



Key activities of competitive intelligence (3)

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Introduction

In this column, the basic operational areas or constructs of competitive intelligence are examined. In the [previous columns](#), the planning, focus and collection areas of competitive intelligence were scrutinized. In this column analysis as an activity area is examined. The other key operational areas of competitive intelligence are communication, awareness and culture, and process and structure. Competitive intelligence has earned its rightful place as a strategic management tool in modern companies, but there remains an ongoing challenge to come to terms with what business analysis and competitive analysis are and how they work. It is important to convert the mass of available information into an actionable format for decision making and action. Collected information and data must be turned into intelligence and this is accomplished through analysis (Fleisher and Bensoussan 2002).

Competitive intelligence (CI) has become a necessary activity in business. It compels companies and institutions to look beyond internal business activities and to integrate events in the external environment into the information picture of a company on an ongoing basis – not once a year! Different to knowledge management and other information management tools, CI provides focus to the information management activity in companies, attempts to make sense from available information and interprets information to make it actionable for use in strategic decision making. It presupposes a human role – information is turned into intelligence through a process of interpretation. According to McGonagle and Vella (1990), CI can assist business leaders to make better decisions than their competitors. Areas where CI can provide a competitive advantage include:

- competitive activities, for example mergers and acquisitions
- marketing planning, for example new product development
- regulatory issues, for example the impact of new legislation on the business
- customer activities, for changing needs and preferences.

CI starts with identifying a company's key intelligence needs or requirements. Information is then collected and analysed to provide an answer to the intelligence need. Finally, the intelligence is communicated to the decision-maker. The operational areas are all important and not one can stand alone – there is no short cut. Omitting any part might have dire consequences, for example, leaving out the analysis task will lead to the delivery of un-integrated data summaries to management.

Recapping the key operational areas and their role and function

The following are operational areas of CI:

- Planning and focus: Competitive intelligence should only focus on those business

issues that are of critical importance to a company. These issues are known as key intelligence needs or requirements.

- **Collection:** It is during this phase that information is collected from a variety of sources for examination and verification during the CI process. Collection comes from a variety of different sources and gathering techniques.
- **Analysis:** During this phase, information is turned into intelligence through a process of interpretation and the results should be useable in strategic decision making.
- **Communication:** The results of the CI process are communicated to those with the authority and responsibility to act on the findings in an appropriate format and at the right time.
- **Process and structure:** CI requires appropriate policies, procedures and infrastructures so that employees may contribute effectively to the CI system as well as gain the benefits from the CI process.
- **Organizational awareness and culture:** For a company to use its CI efforts successfully, an appropriate organizational awareness of CI and a culture of competitiveness is necessary. While decision makers should decide on what intelligence is required, information gathering should be on everyone's mind (Kahaner 1997).

Analysis

'Intelligence analysis is a step in the production of intelligence in which information is subjected to systematic examination in order to identify relevant facts, determine significant relationships and derive key findings and conclusions' (Herring 1998)

In this delivery of the column, attention is paid to the analysis activity of competitive intelligence. It is during this phase that information on a company's competitors and the competitive environment is analysed and interpreted using various tools and techniques.

Many practitioners believe that the analysis activity is where 'true' intelligence is created, that is, where information is converted into 'actionable intelligence' on which strategic and tactical decisions may be made (Gilad and Gilad 1985; 1986; Kahaner 1996; Calof and Miller 1997; Herring 1998). Much work has therefore been done in the areas of competitive analysis, strategic analysis, environmental analysis and competitive theory. It is, however, a general tendency in countries where CI practices are still in their developing phase to make more use of basic analysis tools. In more sophisticated CI environments such as North America, Europe and Asia, more advanced analysis techniques are more commonly used (Calof and Miller 1997). A survey of the CI practices of South African companies in 2001 and 2002 (Viviers 2002) found that analysis was one of the weakest areas in the CI practices of the responding South African companies. Six analysis statements were presented to which the companies responded. They were:

1. Our company regularly prepares profiles of our competitors;
2. our company uses formal competitor analytical models, such as SWOT and gap analysis;
3. our company uses formal psychological models, such as competitor management profiling;
4. our company uses advanced analytical techniques, for example on-line data screening, and photography and/or imaging of competitor technology to analyse our competitors and assess their future business implications;
5. our company develops profiles of emerging technologies to better understand their characteristics, potential applications and market advantages; and
6. we use information management techniques, such as data-mining, data-warehousing, on-line analytical processing (OLAP) or 'business intelligence' software to understand

our customers.

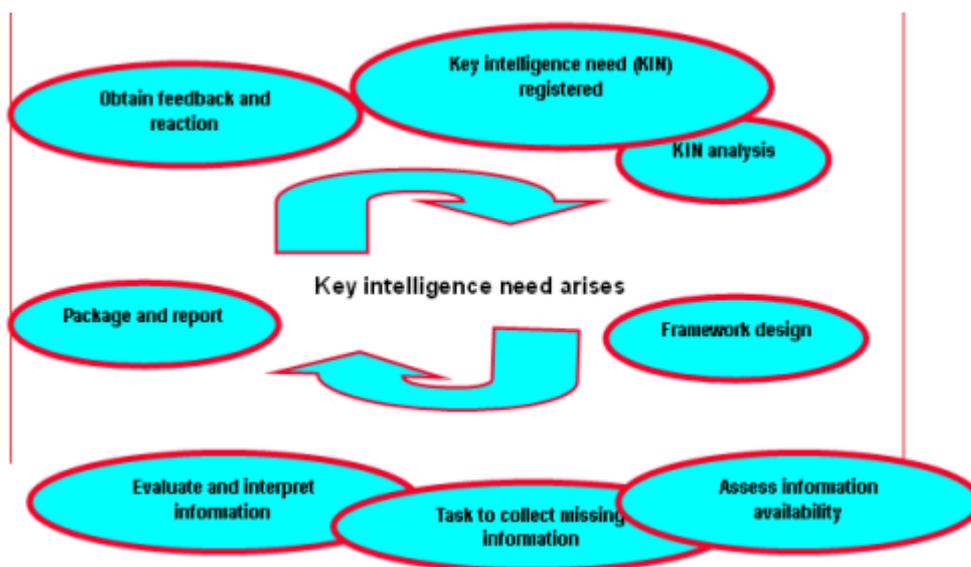
It became apparent that while most companies did some basic analyses, such as preparing competitor profiles or SWOT analyses, few used more advanced approaches, such as psychological profiling or on-line data screening. In North America, Europe and Asia, these techniques are extremely common in larger firms (Viviers 2002). As analysis is a critical area of CI and perhaps the final justification of having a CI capability, the South African results raised a number of concerns, including the effectiveness of companies' use of information, why information was not tested and verified and why analysis and interpretation did not go beyond using the most basic tools.

The competitive need of companies is not for more information, but more knowledge. The focus should shift from hoarding information in various 'silos' in the company to building and creating knowledge that can be pooled. A company needs a CI unit with an effective and credible analysis capability to identify key intelligence needs (KIN) and to find the right information and convert that information into actionable intelligence. If collected information is not analysed and interpreted to ascertain the true impact of an event on a company's strategy, there would be little purpose in conducting CI. CI analysis is not a substitute for the analysis activities in areas such as sales, customer relations, the legal department, human resources, finance, market research, purchasing, and research and development, but would ideally add further value through sharing and integrating information and incorporating external information.

CI analysis cycle

A CI analysis is similar to other analyses in terms of the process, although one might argue that there is added importance to ensure that the correct intelligence is derived because of the potential damaging impact of inaccurate analyses and missed opportunities. A CI analysis comprises various steps. These steps are illustrated in Figure 1.

Figure 1 Steps of a CI analysis



Briefly, the analysis process starts when a key intelligence need arises, for example a merger between two competitors. Because focus is important, the request should be assessed to determine the time and resources that are required, as well as how the intelligence will be communicated to the person who needs it, for example a chief executive officer of an organization. A project plan or framework is then designed. CI analysis works best when

approached in a multi-disciplinary fashion (cross-functional project team context). The next step concerns the collection of the right information. Often, the information is readily available within the company but, sometimes, additional activities of collection are required, for example interviews with external sources, who could typically be contacts in one's network.

The evaluation phase is the true analysis phase and has two aspects, namely integrating and assessing information and then interpreting information. As information is collected, it should be organized to ensure that the right information is gathered and to determine information gaps. Organizing information means putting together relevant facts, developing appropriate titles and headings and then indexing the document for retrieval purposes. It also means storing information in an appropriate database. Information and sources should be tested to ascertain validity, reliability and credibility. Basing important business decisions on unverified bits and pieces of information can be highly costly!

Interpretation of information requires a highly skilled and experienced competitive intelligence analyst. These skills should include a variety of business analysis tools. CI analysis is not an adaptation of various types of business analyses like portfolio analysis, market research, financial analyses, SWOT analysis and Michael Porter's Five Forces analysis. Intelligence analysis is all of this and more. There are more than 100 analytical techniques, mostly adaptations of marketing, technology and business analysis tools.

There are few, if any, specific CI analysis techniques. Intelligence analysis is different from other analyses because it uses a variety of tools simultaneously instead of one specific tool. The secret to success is using an analyst who is skilled in various appropriate tools and who knows which tools are best suited to a specific task. The analyst should also move beyond the basic tools, such as profiles, SWOT analysis, profit and loss, and scenario planning.

Once intelligence has been created, it must be communicated in the right format to the right people at the right time. It is important that the intelligence message is concise and indicates information gaps and their effects. Importantly, the message should contain varying predictions indicating a most probable outcome. It should also propose various proactive or counter strategies. The intelligence report can be a simple e-mail or briefing, or a lengthy industry analysis or competitor profile.

CI academic Jonathan Calof (Calof and Millar 1997) offers the following tips for performing great analysis:

- Use a variety of analytical tools, both basic and more advanced
- Know when to use what tool
- Exercise discipline to convey a short, concise and focused answer
- Use only evaluated information from a variety of sources
- Use illustrations, for example graphs and tables
- Recognize and indicate gaps in the information picture and other problem areas
- Guard against analysis paralysis: there is a point to stop reporting

Ethics of analysis

According to Muller (2002), the ethics of analysis include:

- Integrity: facts must be reported and gaps in the information picture indicated
- Factual information: opinions must be based on facts and sound argument
- Predictions: these must be based on facts
- Assumptions: these must be indicated as such (in other words, not presented as facts),

but must be based on facts

- Deductions: these must be based on sound arguments and not personal viewpoints
- Objectivity.

In the next column, the communication activity of competitive intelligence will be examined.

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[Marié-Luce Muller](#) is a consulting competitive intelligence analyst with [IBIS Business and Information Services \(Pty\) Ltd](#), a leading Pretoria-based CI consultancy. She has a distinguished career in competitive intelligence. Her primary experience lies in assisting companies in honing their CI capabilities. She also performs tracking and scanning activities on behalf of companies. Marié-Luce has published many articles on competitive intelligence (*CEO Magazine, Finance Week, Business Week, Beeld, Die Burger*, and the *South African Journal of Business Management*), including an article on South Africa as an emerging CI player, which was published in an international publication of the Society of Competitive Intelligence Professionals (SCIP). She has also published a series of booklets on competitive intelligence (Nuts and Bolts business series, published by Knowledge Resources) and is a member of a research team participating in an international study of competitive intelligence practices among exporting companies. Previously, she was involved in research into the status of competitive intelligence practices in South Africa. A member of SCIP, she holds a postgraduate degree from the University of Stellenbosch.

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