THE OBJECTIVES OF COMPETITIVE INTELLIGENCE AS A PART OF CORPORATIVE DEVELOPMENT STRATEGY

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Abstract


This paper deals with the issue of the management cycle of Competitive Intelligence. The author describes the process of Competitive Intelligence in Czech corporate management. He concludes that in most cases, the Competitive Intelligence operations are directed by the top management, and the attention of Competitive Intelligence is being paid to Key Intelligence Topics (KIT). The Competitive Intelligence is then focused on the output of strategic analyses, complemented in some cases with a summary (synthesis) of acquired intelligence plus some signal intelligence (SIGINT). The results of the Competitive Intelligence produced in such a way are actually the outputs mostly applicable in operational management and mostly unsuitable for strategic management. However, top managers abroad almost invariably need the data relevant to the future situation since their decisions are of strategic nature. The following section of the paper is devoted to the conceptual solution of Competitive Intelligence, i.e. the Competitive Intelligence objectives linked with the development strategy of the corporation. Here the author arrives at three basic development strategies: a.) the corporation desires status quo, i.e. to keep its market position as it is, b.) the corporation is out to expand, and c.) the corporation intends not only to keep its existing and dominant market position but strives for its long-term dominance to last.

Keywords: competitive intelligence, information cycle, development strategies, the objectives of competitive intelligence, strategic decision

INTRODUCTION

The top management of corporations very often finds that the global character and the more and more demanding competition renders their detection, information and evaluation of the data oriented mostly to "the past", in a better case to "the present", outdated and obsolete. The information output of the strategically important competitors' decisions for "the future" is missing. Only in very few cases when the information is successfully delivered to the point, usually it is found groundless and unsubstantiated. In no way are the present systems capable of creating relevant data for strategic decision-making. For instance, the outstanding American manager Lee Iacocca (Iacocca, Novak, 1992) states, that “… for a correct decision 95% of relevant information from the branch are necessary. The remaining 5% of missing information is, according to him, the risk of decision-making.”

The importance of the quality data for the top-management grows immensely during the periods of economic depression. Usually, it is the time when a painful process of removing everything that is obsolete and outdated is underway. Everybody knows, what will not do for the period to come!

It is a generally known fact, that every crisis has its losers, but many firms always prove to be much stronger, and victorious in the end.

These are the firms that, on the basis of correctly organized intelligence, based their
new corporate plans on value and disruptive innovations, and correct competitive strategy followed by a successful realization on the market. From the above it may be concluded that any top management has to have an absolutely clear picture of the capabilities, strength, potential, plans and the intentions of the competition.

In such a case Ericson and Rothberg (2005) suggest to look for the answers to the following questions, enabling to find how the generation of the competitive capital is being provided for at the firm (1). The questions are the following:

1. Do you know all the information you need for your strategic decisions?
2. Do you know where to find out the information necessary for your right decision?
3. Are you able to use the information, when you see it?

In case that the answer of one of the above stated questions is negative or unsatisfactory, it is time to think about the building of the Competitive Intelligence branch in your firm!

Unfortunately, these branches are (at least in the Czech Republic) not properly organized, their tasks are not properly formulated and they are not able to provide adequate data for the strategic decision-making of the top management.

Therefore, the aim of this paper is to formulate the requirements for the data, information and intelligence capable to secure the necessary intelligence collecting for quality decision-making in the firm, especially with respect to the development strategy.

**METHODS**

In the course of writing the text the following methods were used: observation, analysis, synthesis, comparison, induction and deduction.

**THE SOURCES**

From reviewing the available literature dealing with the working methods and established procedures of the Competitive Intelligence operatives (CI) it follows that, besides elementary formulations delineating the basic activities of the intelligence process and its phases, no time-honoured or standardized methodology is available. (2). See the books of authors such as Fuld (1995), Fuld (2010), Kahaner (1997), Liebowitz (2006), Hall and Bensoussan (2007), and most importantly the seminal work of Carr (2003), giving the structured analysis of the work for 15 leading Competitive Intelligence writers in the USA. Here the well-renowned experts describe the process of Competitive Intelligence in very heterogeneous ways, e.g. as a cycle, linear process, four-point model, scientific method, or even as a pyramid. The authors use their individual tools and methods within their respective models of Competitive Intelligence to achieve their common goal – to obtain necessary information.

On the other hand, the specification of the most important activity of Competitive Intelligence, i.e. the transformation of information into intelligence, is surprisingly incomplete and foggy. Generally, it is the account of various ways or routines that CI operatives have found useful in the course of their practice and that they still use now. In most cases they serve to collect further information, never providing hard facts, see more in (Bartes, 2012).

**The Czech Practice of Competitive Intelligence Used in Industrial Corporations**

**The Information Acquisition Specifically Intended for Operative Management**

The situation in Competitive Intelligence in the Czech Republic, some exceptions granted, is not very good. At the moment the standard product of Czech CI activities is the combination of outputs collected from Business Intelligence and strategic analysis, and the Competitive Intelligence itself presents the so called "summary" of collected partial data, i.e. a synthesis. In other words it is a sort of "signal intelligence" (SIGINT) at best. (3) See more in Hammer (2002).

However, the trend, generally observed in the present Competitive Intelligence, rests in the necessity to collect and process more and more information from secondary sources. Consequently, the calls for a higher level of methods of collecting specifically used in Competitive Intelligence become more and more conclusive. Moreover, many managers are not capable of understanding, not to say utilizing actively, the notion of intelligence as such. They do not use intelligence but only some additional information bringing nothing new or important for their decision-making, only supporting their conviction that their decisions were and still are correct, even if it is no longer true. This state of affairs is usually revealed too late.

**The Management Proper of Competitive Intelligence**

Successful Competitive Intelligence branches have to formulate corporate needs for intelligence based on complex system management. The principle of the process is based on a two-way communication between top management and the Competitive Intelligence branch, especially in the stage of formulating real intelligence needs. Moreover, during the process it is necessary to separate the needs requiring intelligence from those requiring information easily accessible from the corporation's own sources (Business Intelligence, marketing, production and sales management, etc.). For this purpose some sort of seminars and workshops for corporate top managers should be organized with the aim to clarify the specific intelligence needs of their respective posts.

In Competitive Intelligence these practical questions are called **Key Intelligence Topics (KIT)**,
as formulated first by J. Herring (4) [2006], who divided the intelligence needs of corporation into three basic categories:
1. Strategic decisions and actions.
2. Topics requiring early warning.
3. Profiles, characteristics and descriptions of the key players.

These key intelligence topics are further specified in the so called Key Intelligence Questions (KIQ; term introduced by Prescott and Miller in 2001) that formulate the issue of key intelligence topics as follows:

“When the questions are defined and their proper sources are adjoined to them then they are categorized into respective categories of intelligence topics (KITs)”

Here is the place to insert a well-known saying by H. M. Schoolman: “Good answers come out from good questions, not from esoteric analyses”.

The well-defined requirements of corporate top management are the bases to form quality preparation and implementation of the directly following intelligence process, i.e. the whole intelligence cycle of the corporation and consequently the creation of quality outputs of Competitive Intelligence enabling the correct strategic decision-making.

Of course, it has a detrimental effect that these well established procedures are mostly not used in Czech Competitive Intelligence branches. At the moment their usual practice is to formulate the key topics only according to the momentary needs of top management with no adequate concept of corporate Competitive Intelligence.

The Decisive Importance Of Competitive Intelligence in Strategic Management

In the present complicated situation it is necessary for the corporate management to search for various alternative survival strategies within the complex competitive scene, for it is evident that only one and all-inclusive approach will not do. It is also necessary to realize that the crises within firms could take on a number of different forms and therefore it would influence the subsequent solutions. Each problem connected with an economic depression e.g. inflation, deflation, recession or stagnation requires a change of strategy for survival. For every corporation it is the depression that leads to radical changes and innovations – see more in Bartes (1997).

The Importance of Innovations in Corporate Strategy

It is innovation that enables preparations for the introduction of a better product, better customer service, rather than competition. It is innovation again that enables to introduce a better or cheaper production process than competition. And, finally, it is innovation that affects the quality of a market supply and thus helps to achieve strategic competitive advantage. It is possible to say then, that innovations are reliable solutions for every business as shown in the book by Krause (2008).

However, these innovations have to be prepared and introduced in time, i.e. they depends on the timely decision of the top management. The decision is definitely of a strategic nature and the top management should have decisive intelligence enabling the solution and realization of the correct competitive strategy and gain a competitive advantage securing the achievement of the intended objective. The more complex the innovation is (i.e. the higher innovation order is reached), the less applicable are the analysis results covering mostly the past, in the best case the present situation, for the proper innovation process. In other words, new innovative methods or products liquidate the old and useless ones.

Bensoussan and Densham (2007) empirically show that the Competitive Intelligence is one of the fastest developing branches of international business. It is proven by their results taken not only from developed countries, but also from countries such as Australia, South Africa, etc. The press releases (e.g. by Dow Jones or Reuters) also show the meteoric rise of competitive intelligence awareness. The number of papers on Competitive Intelligence grew from 68 in 1990 to 157 in 1994, to 751 in 1998, and up to 9574 in 2003.

The Link Between Competitive Intelligence and Strategic Management

The indispensable data needed to create a corporate strategy include the information on the strength and potential of the competitors and their intended activities in their spheres of market interests. It is good to mention here the book of an ancient Chinese general and military theorist, Sun Tzu “The Art of War” saying that: “If you know your enemy and know yourself, you can fight in hundreds of battles”, [modern edition, 1963]. In twelve chapters Master Sun describes the necessity of understanding the character of the enemy, his strengths and weaknesses, as well as the necessity for correct assessment of one’s own capabilities. This way of thinking helps create an effective strategy to stop and destroy the enemy. In fact, it means understanding all the aspects of the whole theatre of war. For instance, Chapter 13 is devoted to the use of spies and their strategic place, and their irreplaceability, when the information about the enemy’s intention is necessary.

Later western authors, e.g. Carl von Clausewitz (modern edition, 2008) wrote about understanding the enemy, the nature of combat, as well as the political context, within which the fight is taking place. All this is needed to make the plan of a successful attack or defence. Such books dealing with one’s preparation and strategy excellently summarize and underline the unifying role of information, insight and intelligence.

Our arguments may be further supported by the results of many world researchers in Competitive
Intelligence. For instance, Liebowitz (2006) writes that “the research of SIS International Research (Klein), carried out among Competitive Intelligence professionals in 2004 showed, that the sphere with the highest value added in Competitive Intelligence is the strategic planning.” Others, e.g. Montgomery and Magowen (1979), Jirásek (2008), Porter (1980 and 1985), are of the same opinion.

From the above it is possible to conclude that the greatest value of corporate Competitive Intelligence rests in the sphere of strategic management. It means that Competitive Intelligence should be primarily used for strategic problem solution of the corporation in question (5), see more in Bartes (2010).

We may therefore carefully summarize that Competitive Intelligence is irreplaceable for strategic management of any corporation intending to play a more significant role on the more and more demanding market.

Top managers of firms will need the data that are vitally relevant and important for their future strategic decisions. Unless the necessary information for their strategic decision-making is not available in due time, the strategic failure seems inevitable as well as the quite possible liquidation of corporate value and prize. The formulation of the objectives, their importance as well as one’s own financial status, the correct decision depends, of course, on the amount and quality of collected (relevant) information and its degree of necessity for the final decision. In this case, information should be taken for a commodity, same as any other on the counter. Each information has its origin, value and prize. The formulation of the objectives, their importance as well as one’s own financial standing are the main elements in decision-making, since the management of the Competitive Intelligence branch actively decides on the range of the collection of information, its analysis and data processing needed for a strategic decision.

The top manager of Competitive Intelligence has to choose among the variants of information acquisition with respect to the formulation of strategic objectives and corporate development strategies as follows:

I. The corporation intends to keep its market position safe and secure for the future.

II. The corporation intends to keep its status quo market position and expand if the situation is good.

III. The corporation intends to keep the momentary dominant position and plans to create conditions for a favourable, long-term market situation.

To accomplish one of the strategies stated above the management of the Competitive Intelligence branch has to secure (as a minimum part of intelligence cycle) the following activities:

1. The formulation of requirements for knowledge, planning, information collection, requirements and decision being issued for both the information collection and the follow-up by the Competitive Intelligence operatives – see more in Bartes (2012).

2. The task-setting coming from the corporate top management. Included here may be a specific issue identified by the Competitive Intelligence branch itself or the task initiated by an early warning system.

3. The planning, feasibility, quality and relevance assessment for the data already collected, gap determination (i.e. which data, information and intelligence are missing to accomplish the task).

4. The accessible open sources checking. The selection of methods and procedures, step-by-step planning and allocation of means and resources.

RESULTS

The formulation of corporate strategic plans is “a must” for any further decision-making of the corporation. The correct decision depends, on the amount and quality of collected (relevant) information and its degree of necessity for the final decision. In this case, information should be taken for a commodity, same as any other on the counter. Each information has its origin, value and prize. The formulation of the objectives, their importance as well as one’s own financial standing are the main elements in decision-making, since the management of the Competitive Intelligence branch actively decides on the range of the collection of information, its analysis and data processing needed for a strategic decision.

When the aim is to keep the existing position of the firm on the market, the Competitive Intelligence management needs to know:

1. The actual position on the market.

2. The quality of stability of the selling and buying situation of one’s own firm.

3. The competition situation and the penetration of it into one’s own firm’s selling and buying situation.

4. The quality, reliability and loyalty of the firm’s own employees.

In spite of a relative easiness of assessing the present state of affairs, the assessment of the trend development of possible changes in future is much more important (and difficult), especially when the changes, which may, sometimes surprisingly, preclude the realization of the strategic objectives. The Competitive Intelligence management needs to know the input information for its own decision making. The information is to be obtained as follows:

• from official sources – newspapers, annual reports, professional literature, internet, archives, etc.,

• at the meetings of professionals – congresses, symposia, trade fairs, professional stays and studies,

• through professional assessment of one’s own documentation and the subsequent (and current) comparison with the available documentation in the branch in question,

• by regular contacts with its own staff where the emphasis is put on their professional competence, the knowledge of contemporary state
of the branch and the willingness to share their own ideas leading to output improvement.

It is necessary to evaluate and analyse the information obtained in this way for further use in decision making. The information has to comply with the following requirements:

- the source of information and the kind and type of reported matter,
- the specific contents and contribution of the reported information,
- the time of information acquisition, the time span covered by the acquired information, and the time of its realization,
- the situation of information acquisition (when and where), the circumstances of realization accompanying the reported matter,
- the circumstances of acquisition (by communication, document, visiting, imparting),
- the reasons for the importance of the reported matter,
- the reasons for the reporting, acquiring, writing, or documenting of the information.

The steps to follow:

a) The estimation of the information from the following points of view:
   - the estimation of the information source from the point of view of verity, professional competence; the position in the sphere in question and the relation to one's own as well as the competition environment,
   - the information estimation from the point of view of its verity based on the comparison with that acquired from other sources,
   - from the way of acquisition; the possibilities for official use or one's own decisions for further activities.

b) The measures adopted:
   - for the ways of application as stemming from information estimation,
   - for the information extension and completion,
   - for the information source itself,
   - for the check-up of all obscure and vague data in information.

c) The summary of identification data

Generally the purpose of the summary is the marshalling of all the data relevant for all the subjects mentioned in the information. Simultaneously, it is necessary to collect all the identification data in order to obtain further important information about the relations, links and connections with other subjects. This is usually carried out by their comparison, complementation and extension. Such a process may eventually lead to establishing some development of the subjects' mutual relations and interconnections as well as to the verification of the information already acquired if some disinformation or deception is suspected or even confirmed.

d) The operatives' own opinion

When analysing the acquired information the possible arbiters have to distinguish between the following:
- quite reliable and verified information from that supposedly unverified, deceptive or unreliable,
- the information for official use from that intended for their personal decision,

Then it is essential to organize it according to the points of issue, and complete the missing data in such a way that they give a complex insight into the issue. With the information analysis finished, the operative formulates their own strategy for further activities, possibly sets the tasks for the acquisition of further information.

II The Aim is not Only Status quo but Expansion in Case of Positive Development

In such a case the subject has to know everything necessary for the accomplishment of the aim. Their situation is the same as in information collection, analytical and decision-making processes stated in A, but some additional activities in information collection has to be added within the frame of the operation task. The information has to contain:

5. The development perspective in the given points of issue.
6. The market interest in one's own product and in the competition.
7. The weaknesses of the competition (in its human resources, production, and selling and buying relations).

Moreover, when realizing their own intentions, they have to, contrary to A, pay attention to the following:
- penetrating among the decisive-making, managing, control and production, research and development operatives of the competition with the aim of finding their personal weaknesses and specific personal, even compromising data,
- finding weak points with the competition's customers; creating situations needed for the weakening of the competition's position.

In this direction the firm has to create financial sources to cover the information collection from the competition. The firm usually “sends” its own operatives with the aim of building-up a respected position, or asks a firm specialized in such operations for information, or “acquires”, on the basis of “acquired information”, its own source directly from within the competition.

Here the procedures of information collection as well as the evaluation are the same as in A, and the subject must focus on the preparation and analysis as well as the feedback targeted at the competition, i.e. a deceptive operation weakening the competitor and securing one's own expansion. For legal and ethical reasons it is recommended here to use those operations only for protection of one's own commercial secrets.
The disinformation has to contain the same data as the true information itself, it has to contain some “interesting points” easily verifiable by the competition, and it must look reliable and plausible for a possible competition check-up. The criteria for successful disinformation are to be observed from the point of view of the:

- **environment of its infiltration**,
- **time of application**, i.e. “the time and way” of its sending,
- **length of its active application**.

The decision-making subject has to have permanent access to the information analysis, especially to the disinformation impact analysis in order to be able to make an optimum decision in proper time and thus reach the strategic aim of the expansion. It means that they or some of their close subordinates have the access to the source and instruments of the collecting and processing the acquired information and applied disinformation.

### III To Create, in the Existing Dominant Position, the Conditions for Long-term Market Dominance

In this case the Competitive Intelligence situation, while the data collection is the same as in A and B, includes the organizing of the disinformation. Moreover, the Competitive Intelligence activities are to be extended to include the information collection as well.

8. **Global strategy for specific decision-making carried out by political leadership.**

9. **The aims and expectations of governments and law-giving authorities.**

WARNING!

In no case the activities sub B and C are permitted to use unethical, mischievous or illegal practices. On the contrary, all the activities have to operate within legal limits and socially desirable rules of behaviour as declared by moral standards and the public opinion valid in the society, where the activities are supposed to be realized. Therefore, the point here is not only the business legality but also the moral values of the society! The strict compliance with those legal and moral standards is highly necessary especially in industrial “lobbying”.

For the management of Competitive Intelligence it is always good to consider the degree of success probability and the efforts and resources spent on the acquisition of certain information as well as the necessity of it as a “keystone” for a successive intelligence analysis.

### CONCLUSION

Information plays an integral and important part in corporate management. It is considered to be one of the most powerful and promising weapons. In short, the possession of information means the possession of an advantage. The question is, if one is able to use the information effectively and thus achieve the prevalence over the rival. However, for a decision-maker the information becomes an advantage when, and only when, its importance is understood in the context of opportunities enabling a competition gain for the corporation, i.e. when a value added is added to acquired or constructed initial information and “intelligence” is thus created. This added value appears in a specific phase of intelligence cycle of Competitive Intelligence – in the intelligence analysis, which the author considers “the royal discipline” – see more in Bartes (2011). Without a secure and successful intelligence analysis inside the intelligence cycle, it is not possible to consider the Competitive Intelligence a viable body of the corporation; on the contrary, it faces an imminent threat of liquidation or a general reconstruction.

### SUMMARY

The author pays attention mainly to issues of the intelligence cycle within Competitive Intelligence. He describes the present state of affairs in standard Czech corporations. He concludes that the work of Competitive Intelligence groups is mostly directed by operative orders of top-management; on the other hand the cases when attention of Competitive Intelligence is focused on answering the Key Intelligence Topics are very rare. Competitive Intelligence outputs are mostly the outputs from statistical analyses complemented with certain kinds of summaries (syntheses) of the pieces of knowledge obtained (in the best case) from data of Signal Analysis (SIGINT). The result is that such outputs are applicable mostly in operative management and quite insufficient for any strategic consideration. On the other hand, the data top managers need for their strategic decision-making are the data relevant for situations which may occur in future. Unless the top management get this sort of data, the corporate Competitive Intelligence group is useless and may be easily liquidated.

In the following part the author draws readers’ attention to the importance of Competitive Intelligence for the corporate strategic management. He shows the importance of the connection between the arts of strategy and intelligence, as treated in the famous works of the past and present, such as e.g. Master Sun Tzu’s “The Art of War” and Carl von Clausewitz’s “On War”.

The next part of the paper offers the solution of some points of issue in Competitive Intelligence cycle, namely its closeness to the corporate development strategy. The author presents his own idea of Competitive Intelligence management, especially the activities necessary for the intelligence duly servicing the corporate strategic management. The Author suggests a minimum number of issues
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where the basic information asks for quality intelligence. The extent of the information depends on the developments and is to be determined according to the principal development aims stated by the corporate top managers. The author finds three basic development strategies, i.e. a) corporation tries to keep the status quo on the market, b) corporation intends to expand, c) corporation keeps its dominant market position and intends to affect the market in its favour for a long-term period in future.

Notes

In this context the competitive capital means the possible summary of all knowledge available to be legally obtained about the competition.

Of course, we mean the methods used in the practice of government intelligence services that are either unavailable or unfit for our purpose.

Signal Intelligence (SIGINT) – the timely acquisition of signals and symptoms regarding the "oncoming reality".

Jan P. Herring, formerly of CIA, worked as the CI director for Motorola, where he designed the generally accepted operation model for CI activities.

The contribution of CI to operative and tactical management is, of course, undisputable; on the other hand we believe that the greatest importance of the corporate CI rests in a strategic subsystem of corporate management. We even dare to say that Competitive Intelligence is quite indispensable to the strategic management and provides extensively for a more significant role on the market.

Acknowledgement

This paper represents a partial output of the specific university research project "Microeconomic and macroeconomic principles and their impact on the behavior of households and firms" of the Internal Grant Agency at the Brno University of Technology (registration number FP-S-13-2052).

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