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# The Utilization of Competitive Intelligence in Strategic Planning

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THE UTILIZATION OF COMPETITIVE INTELLIGENCE  
IN STRATEGIC PLANNING

SallyAnn Carr (sally)

A MAJOR FIELD PROJECT PRESENTED TO NOVA UNIVERSITY  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE DOCTOR OF ARTS

OCTOBER 1988

Nova University  
Center for Computer-Based Learning

I certify that I have read and am willing to sponsor this Major Field Project (MFP) submitted by SALLYANN CARR. In my opinion, it conforms to acceptable standards and is fully adequate in scope and quality as a Major Field Project for the degree of Doctor of Arts at Nova University.

Nov 18, 1988  
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## ABSTRACT

Today's business environment is the most volatile in history. Many markets have become increasingly competitive due to slowing economic growth, maturing end-use industries, and heightened overseas competition. Expansion of existing businesses has occurred mainly through market share gains.

As a result of increased competition, competitor intelligence has become a valuable analytical tool in the strategic planning process. Competitive intelligence has been defined as the use of sources available to develop information on competition, competitors, and the environment in which the competition is being waged. Three sources of competitor information have been identified: what competitors say about themselves, what others such as analysts, clients, and the press say about competitors, and what individuals within the organization have observed.

A common organizational response to the increased need for competitor information has been to create a formal competitor intelligence system. The purpose of this project was to provide companies and information professionals, in particular, with a framework for designing and implementing such a system.

The particular structure chosen for the competitive intelligence process is dependent upon several factors, among them the decisions that intelligence is to support, the available resources for the intelligence task on both the corporate and business unit levels, the organizational structure of the company, and the prevailing corporate culture.

In addition to delineating the domain of competitor intelligence, an array of external and internal data sources have been identified along with the essential elements or critical items of information needed for developing competitor profiles and analyses. Strategies for collecting and organizing resources have been devised and the vehicles for retrieving and disseminating competitive intelligence products have been established. Moreover, this project has shown how competitor intelligence can be

integrated into an organization's strategic planning process through activities such as shadow marketing, benchmarking, and reverse engineering.

Intelligence has become a key management tool for corporate chief executives and policymakers. The development of competitor intelligence and the subsequent emergence of competitor intelligence systems has provided companies with not only the means to obtain new ideas and predict the future better but also the ability to manage, understand, and accept change more readily.

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. REVIEW OF THE LITERATURE	12
III. PROCEDURES AND METHODOLOGY	41
IV. RESULTS	52
V. DISCUSSION, IMPLICATION, AND RECOMMENDATIONS	65
BIBLIOGRAPHY	77
APPENDIX	81

# CHAPTER I

## INTRODUCTION

By the modern rules of business, companies must take clients and profits away from the competition to survive. In previous decades when most markets were expanding, many companies could sustain sales growth merely by maintaining constant market share. The 1980s, however, have been different. Many markets have exhibited no growth or are declining.

In recent years, unpredictable changes in regulatory, technological, and social environments have affected corporate strategic planning. In their article, "Building Effective Intelligence Systems for Competitive Advantage," Sumantra Ghoshal and Seok Ki Kim identified three phenomena which seem to have played a critical role in making corporate executives realize that changes in the business environment must be monitored.

First, the trend of global competition, which emerged in the 1970s, has become increasingly dominant in the 1980s. Most medium and large businesses are now required to contend with foreign competitors who have different administrative, cultural and physical resource bases and competencies. Such competition among firms with vastly different societal origins makes the need for environmental intelligence more compelling and complex. When competitors are based in the same country, a number of factors need not be monitored because they are common, and therefore, any change affects all competitors equally. Moreover, information on such factors are often received by firms automatically, without any conscious effort being made. However, with global competition, changes in exchange rates, interest rates, wage rates, or other public policies affect competitors differently, and therefore, need to be watched more carefully.

Second, since the business environment has become more volatile, the buffer between a company and its environment has eroded. The shortening of product life

cycles, the trend toward deregulation of businesses, and increasing convergence of technologies have heightened the need for early detection of environmental changes and a quick response to those changes. For most companies, the sources of opportunities and threats have become more diverse, and consequently, the range of organizations and environmental variables to be monitored have broadened.

Lastly, in most industries, major competitors have become virtually indistinguishable in terms of their technological competence or their scale of operations. Few companies enjoy the absolute leadership role they benefited from a decade ago. The "catch-up" phenomenon has exposed industry leaders to increasing competition to such an extent that durable competitive advantages have become more and more difficult to achieve. Relative competitive positions are now determined not on the basis of technological or commercial breakthroughs, but on the basis of how well companies can cope with the current wave of change.

## STATEMENT OF THE PROBLEM

Despite the fact that companies are engaged in a continuous, dynamic struggle with inter- and intra-industry competitors for clients, profits, and market share, few companies study their competitors as closely as they scrutinize their own internal operations and resources. When senior executives attempt to add a competitive perspective to their company's strategic planning process, they often discover that knowledge of key competitors is extremely incomplete, widely scattered throughout the corporation, and generally uncoordinated. Moreover, in the complex organizations that characterize most large corporations, information about competitors is sometimes suppressed or manipulated to protect subordinate vested interests within the company.

Thus, while an increasing number of staff and line groups may be collecting disparate kinds of information about competitors, the strategic value of this data is not



realized by the corporation as a whole. The net result is a debilitating strategic intelligence situation in which senior management is intermittently showered with selective items of competitive data that, in their unorganized form, frequently distort rather than clarify the true features of the competitive environment confronting the corporation.

Faced with this perceptual dilemma and recognizing the growing need for more complete information, executives in a number of companies have begun to set up programs to organize and disseminate their company's intelligence resources. When the corporation's intelligence resources are identified and centrally coordinated, a higher quality of timely competitive intelligence is possible. Moreover, by collecting, organizing, and communicating a larger body of competitor information, the intelligence most relevant to the company's strategic situation can be extracted and converted into a valuable analytical resource for key decision-makers.

## BACKGROUND

Competitive intelligence is the use of sources available to develop information on competition, competitors, and the environment in the market in which the competition is being waged. Competitive intelligence, however, is not market research. It is an in-depth step beyond straightforward market research that considers as well strategies and policies, products and services, sales, finances, technology, and perceptions of the candidate by its competitors and clients.

Tamar and Benjamin Gilad in their book, *The Business Intelligence System*, stated that competitive intelligence is a process, an organizational function, and a product. The product of competitor intelligence is best defined, according to the Gilads, as processed information of interest to management about the present and future environment in which the business is operating. The authors concluded that while this

definition may be broad, it nevertheless, captures the essence of competitive intelligence. First, the emphasis is on processed information. It is distinguished between data, the raw material that is composed of facts, and intelligence, which is information digested, analyzed, and interpreted for the purpose of decision-making. Second, the definition also points to management as having a critical role in competitor intelligence. By identifying what information is relevant or of interest to their decisions, the company's key executives ultimately determine the domain of competitive intelligence. Third, competitor intelligence is concerned with the company's business environment, both the present (tactical intelligence) and the future (strategic intelligence).

More precisely, intelligence has come to mean information that not only has been selected and collected, but also analyzed, evaluated, and distributed to meet the unique policymaking needs of an organization. In his book, *Real-World Intelligence*, Herbert Meyer purported that in the hands of policymakers who know where they want to go, whose strategic planning units have outlined a clear set of objectives, intelligence has become a tool of awesome power and flexibility. Having access to organized information, the managers of any kind of business can see what is going on right now, and more importantly, they can see what is likely to go in the hours, weeks, months, and years to come. As Meyer aptly noted, foreknowledge of this sort does not necessarily guarantee success, but it at least increases the chances of success.

Intelligence, according to Meyer, is nothing less than the crucial second half of strategic planning. It is the mechanism which enables a company that has a strategic plan to chart and pursue a course that will bring the company to its objectives in the shortest possible time, no matter how rapidly or radically external conditions may change. When external conditions change so radically that the plan itself needs to be altered, it is intelligence that sounds the first alert. Potential problems will become

apparent much sooner, thus allowing more time for evasive action. Potential opportunities will also become visible much sooner, allowing time for sharp, aggressive thrusts that carry a business forward along its chosen course.

Thus, intelligence work is the art of fitting together various pieces of seemingly disconnected information to build a coherent picture of what competitors are doing. Today some companies are relying on such "Star Wars" technology as satellite photography, electronic surveillance, and sophisticated computer models to collect competitive intelligence on everything from employee work patterns to resource management. These companies perceive that the more volatile the marketplace, the greater the need for detailed, accurate information on a competitor's activities.

Though competitive intelligence may bring to mind such "cloak and dagger" images, in reality, corporate information is more often given away than stolen. Most of the desired information is free and publicly available. Yet, when methodically assembled and interpreted, it can help a company develop competitive strategies in such areas as pricing, product and service design, advertising, and marketing. Thus, competitive intelligence is much like solving a jigsaw puzzle. Each piece of information is reviewed, analyzed, and added to the overall picture.

In their article, "Hefting the Data Load: How to Design the MkIS that Works for You," Van Mayros and Dennis Dolan observed that competitor intelligence systems not only complement traditional management information systems by underscoring the interdependence of all the company's functions but also link the information needed for "doing things right" with information that indicates if the organization is "doing the right things." Moreover, competitor intelligence systems provide quicker recognition of forces and events affecting the company's performance as well as serve as a strategic planning database allowing faster, more accurate evaluation of strategic options.

From a corporate standpoint, better access to information both horizontally and vertically allows management to avoid surprises and identify opportunities for competitive advantage. The key to long turn success, concluded the authors, is the creation of a competitor intelligence system which delivers better, more actionable information than the competition.

## **PURPOSE**

The scope and complexity of competitor intelligence, as well as its relative immaturity as an organizational activity, are evident in the fact that none of the articles and books written on the topic cover all of its concerns. Six concerns have been identified: (1) what is competitor intelligence; (2) what data are required; (3) what are the relevant data sources; (4) what is the best way to collect the data; (5) how should the data be analyzed; (6) how can competitor intelligence be integrated into an organization's strategic planning process.

Previously, most authors have focused almost exclusively on the methods of gathering intelligence or on identifying potential sources of competitor intelligence. Practitioners have shown how they do it and what the benefits are. Consultants, moreover, have discussed how the theory works. Some have provided an approach for data collection and analysis, and even fewer, have discussed how to integrate the information into the strategic planning process. Fewer still have offered guidance on how to get competitor intelligence into the mainstream of strategic and operational thinking and decision-making.

Moreover, much of the literature to date regarding the subject of competitor intelligence has been authored by business executives, and thus, reflects the business viewpoint. This project has attempted to fill a much needed void in the literature by not only addressing all six of the concerns regarding competitor intelligence but also

by presenting the information professional's perspective concerning the collection, analysis, dissemination, and use of competitor intelligence within the corporate environment.

## SIGNIFICANCE

Robert Wagers observed in his article, "Online Sources of Competitive Intelligence," that interest in monitoring the competition appears to have developed from several causes: (1) the public availability of useful information about companies; (2) the spread of advice on methods of surveillance garnered from military intelligence and corporate spying; (3) an economic climate in which competitive advantage has become a daily necessity; and (4) more and more firms are gathering competitor information so nobody can afford to stay out of the "information arms race."

A common organizational response to the increased need for competitor intelligence has been to create a formal competitor intelligence system. In their book, *Strategic Planning Policy*, William King and David Cleland purported that the objectives of such a system are four fold: (1) to assure the availability on a timely basis of credible and comprehensive information regarding the capabilities of, and the options open to, each key competitor; (2) to determine the manner in which competitors' actions might affect current organizational interests; (3) to continuously monitor and provide information on situations in the competitive environment that might have an impact on the interests of the organization; and (4) to achieve efficiency and eliminate unnecessary duplication of effort for the collection, analysis, and dissemination of competitive intelligence for the organization.

Sumantra Ghoshal and Seok Ki Kim stated in their article, "Building Effective Intelligence Systems for Competitive Advantage," that in effect, such a system divides the intelligence function into two distinct components: one for monitoring the specific

business situation; the other for analyzing the overall business climate. Information about the immediate business environment, current competitors, and the market in which a company operates is required on a day-to-day basis for making operational and tactical decisions. Information about the broader environment, about general economic, political, and social changes is utilized primarily for long-range strategic planning. The authors went on to note that although the distinction between the two types of information may be unclear and there may be overlap, a distinction must be made, nevertheless, since the methods for acquiring and interpreting the intelligence differ.

First, the information sources are different. Information about the immediate business environment is usually available only from business associates. Some information is available from public sources but by the time it is published, it is also less useful. However, information about broad changes is most efficiently obtained from sources available in the public domain.

Second, individuals acquiring the two types of information are different. Information on the immediate business environment can be acquired only by those executives who have direct access and are connected to the industry network. Individuals who acquire general information are specially trained to know the specific sources that are most useful for particular kinds of information. A special intelligence staff that has the academic training, analytical skills, and access to these sources can fulfill this function.

Third, the information-acquisition process is different. Specific task-related information is usually acquired by chance, in the course of a discussion with clients, or with an informal contact in a competing company. General environmental intelligence is usually acquired through an active search which is more directed and focused than the relatively passive task-related information.

The needs for intelligence differ according to the operation being planned. A company may have long-range plans, tactical or short-range plans, and immediate operations, all of which require intelligence support. Thus, to be effective and useful, the competitor intelligence system requires information that is collected by individuals throughout the entire organization.

## **ASSUMPTIONS AND LIMITATIONS**

The construction of a viable competitor intelligence system is exceedingly complex due to the unstructured nature of strategic decisions, the difficulty of separating out important and relevant information from the vast amounts of data accessible to executives, and the reliance of executives on personal information sources. Moreover, since the tasks and the organization of corporate intelligence system are novel, and in some respects alien, concepts to most American companies, there is relatively little public information available on how to structure, operate, and integrate competitor oriented business intelligence into the corporate planning process.

As firms vary in their management style, corporate culture, size, and structure, their competitor intelligence systems also vary. The question of where in the organization competitor intelligence should take place depends upon the decisions that competitor intelligence is to support, on available resources, and on the organizational structure and culture of the company.

Accordingly, when structuring a competitor intelligence system there are several variables that should be considered. These include: (1) assessing the availability and location of personnel and resources; (2) identifying the information needs of various business units and executives within the company; and (3) determining what operating and strategic planning decisions can be supported with competitor intelligence.

Thus, a clear understanding of organizational, financial, informational, time, and legal constraints is necessary in creating a competitor intelligence system. Such constraints often limit the flexibility of the system by restricting the range and extent of actions that may occur. Further, they establish boundaries which help to determine the competitive analysis tasks. In particular, the cost of acquiring the necessary information is a constraint which cannot be overlooked. Thus, trade-offs have to be made regarding the comprehensiveness and quality of information.

An appropriate basis for assessing the value of competitor analysis, according to Daniel Smith and John Prescott in their article, "Demystifying Competitive Analysis," is to evaluate the costs and benefits of having the intelligence. These costs include both the expense associated with gathering information and any loss of opportunity while awaiting for the analysis to be completed. The benefits depend upon the size of the investment and the extent to which managers are uncertain about which alternative is best. In essence, the value of competitive intelligence can be measured by comparing cost to the likelihood of making the wrong decision. Thus, some competitive intelligence activities cost nothing, some require only a modest investment, while still others cannot be done at any price, even by the largest of companies.

## SUMMARY

Throughout the business community, "intelligence" is on its way to becoming a key management tool for corporate executives and key decision-makers. The development of competitor intelligence and the subsequent emergence of competitor intelligence systems is the most striking and potentially the most important business trend in recent time. Today most large companies have several intelligence activities underway, including market research, political risk analysis, economic forecasting, and a



wide range of technologically oriented activities such as benchmarking and reverse engineering.

Within a small but growing number of companies, all the scattered and often uncollected intelligence-type activities already underway are being pulled together into a tightly organized, or at least coordinated corporate unit. It is this concerted effort to acquire, organize, and coordinate the diverse elements of intelligence that is turning a group of related but previously separate activities into a wholly new and incredibly powerful business management tool.

## CHAPTER II

### REVIEW OF THE LITERATURE

While still only in its infant stage in the United States, competitor analysis has been a standard business practice in foreign countries for decades. Stimulated by Michael Porter's book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, the information consciousness of the American business community has been raised in recent years by a proliferation of articles and books written on the topic of competitor intelligence.

Porter's approach to competitor analysis emphasized the need to understand a competitor's assumptions about itself and the industry in which it competes. As he pointed out, too often, managers incorrectly assume that counterparts in competing firms are driven by the same set of variables and view the world from a similar perspective. Understanding a competitor's assumptions, he added, is one of the most challenging intelligence tasks due to the fact that it requires an insightful evaluation of the competitor's value system, organizational culture, and historical pattern of behavior. It is this qualitative kind of competitor intelligence that is rare in most corporations, where the strategic focus tends to be on quantifiable facts which detail a competitor's observable business strengths and weaknesses.

Porter also advanced the notion that competition in any industry is rooted in its underlying economic structure and is far more than a game of moves and countermoves among participating companies. This approach is reflected in the framework he proposed to explain the dynamics of competition in an industry. Porter identified five major competitive forces: (1) the threat of new entrants; (2) the intensity of rivalry among existing competitors; (3) pressure from substitute products; (4) the bargaining power of buyers; and (5) the bargaining power of suppliers.

An important implication of this framework is the idea of extended rivalry. To understand competition in an industry, Porter maintained, one must look beyond current competitors to include clients, suppliers, companies producing substitute products, and potential entrants.

Although the number of specific strategies available to a competitor might, in some instances, appear to be nearly infinite, Porter concluded that companies can reduce all the ways of competing into three generic strategies: overall cost leadership, differentiation, and focus. The low cost producer, stated Porter, functions across the entire market and emphasizes having the lowest cost structure in the industry. The differentiated competition, by contrast, concentrates on providing greater value. Porter's third category of strategy is the competitor that focuses on dominating a particular market.

M.H. Notowidigdo further elaborated on this point in his article, "Information Systems: Weapons to Gain the Competitive Edge." In the overall cost leadership strategy, a company usually has a strong cost leadership orientation, structured organization and responsibilities, and greater access to capital than other firms. The organization that adopts a product/service differentiation, on the other hand, tends to have a strong marketing capacity, a reputation for quality, creative instincts, and a long tradition in the industry. Those companies that focus on a segmentation strategy represent a combination of the two traits but have a high degree of concentration toward a particular target market.

As William King observed in his article, "The New Strategic Business Resource: Information," Porter's first two business strategies usually rely on something other than information. Cost leadership may be based on experience curve effects or lower than average wage rates. Differentiation may be based on superior quality, design, or technology. However, Porter's third strategy, focus, may well be achieved by using

superior information. For example, a company that performs a market segmentation analysis focusing upon a particular product/service line, distribution channel, or geographic area is seeking a local competitive advantage based on its superior information about the unfulfilled needs of that segment. So too is a firm that finds a market niche by using information to identify the special needs of a particular group of clients.

As King indicated, the notion of an information-based comparative advantage is not new, but the idea of systematically developing information and information systems as a potential source of competitive business advantage is a novel approach.

## **DOMAIN OF COMPETITIVE INTELLIGENCE**

In many companies today, competitive intelligence functions as a formal information system that allows management to monitor the world outside of the organization. As management information systems formalize information for internal operations management, competitive intelligence systems formalize information for tactical and strategic management. As Dominick Attanasio stated in his article, "The Multiple Benefits of Competitor Intelligence," the prime objectives of competitive intelligence are threefold: (1) to identify a competitor's weaknesses and thereby, provide new market share opportunities; (2) anticipate a competitor's market thrust; and (3) react more quickly and effectively to changes in the market itself.

According to Attanasio, competitive intelligence can be viewed from different perspectives as well: (1) in terms of business time--operations intelligence, tactical intelligence, and strategic intelligence; (2) from the perspective of users--corporate management, strategic business unit management, and operational management within the business unit; and (3) from the perspective of the external environment--the industry, the industry's competitors, and the consumer market.

In their book, *The Business Intelligence System*, Tamar and Benjamin Gilad indicated that the purpose of a formal competitive intelligence system is to shift the emphasis from reliance on short-term tactical intelligence to better use of strategic intelligence in the decision-making process. Strategic intelligence, according to the Gilads, calls for a greater scope, depth, and sophistication of input and analysis than tactical intelligence. Strategic intelligence requires the institutionalization of the competitive intelligence process, or the building of a business intelligence system as a legitimate organizational resource.

As the Gilads pointed out, in nearly every firm, whether large or small, executives and employees engage in some form of intelligence gathering. Informal intelligence is inexpensive in terms of operating and set-up costs. It does not require any special personnel training, outside consulting, or organizational change. Moreover, in many organizations, the informal collection of competitor intelligence is conducted by executives as an automatic step before major decisions are made, as a side activity of their interaction with peers and subordinates, or as a spontaneous reaction to their daily reading of published material.

The major problem with informal intelligence, according to the Gilads, is that it is not a coordinated, systematic organizational function. Rather than being a powerful competitive resource, information that may be crucial to decisions may be overlooked when subjected to unsystematic, discontinuous monitoring. Another drawback is that in an informal, uncoordinated system, duplication of efforts and wasting of resources may result since several people in the organization may be collecting, but not sharing, the same information. However, a formal competitor intelligence system, permits the regular and continual collection, analysis, and reporting of intelligence by individuals throughout the organization. The formalizing of competitor intelligence, stated the Gilads, increases the supply of intelligence, both in quality and quantity. The quantity

increases due to the rising awareness by employees while, at the same time, the quality improves because the collection of information is targeted.

## **ORGANIZATION OF COMPETITIVE INTELLIGENCE**

The question many companies face today is not whether to systematize the intelligence operation, but what the best organizational solution to the system should be. The process of competitor intelligence requires that management identify the tasks that must be undertaken as well as the sequence in which they are to be completed. The question then becomes how to assign responsibilities for executing such tasks.

The implementation of a competitive intelligence system varies from company to company and depends upon the goals of the system, corporate structure, and resource limitations. Differences in the organizational implementation of a competitor intelligence system typically relate to the centralization/decentralization of the activities.

In their article, "Business Intelligence: The Quiet Revolution," Tamar and Benjamin Gilad described five generic organizational structures for competitive intelligence. Under the departmental organizational structure, competitive intelligence is a fragmented function, carried out within several departments and serving the needs of that department only. Thus, market research personnel will conduct market studies for the sales and marketing department, while the research and development department will track technological developments for its own needs and purposes.

In a decentralized system, each business unit, subsidiary, or division is in charge of its own system. One person or small group is responsible for managing all aspects of the function. Targets and priorities are determined by the division alone and only some final intelligence output relevant to corporate interests goes to the planning

group and to management at the corporate level. Moreover, in a decentralized system, business units rarely share information with each other.

On the other hand, in a centralized system, there is one competitor intelligence unit that serves the total company. This unit manages the collection of data, performs evaluation and analysis, disseminates intelligence reports to all interested users within the organization, and maintains a centralized storage and retrieval system.

In the support approach, as in the decentralized system, competitor intelligence is decentralized and each business unit provides its own intelligence information. This structure differs from the decentralized system in that there also exists a corporate intelligence unit. Its function is mainly to serve in an educational and advisory role to the business units and to assist them in setting up their own intelligence operations. It may also engage in actual intelligence work, supplying intelligence relevant to corporate targets that may differ from the needs of any specific business unit. The complex structure includes a combination of intelligence activities conducted on the business unit level and on the corporate level. The corporate intelligence unit typically serves the entire organization and provides business units with intelligence that is common to all of them. At the same time, business units will have intelligence functions which concentrate on their own specific needs. The corporate unit also coordinates the total organizational process. In this capacity, its tasks are similar to those of the competitor intelligence unit described in the support approach. Moreover, the unit coordinates the sharing of intelligence generated by business units and functional departments.

As the Gilads aptly pointed out, the question of whether to centralize or decentralize the intelligence activities is a critical one. The issue is important because a company creating a centralized unit to serve the whole corporation may encounter a variety of problems and obstacles. For example, the analysis produced by corporate

analysts in a centralized unit that is shared with all divisions may, in fact, be considered irrelevant by the divisions. A corporate unit may be able to serve the needs of top managers because of its ability to gain the larger view of the competitive environment. At the same time, however, it may have difficulty serving the needs of the divisions which may require more detail about the short term developments in their specific marketplaces. This may result not only in analysis which is neither geared to the needs of the division nor hardly used by divisional managers but also a reluctance on the part of the business units to allocate resources for corporate intelligence projects.

A related problem is the tendency to standardize the intelligence. For firms operating in different industries, different markets, and different countries, such standardization may not be appropriate. In addition, the expertise of a centrally located staff may be limited in scope, particularly if they are to track the numerous competitors of a company which is a conglomerate of unrelated businesses. The staff may be well versed in the latest competitive analysis theories but lack the knowledge of the day-to-day realities facing the industries and the competitors they monitor.

A decentralized system may also pose problems as well. An intelligence system that serves the needs of the division in a decentralized system may not afford the strategic point of view necessary for the corporate parent. Thus, the intelligence needs of the corporation as a whole may not be met by a completely decentralized system. In addition, divisions, especially if they are small, lack the resources and staff needed to run the intelligence activity in a formal manner. Moreover, there may be a duplication of effort between several divisions, especially if they have the same competitors.

Despite the problems and obstacles, there are, nonetheless, advantages to a centralized intelligence system. First, the centralized system offers a strategic



corporate overview that enables it to respond quickly to the needs of top management. Second, if the corporation consists of divisions that face similar competitors or operate in similar markets, the unit may well serve all the divisions more than adequately. Third, duplication of effort is reduced and a specialized computerized storage system can be developed to disseminate and share competitive information and profiles by all business units.

Under the appropriate circumstances, there can be distinct advantages to a decentralized system as well. First, if the division has its own intelligence operations, questions and needs can be answered faster and fewer conflicts may arise over priorities. Analysts become more knowledgeable about the industry, product lines, and competitors of the division. Another advantage is that intelligence personnel are closer to the collection network and can more easily control and direct the flow of data.

The Gilads proposed that the support approach, a variant of the decentralized system, attempts to correct some of the problems previously described by incorporating a central intelligence function. In addition to competitive intelligence carried out by each individual division, an intelligence unit limited in size is established at the corporate level. Its main mission is to provide support to the divisional functions, where the main effort is carried out. The corporate unit is responsible for educating employees throughout the corporation about competitive intelligence as well as for serving as quality control to the intelligence activities at the divisional level. Quality control, moreover, is achieved by setting standards for the entire system. These standards apply to the determination of intelligence targets, the modes of reporting intelligence, accountability, and evaluation procedures. In addition, this unit also provides collection, evaluation, and analysis services to corporate management.

In large, diversified, and organizationally complex corporations, the intelligence system may also take on a complicated structure. The solution for such a company may be to combine decentralized structural elements with a centralized intelligence function. In such a setup, divisional units cater to their own divisional intelligence needs while, at the same time, a central unit caters to corporate needs, provides intelligence services common to all of the divisions, and serves as a company-wide intelligence coordinator.

As the Gilads also indicated, the particular structure chosen for the competitive intelligence process is contingent upon several factors, among them the decisions that the intelligence is to support, the available resources for the intelligence task on both the corporate and business unit levels, the organizational structure of the company, and the prevailing corporate culture. Hence, in organizing the intelligence system, the particular solution for each company depends upon its own unique circumstances.

The Gilads warned that a system that is too heavily formalized and regulated lacks flexibility and simplicity. A rigid system, moreover, cannot scan the broader environment for unpredictable opportunities and will take a long time to adjust to changing needs. Too complex a system can also discourage employees from collecting and communicating data. The solutions are to avoid creating new communication procedures if it is possible to use existing ones as well as to be flexible in methods of reporting. End-users should be consulted regularly on their intelligence needs and, above all, companies should create an intelligence product that can adapt to these changing needs.

The location of the intelligence function within the organization's hierarchy and the position of responsibility for the activity also vary considerably from one firm to another. There are units staffed with information professionals who report to middle-level managers while, at the same time, there are systems where the intelligence units,

composed primarily of marketing and financial analysts, report to an executive just below the president. Moreover, there are intelligence functions where the division president is the chief intelligence officer. The higher the unit is situated in the organization, according to the Gilads, the more visibility, prestige, credibility, and influence it can have and the more effective it can be in securing cooperation from the total organization. Conversely, if the function is too low in the organization, it is unlikely to obtain an appropriate budget, provide the needed perspective to its intelligence product, or gain enough support to survive.

In *How to Analyze the Competition*, Ivan Campbell Smith indicated that it is difficult to assess the specific cost of developing and maintaining a competitor intelligence system. Expenditures on competitor intelligence activities often include salaries for analysts, computer resources, publications and other sources of information, and miscellaneous administrative expenses. He purported that the total cost of the system should be between one-quarter and one-half of one percent of sales. However, the budget for the system should not be determined solely on the basis of the percentage of revenues but on the magnitude of the tasks to be performed. In other words, the budget should not drive the plan but rather the plan should drive the budget. In essence, not allocating a sufficient budget for competitor intelligence activities can ultimately cost the company more than a proper budget would have. These costs can be hidden in terms of lost opportunities that result from a poor understanding of the company's environment as well as the inability to anticipate competitors' moves and actions.

As William Sammon stated in the book, *Business Competitor Intelligence*, once authority and responsibility for the system have been determined, there are seven steps to implementing a competitor intelligence and analysis program. These steps include: (1) identifying specific competitors; (2) determining what is needed to be known about

each competitor; (3) identifying both print and online sources of information; (4) organizing the resources and devising a strategy for obtaining the information; (5) integrating the information from all sources, analyzing the data, and assessing the competitors' potential performance versus the forecasts of the company; (6) identifying and evaluating current and possible strategies of the competitors and designing effective plans in response to them; and (7) monitoring the competitors' actions so that management can alter its operations accordingly.

### **COMPETITOR MONITORING AND ANALYSIS**

From a strategic perspective, management usually needs intelligence for two general purposes: environmental scanning and competitor analysis. Environmental scanning includes market research and industry analysis, public policy analysis, and macroeconomic analysis. Competitor analysis, on the other hand, examines the current strategies and performance of specific competitors in relation to the company.

Although some may regard competitor analysis as a subcomponent of environmental scanning, Sammon contended that it is more advisable to identify it as a separate and distinct analytical effort in order to ensure that it is given the strategic priority that it requires.

In his article, "Competitor Analysis: The Missing Link in Strategy," William Rothschild indicated that competition comes in many shapes and forms. First, there is competition for clients' discretionary and nondiscretionary dollars for products or services. A second way to examine the competition is to develop a demographic profile of each competitor. Industries dominated by small single-industry specialists or small regional companies, for instance, are significantly different from those led by multi-industry companies, and these, in turn, are different from multinational or foreign companies. Finally, a third view of competitors focuses on potential changes within

companies which may elect to increase their current role and become direct competitors. These companies may at present be suppliers, distributors, or perhaps, even clients.

In their article, "Designing Organizations to Compete," Ian MacMillan and Patricia Jones contended that competitive analysis must begin with the identification of the "real" target competitors. These are competitors whose strategic weaknesses render them most vulnerable to the company's strategy. If the company has a strategy that is based on a competitive advantage in a particular area of service, then clearly the brunt of the attack will be borne initially on those firms that are weak in that area, not on those that are strong. If none are weak, then the company is not undertaking an attack, but a defense.

John McGonagle, Jr. further elaborated on this point in his article, "Using Defensive Competitor Intelligence in Mergers and Acquisitions." McGonagle asserted that the difference between offensive and defensive use of competitive intelligence is subtle, but nevertheless, critical. Using competitive intelligence offensively may mean tracking the activities of potential merger and acquisition targets on a regular basis, for instance, as well as developing profiles of their current activities in the market. Defensive competitive intelligence, on the other hand, means monitoring and evaluating the company's own business activities as competitors and others perceive them. Thus, defensive competitive intelligence is not an evaluation of what the company can do or is doing but rather how others see the company's business, even if that perception is mistaken.

David Montgomery and Charles Weinberg also discussed defensive and offensive competitive intelligence in their article, "Toward Strategic Intelligence Systems." They asserted that defensive intelligence is oriented towards avoiding surprises. A company plans and manages itself on the basis of certain implicit and explicit assumptions about

the market. A properly designed competitive intelligence program should continually monitor the market to ensure that these assumptions continue to hold or trigger a warning if a major change or threat occurs. Offensive intelligence, however, is designed to identify opportunities to increase profits or market share. Armed with the knowledge that a competitor is experiencing financial cutbacks, employee layoffs, or reorganization, a company may be in a position to take advantage of the situation. Montgomery and Weinberg also presented a third type of intelligence, passive intelligence, which is designed to provide benchmark data for the objective evaluation of the company's performance in relation to the competition.

Barbie Keiser, in her article, "Practical Competitor Intelligence," indicated that the ultimate objective of an organized competitor intelligence system is to gather today's information in order to anticipate what competitors will do tomorrow. In addition to merely identifying competitors, a company must also select both the qualitative and quantitative information needed to identify competitors' current or potential strategies. The competitor intelligence system, Keiser asserted, must be designed not only to provide easy access to the facts about competitors, but more importantly, to help the company understand what the competition is doing and why it works.

According to Ian Gordon in his article, "Competitive Intelligence: A Key to Marketplace Survival," information about competitors comes in three forms: what competitors say about themselves, what others say about the competitors, and what individuals within the organization have observed. Third parties who function as useful information sources can be further divided into two categories: those individuals who study competitors as part of their work, such as stock brokers, financial analysts, or consultants, and those who understand competitors because of their business links, such

as sales personnel, suppliers, previous employees, or clients. A list of these sources is found in Exhibit I.

In the book, *Business Competitor Intelligence*, William Sammon warned that once competitors have been identified, the inclination to collect everything about them must be resisted. Focus is required both to control the collection of information as well as to use intelligence resources in the most cost-effective manner. Essential elements, or critical items of information regarding competitors and their environment, narrow the competitive intelligence requirements into a set of priorities. If management's intelligence requirements are defined in terms of an agreed-upon competitor analysis framework, converting intelligence requirements to specific elements of information will be simplified. Exhibit II provides examples of essential elements of information.

Benjamin and Tamar Gilad noted in their book, *The Business Intelligence System*, that analysis is the process by which large amounts of data are evaluated and condensed to a form that can be easily and feasibly used in the decision-making process. The format should be directly usable in both the day-to-day decisions and the strategic planning process. The purpose of the analysis is to make information more compact, condensed, meaningful, and easy to access and absorb. There are several tasks within the analysis process. They are not necessarily consecutive or independent of each other, but they help define the nature of analysis.

According to the Gilads, the analysis process consists of six tasks: (1) collating data; (2) condensing information; (3) drawing conclusions; (4) building scenarios; (5) studying implications for competitive positioning; and (6) suggesting recommendations for action. The first step requires that related data be collated. That is, discrete pieces of data are assembled to provide information building blocks. For example, all data concerning a competitors' facilities are included in one category. This category contains all of the specific details available about the facilities' size,

location, number of employees, products/services, and any other pertinent data. The next step involves condensing the information since so many bits and pieces of data are difficult to handle individually. Once the information has been categorized and condensed, conclusions may be drawn. It is then useful to develop several possible scenarios of competitors actions and responses. This paves the way to assessing the company's own competitive position. Finally, the analysis is followed by recommendations for action resulting from the assessment of the competitive positioning.

The separation of the analysis tasks into its component parts shows that there is more to competitive analysis than the creation of a profile consisting merely of a laundry list of the competitor's assets. Thus, the analysis task, is actually a group of tasks, each of which requires an increasing degree of skill and knowledge about the competitive environment.

As Zane Markowitz stated in the article, "Hidden Sector Competitor Analysis," the triangulation approach to competitive analysis requires the development of three distinctly different types of information: profiles on all the competitors; trends in the sector; and opinions from consumers and suppliers. At a minimum, individual competitor profiles need to include descriptions of: (1) business activities -- percent of sales by product/service, competitor's value added, and pricing; (2) financial position -- sales and profitability; (3) marketing approaches -- identifying markets served and distribution methods; (4) competition -- names, relative market share, and niches; and (5) facilities -- office locations and sizes.

In addition, exploring trends within the industry or sector can uncover issues that allow analysts to assess future risks. This analysis can provide an overview of:

- (1) technological trends -- new technologies, product-substitution, and process changes;
- (2) financial trends -- margins, costs, pricing, and capital expenditures; (3) marketing



trends -- changes in markets served, competitors' assessment of each other, and key success factors; and (4) growth outlook -- fastest growing markets served, fastest growing product areas, and potential limits to growth.

However, knowing what competitors see for the future is not enough to truly assess the risks. It is also necessary, according to Markowitz, to obtain opinions from consumers and suppliers about each of the competitors being monitored. These opinions provide a reality check on the perceptions held by the competitors. The data needed for these consumer opinion reports include: (1) assessments of product quality, service, technology, and price; (2) identification of the most important factors considered in making purchasing decisions; (3) identification of client needs not currently being met; and (4) projected demands for products/services.

As Robert Schmid, Jr. stated in his article, "Reverse Engineering a Service Product," the ability to use a competitor's product as a benchmark for measuring the design, efficiency, marketability, and cost-effectiveness of one's own product has made "reverse engineering" in the manufacturing industries an effective tool of product planners. However, when this process is translated to a service environment, the concept may be the same, but the process is not so obvious. A service is not something that can be set down on a tabletop in front of a group of engineers or production specialists and be dissected. A service involves skills and timing that are not easily quantifiable. Therefore, the conceptual part of the benchmarking process must be more detailed and rigorous than in a manufacturing environment. Benchmarking in service companies requires an ongoing strategic process that determines which product and which competitor should be benchmarked. Thus, an organization must take a realistic view of its own position, strengths, and weaknesses in order to target appropriate benchmarks.

The benefits of benchmarking in service industries, according to Schmid, are manifold. First, benchmarking systematically and realistically allows a company to determine whether a competitor's product is viable and whether it is one the company should introduce. Second, if the company is already offering a similar service, benchmarking aids in determining whether the in-house product needs to be reformulated or repositioned. Third, service product benchmarking can be used as a comparative measurement of internal performance. Fourth, competitors' products can be used for operational analysis. Finally, and most importantly, benchmarking adds a new dimension to strategic planning by giving management the idea of how competitors formulate and position its products based upon its strategy for the future. By working backward, management can counter the strategy by analyzing implicit marketing intentions conveyed by the firm's products. If the process by which a competitor's service is delivered to the public is clearly superior, more efficient, or more cost-effective, then both the benefit of strategically planned changes in the company's product and an understanding of the competitor's advantages would clearly emerge from service benchmarking.

Ian Gordon observed in his article, "Exit Marketing Concept - Enter Competitive Concept," that since the 1960s, informed executives have been guided by the marketing concept of identifying and satisfying consumer needs at a profit. This has led companies to research market and profit opportunities, reorganize and restructure business units, acquire and divest operations, enter new markets, and introduce new products. However, today many firms are finding that the marketing concept is no longer sufficient to secure the growth they seek. New market entrants are proliferating and competition now seems particularly keen. Thus, the marketing concept is insufficient to guide corporate direction. It lacks a competitor orientation, considering consumer need satisfaction in absolute terms, without consideration of the

degree to which competitors satisfy specific needs. Hence, the marketing concept is being replaced by a new orientation, the competitive concept. Gordon described this competitive concept as identifying consumers' needs that are either not served by competitors, or are inadequately or insufficiently addressed, and then satisfying these needs at a profit consistent with the organization's objectives. Thus, the strategic challenge for most firms has shifted from an absolute assessment of consumer needs to a two-phased approach employing both a competitor orientation and a marketplace focus. The competitive concept, moreover, requires that companies employ intelligence monitoring and analysis techniques to explore not only the consumer's mind for relevant needs and the degree to which competitors are satisfying them but also to explore the competitors' strategies as well.

## **COLLECTION AND RETRIEVAL OF COMPETITIVE INFORMATION**

Sharon LaRosa aptly pointed out in her article, "Competitive Intelligence: The Game is Fast and Fair with Online Sleuthing," that competitive intelligence is only as good as the information on which it is based. Before a company can predict what its competitors' strategies will be, it must have timely, accurate and relevant information on those competitors: who they are, how they are organized, and what products and services they offer. The most efficient and fastest way to obtain and organize this information is by using online databases. Online sources can supply up-to-date information on public and private companies, people, products and services, and technologies.

Peter McKie noted in his article, "Tracking Your Competition: The Online Edge," over 1500 of the 2900 online databases available worldwide provide some type of business-related information. Much of this information is numerical and comes from annual reports, analysts' reports, and government documents. A great deal of textual

information comes from various business publications that print articles on corporate strategies, products, services, management philosophies as well as the career histories of executives. Consequently, information can be obtained on the spot. The amount of time it would take to research competitors manually cannot compare to the time it takes electronically. In addition, information services offer a centralized information source, bringing together a number of different data resources that cover a broad range of topics. Some databases compile information from many sources, providing the added benefit of pooled information and expertise.

Leslie Jacobs stated in "Searching for Industry Information," that there are two methods for retrieving information online. One approach is to find textual records about the industry per se. The second method requires retrieving several records, usually one record per company from a directory database and then extracting the necessary data from the records. This can be accomplished via user defined formats, or reporting features which allow the data to be aggregated into rows and columns. Relevant records can be retrieved from these files by searching on industry codes or descriptors, or by searching the names of the companies within the industry.

However, as Robert Wagers indicated in his article, "Online Sources of Competitive Intelligence," despite the recent proliferation of online data, information about private companies, in particular, is often absent since the reporting requirements are not as stringent. In addition, even with daily or weekly updating, information may not be current enough to capture important industry changes. Moreover, data may not be broken down sufficiently for narrow industries or product groups with substantial market shares. Typically, advertisements, job announcements, and other data considered to be extraneous or peripheral, though critical to competitive analysis, are not indexed in most online databases. Wagers stated, for these reasons, online

searching must be placed in the context of broader intelligence operations in order for the system to be comprehensive and useful.

Richard Ball indicated in his article, "Assessing Your Competitor's People and Organization," that conventional competitive analysis tells part of the story using quantitative data on competitors' market share, costs, and resources as well as examines more subjective issues such as the quality of marketing or sales support. However, strategic planning, as Ball pointed out, is a human activity. To understand the competition's strategic direction requires more than number crunching. Effective competitor analysis needs to acknowledge the human dimension and evaluate the contribution of such qualitative factors to corporate policy and behavior. In other words, what competitors are able to do on paper and what they are willing to do in practice is not necessarily the same thing. Aspects like corporate culture, leadership, and organizational effectiveness are qualitative and hard to define, yet at the same time, are the crux of competitive analysis.

William Rothschild observed in his article, "Who Are Your Future Competitors?" that most executives tend to repeat successful strategies, even in new markets and business ventures. If they played an active role in implementing a particular strategy in the past, there is a strong possibility that they will attempt to do so again. People are not mechanical, yet how they think and are motivated are key considerations in anticipating a competitor's future direction.

Ball further elaborated on this point and stated that it is extremely useful to examine an executive's career to-date, noting particularly decisions and actions that have brought success and therefore, may influence future choices. Profiling individual key executives, according to Ball, gauges the skills, experience, character traits and biases that might affect the competitor's performance. Included in the profiles are objective facts such as (1) age; (2) education; (3) career history; (4) compensation; and

(5) length and progress of career. Added to these resume items are any speeches or articles written by or about the subject as well as any other information having some basis in fact.

Ball also maintained that it is worthwhile as well to develop a profile of the executive team by pooling and comparing the individual profiles and thereby, assessing how they work together as a group. Tracking the selection, retention, and movement of senior executives within an organization can be a useful cultural barometer to measure the commonality, continuity, and overall performance of the team. Using the individual profiles in conjunction with a chart illustrating each executive's progress, a picture of the type of person who advances and the type of person who may not fit into the organization can then be drawn. These profiles may also reveal differences in management skills, flexibility, values, and longevity, thus enabling analysts to determine the competitor's managerial fit with the strategy it is pursuing. Hence, gaining insights about the competitors' human dynamics provide a more complete picture of their strengths and weaknesses, and armed with this knowledge, a company can plan its own strategy more effectively.

As Ball noted, the availability of quantitative information has made many aspects of competitive analysis easier but data concerning human factors are still largely subjective, and therefore, must be collected piecemeal. Thus, a certain amount of speculation, as well as common sense evaluation, must go into the process when selecting and analyzing any type of competitor information.

## **LEGAL AND ETHICAL IMPLICATIONS**

Despite its legal, ethical, and public nature, competitor information must always be analyzed in terms of the credibility and reliability of its source and content. If the source is new, its reliability is difficult to determine. Moreover, there are no magical

solutions to the question of quality when confronted with a new source. Again, common sense judgments based on the motives and character of a source are the typical approach. Otherwise, the source has to be monitored and its performance assessed over time.

In *Business Competitor Intelligence*, William Sammon presented an evaluation system which expresses the viewpoints of the collector and others using the data. The use of such a rating system may be the only way for the analyst to judge the usefulness when confronted with confirming or contradictory information. The guide is presented below:

Appraisal of Source

- A completely reliable
- B usually reliable
- C fairly reliable
- D not usually reliable
- E unreliable
- F reliability cannot be judged

Appraisal of Content

- A confirmed by other means
- B probably true
- C possibly true
- D doubtful
- E improbable
- F truth cannot be determined

In *The Business Intelligence System*, authors Benjamin and Tamar Gilad stated that the question of what is, and what is not, legal and ethical in business intelligence is also the question of how to distinguish industrial espionage from business intelligence. To clarify the distinction between the two it is necessary to define both activities explicitly. According to the authors, business intelligence concerns the ethical gathering and use of publicly or semipublicly available information as a basis for planning. Publicly available information refers mainly to published data to which the public has access. Semipublic information refers to data obtained from the field, such as information from clients, suppliers, and peers, among others.

Industrial espionage, the authors asserted, is the use of illegal and unethical techniques to collect information, such as trade secrets, not voluntarily provided by the source. In business intelligence, information is collected by asking the right questions

to the right sources, not by coercing individuals to give answers. What is not provided freely by a source cannot be collected legally or ethically. There is nothing unethical or illegal, however, in asking questions. The litmus test for the collector of intelligence is that there be no fear of public condemnation were the actions published on the front page of a newspaper.

Thus, legitimate business intelligence activities do not end up in court for good reason. Collecting information on competitors is an accepted part of business and is viewed as a strategic tool by nearly all executives and companies. It is when the unspoken laws of business are broken that legal steps might be taken, not when the information is collected per se. Piecing together public and field data collected through monitoring and researching will hardly ever be challenged in court.

In addition, as Leonard Fuld aptly pointed out in his book, *Competitor Intelligence: How to Get It; How to Use It*, public data does not necessarily mean published data. There are other sources that are publicly available, yet not in published form. These include: telephone interviews, attending professional association trade shows and meetings, or even counting the number of spaces in a competitor's parking lot. All of the intelligence discovered through these non-published sources is still valid and is very much in the public area.

Every relevant piece of collected information must be critically assessed and then fitted into a larger, more meaningful whole before it can be upgraded to the category of competitor intelligence. The nature of the intelligence work at this stage, according to William Sammon in *Business Competitor Intelligence*, is the tedious but necessary task of recording the raw information as it is collected. However, the core of the processing phase is interpretation. Intelligence analysis is the building up, the layering, the overlapping, and the careful collating of disparate forms and types of competitor information. Primarily through the mental process of integration or the



combination of isolated but relevant elements of information, a logical hypothesis about a competitor's strategic objectives, intention, or potential is formed. As Sammon stated, although it is never complete or totally accurate, this kind of interpretative analysis will produce a systematically organized and integrated body of knowledge from which reasonable deductions about a competitor's probable courses of action, operational character, and strategies can be made.

As Herbert Meyer noted in *Real World Intelligence*, one difference between failure and success is not how much a company knows, but rather how much it knows about the right things. No longer does the leading edge automatically go to whichever competitor has the most raw strength. It now increasingly goes to whichever competitor has the best vision, the better grasp of what the key trends and developments are, and how these trends and developments are affecting and will affect all competitors.

## **DISTRIBUTION OF COMPETITOR INTELLIGENCE**

Having competitor intelligence is important but unless it can be easily stored, maintained, and accessed, it is virtually useless. Leonard Fuld provided guidelines for building both manual and computerized storage systems in his book, *Monitoring the Competition*. Whether an organization chooses to build a manual file system or develop one electronically is dependent upon the available staff and budget in addition to predicted use. First, a company needs to identify user needs by determining in advance who will use the data and how it will be used. Knowing the "who" will determine the type of information to be collected and the "how" will determine the best way to organize the data so the user will get the most out of it. A company also needs to build a database or manual file which it can afford. A large database costs money, both in its construction and in its maintenance. Adequate staff is required for

data entry as well as for analysis. Moreover, information needs to be retrieved quickly and with minimal effort. It should be organized simply and appropriately and care should be taken to be selective in the types of data stored. The more data that is entered, the more difficult the ability to access it. Most importantly, the system needs to be able to pull disparate pieces of data together to present a clear picture of the competition.

The final and most critical phase of the intelligence cycle is the communication of the intelligence to decision-makers. As Sammon indicated, dissemination is most effective on a "need to know" basis. This "need to know" procedure is aimed at avoiding the pitfalls associated with a "want to know" philosophy in which the tendency is to create an overload of unnecessary information and reports that busy executives seldom have time to read. The actual "who gets what" can be determined through a series of interviews designed to ascertain what specific intelligence is needed for decision-making.

As Rosabeth Moss Kanter indicated in her article, "Infotech and Corporate Strategy," information is useless without communication. Stored information represents potential, but unless actively communicated, it quickly loses its value, particularly in an environment of rapid change. Collecting information is a worthless task, concluded Kanter, without a communication strategy to ensure the active attention of its users.

Herbert Meyer maintained in his book, *Real-World Intelligence*, that the point of intelligence is to help policymakers guide their organizations to achieve their stated objectives, and if the conclusions of the intelligence analysts do not reach the policymakers, those products are of no use whatsoever. Further, to a chief executive whose company is collapsing around him or her, it is of little comfort to know that the intelligence analysts are well informed.

Tamar and Benjamin Gilad concluded in their book, *The Business Intelligence System*, that a system which fails to elicit the cooperation of salespeople and the marketing department, in particular, is not going to be very effective. Though it is possible to maintain an intelligence program that is largely independent of cross-departmental communication, such as a research unit that concentrates solely on published sources, such a program is not transforming competitive intelligence into an organizational resource. Sometimes the solution is as simple as having a department head nominate intelligence supervisors within their department who are then responsible for better coordination.

Thus, human resource commitment is vital to the success of a competitor intelligence system. This requires, first and foremost, demonstrating to senior management the link between competitive intelligence and financial performance improvement. To do so requires assessing the style of thinking of key executives, followed by the development a system aimed at meeting their information priorities. Moreover, to use competitor intelligence effectively in the formulation of business strategy, the entire organization must function as a team. Thus, raising awareness is critical in establishing a monitoring program.

The first step, according to the Gilads, is to conduct an educational campaign to persuade information holders to contribute their knowledge to the common pool; that is, to make the information available to everyone through the formal intelligence system. In addition to education, proper incentives must be offered, since information is power. If one is to give it up, one must be compensated. Recognition or commendation by senior executives reinforces the fact that the company values an individual's efforts. Printed praise in company newsletters or memoranda gives the intelligence gatherer the incentive to contribute again in the future as well as lets others in the organization know how important such information is to the company.

Rewarding employees for their time and energies spent gathering intelligence can only improve the flow of information to key decision-makers. The ultimate goal is to incorporate competitor intelligence into a habitual strategic management approach.

In essence, the bulk of intelligence work revolves around the analysis, not the theft of information. Many of the intelligence tasks are routine and far from dramatic, though challenging and complex, nevertheless. Although it may not involve sinister activities, the operational task of organizing and managing an efficient intelligence program requires an unusual mix of talents, not the least of which is a clear understanding of management's information needs and priorities.

In designing and implementing a competitor intelligence system, however, some pitfalls may be encountered. John Prescott and Daniel Smith offered some guidelines in their article, "A Project-Based Approach to Competitive Analysis." To avoid fuzzy objectives, there is a need for clearly stated and articulated goals. In addition, it is critical to consider not only relevant competitors but also other potential competitors which may influence the success of the analysis as well. Often, analysts fail to obtain valuable information as a result of being bound to traditional methods of data collection. Creativity is essential in retrieving the essential items of information. At the same time, recognizing the diminishing returns on information is equally as important. Moreover, the format of final reports and analyses should consider the end users of the intelligence as well as provide actionable information.

William Rothschild further elaborated on these points in the book, *How to Gain (and Maintain) the Competitive Advantage in Business*. As he indicated, it is important to avoid overkill by publishing voluminous reports. It is best to keep them simple and concise, emphasizing only that which is strategic and not get bogged down in details. Moreover, the intelligence must provide a forecast of future changes in the competitor's strategies and results. Often intelligence work reverts to a number

exercise, and the total focus is on getting the facts. This is not sufficient, and it can prevent the activity from becoming strategic and actionable. The organization must evaluate a number of competitors and be able to compare their relative strengths and how they impact each other. One competitor is rarely important enough to warrant the exclusive attention of top management. Thus, the real benefit of intelligence is to anticipate and make some assumptions that can be used and monitored.

## SUMMARY

Herbert Meyer aptly noted in his book, *Real-World Intelligence* that today's global telecommunications networks move raw information around the world literally at the speed of light. As the capacity to move information expands, the volume of available information keeps growing to fill this expanding capacity. Thousands of databases are already in operation and with more coming online each week, a point is being reached where the total of human knowledge of nearly every subject or issue is available to anyone who wants to know it. The result, as Meyer observed, is that today's business executives have quite literally at their fingertips, raw information that previously would never have reached the organization in the first place, or would have reached it at a lower level. To their astonishment and growing distress, executives are discovering that the only thing as difficult and dangerous as managing a business with too little information is managing one with too much.

To manage successfully, Meyer maintained, an executive needs a mechanism, a management tool, on which he or she can rely to do four things: first, sort out relevant from irrelevant information. Second, collect and monitor the relevant information as efficiently as possible. Third, process this information for the primary purpose of enhancing the organization's decision-making needs. Fourth, assure that the

results of this process, the conclusions, judgments, and projections are made available to key decision-makers when they need it and in a form that they can readily absorb.

As Sumantra Ghoshal and Seok Ki Kim concluded in their article, "Building Effective Intelligence Systems for Competitive Advantage," above all, simply creating a formal intelligence system is rarely an effective means to meet the increasing intelligence needs of a company. To make intelligence useful, the authors contended, it is best to store information not in files or databases, but in the minds of the key decision-makers.

### CHAPTER III

#### PROCEDURES AND METHODOLOGY

In nearly all industries, competitors can be usefully portrayed in terms of how intensely they compete with the organization that is motivating the analysis. There are usually several very direct competitors, others which compete less intensely, and still others that compete indirectly but are, nonetheless, relevant. The definition of these competitor groups will depend on a few key variables such as product/service lines, market segmentation, and financial performance (revenue, earnings, and growth potential).

In *Developing Business Strategies*, David Aaker observed that two very different approaches are used to identify competitors and potential competitors. The first approach takes the perspective of the client who must make choices among competitors. The second attempts to group competitors into strategic groups on the basis of their competitive strategy.

In the first approach, a list of use situations or applications are identified by executives from each functional area of the organization (marketing, sales, finance, and administration). For each use context, all the services or products that would be appropriate are identified and then clustered based on the similarity of their appropriate use contexts. The executives then simply hypothesize which products or services clients choose between and which ones tend to be used in certain applications.

The concept of a strategic group provides a very different approach toward understanding the competitive structure of the industry. A strategic group is a group of firms that pursue similar competitive strategies and have similar characteristics. The strategic groups can be defined by the extent to which firms have developed broad product/service lines and clientele (multi-industry, national companies), those which

have narrow product/service lines and clientele (local, regional-based companies), and those with a specialized service targeted toward a specific clientele (single-industry specialists).

According to Aaker, this concept of strategic groups is useful for several reasons. First, it is simply more manageable to analyze strategic groups than a set of individual and often numerous competitors. Second, the exercise of identifying the key distinguishing elements of strategy in an industry and then forming groups of firms with similar strategies provides useful insights into the competitive environment. Third, firms in a strategic group will be affected by and react to industry developments in similar ways. Thus, utilizing the strategic group approach is useful in projecting the future strategies of each competitor.

In addition to identifying current competitors, it is also important to consider potential market entrants. The most obvious source of potential competitors is from market expansion. Firms operating in other geographic regions or countries may be seeking out more attractive opportunities as a means for increasing profitability. Another source of potential competitors is from product expansion. Companies will often exploit a common market by taking advantage of the technological and distribution overlap. Finally, a current small competitor with critical strategic weaknesses can turn into a major competitor if it is merged or acquired by a firm that can reduce or eliminate those weaknesses.

Thus, the organization as a whole may have one set of competitors, while divisions may have their own industry-specific competitors. Hence, a combination of sources is used to select the targets for competitor analysis.

General business directories, both in print and electronic form, are used in the initial screening process. Four sources in particular are useful for identifying current and potential competitors. They are: (1) *Million Dollar Directory*, published by Dun's



Marketing Services, which is a general information source for annual sales, number of employees, products made, officers and directors; (2) *Directory of Corporate Affiliations*, published by National Register Publishing Company, which lists publicly- and privately-owned companies and their various subsidiaries, divisions, and affiliates; (3) *Standard and Poor's Register of Corporations, Directors and Executives*, published by Standard and Poor's Corporation, which lists the address, officers, and annual sales of over 45,000 corporations in addition to providing biographical data on 70,000 officers and directors; and (4) *Moody's Industrial Manual*, published by Moody's Investor Service, which provides directorial, business, and, financial information on publicly-traded companies. Included are brief histories of companies, officers, excerpts of financial statements, and descriptions of stock and debt issues.

Industry-specific directories and membership lists from professional and trade associations are also useful in identifying additional candidates, particularly small privately owned companies or third-tier subsidiaries of larger corporations. Moreover, research reports published by INVESTEXT, FIND/SVP, and A.D. Little can be scanned manually or online for tables listing the companies making up the industry.

In addition to identifying a core group of current and potential competitors, another key factor in the development of a competitor intelligence system is the diagnosis of end users information needs. Meetings with marketing, sales, finance, and administrative personnel help to determine how they "view" the information and the relevance of the material. An understanding of the experiences, functions, and expectations of the individuals who will be the ultimate end users of the system is needed.

Information about competitors comes from three sources: what competitors say about themselves, what third parties say about competitors, and what individuals within the organization have observed. Leonard Fuld pointed out in his book, *Competitor*

*Intelligence: How to Get It; How to Use It*, the most effective approach for obtaining competitor information is to identify for each essential element of information those resources considered to have the most quantitative and qualitative information.

Exhibit III provides a listing of online sources used for locating essential elements of information.

In *How to Gain (and Maintain) the Competitive Advantage in Business*, William Rothschild purported that information regarding what competitors say about themselves is found in three categories of sources: (1) annual reports and 10Ks; (2) speeches, advertising, and press releases; and (3) employment advertisements. Annual reports and 10Ks communicate how the competitor measures its own performance. These perceptions are invaluable as they allow the organization to compare what others say and believe about the competitor and the market. In particular, the financial sections show the growth rate of sales, the price performance in relation to inflation, as well as debt and liability. Still more information can be gleaned from these documents, namely the analysis of the business lines which provides an understanding of how the competitor segments its products and services. Analysts can also deduce the competitor's priorities and how they contribute to the sales and earnings. A comparison of changes in this mix may be insightful to determine if the priorities have changed over time. In addition, an evaluation of the board of directors and key executives may indicate how much control the chief executive officer has over the competitor company. By comparing past annual reports and 10Ks, turnover and tenure can be highlighted and reasons for changes determined. If turnover is constant, it may indicate that the management team is in disarray and cannot agree on a future course of action.

Advertising and speeches also enable the organization to see what the competitor thinks is important and the image it wishes to project. Such documents may describe

competitors' products and services, models and styles, or their operations. Further, there may also be an elaboration of the evolution and the schedule that the company plans to follow. Moreover, employment advertisements and personnel announcements provide insight into what is happening in the competitor company and the direction it may be pursuing.

Information regarding what third parties say about competitors comes from a variety of sources, according to Rothschild. These include: (1) market research/investment company reports; (2) trade press; and (3) government sources. Market research and investment company reports are prepared by individuals who have been following competitor companies and the industry for a long period of time, and thus, have a first-hand knowledge of their management, past successes and failures, as well as the major opportunities and threats confronting each competitor. In particular, companies such as FIND/SVP, INVESTEXT, A.D. Little, and Frost & Sullivan provide in-depth analyses of industries and some competitor companies.

Rothschild also indicated that part of any company's intelligence gathering system should include reviewing publications covering the particular industry. These may be by-lined articles by competitors' executives or special features about the companies and their management. The articles may contain descriptions of products and services as well as provide pricing information. As Rothschild pointed out, articles from the trade press are available online from several different databases accessible through services such as DIALOG, BRS, NEXIS, and Pergamon/ORBIT. For example, ABI/Inform summarizes information on business practices, corporate strategies, and trends from major business and management journals. Management Contents provides business and management briefs from journals, books, newsletters, and reports. Other databases such as Magazine ASAP, Trade & Industry ASAP, and McGraw-Hill Publications offer a spectrum of full text publications as well as comprehensive indexing of company names,

people, and products. In addition, regional publications such as those covered by Business Dateline provide feature stories on competitors and executives that may never reach the national press.

In her article, "Competitive Intelligence: The Game is Fast and Fair with Online Sleuthing," Sharon LaRosa observed that corporate structure is a critical piece of competitive information since it can reveal alliances that may strengthen a competitor's market position. Databases such as Corporate Affiliations and Disclosure show the linkages that exist between a parent company and its subsidiaries and divisions. Changes in company structure, which may also signal a change in strategy, can be monitored using such files as Standard & Poor's News, Moody's Corporate News, or Newswire ASAP. Moreover, changes in ownership due to a merger, leveraged buy-out, or stock purchase can be tracked on files such as M&A Filings, Insider Trading Monitor, or Disclosure/Spectrum Ownership.

In addition, a competitor's financial health can be measured through financial statements, stock price data, or ratios. Disclosure's income and balance sheet data on over 11,000 companies can be analyzed to determine how a competitor is spending its resources, what its expenses are in relation to its income, or how these factors have changed over a five-year period. Dun's Financial Records, Investext, and Media General Plus are additional sources of financial statement data as well as ratios and industry comparisons. Analyses and projections of a competitor's earnings can be obtained from Investext. To monitor a competitor's stock performance, Media General Plus provides daily and monthly price and volume data, while DIALOG Quotes and Trading can be checked throughout the trading day.

Another important aspect of competitive analysis, according to LaRosa, is measuring the company's products and practices against the competition. Competitors often change their positioning and mix of their product lines in an attempt to increase

their market share. New product press releases are available weekly in full text from PTS New Product Announcements/Plus which supplies information on the product's price, use, and availability as well as indicates to whom the product is directed and how it will be marketed. Other sources include Businesswire and PR Newswire which provide immediate and continuous delivery of full text news releases relating to joint marketing agreements, distribution channels, and other significant company events. In addition, McGraw-Hill News provides continuous news releases on competitors' strategic moves, product developments, and production and sales figures. Newswire ASAP, updated once a day, covers company announcements from the PR Newswire, Kyodo's Japan Economic Newswire, and Reuters. Moreover, the specifics of advertising campaigns, the agencies that developed them, and the media used are detailed in the PTS Marketing and Advertising Reference Service (MARS) database. Such information provides valuable insight regarding how a competitor is positioning its products as well as how it wants clients to view them.

In addition, knowing the background of executives can also be valuable in understanding a competitor's business strategy. LaRosa suggested using biographical sources such as Marquis' Who's Who, Standard & Poor's Register-Biographical, and American Men and Women of Science since they provide details on the education, work history, and affiliations of key executives.

Drawn from several print and online sources, DIALOG has produced the DIALOG Business Connection. This is a menu-driven system which provides financial statements, analysts' reports, executive briefs, and market share reports on thousands of companies. Database vendors providing this information include: Disclosure; Dun & Bradstreet; Media General; Moody's Investor Service; Predicasts; Standard & Poor's. The corporate intelligence application is used to locate company descriptions, recent activities, and financial data. The financial screening application provides balance

sheet information, income statements, and financial ratios. The products and markets application contains news stories on market information, product designs and processes, and share of market data. The sales prospecting application identifies prospective clients by industry, geographic area, and size.

Government documents to be scanned for competitor information include patents and trademarks, competitor bids and documentation sent to the Government Contract Administration, and governmental agency reports. The Department of Labor, for instance, provides information related to the department's jurisdiction over working conditions, labor training, collective bargaining, and workers' compensation. The U.S. Geological Survey makes available from both the federal and state highway authorities, aerial maps of competitor facilities. The U.S. Consumer Product Safety Commission releases reports on investigations of companies and products, and also complaints and corrective actions. In addition, several governmental agencies publish aggregate statistical data about industries. Among the more notable are the Department of Commerce publications, from census reports to economic analyses, and the Department of Labor compilation on employment, prices, and productivity. The Internal Revenue Service also publishes a sourcebook of statistics based on company tax returns.

As David Montgomery and Charles Weinberg pointed out in their article, "Toward Strategic Intelligence Systems," obtaining this information is facilitated under the amended Freedom of Information Act which mandates that any individual has the right of access to and can obtain copies of any document, file, or other record in the possession of any federal agency or department. To limit noncompliance by delay, each request must be granted or denied within ten days.

Moreover, local courthouse files on competitors' building permits and plans are publicly available. Details of real estate transactions and the size and volume of facilities are also accessible. Most of the records of state agencies are publicly

available as well. These include financial and organizational information, safety and licensing records, and plant investigation reports. Exhibit IV provides a listing of government sources of competitor information.

Credit reports can also be obtained to determine the creditworthiness of the competitor company. Focusing on historical financial stability and viability, they contain information about how the competitor views itself as well as provide comments and quotations by officers and suppliers. Additionally, they also include biographical data on key executives and their families.

*In Competitor Intelligence: How to Get It; How to Use It*, Leonard Fuld suggested that information about competitors can also be obtained from non-published sources such as trade shows and conventions, office/plant tours, professional associations and advocacy groups. Trade shows give competitors the opportunity to display their newest products, marketing techniques, and advertising programs. In addition, representatives often provide detailed information about their products as well as even hint of things to come in the hope of generating potential client interest. Office and plant tours also provide valuable information about a competitor's products and services, processes, and equipment. Professional associations' publications, conferences, and seminars often focus on member companies and the industry as a whole. Intelligence can be obtained regarding such areas as market shares, sales, expenditures, business units, and employee practices. Moreover, advocacy groups including labor unions, minority-rights groups, environmental and consumer protection organizations, and civil liberties unions will often track and monitor companies at the local, state, and federal levels regarding employment practices, working conditions, and business practices. Their research findings provide added insight into a competitor's management style and corporate culture.

Local chambers of commerce can often give information on employment, the size of the competitors' offices and facilities, and the products or services being offered at a particular location. Local newsletters or newspapers contain intelligence on employment, organization, expansions and developments as well as an overall assessment of the economic and social climate. Selected field sources of competitor information are listed in Exhibit V.

Tamar and Benjaimin Gilad indicated in their book, *The Business Intelligence System*, that information regarding what the organization has observed about competitors is obtained through a firmwide "intelligence audit." This audit includes telephone and in-person interviews of key personnel in order to identify potential pockets of competitor information and potential company collectors. A sample audit interview guide is provided in Exhibit VI.

In addition to the audit interview, scanning company databases and files also identifies the existing as well as potential competitor information base. The company may have many databases that have been established over the years. Though each may be structured differently, accessed through different software programs, or stored on different computer systems, a list of these databases is made as part of the intelligence audit. Once the databases are known and evaluated for their usefulness of their content of intelligence, methods can then be established to access the information they contain.

According to the Gilads, to effectively make use of the valuable data available from former employees of competitor companies, the human resources department of the organization should report regularly about new employees hired and forward their resumes to the intelligence unit for review. The intelligence staff then determines if the background is relevant to the organization's intelligence targets. If it is, the intelligence unit holds a debriefing session. This debriefing is conducted by the head



of the department of the new employee and with a representative of the intelligence staff. The interview is conducted with the consent of the employee and with the assurance that no information considered to be proprietary would be asked for or divulged.

## SUMMARY

Putting an accurate picture of the competitive situation requires that information be gleaned from many sources. It is true that although the bulk of information comes from published sources, from trade publications to online databases, field sources of information provide the most recent, specific, directly relevant, and less widely known intelligence. Therefore, the goal of an effective intelligence system is to tap as many field sources as possible.

Once created and implemented, a competitor intelligence system can be used to assist management not only in monitoring the organization's strategic plan but also in executing the strategy. More importantly, by analyzing competitors, management will gain a better understanding of their own organization and be able to rectify accordingly any apparent deficiencies in operations.

## CHAPTER IV

### RESULTS

The actual composition of internal intelligence systems varies from company to company, depending upon the industries in which they do business, how they are structured, their size, and the availability of particular employees to function as analysts and collectors. Nevertheless, when intelligence audit results are analyzed, nearly all companies find that each of their functional areas have some useful intelligence data.

There are alternative ways for organizing the collection and analysis activities. Whether they are to be centralized, decentralized, or distributed is dependent upon the general structure of the intelligence system. The collection and analysis function may be part of the corporate intelligence unit, where analysis is performed by staff analysts. Conversely, collection and analysis may be performed within each business unit. The functions may also be divided between the corporate unit and the local business unit, with each allocated different parts of the analysis. Even within these three structures, variations also exist.

The internal analysis network is composed of experts within the organization who interpret intelligence and give advice on matters relating to the competitors' operations, markets, the industry and technologies. They may be experts on particular topics, markets, technologies, or product areas. The internal collection network, on the other hand, consists of employees who serve as collectors of intelligence, especially field data.

Members of the internal collection network, unlike the analysis network, collect data of interest to the organization, identify and access sources of information, participate in ad hoc or special intelligence projects, and report intelligence findings.

In addition to gathering field data, these collectors may also monitor certain publications, abstract or clip pertinent items, and forward them to the intelligence unit.

The internal collection network, moreover, enables the intelligence system to access diverse sources of data. Due to the fact that there are so many potential sources of intelligence, analysts do not have time to gather information from all of them. The collection network is necessary to cover all possible sources, particularly field data passed on during whatever business transaction is taking place. Thus, the collection network allows the system to generate more data as well.

In addition, the collection network screens data by experts in the organization to determine the appropriateness of immediate distribution of critical intelligence. Screening of incoming information by designated individuals increases the usefulness of the data by enabling the users to respond to events as they occur.

The building of a collection network requires two elements at the outset: an understanding of the type of information that is needed, and knowledge of the information to which people in the organization have access. Accordingly, committees such as the intelligence committee, an analysis committee, and a users committee can all be used for implementing the collection network.

The intelligence committee, composed of representatives from each of the organization's business units oversees the implementation and development of intelligence activities. The committee can be structured either as a standing committee or as a temporary team. Its agenda is determined by the intelligence unit with input from the committee participants. In addition, the committee helps tailor the collection network to the method of operation of each group or department.

The main purpose of the users committee is to get users of intelligence actively involved in the process. In addition, it is a way to solicit the demand for intelligence. Moreover, the committee can serve as a forum where decision-makers can share ideas

about the use of intelligence and the intelligence unit can promote the use of its products.

The analysis committee is composed of managers from various functional and product/service groups in the organization. Members work together, either as a permanent committee or in a role-playing, ad hoc committee, to provide composite competitor profiles. These profiles are then used to assess the competitive standing of the company. In the analysis committee structure, the business unit serves as the coordinating body for the committee. As part of this responsibility, it prepares the input to the meetings. Any available data that could be of use to the committee in their analyses are collated, condensed, and prepared by the intelligence unit. The unit also maintains the administrative details of the meeting and is responsible for the compilation of the final analyses that emerge from the sessions, including the distribution of the results.

From an organizational point of view, there are three ways of structuring the data-reporting network: (1) centralized distribution; (2) decentralized distribution; and (3) functional distribution. In centralized distribution, every piece of intelligence collected by the network is sent to the competitor intelligence unit, and in the absence of a separate unit, to the intelligence specialist in a designated department. Someone within the unit then decides whether the data should be put in a file for future use in preparing analyses and reports, or whether it should be immediately distributed to the appropriate users. In a decentralized system, each collector is responsible for the distribution of his or her own data to the unit and to the end-users. Moreover, in the functional system, one person within each department or functional area is made responsible for the distribution of all material that is generated by the area. That person is also charged with the task of determining whether or not an item is information that should be sent to the intelligence unit only, or whether it is

intelligence that needs action from some other department or executive within the organization.

The format for communicating the intelligence varies from company to company as well. Specially designed intelligence reports are common, though other methods such as telephone calls, voice messages, electronic mail, and direct computer access are also used. Written intelligence reports typically consist of several sections, including one for data, a description of the circumstances of collection, comments, and an evaluation score for the source. Telephone calls to the intelligence unit require that someone from the unit record the calls and write down the intelligence on a form. Voice messages also require that the intelligence be transcribed for filing and dissemination. Electronic mail permits messages to be entered and delivered to a list of addresses. If a company maintains a mainframe-based online database of competitor intelligence, then information can be directly inputted into the database through terminals throughout the organization.

Educating collectors of intelligence is accomplished through the intelligence briefing. These briefings serve as a forum for conveying information regarding the establishment and ongoing management of the intelligence system. In addition, they are a means for identifying the intelligence targets and the information that the unit is seeking. The possible sources of information to which the group has access are also discussed. Procedures for reporting intelligence data are outlined as well. Moreover, employees are informed of the legal and ethical considerations of gathering intelligence along with need for counterintelligence measures. These briefings can be scheduled as separate meetings for each functional area or department or be given as part of the company's annual meeting. Briefings may be as short as two hours or as long as a half-day, depending upon the extent of the training. Exhibit VII is an example of a suggested agenda.

Depending upon the scope, breadth, and funding of the monitoring program, storing and retrieving competitor information may be accomplished through the use of a manual filing system, a totally computerized system, or a combination of the two. There are four basic requirements for the storage system. First, the system must permit the storage and retrieving of textual information. This may include descriptions of the competitors' product lines, a list of offices and locations, as well as data about management, their background, the organizational structure of the competitor company, and its strategic plans. Second, the system must permit the storage and manipulation of large amounts of data. Third, the system must facilitate the storage and retrieval of data by multiple keys so that bits of data can be related to each other. Most of the information about competitors and the environment appears as bits and pieces and comes from many different sources. To compile a meaningful intelligence portrait of the competition, all the fragments must be categorized, collated, and related to each other. Many of the developments in the competitive environment cannot be understood outside of the context of the stream of events that led to their occurrence. Thus, in order to understand the full implication, information has to be related to what has preceded it or to other events that influence the interpretation. Fourth, the system must provide information on a timely basis. Much of the intelligence information has time value and therefore requires prompt action. Action may vary from a request for additional data to clarify a situation to the generation of an in-depth intelligence report.

A competitor intelligence system can be categorized by the type of information stored, and by implication, by how the system is used in the analysis process. System types are defined one of four ways: (1) the storage and retrieval of raw data; (2) the storage and retrieval of abstracts of raw data; (3) the storage and retrieval of processed data; and (4) the storage and retrieval of intelligence reports and competitor

profiles. Systems one and two are very similar. Under system one, raw data are stored as is. In system two, the raw data undergo some initial processing in the form of abstracting. In either case, what is available is only raw data. This is in contrast to system four, where what is stored and available to users is the final intelligence. System three is similar to system four, in that the information is already processed but only includes detailed summaries. The information is not integrated into a comprehensive intelligence report, as it would be in system four, nor does it consist of many discrete, unrelated pieces of data, as in the other two systems.

Raw data may consist of field information, published information, or both. Whatever the source of the information, for each element of data, the following is stored: (1) complete source reference; (2) content; (3) reliability of source; (4) validity of source; and (5) security/access restrictions. The storage and retrieval of abstracts of raw data provide detailed information on the content of a document, and in some cases, substitutes for the document in meeting information needs. The essence of the document is extracted in a few key sentences and includes any relevant terms, company names, people, or processes. Rather than storing every piece of data as it is captured, processed data, on the other hand, is periodically integrated into already existing information. Information about competitors is categorized and included within each category is a summary of relevant data together with an assessment of the information and its implications. A system which is designed to store and retrieve intelligence reports and competitor profiles, in effect, serves as a vehicle for the dissemination of intelligence and nothing more.

Competitor intelligence products vary widely from company to company. Despite their diversity, four generic categories of competitor intelligence have been identified: (1) net estimates of competitor strategies; (2) periodic reports on competitive activities

and trends; (3) base case intelligence research on competitors; and (4) spot intelligence items of interest.

Spot intelligence is a request from management about a narrow topic of interest or which answers a specific question. Base case intelligence is the exhaustive, never-completed competitor intelligence case study. It covers all aspects of a competitor's organization, its business units, and the full range of identified strengths, weaknesses, and capabilities. This is the research core of intelligence and is best viewed as the working intelligence file on a competitor that details the past, outlines the present, and projects the future. Periodic intelligence, on the other hand, serves as a monitoring and reporting function. Produced on a quarterly or semi-annual basis, the periodic format provides a quick, summarized update on current competitor activity. Strategic net estimates are a final totalling up of a competitor's strengths and weaknesses, competitive performance, strategic goals, and most probable courses of action and reaction. Exhibits VIII-XII provide an overview of the categories of competitor intelligence as well as furnish supporting details.

Although other methods of dissemination may be used, the printed report continues to be the mainstay for the competitor intelligence system. An electronic mail system permits messages to be entered and delivered to a list of addressees. In addition, a set of user interest profiles comprised of keywords describing the specific interests of the system's users can be maintained on the system as well. Thus, any new message entering the system that matches the keyword established by the user will automatically be put on that user's mail queue. For those companies that have established a computerized intelligence database, written intelligence reports can be accessed directly along with the raw data. Logon messages are programmed into the computer so when the user logs on, a message indicates the latest available reports. Thus, to design the best dissemination system possible, the organization must consider



who should receive the intelligence and what vehicles are appropriate to meet the users' needs.

Moreover, different people absorb intelligence in different ways. Some people like to read while others liked to be talked to face-to-face. Others prefer listening to audiotapes. Some like charts and other assorted visuals, including videotapes. It is the intelligence unit's responsibility to determine what will work best for the decision-makers they serve, and to orient themselves to whatever turns out to be the most appropriate medium. Thus, the unit must be prepared to deliver its products in the form of reports, or audiotapes, videotapes, charts, briefings, or any combination of these.

Operational intelligence typically has a short horizon and requires immediate consideration. It usually contains information about developments that management may want to counter immediately. Such intelligence will, therefore, be reported on a daily basis or as the information becomes available. Examples of operational intelligence include competitor price changes, sales promotions, market analyses, and significant announcements by competitors to enter a new market or acquire another company.

On the other hand, strategic intelligence will, in general, be reported on a monthly, quarterly, and annual basis. Such intelligence supports longer-term decisions and as such consists of the compilation of comprehensive information that has been accumulated over a period of time. Strategic intelligence may include a monthly compilation of key statistics, a quarterly analysis of market trends, or in-depth competitor profiles.

In essence, every major business decision requires intelligence input to some extent. While each situation may call for unique information input, there are,

nevertheless, some common information building blocks underlying specific competitive decisions.

The intelligence input required for decisions regarding new products, for example, is in many ways similar to that required for entry into a new business, since both decisions deal with the uncertainty of competitors' response and the barriers to intrusion into a new or existing market. The cost of entering requires knowledge of the economics of the industry. If the incumbents have created barriers to entry, the cost of entry will be high. Moreover, the barriers to entry can take many forms: economies of scale in sales and service; established brand names; distribution channels tied up by incumbents; proprietary technology protecting incumbents. Thus, to understand the possible response of incumbents to a new entrant, intelligence is gathered on the incumbents' management, their motivation to fight newcomers, their history of fighting entry, as well as their range of offensive moves.

The type of intelligence required by the mergers and acquisition function is not much different than that required for industry and competitor analyses. Analysts are performing both analyses in the process of identifying an attractive industry, and a potential candidate within the industry. For example, if a company were looking to increase market share, its scanning would be in the same industry. Diversification, on the other hand, requires scanning for industries and companies with cash-flow patterns different from the firm's own pattern. Speculative acquisitions calls for scanning mismanaged companies and companies in trouble. In short, the merger or acquisition policy's objectives will determine to a great extent the nature of the intelligence sought.

Competitive analysis that culminates in the establishment of profiles provides information about the competitors' strengths and weaknesses, their likely future strategies, and an estimate of the competitors' responses to the company's own change

in strategy. An analysis of the competitors' strengths and weaknesses requires the dissecting of operations and then examining each component separately for competitive advantages and disadvantages. The list analysts use to size up the real capabilities of the competitor depends upon the purpose of the analysis. If the analysis is a comprehensive report on the competition, then one analyzes all of the competitor's operational areas. However, if the assessment of the competitor is done as part of a proposal for a particular strategic move, analysts use a specific list of factors or functional areas that are important to that move, and estimate the competitor's capabilities according to the tailored list.

In addition to compiling competitor profiles, shadow marketing is also a technique used in competitor analysis. As Carolyn Vella and John McGonagle, Jr. explained in their article, "Shadowing Markets: A New Competitive Intelligence Technique," it owes its name to the British political concept of the "shadow cabinet" which is formed by the party out of power in Parliament. Each member of the shadow cabinet is assigned a British government department to follow. In corporations, shadowing markets means preparing a document that comes as close to the competitor's market plan as competitive intelligence can make it. The scope of this endeavor typically includes:

- (1) monitoring personnel changes affecting any operation of particular interest;
- (2) reviewing press releases and speeches as well as stories in the trade press;
- (3) attending trade shows to meet with competitor personnel and contractors, such as advertising agencies or consulting firms;
- (4) reading corporate documents ranging from new technical product brochures to competitor newsletters;
- (5) following technological developments by tracking papers and articles by key personnel;
- (6) learning about the background and employment records of key executives;
- (7) tracking regulatory/legal matters in which the competitor may be involved; and
- (8) studying the competitor's track record and prior history to understand where its personnel came from, their

perspectives, and their experience. Once enough data has been obtained, competitive scenarios are written.

In its purest form, individuals engaged in shadow market planning essentially "become" the competitor being monitored. Those involved in the process think and react just the way the competitor does. Ultimately, by identifying with the competitor, shadow market planners are able to develop analyses of what the target will be doing over time and under various conditions.

Benchmarking is another analytical tool for measuring an organization's operations against the best-in-class companies inside and outside of its markets. The process of benchmarking, according to Timothy Furey in his article, "Benchmarking: The Key to Developing Competitive Advantage in Mature Markets," includes seven steps: (1) determining which functional areas within the organization will benefit most from benchmarking; (2) identifying the key factors and variables with which to measure competitive cost and quality for those functions; (3) selecting the best-in-class competitors for each item to be benchmarked; (4) measuring the organization's own performance for each benchmark item; (5) measuring the performance of the best-in-class performance for each item and determining the gap between the organization and the best-in-class; (6) specifying programs and actions to close the gap; and (7) implementing these programs by setting specific improvement targets and deadlines and by developing a monitoring process to review and update targets over time.

Moreover, benchmarking analysis covers one or all of the following broad categories: (1) cost - direct and indirect; (2) product or service quality and features; (3) consumer satisfaction levels; (4) organizational efficiency and effectiveness; and (5) corporate culture. Data for benchmarking analysis is gathered from three different types of sources: first, a wide range of published sources, including competitor generated information, articles in the national and trade press, analysts' reports, and

government documents. Second, in-depth interviews with third parties such as clients, vendors, and service agencies of the best-in-class companies. Third, analyses of one's own company operations.

In charting a competitor's current strategy, analysts look for signs that a major shift in strategy is about to take place. A competitor replacing its top officers may be headed for a new strategic direction, especially if the new executives in charge are not picked and nurtured by the previous management. In addition, a competitor that is building strength by adding resources may be signaling a change in strategy. Moreover, a competitor changing its advertising agency, consulting firm, or suppliers may, at the same time, be changing its strategic direction as well. By collecting intelligence, it is possible to infer the assumptions, beliefs, and reactions of the competitor's management team. Beliefs, together with goals and priorities shape a competitor's actions. What the competition believes about itself, its rivals, and the industry determine what it thinks it can and should do. Thus, if pieced together, intelligence can paint a relatively accurate picture of what drives the competition, and where it is driven to go.

## SUMMARY

No two competitor intelligence systems are the same just as no two companies are alike. Nevertheless, the process of intelligence does not vary. In all systems, this process is composed of four basic steps: first, selecting what needs to be known. Second, collecting the information. Third, transforming the collected information into finished products. Fourth, distributing these products to key decision-makers.

These are the steps required to produce intelligence no matter what the business or the issue at hand. What these steps add up to is useful, actionable information that a company can use to create and implement a successful competitive strategy.

Ultimately, the fundamental purpose of analyzing competitors is to understand one's own organization better.

## CHAPTER V

### DISCUSSION, IMPLICATION, AND RECOMMENDATIONS

If the emergence of seminars, a professional association, and numerous books and articles are any indication of the importance of a new organizational activity, then competitive intelligence has clearly come of age. The value of competitive intelligence is being recognized by everyone from presidents of corporations to traveling sales managers. At the same time, however, myths about the collection and use of intelligence still prevail. First, there is the myth that competitive analysis is only necessary in highly competitive environments. Lulled into a false sense of security, companies often neglect to monitor competitive threats outside the industry. This is particularly dangerous since threats from indirect sources of competition may prove to be more disastrous than those of direct competitors. In short, there is no such thing as a static environment. There are only environments in which competitors and their activities are more or less visible.

A second myth is that competitive intelligence must be comprehensive and uniform from one competitor to the next. This single-minded perspective results in generalized information that masks the idiosyncrasies that often lie at the heart of a particular competitor's strengths and weaknesses. Ultimately, the success of a company's strategic plan may hinge on exploiting the unique vulnerabilities of specific competitors.

The "more is better" assumption perpetuates the popular belief that the degree of uncertainty in decision-making declines as intelligence accumulates. Thus, executives are often overwhelmed with information that is completely irrelevant or at best tangential. The net result is information overload, a condition that masks any competitive advantage because it is buried somewhere in all of that data. Hence, faced

with large quantities of information that may be irrelevant to the task at hand or unrelated to the business decisions they are to make, many executives dismiss the entire competitor intelligence effort as wasteful and useless.

Equally as harmful are those executives who make decisions based upon whatever information is available at the moment. These executives have adapted to information-poor environments, where decisions are made without the proper intelligence background. Unfortunately, this too, leads to decisions that are made based upon invalid assumptions or superficial intelligence. If users receive a flood of information in the form of newspaper clippings, statistics, field reports, articles, and so forth, the system is not providing them with useful intelligence.

The purpose of the intelligence system is to supply users with intelligence, and to this end, the analyst's role is to serve as an intermediary between collectors and decision-makers by converting voluminous raw data into meaningful, useful intelligence. Dissemination of raw data should be limited to what users perceive as necessary background information and to what they will have time to read. Users should receive only those intelligence reports that contain information important to them as decision-makers. Thus, the information should be in a format that will free them to use it directly and without assembling and analyzing data.

The single most challenging problem for the intelligence unit is to obtain and maintain the active involvement of the various functional departments and line managers in the acquisition and communication of intelligence. However, an intelligence system that boasts an extensive product of no interests to users, is a system which is ultimately a waste of resources. Therefore, it is critical when creating a system that an analysis be made of user needs and requirements and a dissemination and reporting procedure be set up and geared to user specifications. This can be accomplished through the intelligence audit initially, and on an ongoing



basis through the users committee, which ensures that reports and briefings are user-driven.

Undeniably, it is a difficult task to clearly formulate one's information requirements. It is easier to make decisions based upon whatever is available at the moment, without articulating information needs or investing a great deal of effort in collecting and analyzing the appropriate data. Moreover, many managers prefer to do their own intelligence gathering and rely on their own informal networks rather than participate in a company-wide intelligence effort. In the long run, however, it is far more costly to both the individual and the organization.

Regarding the cost of intelligence, there is a common misperception that a linear relationship exists between the availability of competitive intelligence and a company's expenditures on intelligence related activities. Some intelligence costs nothing to obtain and is often an unintended by-product of other activities. Clearly, intelligence obtained by a salesperson in the field is a by-product of the selling activity, for instance. Other intelligence pieces may cost very little, such as a competitor's brochure or product. However, some intelligence, such as a competitor's strategic plans cannot be legally obtained at any price, and company management, moreover, should not expect to obtain such intelligence. Thus, an effective intelligence system should provide management with enough input to make informed decisions at a cost not exceeding the value of the intelligence.

Perhaps the most common and in many ways the most dangerous misperception regarding competitive intelligence is that a formal intelligence system is needed, and can only be undertaken, by large corporations. This is simply not true. Small and medium-sized companies, including divisions of larger corporations, need to know about the competition and other environmental factors just as much, if not more than, large corporations. The resources that may be available to invest in a formal system may be

limited, but that does not mean, however, that intelligence activities should not be undertaken. An effective system can be based on simple measures such as allocating existing staff on a part-time basis, formalizing some of the procedures discussed, and most importantly, raising every employee's awareness to the company's intelligence needs.

## IMPLICATION

In this discussion, an independent competitor intelligence unit, whether on the corporate level or within a business unit, has been assumed. However, not all intelligence units are independent, and whether they are separate or part of another department, whether they reside within a particular functional area or report directly to the chief executive officer, varies widely from company to company. To a certain extent, the diversity of these organizational structures can be traced to the fact that the activities tend to concentrate in certain functional areas more than in others. A formal intelligence function cannot be created in a vacuum. The result is that different companies design their newly organized intelligence effort around different existing intelligence centers. Economic departments conduct some type of environmental monitoring and analysis, marketing engages in pricing and product positioning, and the library engages in database searching for the entire corporation. Each of these areas may serve as the core around which to build a competitor intelligence system.

Frequently, the system develops where there is someone to fight for it. Unless there is a conscious effort by senior management to examine the various alternatives for structuring the intelligence function and to set it up in a manner most appropriate for its needs, the implementation of the intelligence system will be an evolutionary

process at best. At its worst, the function may end up anywhere in the organization, not necessarily where it can be most effective.

However, the fact that informal intelligence activities and some formal environmental scanning processes are carried out in nearly every organization suggests that in organizing a system, companies should rely as much as possible on existing centers and channels of intelligence activities. Moreover, careful restructuring can bring together under one area various groups that have previously functioned separately and have reported to diverse departments. These can serve as the foundation for a new, independent intelligence unit. Thus, traditional functions such as economic and country risk analysis, market research, and industry analysis can form the core of the new intelligence unit. More importantly, the advantage of using existing groups and organizational entities is that it can facilitate the acceptance of change by the organizational bureaucracy.

Even though a formalized competitor intelligence system may require automation and computers, the inputs to the system, can and must, be highly personalized. The personalized nature of the inputs, therefore, requires that the system involve, in addition to automated processing equipment, the right people at the right place to obtain information.

A competitor intelligence system will either succeed or fail on the effectiveness of its internal intelligence networks. For it to succeed, everyone must be enlisted in the intelligence process. Collectors should participate in the collection network and decision-makers should learn to use the system and its intelligence output to support their decisions. Participation of everyone in the organization requires that a positive companywide attitude be adopted. One way of doing this is to introduce change first in one division and demonstrate the success of the system there, before trying to sell the rest of the organization on the idea of intelligence. This should be a division that

either has already in place some of the components of intelligence that can be successfully incorporated into an intelligence system or a division that has a great need for intelligence but currently does not have it, so any improvement will demonstrate the value of intelligence.

Support by top management, however, is the single most important factor behind the success or failure of an intelligence system. If such support cannot be mustered, or if it falters after the system is implemented, then the company will not be able to maintain a successful firmwide intelligence system. Sometimes, the intelligence system is the brainchild of a single senior executive who nurtures it, but then leaves the company, after which the system deteriorates. Thus, it is imperative that commitment to the intelligence system go beyond the enthusiasm of a lone champion. One method of involving more executives in the intelligence function is to gain their participation in the various committees. Another is to tailor intelligence reports to top management interests and projects. Knowledge provides sound commitment on which to build the intelligence effort.

Through the creation and implementation of a competitor intelligence system, intelligence analysts can help managers to see more clearly the analytical link between the comparative performance of business opportunities and their competitive strategy. In turn, managers can focus the intelligence program on the most critical microeconomic factors in the business, while at the same time, improve the collection of competitor data by identifying the most useful, reliable information sources. By targeting the collection and analysis effort on the most relevant measures of competitive strategy, the use of limited intelligence resources can be facilitated. Over the long run, the development of this critical intelligence partnership between the intelligence staff and management will foster the growth of a program that effectively covers the full positional and performance spectrum of a competitor's strategy. More

importantly, this partnership will tie the corporate level strategic intelligence effort into the operational concerns and information sources of the company's information center.

A successful monitoring program requires constancy, longevity, and involvement. Competitors must be studied constantly in order not to miss the early warning that is critical for effective action. Otherwise, the company loses the chance to gain the market edge. Moreover, it takes time to generate a companywide commitment to monitoring, to develop contacts, and to establish manageable information storage and retrieval systems. To be truly effective, it may take three to five years. In that time, the trust of executives and departments must be won, networks must be established for gathering and evaluating intelligence as well as for training staff members in the various skills needed to collect information productively and efficiently. Most importantly, competitor monitoring must be a corporate effort. All employees must be encouraged to contribute information regularly. One person or group alone cannot possibly monitor competitors as effectively as the entire organization can.

For those corporations that have adopted an organized competitive intelligence function, the days of debating whether such activities should be carried out informally or formally are over. The main reason to formalize the function is, without exception, to combat the onslaught of competition and rivalry in maturing markets. Informal monitoring of competitive developments is no longer sufficient to ensure the timely warning of competitors' moves or the opening of new opportunities.

Dealing with competitors, however, does not always mean destroying them. To operate effectively over time, most industries require a group of good competitors. Having proper competitors allows a firm to earn more profits, develop new markets, and create better entry barriers than it could alone. For a firm to cope strategically

with its competitive forces, however, management must identify when to compete, when to cooperate, and how to do so effectively.

Competitive advantage is achieved if the firm alters the balance among the forces or creates an opportunity where there was none before. To this end, the ultimate objective of competitor analysis is to clearly understand the balance of power among these competitive forces so that changes are introduced where they will have the greatest impact.

While a company may have difficulty maintaining an individual advantage, it can transform a series of innovations into a valuable image. This image can help maintain a market position, especially in periods when a line of products or services is not successfully competitive. Thus, the harder the service or product is to emulate, the higher the barrier for the competition.

No matter what a company does, however, it cannot escape the changing environment in today's marketplace. Often, the uncertainties brought about by change affect the efficiency of a company's operations. Recognizing this, many companies are utilizing information which allows them to anticipate the changes occurring in their markets or industries. True, a company cannot escape change but executives can manage it, understand it, and even use it to the company's advantage with decisions based on quality information.

Information can ultimately alter the industry structure. It can create bridges between buyers and suppliers, barriers to rivals, and obstacles to new entrants. It also affords an inexpensive way to gain an immediate edge on the competition. Companies can differentiate themselves from the rest of the market, create new business opportunities, and sort out ideas that will work from those that will not.

The key to competitor analysis is the ability to go beyond the facts and figures and anticipate how competitors think. Facts reveal what competitors have done in the past. What management needs to know, however, is how competitors are going to respond in the future. The overall objective of the competitor intelligence program is to gather today's information in order to anticipate what competitors will do tomorrow.

## RECOMMENDATIONS

A competitive intelligence system must be tailored to each company's culture. The system's organization will depend largely upon whether the corporation as a whole is centralized or decentralized and whether or not it is to support key executives, operational managers or both. In addition, size and cost will have a major effect on the kind of intelligence system a company puts into place. There is a critical mass required. An effective system cannot be developed and maintained unless there is an adequate level of funding and staff to sustain its operation.

Nevertheless, it is not always possible to create an optimum competitive intelligence system. Due to the expense or uncertainty of its value, some corporations will not fund the development of a complete intelligence system from the outset. Competitive intelligence is not an all or nothing proposition, however.

An alternative approach to a comprehensive, ongoing competitor intelligence system is one which is tailored to meet the unique information requirements of a specific project. As John Prescott and Daniel Smith indicated in their article, "A Project-Based Approach to Competitive Analysis," a project-based competitive analysis system is distinctly different from a comprehensive, ongoing system on several dimensions. First, a project-based approach is more focused, driven by the specific information objectives of the project and is, therefore, more manageable. Second, the

number and types of competitors typically differ from project to project. Thus, relative competitive strengths and weaknesses, while commonly analyzed at the corporate or business unit levels, are actually unique to specific projects and are more readily evaluated at this level. Third, efficiency is enhanced to the extent that data collection is directed by the specific information requirements of a particular project, thus resulting in a lower cost-per-unit of useful information. Fourth, the results can be immediately integrated into strategy formulation and implementation. Lastly, a project-based approach may facilitate the acceptance and development of a more comprehensive, ongoing competitor intelligence system. The highly relevant information gained from a project-based analysis will hopefully sensitize key executives to the usefulness of systematically generated intelligence as an input to their decision-making.

Establishing a competitive intelligence system should be an offensive action, an initiative that should provide a company with a competitive advantage, not a reaction to what the competition is doing. The total cost with respect to time, money, and staff should be viewed as an investment into the company's future and survival. A major problem to overcome is the general lack of knowledge about intelligence and its uses. Additional time and effort are required to educate senior management on how and when to use intelligence. For the intelligence system to be effective, management must be committed not only to the system's development but also to its use as a way to outperform the competition.

As can be seen, a well-stocked, well-staffed corporate library is vital for a successful monitoring program. Moreover, the library is the ideal place to store competitive information because it is often centrally located and staffed by professionals who are experts at organizing and retrieving information. Information professionals make information gathering their full time responsibility. They are taught how to catalog and to organize disparate types of documents such as those used in



competitor analysis and monitoring. Due to their knowledge of printed and electronic sources, information specialists can select and package the competitor intelligence requested, publish articles summaries or newsletters, and create a master archive for competitor profiles, studies, and reports.

Sara Galligan, in her article, "The Information Resources Specialist as Group Facilitator in an Organizational Setting," aptly pointed out that participation by information professionals in the organization's decision-making process has benefits for the library as well as for the organization. The exposure and visibility of information professionals offer the chance to market library services, learn more about the organization, and propose the use of information sources in response to needs that arise during meetings and briefings. Moreover, the information professionals' direct contact with a broad range of organizational problems has ramifications for material selection, the promotion and use of automated and manual services in addition to how well the library staff is able to respond to particular information requests. Above all, information professionals gain direct access to the organization's concerns, while at the same time, have the opportunity to introduce both the skills and resources of the library to the company.

The ultimate goal of this project was to show that as far as competitor monitoring and analysis are concerned, information professionals can and should play a critical role in the overall success and effectiveness of a competitor intelligence program. As an intelligence analyst, the information professional can become a part of the business team, and at the same time, foster a growing appreciation of the role of information in the organization's strategic planning process.

In a competitive world, the strongest weapon is information. Information helps executives make more effective decisions and to channel resources into critical areas of

business operations. Thus, information needs to be communicated to them in the right format, at the right time, and with the appropriate degree of urgency. By organizing a competitor intelligence and analysis program, management will ultimately be organizing for survival.

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**EXHIBIT I****Sources of Competitor Information**What Competitors Say about ThemselvesPublic

Advertising  
 Promotional Materials  
 Press Releases  
 Speeches  
 Books  
 Articles  
 Personnel Changes  
 Want Ads

Trade/Professional

Manuals  
 Technical Papers  
 Licenses  
 Patents  
 Courses  
 Seminars

Government

Security & Exchange  
 Commission Reports  
 Federal Information Centers  
 Testimony  
 Antitrust

Investment

Annual Meetings  
 Annual Reports  
 Stock/Bond Issues

What Others Say about ThemPublic

Books  
 Articles  
 Case Studies  
 Consultants  
 Newspaper Reporters  
 Environmental Groups  
 Consumer Groups  
 Unions  
 Executive Search/Recruiting Firms

Trade/Professional

Suppliers/Vendors  
 Trade Press  
 Industry Studies  
 Clients  
 Subcontractors

Government

Lawsuits  
 Antitrust  
 Local/State/Federal Agencies  
 National Plans  
 Government Programs

Investment

Security Analyst Reports  
 Industry Studies  
 Credit Reports

**EXHIBIT II****Essential Elements of Information**

Name of Competitor Company  
Headquarters Address

**I. Background/History**

Major events; acquisitions; divestitures; mergers  
Overseas investments  
Industry reputation  
Corporate culture: past, present, continuity

**II. Business/Product Mix**

Five year segment analysis: sales/profits/investments  
Major products: market share/market growth

**III. Major Corporate Objectives/Strategies****IV. Recent Trends/Business Developments****V. Financial Analysis: Five Year Comparisons with Industry/Business Norms**

Sales growth  
Profit growth  
Return on assets  
Asset turnover  
Operating margin  
Net margin  
Return on equity  
Debt ratio

**VI. Strategic Assessment**

Strengths/weaknesses: functional and operational  
Strategic direction/management assumptions  
Expected performance/responsive capability  
Implications to competitor and company



**EXHIBIT III****Online Sources of Competitor Information****Textual Files for Industry Analysis**

Database	Features	Format
ABI/INFORM Administration	Business management	Abstracts
Arthur D. Little Online	Industry forecasts Product/market overviews Management commentaries Public opinion surveys Technology assessments	Full text
Industry Data Sources	Market research Economic forecasts Investment banking	Abstracts
Infomat International Business	Product/market overviews Economic forecasts Company news New products/technologies	Abstracts
Investext	Management profiles Sales/earnings Market share R&D expenditures	Full text
Management Contents	Marketing Operations research Industrial relations Organizational behavior	Abstracts
PTS F&S Indexes	Mergers & acquisitions New products Sociopolitical factors Developments	Abstracts Technological
PTS MARS	Advertising/marketing	Abstracts/tabular

## Exhibit III (continued)

Database	Features	Format
PTS New Product Announcements/ PLUS	Product press releases Mergers & acquisitions Litigation Contracts New facilities	Full text
PTS PROMT/PTS PROMPT DAILY	Mergers & acquisitions Marketing/advertising New products/technology Production	Abstracts
Trade & Industry	National/regional/local Index/ASAP Business news	Full text

## Databases for Industry News

Database	Features	Format
AP News	International/national/ business news	Full text
Business Dateline	Regional business news	Full text
Businesswire	Business press releases	Full text
McGraw-Hill News	Business announcements Mergers & acquisitions New products	Full text
Moody's Corporate News--U.S./ International	Business announcements Earnings Balance sheets	Abstracts/tabular
Newsearch	Executive/corporate news Product reviews	Full text
Newspaper Abstracts	Regional business news	Abstracts

## Exhibit III (continued)

Database	Features	Format
PR Newswire	Mergers & acquisitions Earnings Litigation	Full text
Reuters	Business news releases International trade Government statistics	Full text
Standard & Poor's News	Interim earnings Executive/corporate changes Contract awards	Abstracts
UPI News	Business news releases	Full text

## Company Directory Databases

Database	Features	Format
Corporate Affiliations	Business description Corporate history Officers/directors	Tabular
Disclosure	Business description Financial statements Officers/directors Litigation	Tabular
Disclosure/Spectrum Ownership	Stock holdings Trading information	Tabular
Dun's Electronic Yellow Pages	Headquarters addresses Branch locations Executives/officers	Tabular
Dun's Financial Records	Business ratios Balance sheets Income statements Corporate history	Tabular

## Exhibit III (continued)

Database	Features	Format
Dun's Market Identifiers	Business description Products Officers	Tabular
M&A Filings	Business description Corporate history Transaction data	Abstracts
Media General Plus	Stock data Balance sheets Income statements Business ratios	Tabular
Million Dollar Directory	Business description Officers/directors	Tabular
Moody's Corporate Profiles	Business description Financial histories Statistical records Capitalization	Tabular
Standard & Poor's Corporate Descriptions	Business description Corporate history Capitalization Earnings/finances	Tabular
Standard & Poor's Register Biographical	Officers/directors	Full text
Standard & Poor's Register Corporate	Business description Officers/directors Earnings/finances	Full text/tabular
Thomas New Industrial Products	New products Trade names	Tabular
Thomas Register	Products Trade names Business description Sales	Tabular
Trinet Company	Business description Sales	Tabular

## Exhibit III (continued)

Database	Features	Format
Trinet Establishment	Business description Sales Market share	Tabular

## EXHIBIT IV

## Government Sources of Competitor Information

## Federal Government

Source	Information
Commerce Department	Industry analyses Industry statistics
Congress	Legislative hearing records/testimonies
Consumer Product Safety Commission	Investigations of companies/products complaint reports/corrective actions
Environmental Protection Agency	Industrywide environmental studies
Federal Trade Commission	Industrywide studies Investigations of antitrust matters
Geological Survey	Aerial maps of facilities
Internal Revenue Service	Aggregate industry data Tax returns of non-profit organizations
International Trade Commission	Studies of industries threatened by foreign competition
Labor Department	Industrywide employment figures Reports of working conditions/labor training
National Institute for Occupational Safety & Health	Companies/industries with potentially Hazardous work conditions
National Labor Relations Board	Labor dispute records
Office of Technology Assessment	Studies of effects of new/emerging Technologies
Patent & Trademark Office	Patents/trademarks
Security and Exchange Commission	Company information Financial data Biographical data of executives

## Exhibit IV (continued)

## State Government

Source	Information
Attorney General's Office	Consumer complaints/investigations Company prosecution records
Commerce Office	Plant locations Industry trends/statistics State manufacturers directories
Highway Authority	Aerial maps of facilities
Labor Office	Labor conditions Labor statistics by industry
Legislature	Legislative hearings/testimonies
Occupational/Professional Licensing	Qualification records of professionals
Occupational Safety and Health Office	Job safety inspection records
Purchasing Office	State/company contract records for goods and services
Secretary of State's Office	Articles of incorporation Notices of mergers/acquisitions Company annual reports Uniform Commercial Code filings/ financial data
Securities Office	Prospectuses of stock offered only within the state

## Local Government

Source	Information
Building Department	Building permits Building inspection records

## Exhibit IV (continued)

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Source	Information
Consumer Protection Agency	Records of complaints/investigations Into companies, services, products
County/City Clerk	Real estate deeds Mortgage agreements
Health Department	Health inspection records
Planning Department	Development permits Loan guarantees
Property/Tax Assessor	Property values Property/building descriptions

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**EXHIBIT V****Field Sources of Competitor Information**

Source	Information
Chambers of Commerce	Business and executive information Consumer complaints Better business bureau investigation reports
Citizens Groups	Consumer/environmental investigation studies
College Alumni Associations	Executive profiles
Courts	Records of lawsuits filed by or against companies Records of criminal prosecution Bankruptcy records
Credit Reporting/Bond Rating	Company profiles
Labor Unions	Labor relations Unionization Work conditions
Newspapers	Articles about companies/executives Business conditions
Trade/Professional Associations	Lists of members Company/industry studies

**EXHIBIT VI****Intelligence Audit Interview Guide**

1. What are the major responsibilities of interviewee?
2. To whom does (s)he report?
3. With what groups does (s)he interface regularly?
4. What decisions does (s)he make and what reports are written?
5. What information is needed to make these decisions and for which reports?
6. What is the most useful information received? From whom?
7. How does the information get to interviewee?
8. What are interviewee's contacts in the industry and are they sources of information?
9. Does interviewee supply information to others in the organization? To whom?
10. What changes could be made to help interviewee get better intelligence and how would (s)he rate the intelligence presently being received with respect to adequacy, validity, reliability, volume, and timeliness?

## EXHIBIT VII

### Intelligence Awareness Briefing Agenda

#### General Background

Explanation of competitor intelligence effort  
Explanation of the importance of competitor intelligence

#### Essential Items of Information

List of targets and priorities  
Examples of particular items of interest which collectors should look for

#### Sources of Information

Potential sources of intelligence and solicitation of ideas

#### Field Collection Techniques

Legal/ethical issues of intelligence collection  
Basics of intelligence collection and field interviews  
Counterintelligence and security issues

#### Field Intelligence Reporting

Discussion of how, to whom, and when to communicate intelligence through formal channels  
Discussion of how to establish source reliability

#### Incentives

Discussion of implementation of incentive system  
Discussion of providing feedback

**EXHIBIT VIII****Spot Intelligence**Scope and Type

Specific topic  
User request  
Descriptive/responsive  
Short deadline

Purpose

Satisfy ad hoc intelligence needs  
Fill in minor information gaps  
Quick dissemination of secondary information

Level

Any

Audience

User-defined

Format

Short memo  
Telephone conversation

**EXHIBIT IX****Base Case Intelligence**Scope and Type

Broad  
Background  
Strategic/operational  
Descriptive/analytical

Purpose

Outline competitor's organization; performance; strengths; vulnerability; strategic direction

Level

Strategic/operational

Audience

Planning, marketing, and financial analysts

Format

Working file  
Detailed research report  
Limited distribution

**EXHIBIT X****Base Case Intelligence File****Strategic Background**

1. Overall competitive position within core industry
  - General reputation
  - Management reputation
  - Major qualitative strengths
  - Major qualitative weaknesses
2. Comparative financial performance (last five years)
  - Profitability trend versus industry averages
    - Sales margin
    - Asset turnover
    - Return on operating assets
  - Key growth rates
    - Sales
    - Profit margins
  - Capital structure, earning pattern, stock performance
3. Business portfolio analysis/investment strategy
  - Product mix by segment
  - Distribution of operating assets by segment
  - Comparative analysis of segment financial performance
    - Sales and profitability trends
    - Funds deployment trends (funds used/funds generated)
4. Geographic balance
  - Domestic versus international
  - Foreign subsidiaries

## Exhibit X (continued)

## 5. Corporate culture and history

Historical perspective

Growth pattern

Development milestones

Core organizational values and business mission

Managerial/operational style

Corporate Strategy

## 1. Announced objectives and strategies

## 2. Inferred goals

Domestic

International

## 3. Past strategies

Consistency

Continuity

## 4. Short term-long term constraints and tradeoffs

## 5. Competitors' reaction

## 6. Planning and implementation capabilities

## 7. Capital investment program

## 8. Acquisition and divestment pattern

## 9. Relative emphasis on growth through acquisition versus internal development

Business-Unit Strategies

## 1. Products/market share rank/demand assumptions

## 2. Capabilities, goals, actions

## 3. Relationship to corporate strategy

## Exhibit X (continued)

Joint Ventures

1. Type and purpose
2. Trends

Functional Analyses

1. Sales and marketing

Key products, market share, commitment  
 Product quality, client reputation  
 Pattern of product introduction  
 Pricing tactics  
 Distribution  
 Sales force caliber/reputation  
 Market research capability  
 Technical service  
 Major accounts/key clients  
 Marketing image

Overall  
 Key businesses  
 Key products

2. Operations

Competitive cost position

Geographic  
 Major product lines

Facilities profile

Locations  
 Numbers of employees

Expenditure patterns

3. Financial

Overall financial management ability  
 Credit ratings, borrowing capacity  
 Lender relationships  
 Business growth and development funding strategies



## Exhibit X (continued)

## 4. Organizational

Senior management control/decision-making process

Corporate structure

Line operations/supporting staff

Business units/product lines

Global/country teams

Centralization/decentralization

Congruence with corporate values

Informal structure and sources of influence

Dominant functions

Strongest business units

Human resources/personnel strategies

Employee talent; morale; turnover; productivity

Management

## 1. Overall reputation and accomplishments

Background, experience, functional orientation

Flexibility/adaptability

## 2. CEO profile

Abilities, tenure, reputation

Succession

## 3. Other key decision-makers

Dominant role models

Sources of influence

## 4. Depth and continuity

## 5. Outside board of directors

## Exhibit X (continued)

Strategic Net Assessment

## 1. Capabilities/weakness recap

Best at/worst at -- operations and functions  
Trends, capacity for change

## 2. Evaluation of perceived strategy

Management commitment  
Coherence and consistency  
Congruence with managements' assumptions; industry trends; business unit strategies; stated corporate goals  
Financial ability  
Match between company capabilities and strategic objectives  
Timing and implementation problems  
Probability of success (expected performance)

## 3. Probable competitive reactions and company response

## 4. Strategic implications for company

Threats  
Opportunities  
New issues

## EXHIBIT XI

### Periodic Intelligence

#### Scope and Type

Focused on key indicators  
Communicates essential elements of information  
Descriptive report

#### Purpose

Monitor and track competitor activities and trends  
Identify new essential elements of information and indicators  
Provide quick summary of comparative performance  
Updates base case intelligence  
Provides common frame of reference on competitors

#### Level

Operational/strategic

#### Audience

Senior management, line management, analysts

#### Format

Written report in brief summary format  
Maximum use of matrices, tables, and graphs  
Minimal analysis  
Wide distribution

## EXHIBIT XII

### Strategic Net Estimates

#### Scope and Type

Broad synthesis  
Action oriented  
Strategic  
Reasoned extrapolation

#### Purpose

Delineate competitor's strategy, means, and objectives  
Profile strategic assets and vulnerabilities  
Assess strategic threats and opportunities  
Provide comparative framework for competitive analysis  
Outline competitor's self-appraisal of its position, performance, and potential  
Forecast competitor's probable and alternate courses of action

#### Level

Strategic

#### Audience

Senior management

#### Format

Component of strategic plans  
Specialized briefing and/or written report profiling competitor's strategies  
Limited distribution

**BIOGRAPHICAL SKETCH**

SallyAnn Carr was born in Aurora, Illinois on January 1, 1953. Following graduation from Oswego Community High School, Oswego, Illinois, she attended Eastern Illinois University and in 1974 received a Bachelor of Arts degree in political science. In 1975, she received a Master of Arts degree in international and area studies from Western Michigan University. From 1976 to 1980, Ms. Carr was employed as a research associate in Chicago. In 1981, she received a Master of Science in Librarianship degree from Western Michigan University. For the past seven years, Ms. Carr has been employed as an information specialist and is currently the director of information services for a management consulting firm in Washington, D.C.