Global competitive intelligence practice

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Introduction

Two global surveys that were conducted over the past two years provide some important insights into the competitive intelligence (CI) practices of large companies globally. The one survey, called State of the Art Competitive Intelligence 2005–2006, was conducted by the Competitive Intelligence Foundation (Fehringer, Hohhof and Johnson 2006) and was based on the answers supplied by 520 CI professionals.

Respondents worked in companies of various sizes and in many different industries. More than half of the respondents worked in four industry groups (education, pharmaceutical/biotech, CI or strategy consulting, telecommunications/Internet). Survey participants worked all over the world, but predominantly in North America. Participants also represented many levels of CI experience and all major CI professional groups, that is practitioners, consultants and academics.

The other was a survey conducted by the Global Intelligence Alliance (GIA) in 2005. The results were published in an article with the title, GIA White Paper 4/2005 Competitive Intelligence in Large Companies – Global Study. Using a structured questionnaire, the goal was to interview one individual from each of the top 50 or 100 companies as measured by sales in countries around the globe. The study targeted individuals who were responsible for the CI activity in the company as candidates for the survey.

In this article the various aspects of CI practices as they are conducted globally are reviewed and the results of the two research projects mentioned above compared. Some reference is made to South African practices.

CI organization

Size and location
Both surveys found that CI is often a relatively small function, conducted by people who work part-time on CI. The CI Foundation also found that CI overall is not based in a specific division in a company and that it makes use of additional support from personnel located in other company divisions.

In terms of its structure, CI is most often either a stand-alone unit or a part of marketing or market research. Other divisions where CI is often located or to which it reports include strategic planning, information services or the library, or business and product development. The GIA survey (2005) found that in larger companies in particular, CI was performed in-

house (especially information processing or analysis) but that certain areas of CI might be outsourced. This is also a trend that is found in South Africa, especially among smaller companies.

The GIA survey also found that there is no right or wrong concerning the centralizing of CI. In some countries, for example Finland, companies have an equal number of centralized and decentralized units while, in Mexico, companies are inclined to have more centralized units. However, it would seem from survey results that intelligence activities are usually performed in-house within a centralized unit. By processing is meant the analysis and interpretation of information.

The GIA survey found that, on average, the number of years for which CI had been systematically conducted in each market was just less than eight years. Interesting to note was that Canada had the oldest CI history, namely over ten years. In South Africa, CI only started developing as a strategic management tool in the 1990s and slowly grew to its current status as a recognized tool to enhance competitiveness (Viviers and Muller 2004).

Budget
In terms of budgets, the surveys found that resources allocated for CI remained modest. The CI Foundation survey (2006) found that more than half the respondents had less than US$ 100 000 (excluding salaries) and only one in eight had US$ 500 000 or more. The other survey found that the majority of companies surveyed had a dedicated budget for CI but that this differed from market to market or from country to country. A case in point was Asia-Pacific, where the majority of respondents had a budget for CI while, in Canada, the comparable percentage was approximately just over half. In South Africa, the experience is comparable. Companies remain reluctant to allocate resources for CI.

CI personnel
It would seem to be a global trend for CI people to be able and available to become involved in all aspects of CI. Owing to restricted budgets and perhaps an under valuation of CI, intelligence professionals typically spread their limited resources among the various activity areas of CI, namely information needs assessments, gathering of relevant information, analysis and interpretation, intelligence communication and the management of the unit and of the intelligence. This is also the case in South Africa where the CI practitioner is often the manager, collector of information, analyst and marketer of CI in a company. The management of CI involves personnel issues, budgets, and the developing and sustaining of relationships with the company management and the internal clients of and contributors to CI.

The GIA survey found that most companies had dedicated persons who were responsible for CI but this does not mean that these persons were involved in CI full-time. The survey found that the average number of full-and part-time employees allocated to CI mainly remained constant against the background of the status of the companies interviewed (top 50 or top 100 in their respective markets). The GIA reported that the average number of full-and part-time employees dedicated to CI was found to be higher in the Asian Pacific companies than in the German, Finnish and Norwegian companies. Full-time employees in the former averaged nine in the Asian Pacific companies while in Germany, Finland and Norway, full-time CI personnel often numbered only a single person while there were more part-time employees. This is the opposite as what was found in Asian companies where there were more full-time employees than part-time employees. This might be related to the cost of human resources in the various countries mentioned. In South Africa, in general, larger companies have more dedicated personnel for CI than smaller companies. Companies functioning in the more competitive industries also have more CI personnel in general (Viviers and Muller 2004).

Terminology used

An early characteristic of CI has been the various terminologies that are used to describe or define the function. The GIA survey found that almost one-third of the large companies surveyed labelled corporate CI as market research (including customers and competitors) while the term business intelligence (BI) was used by 20% of respondents and the term CI by another 16% of the responding companies.

Other terminologies that were used include market intelligence and knowledge management. The GIA concluded that there was no universal terminology for CI and it seemed to vary according to the market. In South Africa, the terms CI, BI and market intelligence are most often used.

CI technology tools

Companies can use a variety of technology tools to assist them in their CI efforts. Such tools are often referred to as business intelligence tools and assist in the collecting and processing of information and also report intelligence. There are also tools to assist in building networks, communicating intelligence and maintaining internal contacts with clients and information sources. When asked what internally available technologies supported CI activities, most respondents in the CI Foundation survey used technologies that assist in the collection and processing of information (such as search and retrieval software) and report intelligence (e-mails, the Internet).

According to the GIA survey, more than one-third of the responding companies globally have had an IT tool dedicated to CI for more than three years but, overall, the use of technology to support CI activities varies across markets. Whereas in Asia-Pacific and Canada, companies most often do not have such an IT tool and are not planning on acquiring one, Finland has the highest penetration of IT tools, with 82% of large companies using such technology to support CI. The survey did find that companies recognise the value and role of technology to support CI. For South African companies, CI software remains an expensive resource but is nevertheless widely used for information gathering, in particular retrieval and processing.

CI activity areas

Planning and focus
Defining the intelligence requirements of the users of CI is a crucial CI activity area and lays the foundation for the whole CI effort in a company. The GIA survey found that the three most important information needs in general were information about:

- Competitors
- The company's own industry
- Customers.

The GIA argues that these are the three types of information with the strongest impact on business success. In South Africa, earlier surveys found that most companies give priority to intelligence about competitors and the market and this is therefore comparable to the global trend.

Supporting business decisions is the ultimate goal for many competitive intelligence functions, and the CI Foundation survey indicated that most CI practitioners support several key types of decisions, including those involving strategy and business development.

Collection
Both surveys found that as far as CI activity areas are concerned, CI units and personnel spend most time collecting the right information and analysing and interpreting the information gathered, using mainly SWOT analysis and competitor analysis as analysis tools. For gathering information, various sources are used, including company employees and Internet sources, that is primary and secondary sources.

In the CI Foundation survey, respondents indicated that most forms of primary and secondary sources are important to their CI practice although results showed that secondary sources continue to be a main source of information. This is possibly due to the fact that there is an abundance of quality information available on the Internet and from public and secondary sources that are often also the most accessible and least costly.

The GIA survey confirmed that by far, the majority of interviewed companies routinely tracked and scanned their business environments and collected information about events that were deemed important to the company. It also showed that companies operating in Mexico seemed to be the most effective at accessing internal sources. Interestingly, the survey found that companies operating in Finland and the Netherlands seemed to be lagging behind other countries in capturing and leveraging internal human intelligence sources.

Analysis
It would seem from the results of both surveys (and also from results of a SCIP survey conducted in the nineties) that most CI professionals use competitor analysis and SWOT analysis to analyse information. Other tools that are often used include financial analysis, profit and loss analysis, industry analysis and customer segmenting but the surveys confirm that CI practitioners generally prefer to use only a few techniques. Also in South Africa, the use of competitor profiling and SWOT analysis is most popular.

Dissemination
CI units have a variety of intelligence clients and do not serve a single internal client, for example company management. A variety of clients also mean that the CI unit should utilize a variety of intelligence communication methods or products. In the CI Foundation survey, respondents reported generating a wide assortment of intelligence products for internal clients. Among the most-used products were company profiles, competitive benchmarking and comparative analyses, and market or industry audits.

The communications methods used included e-mail, printed reports and presentations/staff briefings. E-mail was by far the most popular communication method. The CI Foundation survey confirmed that e-mail is the most often used method of communicating intelligence.

According to the CI Foundation, top management is regarded as the most important user group of information products produced by CI. Other user groups are middle management and internal experts while other personnel groups were a minority. The intelligence is mainly used for strategic planning/business development, sales/marketing, product development and market entry strategies.

Training and education

Intelligence training seems to be a universal challenge with many CI professionals, indicating that they need and want more training in advanced CI analysis in particular. The CI Foundation found that survey participants appear more concerned with improving their skills and increasing the impact of their analytical products than obtaining more funding or technology. The area in which training is required also includes accessing, integrating, sharing information, and educating themselves and their management better about

competitive intelligence. In South Africa, the formal training and education aspect of CI also remains a challenge with few higher education institutions offering dedicated CI education programmes.

CI challenges

Having studied these surveys and examined the results of earlier surveys conducted on CI in South Africa, it is clear that CI challenges bear similarities globally. Some that can be highlighted include the following:

- Creating a participatory environment and awareness of CI. This is a constant challenge. The CI Foundation survey found that most CI practitioners create exposure to senior management through the distribution of their deliverables. They present an excellent opportunity for CI practitioners to demonstrate the value competitive intelligence provides to the organization. As was found in South Africa, although most people in a company know that CI exists, few participate in or contribute to it.
- Budgetary constraints seem to be a global reality for CI units, and budgets shrink or grow over time depending on economic factors.
- Management participation and visibility. This remains a constant challenge although most respondents have regular contact with their senior management through their deliverables, and many report high levels of CI awareness and increased management visibility.
- Personnel issues. Finding and retaining the right skills set is another challenge. The outsourcing of research or analysis is present and increasing for some respondents while for others, resources are sourced from elsewhere in the company.
- Showing return on investment/value. Few companies measure the return on investment of CI and showing value on a constant basis remains a challenge to CI units.
- Identifying critical information needs and the effective and timely gathering of relevant information. Effectiveness includes the optimal use of internal sources of information and knowledge.
- Training and education in CI is a global challenge.

Conclusion

Both surveys found that in various markets around the world and especially among large-scale companies, CI has been practised for a period of betweenthree to five years. The way CI is practised also shows similarities, namely that companies have a small number of both full-time and part-time employees involved in CI and that a dedicated person is responsible for CI.

CI practices around the world also have been found to mainly service the top and middle management groups in companies and that the effort is mainly focused on gathering competitive information about competitors, market, customers and institutes. CI units have to work on small budgets using few technology tools and under constant pressure to show return on investment.

It is positive to note that CI fulfils a strategic role in companies and that continuous monitoring is seen as the most important CI element. CI units in general also process most information internally. Practising CI had most often benefited companies in the form of an increased quality of information, increased general awareness, and improved threat and opportunity identification. Finally, in examining the results of these surveys, it can be concluded that CI has only recently started to mature although it remains small. Survey participants in the CI Foundation study indicated that CI is on a positive trend, and has been accepted as a legitimate management tool that enhances the competitiveness of companies

and organizations.

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About the author

Marié-Luce Muller is a consulting CI analyst with IBIS Business and Information Services (Pty) Ltd, a leading Pretoria-based CI consultancy. She has a distinguished career in CI. 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 CI (*Nuts and Bolts business series*, published by Knowledge Resources) and is a member of a research team participating in an international study of CI practices among exporting companies. Previously, she was involved in research into the status of CI practices in South Africa. A member of SCIP, she holds a postgraduate degree from the University of Stellenbosch.