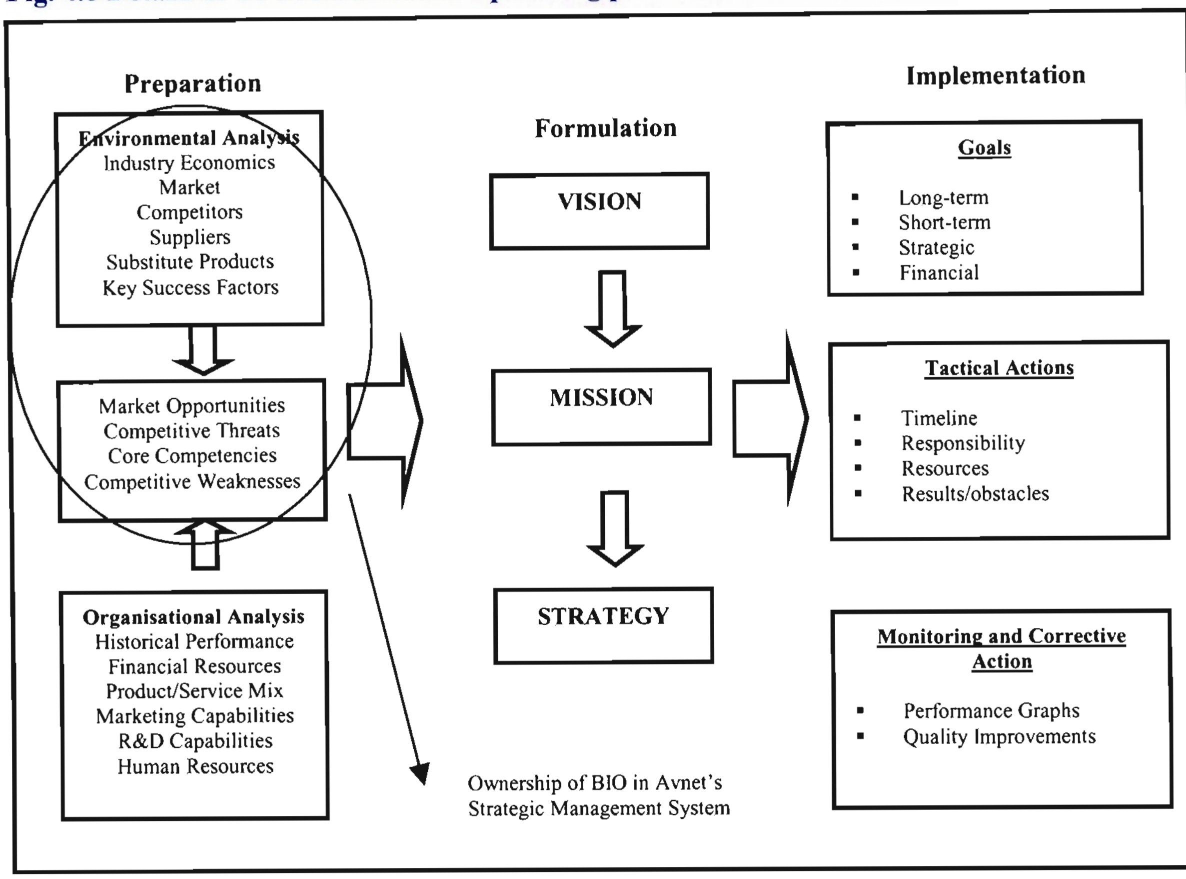
1. **Global Strategic Planning and Management System** – the firm's strategic and planning process
2. **Business Information Office** – The Competitive Intelligence Team
3. **Business Planning and Analysis/Performance Measurement** – The audit mechanism of the firm's strategic planning process
4. **Investor Relations** – Responsible for communicating the company's strategic performance to investors and potential stakeholders.

All this information then flows into an Executive Information System (EIS) through the corporate intranet. All operational planning data is channelled into the EIS, which generates a "dashboard" outlining key components and/or adjustments to the strategic plan of the company.

The CI function is embedded into the core of the organisation and forms part of the infrastructure and the planning process. The BIO group is structured such that there is continuous information flow to all Avnet's operating groups.

All strategic long-range planning that occurs is guided by data and information from the CI team. Prior to the strategic planning session, the team compiles and analyses all market opportunities and threats against the core competencies of the organisation to establish the competitive weakness or strengths of the organisation. Given the cyclical nature of Avnet's industry, the CI group continuously monitors and forecasts market trends.

Fig. 4.8 Details of CI's role in Avnet's planning process are outlined below:



Source: John H. Hovis: 2000

Through it's elaborate CI network, Avnet has created a CI function that facilitates alignments between business units and global locations. This assists the organisation in understanding its position in the market as well as in formulating and aligning its strategic plans. The BIO is the starting point of all decision-making activity at Avnet.

4.10 Competitive Intelligence Practices in South Africa

4.10.1 Introduction

Given South Africa's history, organisations have only recently joined the global competitive field. For the first time in decades, companies have access to global markets and resources. But with this come the world's access to us. Today, every firm faces the need to become world class overnight. As South African organisations re-enter the global space, they find themselves head-to-head with this new breed of competitor. In order to stay in the game, huge improvements and performance capabilities need to be made.

South African managers have been isolated for too long. They talk about the need for change, but most are changing too little, too late. Especially concerning is the fact that they use strategy concepts that will make them less, not more, competitive. And too often, their implementation programmes are so complicated that no one can make them work. They need to urgently get into shape in order to compete in a hyper-competitive world (Tony Manning: 1998).

The challenge to managers in South Africa is to establish and implement effective strategies, which have relevance in these very turbulent times.

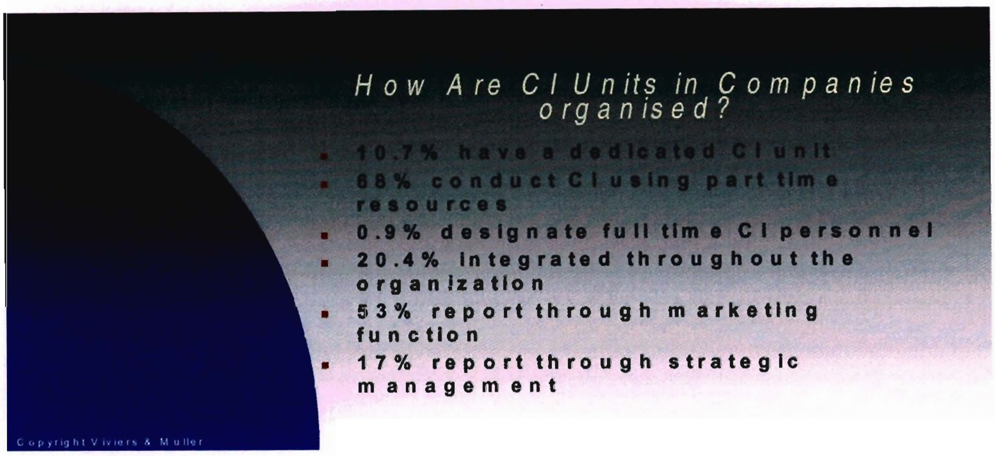
4.10.2 Competitive Intelligence Trends

Competitive Intelligence as a business practice is still in its' infancy in South Africa. Whilst some companies do have proper CI functions and structures in place, many still perceive CI to be a mindless collection of only competitor information. The current reality in many South African companies is that the competitive intelligence function is taking up a relegated position in the structure of the organisation.

CI in South Africa is not advanced: it is still at an early development phase. This is slowly changing due to aggressive competition and the changing market environment. Whereas previously, it was a nice-to-have, now it is becoming a business necessity.
The last year has definitely seen signs that recognition and adoption are growing. However, as a discipline, it is still shrouded by confusion and misconception.

The author would like to refer to a CI study conducted in 2001/2 by the Potchefstroom University. The objective of the study was to shed light on how competitive intelligence is practiced and implemented in South Africa. The questionnaire was sent to 2 462 companies, of which 120 companies responded, representing a 4.9% response rate. The importance of this research can be seen in the results which is summarised below:

Fig. 4.9 CI in South Africa



4.10.2.1 Process and Structure

Overall, the results suggest that the responding South African firms are very poor in formal organisation and process for intelligence. The model of intelligence in the responding firms is a part-time model, pointing to a general lack of CI. CI is supposed to be a CI function but in SA, it is more of a marketing function.

4.10.2.2 Focus and Planning

In general, companies focused on more than just competitors. They looked at key allies, partners, government, etc. Although this was not reflective of senior managements information needs. 90% of information given to senior management is usually known information. CI professionals are usually reactive to market changes instead of proactively identifying key information needs.

4.10.2.3 Collection

South African companies recognised the importance of gathering information from people. Most employees were regularly reporting on competitive information to appropriate managers. The problem is that information is rarely validated. This makes firms vulnerable to misinformation.

4.10.2.4 Analysis

Analysis is one of the weakest areas in the responding South African firms' CI practices. Few firms used analytical tools to conduct proper analysis. The problem lies in the lack of adequate skilled resources able to conduct analysis, no formal education of analytical techniques i.e. this is not a subject being taught at South African Universities.

4.10.2.5 Communication

Regular reports were distributed to stakeholders although this was done within departments and did not include a wider audience. Some managers receive information on a need-to-know basis.

4.10.2.6 Intelligence Infrastructure / System

Few companies had a central coordinating point for receiving CI information. Few companies provided training or even had a legal and ethic guideline to help employees understand how to conduct intelligence activities.

4.10.2.7 Awareness and Culture

South African firms were aware of the importance of CI to strategic decision-making. They did agree that CI was something that could be used to create a competitive advantage. They believed that CI was a necessary activity for increasing their intelligence.

According to Prof Jonathan Calof, Director of the Canadian Institute of Competitive Intelligence, South African firms are unfortunately not well equipped to conduct good intelligence practices and are far behind those in United States, Japan, Sweden, France, Canada, and others. He concludes by stating that South African business must improve their intelligence skills or they will face the risk of being left behind as the global business environment becomes more competitive.

Other observations by the author indicates that CI has only started gaining exposure within companies in the last three to four years. Very little training and awareness has been done prior to that. Half the battle in growing the acceptance of CI in South Africa is building awareness. Establishing coherent market education and awareness of CI as a discipline is critical.

The market as a whole is beginning to appreciate the importance of competitive intelligence as a corporate tool. The future of this industry is certainly very promising if one looks at the potential growth that is possible.

CHAPTER 5
Standard Bank South Africa

5.1. Introduction

This chapter focuses on details of the case study and results from the primary research conducted. The company under investigation is a South African based financial services organisation, namely: Standard Bank South Africa. Investigation into the background, key driving forces, priorities and competitive intelligence positioning of Standard Bank helps build a scenario of why competitive intelligence is critical for strategic decision-making.

The research results in the form of quantitative data are indicated below. Combination of both primary and case study observation are used to present Standard Bank's competitive intelligence positioning. The answers are represented graphically, followed by comments from the researcher.

5.2 Industry Structure

The South African banking system is well developed, with a prudent regulatory and legal structure. The industry is domineered by a few large banking groups, with 58 licensed deposit-taking institutions comprising 33 domestic controlled banks, 2 mutual banks and 15 local bank branches of foreign banks. In addition, 55 foreign bank representative offices were operational at the end of 2002.

Since the beginning of the 1990's the SA banking industry has gone through substantial changes. New bank legislation and regulatory requirements were introduced, foreign banks entered the domestic market, competition from non-bank entities intensified, international scrutiny increased and customers now demand more sophisticated products and quality of service. The pressure on banks is further added by the possible introduction of A1 banking licences being introduced early next year by legislature.

5.3 Challenges Facing South African Banks

As identified by KPMG's 2002 Banking Survey

- Increased demand for better quality service and more sophisticated products will put pressure on costs
- Increased dis-intermediation will intensify competition pressure to own the customer and to generate revenue from the client base
- Rapidly developing electronic and mobile banking and changing payment switching will have an effect on customer loyalty.
- The decline in retail deposits and continued shortening deposit base will increase liquidity of the South African banks
- Pressure on interest margins is expected to continue
- Structural changes of the South African economy and changing consumer spending patterns will increase their exposure to the credit risk of individuals and corporate
- The large banks will expose themselves more to sovereign risk as they extend their reach internationally
- Macro and socio-economic factors such as the slow economic growth, the impact of AIDS, low education level, high unemployment and crime will continue to affect the domestic economy
- By moving lower down in the domestic market into micro finance, the banks will increase their exposure to higher risk lending

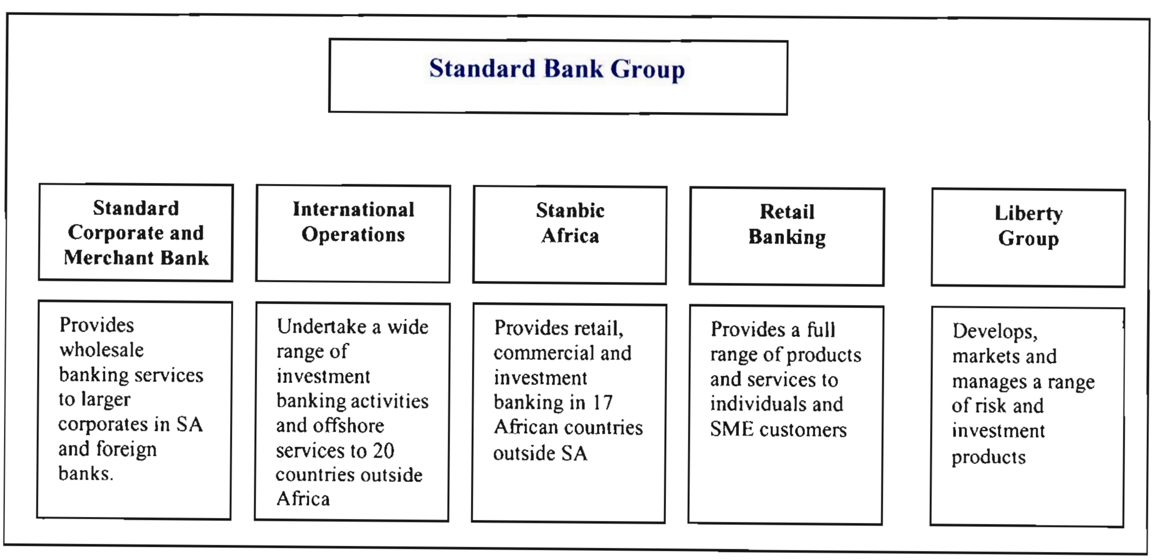
5.4 Background into Standard Bank

Standard Bank Investment Corporation Limited (Stanbic) is the holding company for the interest of the Standard Bank Group. The group provides commercial and merchant banking, leasing, investment advice, insurance brokerage, credit card facilities, venture capital and usual bank services. Standard Bank of South Africa offers services on an individual, business, corporate and international level. (http://www.standardbank.co.za)

Services offered to individual clients include Internet banking, home loans, credit cards, vehicle finance, credit card facilities and online share trading. Business clients are afforded with business online, thetradestand (Standard Banks e-marketplace serving both internal and external customers) and commercial banking. A special package is made available for small and medium enterprises (SMEs). At the corporate level, the bank offers a full range of corporate and merchant banking services. At an international level the company is involved in offshore investments and has subsidiaries including Standard bank London and Stanbic Africa.

Standard Bank has gradually positioned itself as a diversified financial services group with a substantial retail and commercial presence in South Africa and Africa. The bank employs about 33 000 staff throughout South Africa.

Fig. 5.1 The Group at a glance



Source: (Standard Bank South Africa – Annual Report 2002)

5.5 Priorities for 2003

- Strive to be a leader in customer service
- Further penetrate the market through the E-Plan offering
- Increase bancassurance sales into the customer base
- Expand retail presence in Africa by broadening product range and geographic reach

- Continue the selective search for acquisitions in Africa
- Emphasis client centricity in SCMB, capitalising on their competitive advantage

(Source: Annual Report: 2002)

Fig. 5.2 Critical Success Factors

(Source: Retail Banking Strategy 2003)

5.6 The Competitive Intelligence Positioning within Standard Bank

Standard Bank employs a decentralised competitive intelligence unit. The main group of CI individuals are located within the marketing function of Retail Banking and serves as a central hub for all strategic information and analysis. The other smaller CI units exist within the various business units. Details shall be provided below.

The CI function, referred to as the "Insight and Exploration Unit," is managed by the Head of Customer Insights: who reports to the Retail Marketing Director. This person in turn reports to the Retail Banking Director. There is no visible person sponsoring competitive intelligence within the bank, as the focus seems to be on marketing efforts.

The Insight and Exploration has a combination of market research (6) and competitive intelligence resources (2). Competitive Intelligence is to a large degree integrated throughout the organisation. The calibre of resources appointed in this team is academic, most of who have some type of university degree or diploma. However, there is very little education on proper competitive intelligence analytical techniques and processes.

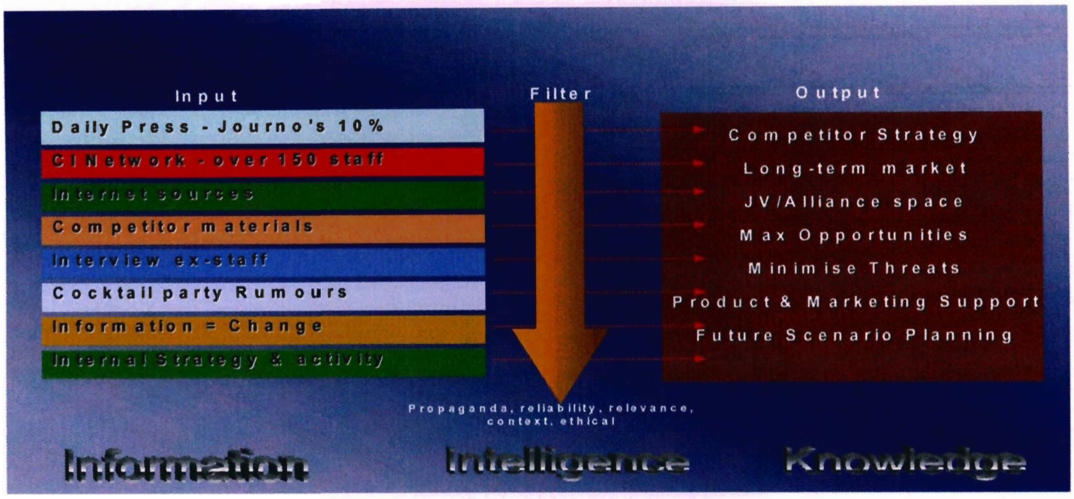
5.6.1 Activities performed by the Insight and Exploration Team Includes:

- **Providing competitor deep dives and alerts** – The CI person generates monthly board reports that indicate market changes. The compiled information is then analysed and competitive implications are attached based on the analysts' insights and experiences. This information is sent directly to the desktop of the board of directors for monthly meetings. Competitor deep dives include detailed analysis of top 3 competitors covering their strategies and future direction. These reports have been valuable in assisting decision-makers in understanding their competitors.

- **External environmental monitoring, early warning alerts, technology alerts** This takes the form of a quarterly global trends and best practices report covering present and future market changes and trends. Implications for South African banks are included. An annual PESTLE or DASHBOARD is compiled, providing details into external factors influencing the financial services industry.

- **Coordinating both the external and internal collection of data** – the CI individuals act a facilitator between stakeholders and external suppliers – project managing and providing advice and insights to stakeholders.

Fig. 5.3 The CI Process



- **Creating a knowledge sharing culture within the bank to support the intelligence effort** – The Insight and Exploration Unit have invested in a CI repository to store and dissemination strategic information to managers. This repository is called "Blue Pages" and it is situated on the intranet site. It is restricted to selected individuals because of the sensitivity of information.

- **Providing customer insights to key stakeholders** – The Insight and Exploration Unit actively gets involved in segmentation studies looking at customer attitudes and behaviour within the banked population.

- **Acts as main support function for the marketing team** – Marketing managers continually seek out information to contribute to the strategic planning process.

- **Ad hoc Requests** – the bulk of the tasks performed by these individuals are ad hoc. Typical requests include global best practices, competitive information, presentations, workshops, benchmarking, etc

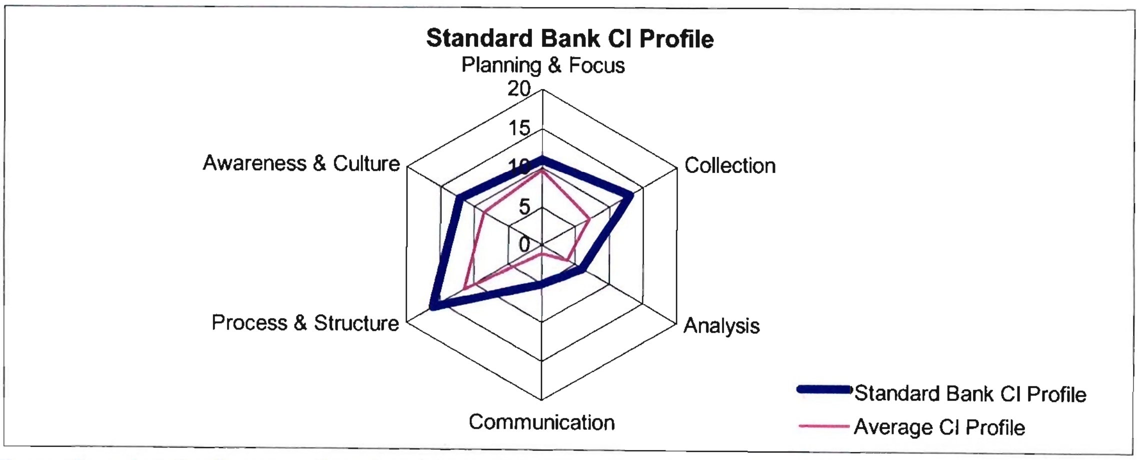
Other Business Units within Retail Banking conducting Competitive Intelligence activities include:

- **Direct Distribution** – who has a group of four people conducting CI activities. Deliverables include regular dissemination of market, global trends, competitor and PESTLE reports. They specifically focus on direct distribution information. Very little analysis is conducted, as most of the information supplied by them is "nice-to-knows." They have their own database system independent from IEU's.

- **Innovation and Foresight Unit** – A team of five people specifically looking at scenario and futuristic modelling around the impact of technology on the bank. They have set up a community of practice involving other CI individuals, who meet regularly to brainstorm and discuss issues and solutions to key challenges facing Standard Bank managers. The outcome is a quarterly report, which is disseminated to the executive team.
- **Marketing Strategists** – Within the marketing department, there are a few senior managers whose job is to perform strategic analysis on various topics. This seems to infringing on the job of the CI team. It has been found that there has been duplication of effort from both teams because of miscommunication.
- **Part-time resources** within various business units whose job it is to monitor competitor activities as and when needed.

Standard Bank's Competitive Intelligence Profile as identified by Potchefstroom University CI Survey 2001/2002.

Fig. 5.4 CI Profile – Standard Bank



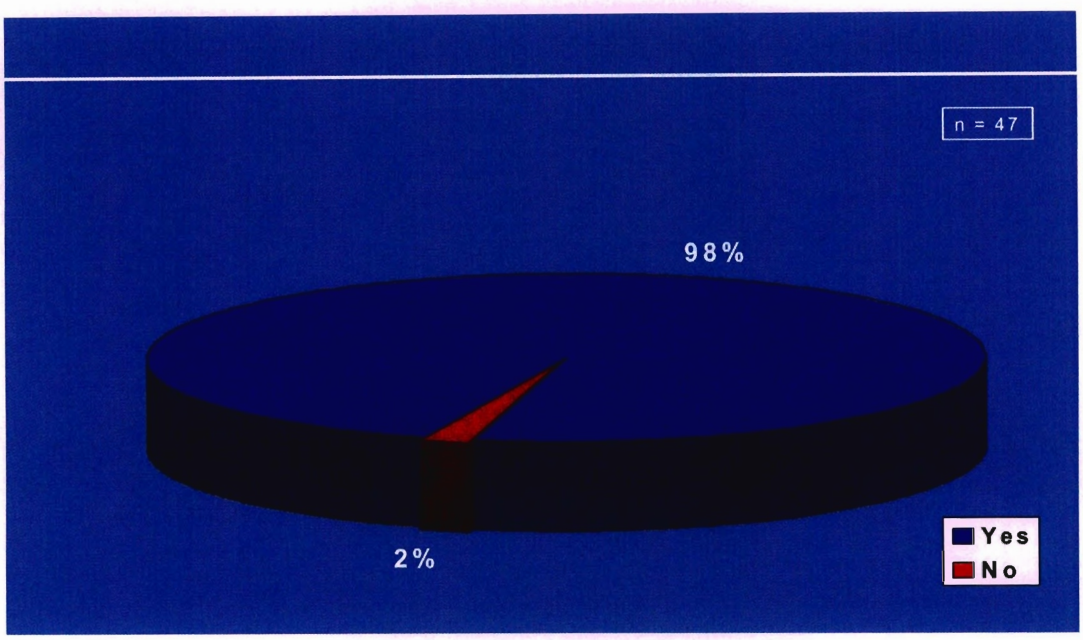
(Source: Own adaptation from research conducted internally and Potchefstroom University – 2002)

The above chart depicts the competitive intelligence cycle for Standard Bank. Results show that their strength lies in collection of information and in process and structure. Communication is rated high as well. The average South African CI profile looks bleak as mentioned earlier in the study. Whilst Standard Bank's CI positioning seem to be ahead of the average South African organisation, it is still behind global standards.

5.6.2 Research Findings

The results from the internal survey conducted with senior Standard Bank managers are presented graphically below, mainly using pie charts. Where appropriate, bar charts and text is used. Reference is made to each question and, followed by comments by the researcher.

Fig. 5.5 Do you consider CI to be an important part of your business?

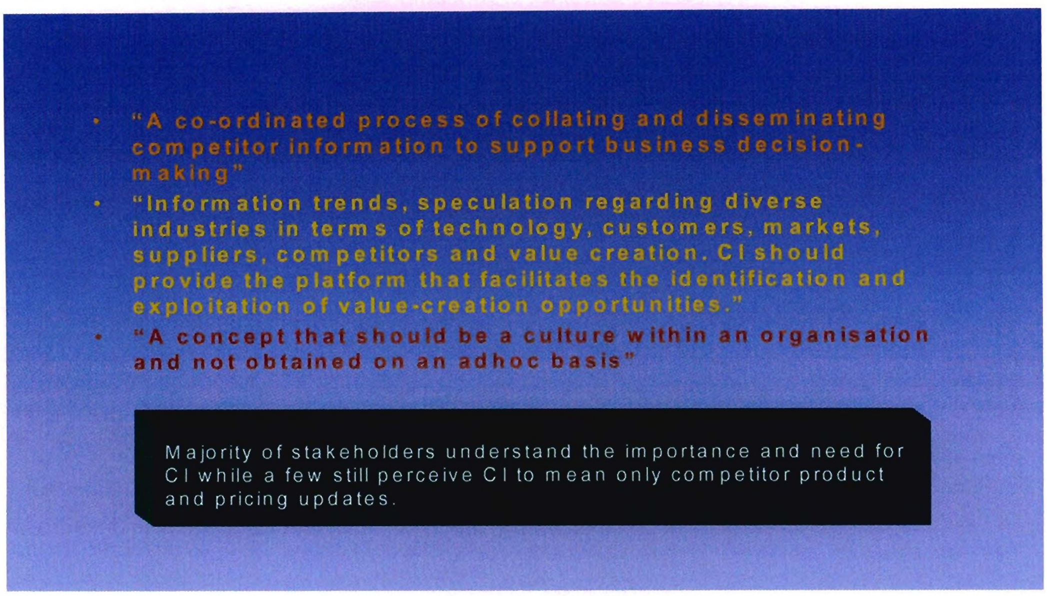


Competitive Intelligence is definitely an important part of the business of Standard Bank decision-makers. They acknowledge that the external environment is changing rapidly and they need to be equipped with the right information at the right time.
The researcher quotes some of the managers' answers in answering why they think CI is important to their business:

- **"Competitive intelligence is a key part of the "war chest" to enable business to formulate the correct strategies and maintain our competitive edge"**

- **"To keep ahead of the game. Without competitive intelligence, we will loose our competitive edge and ultimately our customer share."**
- **It is important to have CI in order to set strategic objectives (what to we want to be) and operational principles (how are we going to get there) once we have fully understood the rules of the sandbox we play in."**

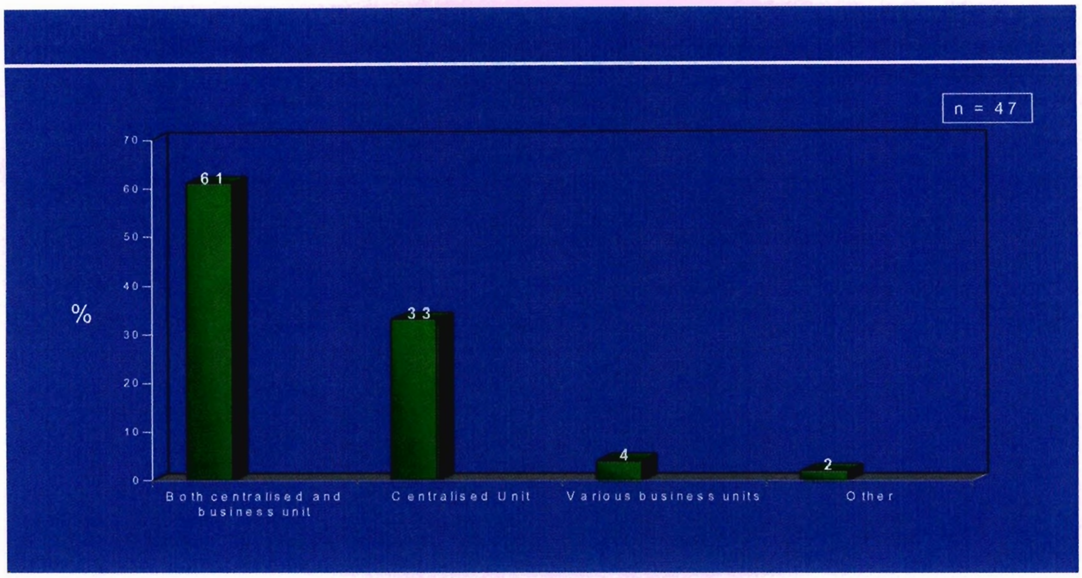
Fig. 5.6 Stakeholders Definition of CI



Majority of stakeholders understood the definition of Competitive Intelligence. Although, as literature suggests, some were of the assumption that competitive intelligence was information about competitors, products and pricing updates. Key words that stood out for the researcher from the various definitions were: continuous, current, critical information, relevant information, knowledge and insight, benchmarking, networking, predict, advise, awareness, interpreting, value creating, evaluating, enabling, informed decisions, etc

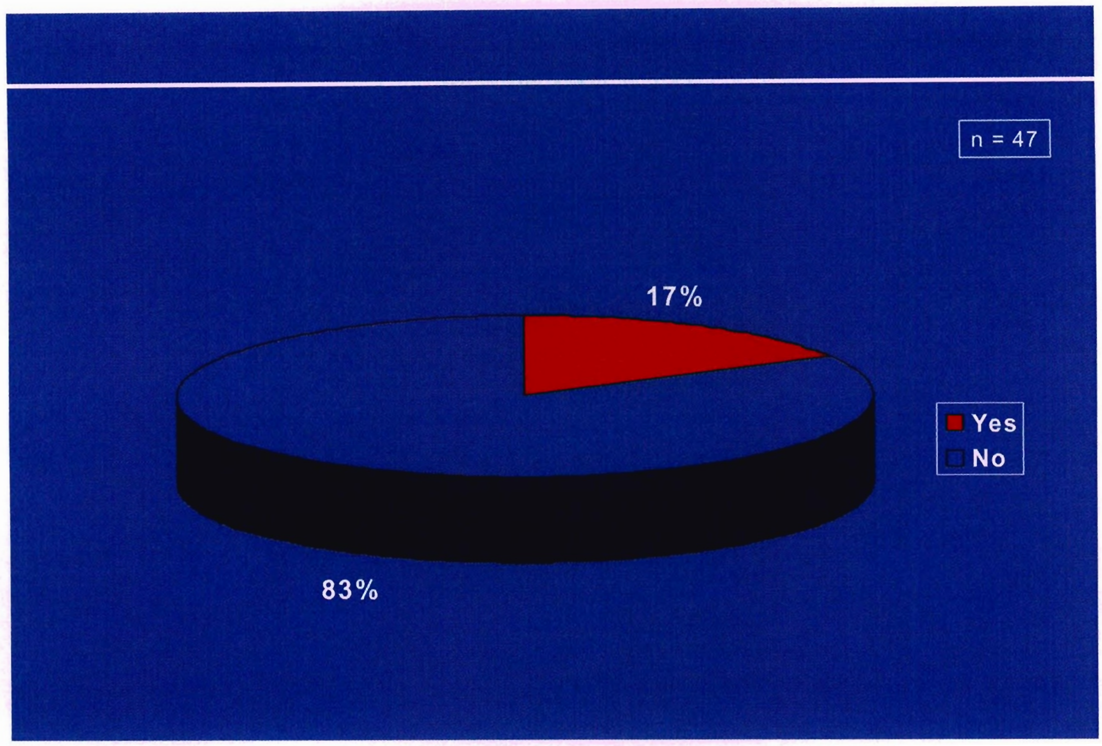
These words are relevant in that they capture the essence of managers' understanding the value of competitive intelligence for strategic decision-making.

Fig. 5.7 Where should the responsibility of Competitive Intelligence for SBSA Reside?



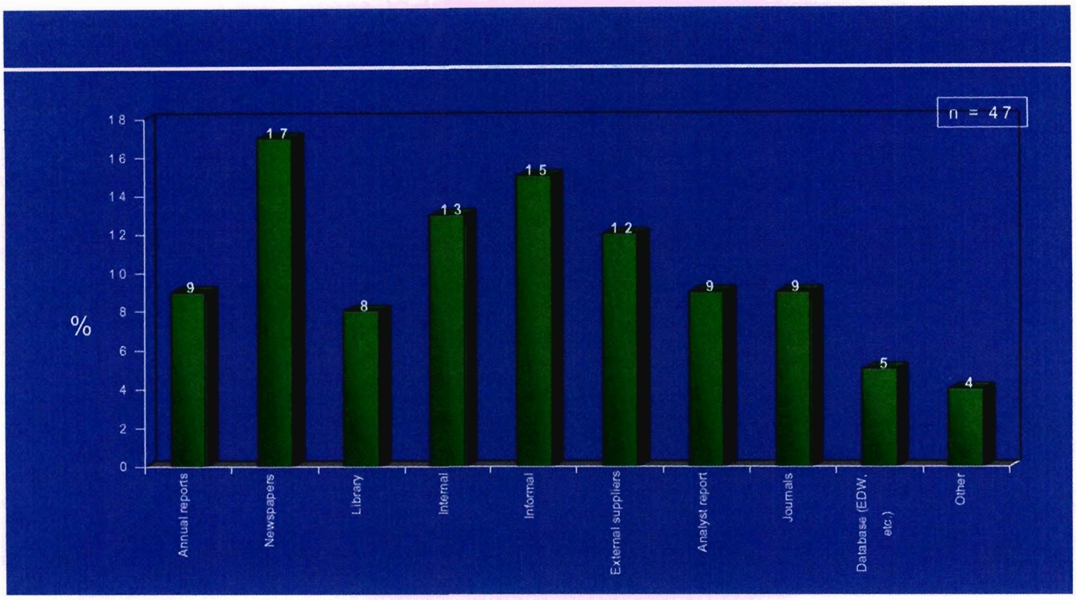
The agreement among 61% of managers is that competitive intelligence should take on a hybrid approach. A strong centralised structure that coordinates functional or business-unit specific groups or decentralised business-unit function that maintain strong networks. 33% feel that a centralised unit should control it. Best practice information advices that an ideal approach should be hybrid for a large organisation such as Standard Bank with many different functionalities and divisions.

Fig. 5.8 Do you generate regular CI Reports?



83% of managers say that they do not generate CI Reports within their business units, clearly resulting in uninformed decision-making. Not enough CI activity is being conducted throughout Retail Banking.

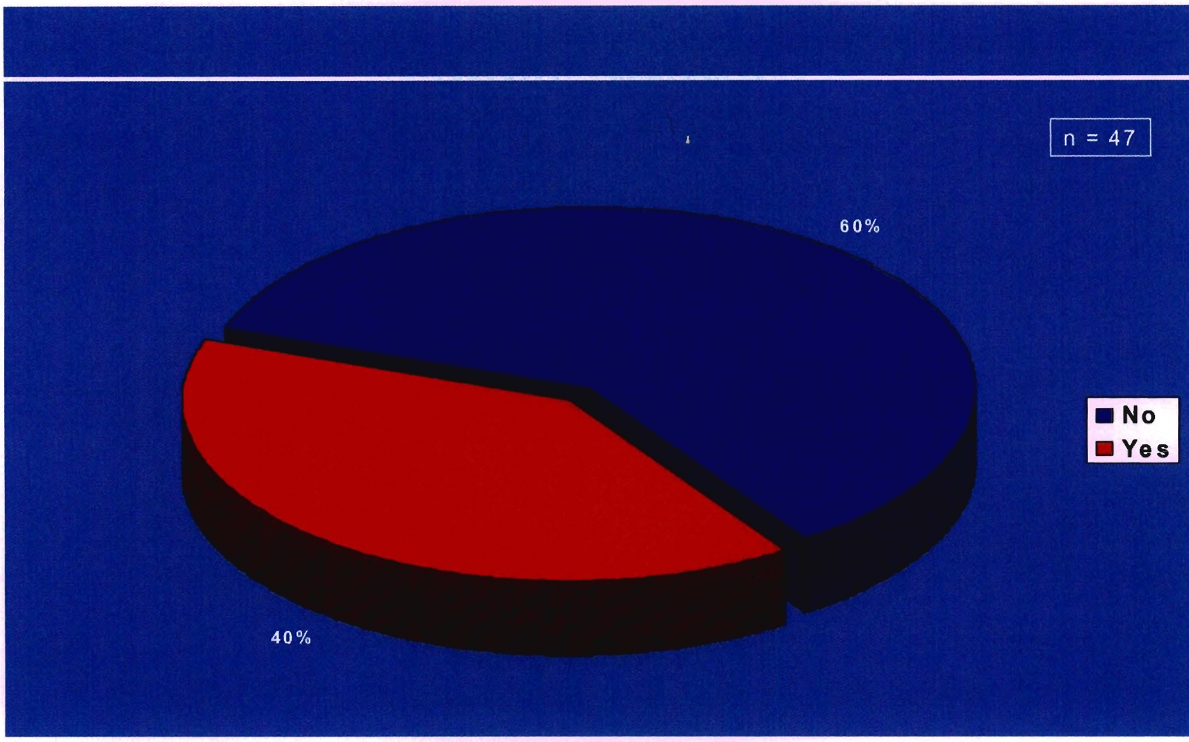
Fig. 5.9 Sources of Information used.



The most common source of information is still the newspaper, followed by informal and internal sources. A healthy CI network is maintained, allowing employees an opportunity to share information with each other nationally. Observation shows that the same version of the article is sent to a manager via various departments. This often results in information overload and duplication of effort.

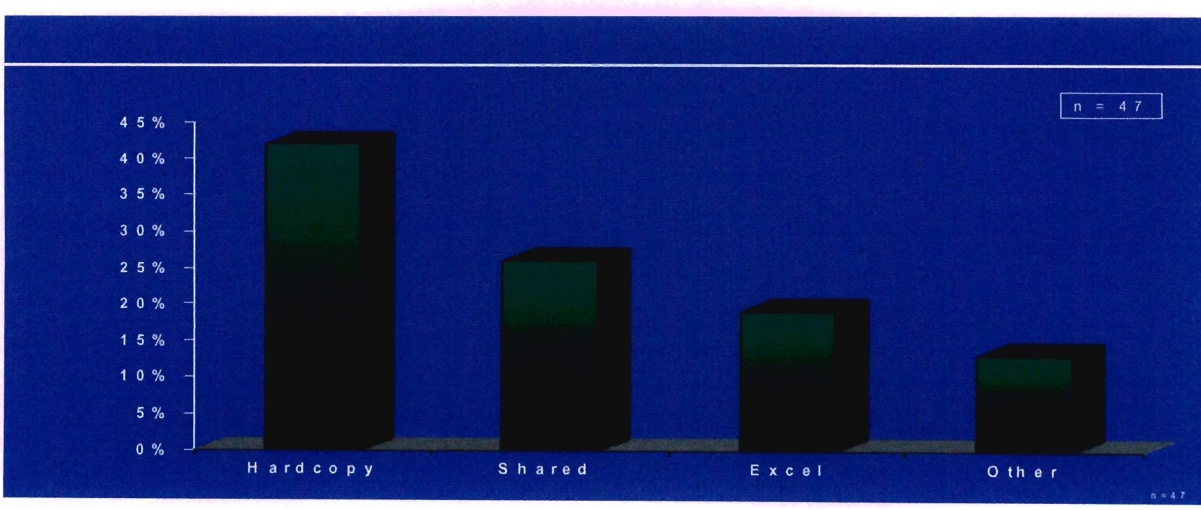
The library seems to play an active role in disseminating information throughout the organisation. Daily scanned newspaper articles are emailed to various stakeholders. All departments are also sent newspapers every morning. Very often stakeholders delete these emails without reading.

Fig. 5.10 Does your Department have a Formal / Organised Competitive Intelligence Effort?



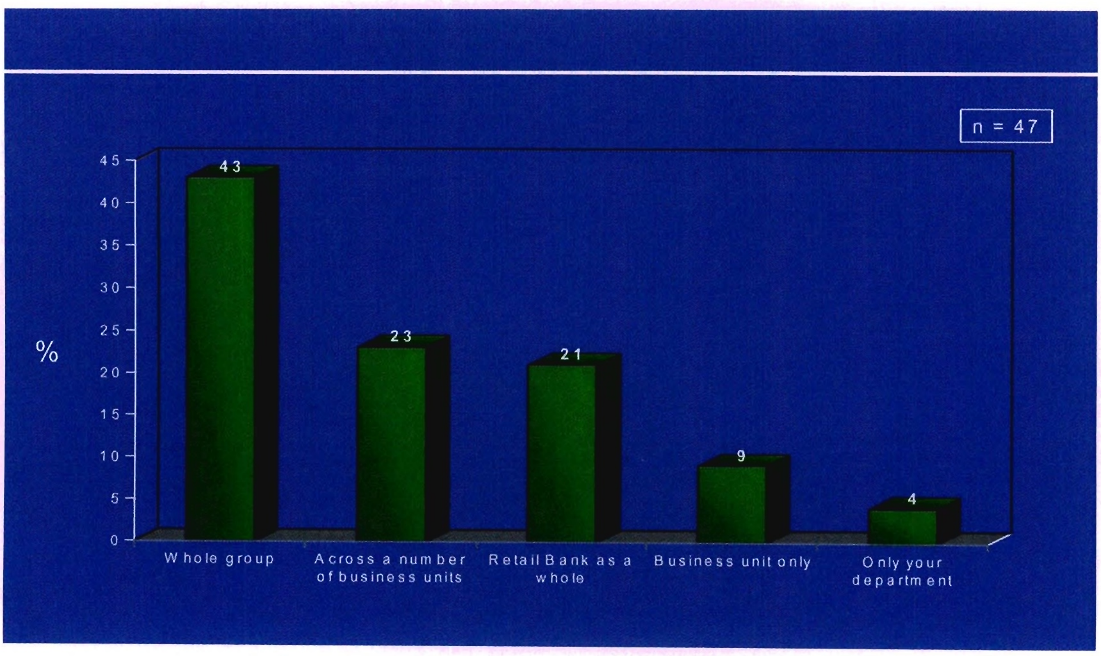
Only 40% of decision-makers have a formal or organised competitive intelligence capability. Other business units do it as and when needed.

Fig. 5.11 How do you Currently Store Information?



Information is still being stored in hardcopies making it difficult for decision-makers to store and access information. Shared access very often limits information to only a group of people and not to a wider audience. Data within Standard Bank is gathered at several points throughout the organisation but are not integrated in a structured way.

Fig. 5.12 Who will have access to the information that is being stored?



Decision-makers have agreed that information needs to be shared across the bank. This shows that an information sharing culture already exists within the bank and managers are no longer working in silos. They must now adapt their strategies to fit their external environment.

Fig. 5.13 What type of information would you like to store?

- Competitor activity and pricing
- Best Practice Information
- Direct Marketing campaign information
- Strategic and operational information
- Market Shares
- Industry Surveys
- Local and international trends
- Benchmarking
- Business Process Information
- Marketing information
- Customer Insights
- HR Information

The above slide shows some of the common intelligence needs of stakeholders. Competitor information still dominates the list. But compared to a few years ago when managers thought they knew their market well, it now becomes vital that they learn more about the external market in order to make informed decisions.

5.7 Standard Bank's Strategic Planning Process

From observation, the strategic planning process within retail banking is conducted annually. Senior managers frantically run around looking for information or even go away on a two to three day workshop only to return with a strategy that is more tactically oriented. It is a time when competitive intelligence professionals are the busiest, looking for specific competitor information that might offer some insight to the decision-maker before he implements a strategy.

On a positive side, retail banking has recently decided that the market was changing faster than their strategy and something drastic needed to be done to overcome any future obstacles. A group of consultants are employed to look at the external market and future trends and thereafter to make recommendations to change or align the strategies to meet these new demands and changes. The problem with this approach is that it is still a once off process. A competitive advantage of an organisation can often become a disadvantage with time. It needs to be continually assessed and monitored so that it remains a competitive advantage. A critical point to take note off is that it is easy for competitors to copy it and even improve on it.

5.8 Key Findings include:

- The external environment has drastically changed, forcing managers to refocus their strategies
- Overall, there is no evidence of a formal competitive intelligence strategy
- There is no sponsor to sell the competitive intelligence proposition
- A high degree of duplication of information prevails within the bank
- Too many independent information systems
- Decision-makers still lack understanding of what competitive intelligence truly means and very often confuse it with competitor tracking
- Competitive reports and briefings generally have a short "shelf-life" and very little strategic analysis is done
- CI units are scattered within the bank without formally identifying their goals and objectives and standardising their processes
- No proper training and education are given to decision-makers to create awareness and to sell the "discipline."
- There is a general lack of competitive intelligence culture among staff where only a select few understand the value of it
- There is no formal link between competitive intelligence and the strategic planning process
- Generally, there is a lack of application of critical information

5.9 Summary of Findings

In summary, the challenges facing Standard Bank as a whole is no different from any other South African organisation. The past political era has for many years sheltered organisations from the global world. The challenges facing banks have forced decision-makers to revisit their strategic planning process. While it was relatively easy to predict the market a couple of years ago, today it becomes uncertain and complex. South Africa is playing in the global arena and therefore need to adapt quickly or lag behind. It is for these reasons that South Africans are not competitive by nature.

Standard Bank in the last few years has tried to implement competitive intelligence processes and structures. It is evident that their intelligence capability still seem to be more tactical rather than strategic. In order for them to deliver on the above- mentioned goals, they require a proper competitive intelligence strategy to be implemented.

The next chapter will address some recommendations to Standard Bank or any other organisation being faced with similar challenges.

CHAPTER 6
Conclusions and Recommendations

6.1 Introduction

The aim of this chapter is to draw conclusions and inferences from the study and to link this to information contained in the literature review and practices on competitive intelligence. The conclusions will relate back to the problem statement in an attempt to cover the objectives of the study. Recommendations will be made, based on the conclusions drawn, as to the impact of competitive intelligence practices on strategic decision-making.

6.2 Conclusions Drawn from Study:

Despite the exploratory nature of this paper, some tentative conclusions may be drawn from global practices and competitive intelligence, as well as from a South African perspective:

1. There is evidence to suggest that competitive intelligence has come of age globally. Indeed, it would appear to have achieved a degree of strategic recognition among managers who consider it a critical tool for strategic decision-making. Competitive intelligence is the discipline of breaking down the matrix of the market, and providing focused intelligence on the competitive landscape.

2. Competitive intelligence (CI) is one of the most powerful resources available to businesses today, but only if it is implemented correctly. All organisations today perform CI in some manner. Whether these activities are coordinated, efficient, or effective is another matter entirely. The key to success lies in effectively utilising the CI Cycle as a foundation and balancing each process accordingly i.e. needs identification, planning & focus, collection, analysis, dissemination & process & structure. But more than that it requires leadership and resources that

are capable of continuously marketing the purpose and process of CI as well as the successes and accomplishments.

3. The obstacles to overcoming the "disconnect" between management and intelligence largely depends on the CI professional. It is the job of CI practitioners to ensure that intelligence becomes an indispensable management resource, fully integrated into the process of strategic and operational decision-making. Kent (1949) argues that no aspect of intelligence "is more important than the proper relationship between intelligence itself and the people who use the product." Intelligence, he suggests, "must be close enough to policy, plans and operations to have the greatest amount of guidance, and must not be so close that it loses objectivity and integrity of judgement." Therefore, the focus of CI must be on "what the product does: value-added and credible information that the user needs and wants," rather than "what the product is."

4. An inference made from the study shows that the strategic planning process is flawed by human intervention. Decision-making is arguably the most important job of a manager and also one of the easiest to get wrong. The reason for this is that most managers treat decision-making as an event – a discrete choice that takes place at a single point in time. The fact is, decision-making is a process, one that unfolds over time. It requires a manager to continually assess the internal and external environment and one that requires support of all levels of the organisation when it comes time for execution.

5. It is acknowledged that competitive intelligence in South Africa is still in its infancy and further research needs to be conducted in order to provide a more comprehensive picture of the progress of competitive intelligence. However, with this said, it then becomes necessary for South African companies to urgently address this problem in the face of changing market uncertainties. South African organisations operating in a "globalised" 21st century cannot navigate through the difficult obstacles without proper "intelligence" and "knowledge."

6. Whilst an abundance of CI literature exists on the various structures and processes, very little was found on with regard to the role of competitive intelligence in implementation. Unfortunately, little systematic research has been devoted to how close working relationships between intelligence producers and users are created, nurtured and maintained. Even less attention has been devoted to how competitive intelligence is used during strategic and tactical implementation. Competitive intelligence products are often "thrown over the wall," and users are left to decide if and how the intelligence will be directed toward implementation initiatives.

The above conclusions reached, lays the foundation for a number of recommendations to be made. They also serve to answer the problem statement and the aims of the research study successfully. These are indicated below.

6.3 Recommendations

In terms of achieving the objectives of the study, recommendations are made below:

Fig 6.1. Framework for a Successful Competitive Intelligence Strategy

Prerequisites

- Top Management Support
- CI Champion
- Cultural Support
- Formalisation of CI

Organisation

- Mission and Strategy
- Structure and Effort
- Administrative Procedures
- Tools
- Budget
- Ethics
- Structure

CI Marketing

- Demonstrate Value
- Promotion Program
- Lower Cost of Involvement
- Sensitisation
- Measurement of CI
- Education and awareness
- Building trust and credibility
- Testimonials

Core CI Process

- Needs Identification
- Prioritisation
- Collection
- Analysis
- Dissemination
- Structure and Processes
- Relationship with decision-maker
- Input into strategic decisions
- Implementation of strategy

Critical Success Factors

- Link to strategy
- Cross Functional Representation
- Hierarchical Representation
- Location of CI
- Development
- Continuity of Effort
- Institutionalise Effort
- Issue vs. Product Driven
- Standardisation
- CI skills

Monitoring Contributions

- Feedback
- Recognition System
- Quantify Contribution

Source: Adapted from various sources.

The figure above forms the basis of a successful competitive intelligence strategy. It summarises the critical factors from the study and serves as a guide to organisations wishing to implement a successful and value adding CI strategy.

- Organisations should begin with a CI audit. Evaluate existing CI positioning and find out where the gaps are. The company's existing intelligence capabilities must be evaluated before attempts are made to formalise any structure.
- Thereafter, the above framework should be implemented to ensure success and credibility of CI as a discipline. Within this framework, the author stresses that two components are not negotiable for success:
    - To appoint a CI champion who will sponsor and drive the CI strategy. This person must possess strong leadership qualities. If CI is to gain necessary credibility it must produce actionable product, this in turn, will depend to a great extent on the success with which the intelligence head can build and harness an informal personal network of friends and sources at all levels of the organisation. This person must be able to sell the concept to the CEO and his team."
    - To appoint the right calibre of CI staff. Many organisations tend to appoint junior employees to drive CI, persons without the business and intellectual capacity to drive and deliver on the CI promise. Ideally, this person should be highly qualified, able to communicate at senior level and have the ability to analyse and interpret pieces of information in a systematic and logical way. The study reveals that organisations tend to regurgitate the media and 90% of the time, supply information that is already known by users. Intelligence exist to support decision-makers with products that are accurate, relevant, timely and unbiased, even when this means exposing flaws and "blindspots" in current strategies. In order for users to acknowledge this intelligence as a value added service, there needs to be a high degree of trust and credibility present.
- An important recommendation following from the last one seeks to understand the absence of the competitive intelligence discipline at academic levels. It is interesting to note that all management and business courses or degrees do not educate learners on this subject and often just skim the surface. The proposal would be to teach it as

a module on it's own. This would ensure that professionals are equipped to handle the job in the workplace.

- Another recommendation would be to conduct further research on two subject matter:
    - To conduct further studies of how competitive intelligence is applied during implementation. To look at how best practice organisations develop close, working relationships with users and competitive intelligence is applied during implementation. It would make sense to include the competitive intelligence professional in both the decision-making process and in the implementation phase.
    - Further research studies should be conducted within the South African domain to explore why managers are not yet looking at competitive intelligence as a strategic tool for decision-making.

The above recommendations encapsulate the essence of the study.

6.4 Final Conclusion

For years, companies have been establishing competitive intelligence (CI) units to watch their external environment and provide early warning of threats and opportunities. While the rationale for establishing such units is more relevant than ever in these times of rapid change and uncertainty, many of these CI units are being eliminated and others aren't providing the value their stakeholders originally hoped for. This is a result of improper competitive intelligence structures and processes. There is clearly a need for an "entrepreneurial" approach to competitive intelligence – which might include an end to even calling it "competitive intelligence."

Yesterday's information and methods are increasingly ineffective for making today's decisions – and even less effective for identifying tomorrow's opportunities, challenges and unknown competitors. Most time constrained senior decision-makers do not want more data, facts and information, especially if these are unfiltered and un-analysed.

Instead they need timely flows of accurate and complete analyses to assist them in formulating and guiding the implementation of strategy.

The impact of competitive intelligence practices on strategic decision-making relies solely on an organisation and the choices they make. Those who choose to be leaders in the future will go a long way in ensuring that their competitive intelligence unit survives and provide tangible value and return on investment. Those who don't will be fighting against the unit's long-term survival.

Great things are not done by impulse,
But by a series of small things brought together.
-Vincent Van Gogh-

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Appendix A

Standard Bank South Africa
Competitive Intelligence Questionnaire

The Insight & Exploration Unit invites you to participate in an online questionnaire on Competitive Intelligence. The objective is to ascertain Standard Bank's Competitive Intelligence positioning as far as awareness, knowledge and future preferences are concerned. Your feedback will contribute to SBSA's future Competitive Intelligence Strategy ensuring a total organisational effort and the formulation of sound, fact-based, rational decisions for action.

Q.1 What does Competitive Intelligence mean to you?

Q.2 Do you consider Competitive Intelligence to be an important part of your business?

Q.3. Do you think that the responsibility of Competitive Intelligence for SBSA should reside within:

A centralised unit
Various business units
Both centralised and business units
Other - Please specify

Q.4. Does your department have a formal or organised Competitive Intelligence effort?

YES
NO

Q.4 (a). If YES - please explain structure.

Q.4 (b). If NO - does your department have an informal way of conducting Competitive Intelligence?

YES

NO

Q.5 Which of the following sources of information do you use?

Annual reports

Newspapers

Library

Internet

Informal

External suppliers

Analysts report

Journals

Databases

Other – Specify

Q.6. Do you have a dedicated resource to conduct Competitive Intelligence?

YES

NO

Q.6 (a). If YES - is this resource part-time or full-time on Competitive Intelligence?

PART-TIME

FULL-TIME

Q.6 (b). If NO - Are you considering recruiting a resource in the future?

YES

NO

Q.7. How do you currently store Competitive Intelligence information?

Physical (Hardcopy files)

Shared access drive

Excel spreadsheets

Other – please specify

Q.8. Do you circulate the Competitive intelligence information that you currently obtain?

YES

NO

Q.8 (a). If YES - to whom is it circulated?

In department

In business unit

Across a number of business units

Bank wide

Other –please specify

Q.9. Do you generate regular Competitive Intelligence reports?

YES

NO

Q.9 (a). If YES - what reports do you generate?

Q.10. To whom do you distribute these reports to?

In department

In business unit

Across a number of business units

Bank wide

Other –please specify

Q.11. Does your department have subscriptions to any external source of information e.g. Forrester, Inetbridge etc.?

YES

NO

Q.11 (a). If YES - please specify which kind of external source(s) of information your department subscribes to?

Q.12. If there was a central point to store and access information, would you be interested in making use of this?

12 (a). If YES - how would you make use of this central point?

Access Only

Storage Only

Access and Storage

Q.13. Would this information that is stored be accessible to:

Only your department

Business unit only

Retail Bank as a whole

Across a number of business units

Across the bank

Q.14. What type of information would you like to store?

Q.15. What type of information would you like to access?

Thank you very much for completing our survey. Your feedback is valuable to us.

Appendix B

SCIP Code of Ethics

- To continually strive to increase the recognition and respect of the profession
- To comply with all applicable laws, domestic and international
- To accurately disclose all relevant information, including one's identity and organisation, prior to all interviews
- To fully respect all requests for confidentiality of information
- To avoid conflict of interest in fulfilling one's duties
- To provide honest and realistic recommendations and conclusions in the execution of one's duties
- To promote this code of ethics within one' company, with third-party contractors and within the entire profession
- To faithfully adhere to and abide by one's company policy and objectives

Appendix C

What Competitive Intelligence Is and Is Not!

By Leonard M. Fuld President, Fuld & Company, Inc.

Competitive Intelligence Is...	Competitive Intelligence Is Not...
1	
Information that has been analyzed to the point where you can make a decision.	**Spying.** Spying implies illegal or unethical activities. While spying does take place, it is a rare activity. Think about it; corporations do not want to find themselves in court, nor do they want to upset shareholders. For the most part, you will find spies in espionage novels, not in the executive suite.
2	
A tool to alert management to early warning of both threats and opportunities.	**A crystal ball.** There is no such thing as a true forecasting tool. Intelligence does give corporations good approximations of reality, near- and long-term. It does not predict the future.
3	
A means to deliver reasonable assessments. Competitive intelligence offers approximations and best views of the market and the competition. It is not a peek at the rival's financial books. Reasonable assessments are what modern entrepreneurs such as Richard Branson, Bill Gates, and Michael Dell need, want, and use on a regular basis. They don't expect every detail, just the best assessment at the time.	**Database search.** Databases offer just that — data. Of course it is wonderful to have these remarkable tools. Nevertheless, databases do not massage or analyze the data. They certainly do not replace human beings who need to make decisions by examining the data and applying their common sense, experience, analytical tools, and intuition.
4	

Comes in many flavors. Competitive intelligence can mean many things to many people. A research scientist sees it as a heads-up on a competitor's new R&D initiatives. A salesperson considers it insight on how his or her company should bid against another firm in order to win a contract. A senior manager believes intelligence to be a long-term view on a marketplace and its rivals. See our Strategic Intelligence Organizer tool on fuld.com for examples of the many flavors of competitive intelligence and tips on how to develop it.

The Internet or rumor chasing. The Net is primarily a communications vehicle, not a deliverer of intelligence. You can find hints at competitive strategy, but you will also uncover rumors disguised as fact, or speculation dressed up as reality. Be wary of how you use or misuse the Net. Its reach is great, but you need to sift, sort, and be selective on its content.

5

A way for companies to improve their bottom line. Companies, such as NutraSweet, have attributed many millions of dollars in earned revenue to their intelligence usage. See our CI Success Stories on fuld.com for over 100 excerpts telling how companies have used CI successfully.

Paper. Paper is the death of good intelligence. Think face-to-face discussion or a quick phone call if you can, rather than paper delivery. Never equate paper with competitive intelligence. Yes, you must have a way to convey critical intelligence. Unfortunately, many managers think that by spending countless hours on computer-generated slides, charts and graphs, and footnoted reports, they have delivered intelligence. All they have managed to do is to slow down the delivery of critical intelligence. In the process, they have likely hidden the intelligence by over-analyzing it. Remember: Paper cannot argue a point — you can.

6

A way of life, a process. If a company uses CI correctly, it becomes a way of life for everyone in the corporation — not just the strategic planning or marketing staff. It is a process by which critical information is available for anyone who needs it. That process might be helped by computerization, but its success rests upon the people and their ability to use it.

A job for one, smart person. A CEO might appoint one individual to oversee the CI process, but that one person cannot do it all. At best, the CI Ringmaster, the coordinator of the program, keeps management informed and ensures that others in the organization become trained in ways to apply this tool within each of their SBUs.

7

Part of all best-in-class companies. In my 20 years of consulting in this arena, I have witnessed that high-quality, best-in-class corporations apply competitive intelligence consistently. The Malcolm Baldridge Quality Award, the most prestigious total quality award for American corporations, includes the gathering and use of external market information (a.k.a. CI) as one of its winning qualifications.

An invention of the 20th century. CI has been around as long as business itself. It may have operated under a different name, or under no name at all, but it was always present. Just review the story surrounding 19th century British financier Nathan Rothschild, who managed to corner the market on British government securities by receiving early warning of Napoleon's defeat at Waterloo. He used carrier pigeons, the E-mail of his day. He knew the information to watch and how to make sense of it; in the end, he used this intelligence to make a killing in the market.

8

Directed from the executive suite. The best-in-class intelligence efforts receive their direction and impetus from the CEO. While the CEO may not run the program, he dedicates budget and personnel; most important, he promotes its use.

Software. Software does not in and of itself yield intelligence. The CI market is hot, and numerous software houses are producing products for the intelligence marketplace. Many more are repositioning existing software — in particular, data warehousing and data mining packages — for use in intelligence. Software has become an important weapon in the CI arsenal, but it does not truly analyze. It collects, contrasts, and compares. True analysis is a process of people reviewing and making sense of the information.

9

Seeing outside yourself. Companies that successfully apply competitive intelligence gain an ability to see outside themselves. CI pushes the not-invented-here syndrome out the window.

A news story. Newspaper or television reports are very broad and are not timely enough for managers concerned with specific competitors and competitive issues. If a manager first learns of an industry event from a newspaper or magazine report, chances are others in the industry already learned of the news through other channels. While media reports may yield interesting sources for the CI analyst to interview, they are not always the most timely, or specific enough for critical business decisions.

10

Both short- and long-term. A company can use intelligence for many immediate decisions, such as how to price a product or place an advertisement. At the same time, you can use the same set of data to decide on long-term product development or market positioning.

A spreadsheet. "If it's not a number, it's not intelligence." This is an unspoken, but often thought of, refrain among managers. "If you can't multiply it, then it is not valid." Intelligence comes in many forms, only one of which is a spreadsheet or some quantifiable result. My firm has completed numerous strategic assessments, where the numbers only address one aspect of the problem. Management thinking, marketing strategy, and ability to innovate are only three among a host of issues that rely on a wide range of subjective, non-numeric intelligence.

Leonard Fuld is president and founder of Fuld & Company, a Cambridge, Massachusetts, USA consulting firm and a pioneer in the field of competitive intelligence. His latest book is The New Competitive Intelligence (John Wiley & Sons, NY 1995). He has also published a CD-ROM training tool, The Fuld War Room (Ironhorse Multimedia, Montreal, Canada, 1998). In the past 20 years, his firm has served over half the Fortune 500 in the United States, as well as many European companies.