

COMPETITIVE INTELLIGENCE - A DECISION MAKING TOOL DURING RECESSION

"IT IS PARDONABLE TO BE DEFEATED, BUT NEVER TO BE SURPRISED"

Abstract:

Competitive Intelligence (CI) refers to the legal and ethical collection of information about competitors' activities in the market place. To stay competitive in the business world, it is always necessary for a company to take proactive measures in terms of formulating competitive strategies way before related events happen. The company should be aware of the product and business information of its competitors. Such intelligence can be very helpful to make the company more competitive to market its current products, identify new products for development and for entering into new business areas.

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The developed nations are finding a level of saturation and downfall in their markets. These scenarios have lead to corporations looking for areas and markets that will help them sustain the slow down and at the same time ensure that they do not have to wind up activities. This is the main concern of almost all organizations and therefore, competitive Intelligence has become an activity of increasing importance. Whether the need is for knowledge of an industry, a market, a product or a competitor, reliable global information is central. A good Competitive Intelligence program can minimize surprises and can help a corporation to sustain itself in tough times of recession.

Aim of the Study

The aim of the study was to find out the use of Competitive Intelligence to organizations in times of recession and slow downs

Keywords

Competitive Intelligence, Decision Making, Recession, Use of

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Context

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In purely competitive terms, never before was the business world presented by so many opportunities or dangers. The recent changes in the global economy where all countries are facing severe recession that is threatening to turn into a depression has highlighted as never before the importance of information and especially information on what the competitor is doing.

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Introduction

Competitor Intelligence is the analytical process that transforms disaggregated competitor intelligence into relevant, accurate and usable strategic knowledge about the competitors, position, performance, capabilities and intentions. Business intelligence, an alternate term for competitive intelligence, is the activity of monitoring the environment external to the firm for information that is relevant for the decision-making process of the company (Benjamin and Tamar Gilad). The objective of competitor intelligence is not to steal a competitor's trade secrets or other proprietary property, but rather to gather in a systematic, overt (i.e., legal) manner a wide range of information that when collated and analyzed provides a fuller understanding of a competitor firm's structure, culture, behavior, capabilities and weaknesses.

"Competitive Intelligence (CI) is both a process and a product. The process of Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and

long term planning needs of an organization. The product of Competitive Intelligence is the actionable output ascertained by the needs prescribed by an organization."

Key points of these definitions:

1. Competitive Intelligence is an ethical and legal business practice. (This is important as CI professionals emphasize that the discipline is not the same as industrial espionage which is both unethical and usually illegal).
2. The focus is on the external business environment.
3. There is a process involved in gathering information, converting it into intelligence and then utilizing this in business decision making.
4. The term is often viewed as synonymous with Competitor analysis but Competitive Intelligence is more than analyzing competitors — it is about making the organization more competitive relative to its existing set of competitors and potential competitors.

Historic development

The history of Competitive Intelligence began in the U.S. in the 1970s. In 1980 Michael Porter published the study Competitive-Strategy: Techniques for Analyzing Industries and Competitors, which was widely viewed as the foundation of modern Competitive Intelligence. After the Cold War ended, many U.S. (ex-) intelligence officers aimed at a career in the private industry including Frederick Rustmann, Jr. who founded CTC International Group, in 1992 a supplier of "Competitive Intelligence;" and wrote the book, "CIA, Inc: Espionage & the Craft of Business Intelligence." Rustmann is considered an expert in the competitive intelligence industry.

In 1986 the Society of Competitive Intelligence Professionals was founded in the U.S. and grew to 6.000 worldwide. In 1997 the Ecole de Guerre Economique (School of economic warfare) was founded in Paris, France. It is the first European institution, which teaches the tactics of economic warfare within a globalizing world. In Germany, Competitive Intelligence was unattended until the early 1990s. The term Competitive Intelligence first appeared in German literature in 1997. In 1995 a German SCIP chapter was founded, which is now second in terms of members in Europe

Principles of Competitive Intelligence:

Organizations use Competitive Intelligence to compare themselves to other organizations, which enables them to make informed decisions. Most firms today realize the importance of knowing what their competitors are doing, and the information gathered allows organizations to realize their strengths and weaknesses. With the right amount of information, organizations can avoid unpleasant surprises by anticipating competitors' moves and decreasing response time. Examples of Competitive Intelligence research is evident in major airlines who change their fares daily in response to competitors' tactics and also in case of financial institutions who change loan and interest factors on the basis

of their competitors policies. They use information to plan their own marketing, pricing, and production strategies.

Resources, such as the Internet, have made gathering information on competitors easy. With a click of a button, analysts can discover future trends and market requirements. However Competitive Intelligence is much more than this, as the ultimate aim is to lead to competitive advantage. As the Internet is mostly public domain material, information gathered is less likely to result in insights that will be unique to the company. In fact there is a considerable risk that information gathered from the Internet will be misinformation and mislead users.

As a result, although the Internet is viewed as a key source, most Competitive Intelligence professionals will spend their time and budget gathering intelligence using primary research — networking with industry experts, from trade shows and conferences, from their own customers and suppliers, and so on. Where the Internet is used, it is to gather sources for primary research as well as information on what the company says about itself and its online presence (in the form of links to other companies, its strategy regarding search engines and online advertising, mentions in discussion forums and on blogs, etc.). Also, important are online subscription databases and news aggregation sources which have simplified the secondary source collection process.

Internet also helps organizations to know about the existence of any new competitors because most new entrants in a field have their information on the net.. Knowing more about your competitors will allow your business to grow and succeed. The practice of Competitive Intelligence is growing every year, and most companies and business students now realize the importance of knowing their competitors.

What is Recession?

In macroeconomics, a recession is a decline in a country's gross domestic product (GDP), or negative real economic growth, for two or more successive quarters of a year.

An alternative, less accepted definition of recession is a downward trend in the rate of actual GDP growth as promoted by the business-cycle dating committee of the National Bureau of Economic Research. That private organization defines a recession more ambiguously as "a significant decline in economic activity spread across the economy, lasting more than a few months." A recession has many attributes that can occur simultaneously and can include declines in coincident measures of activity such as employment, investment, and corporate profits. A severe or prolonged recession is referred to as an economic depression.

Aim of the Study

The aim of the study was to find out the use of Competitive Intelligence to organizations in times of recession and slow downs.

Sampling

For the purposes of this research convenience sampling was used, since it was extremely difficult to identify a sample base of firms and also because no known research has been done in this particular area. This is a preliminary investigation, as more respondents are required to have more general result. The questionnaire was administered to 50 business executives. Sixty percent of the respondents were males and forty percent from females. All respondents selected were those who had used Competitive Intelligence at some time for decision making in their firms.

Survey Design

The aim of the questionnaire was to know whether Competitive Intelligence was useful in times of recession. Open ended question on utility, method, ethics, need, adaptability where posted.

Results

Utility: 90% of the total sample felt that Competitive Intelligence was highly useful in times of recession. The rest 10% felt that meltdowns were difficult times when all resources should be utilized in sustaining the organization and concepts like Competitive Intelligence should be left aside because they took a lot of time and money.

Method: The question asked was the method used by their organization to collect data on competitors. 50% of the respondents said the method depended on the information that need to be collected but mostly used out side agencies. 30% said that they had in-house research departments and 20% used the internet extensively for collecting of information.

Ethics: Though all the respondents would like to believe that they are ethical at the point of data collection, it does not seem to be the case. Those relying on outside agencies are not clear on whether agencies hired by them are using ethical methods. Organizations using internal staff for data collection admit that at times some money exchanges hand with consultants, lawyers, suppliers, ad agencies etc. or other agencies to get a look into the competitor's matters.

Need: The two question put to the sample on use of Competitive Intelligence were

- Is Competitive Intelligence need at all by your organization
- Is Competitive Intelligence needed in times of recession?

Though all respondents selected were those who had used Competitive Intelligence at some time for decision making in their firms the response to the first question was quite surprising. 16% of the sample (8 nos,) felt that though their organization used Competitive Intelligence they did not seen the use of the same and were not sure if the intelligence used was ever used in Decision Making!! They felt it was just a process to collect data and file it, the data is never used therefore, there was no need of Competitive Intelligence. About 40% felt that the need was there but the cost did not justify the need while 44% felt that the need was there and that Competitive Intelligence had helped decision making and was definitely used in their organizations as an important tool in decision making.

In response to the second question 10% of the sample felt that Competitive Intelligence is not needed in times of recession. 50% felt the need during recession was more than in normal times but selective use would be necessary due to the cost aspect. While 40% felt that Competitive Intelligence was an important tool to survival in times of recession.

Adaptability: 90% of the sample was on the opinion that adapting of different methods of data collection for the purpose of Competitive Intelligence at different times was a must. Innovative methods need to be designed to get relevant and more data in times of recession (some time resorting to unethical methods is a must). New technology should be used more effectively for the purpose, like the internet. A very effective methods suggested has been the used of academic institute to do the base data collection. 10% of the sample felt that standardized methods got standardized data which had less chance of being wrong or misleading and thus adapting different methods at different times could lead to collection of wrong data, difficulty in comparison and thus dilution of standards and wrong decisions.

Applying competitive intelligence

Planning and focus: Competitive Intelligence should only focus on those business issues that are of critical importance for a company. These issues are known as key intelligence needs or requirements. The importance of this function is also to give guidance on the required resources for the Competitive Intelligence project or process, as well as to establish the purpose and result of the findings.

Collection: during this phase, information is collected from a variety of sources for examination and verification. Collection comes from a variety of different sources and gathering techniques.

Analysis: during this phase, information is turned into intelligence through a process of interpretation. The results should be useable in strategic decision-making.

Communication: the results of the Competitive Intelligence process are communicated to those with the authority and responsibility to act on the findings in an appropriate format and at the right time.

Process and structure: Competitive Intelligence requires appropriate policies, procedures and an infrastructure so that employees may contribute effectively to the Competitive Intelligence system as well as gain the benefits from the Competitive Intelligence process.

Organizational awareness and culture: for a company to use its Competitive Intelligence efforts successfully, an appropriate organizational awareness of Competitive Intelligence and a culture of competitiveness is necessary. While decision makers should call the shots on what intelligence is required, information gathering should be on everyone's mind .

Competitive intelligence during recession:

Competitive Intelligence can be used as an effective tool by organizations during a recession for the purpose of sustainability. For a modest investment, it is possible for a company to create a competitive-intelligence unit that gives its managers the one thing they need most in a downturn: "a crystal ball". They can't predict the future, but corporate spies can help managers understand what competitors have up their sleeves, information that they can use to deploy scarce resources, price products and services, modify strategies, and avoid costly mistakes. "When you're going into a war situation, you don't want to be cutting the budget of the CIA," says Michael Mace, chief competitive officer at handheld-computer maker Palm Inc. "And when you're going into a recession, you don't want to be cutting your ability to look into the future."

When demand dries up, says Bill Lewis, director of McKinsey Global Institute, competitive intensity increases dramatically. Yet when companies are besieged by collapsing profits, it gets harder to justify a team of crystal-ball gazers.

Industry-sponsored research, while far from conclusive, suggests that companies that engage in corporate spying see a payoff in increased revenue, costs avoided, and better decision-making. With the economy in free fall, those advantages can make all the difference. Mark R. Little, director of strategy analysis for GlaxoSmithKline PLC feels "If you don't have competitive intelligence, you're going to be in trouble." And if you do, at least you'll see it coming.

Use of Competitive Intelligence during recession

Planning: Competitive Intelligence provides strategic planners with information on rivals in order to take more informed decisions in the long term to counter any moves initiated by rivals. In times of recession where the flow of funds get limited the information on rivals movements can help save a lot of money an efforts. Furthermore, Competitive Intelligence can provide an indication of changing economic factors in order that organizations can develop contingency plans to protect against a weak economy. Organizations can be prepared well in advance for slow downs and monetary squeezes

Employee Policies: Most concerns tend to layoff workers or resort to pay cuts during recessions. This leads to a lot of ill will and dissatisfaction among the employee community especially if the other organizations in the industry have not followed the same policy. Competitive Intelligence helps an organization to know what others in the industry are doing and accordingly plan their employee policies.

Market shares: Recessionary periods always see a slow down in sales. The demand conditions for almost all types of goods, barring necessities, tend to shrink. The main efforts of marketers are then concentrated on maintaining of market share. Competitive Intelligence helps marketers to know what steps other organizations are taking to guard their market share and thus helps them to work out similar strategies.

Availability of finance: The present slowdown had been brought on by the financial sector. The market today sees a huge drop in finances available to the industry. Competitive Intelligence helps organizations to find out the source and cost of finance available to competitors .

Mergers and Acquisitions: Recessionary periods see a lot of firms going bust and thus being taken over by others. Recessions are best times for mergers and acquisitions, but in order to know which organization is ready for the block or when an acquisition will be beneficial Competitive Intelligence is a must.

Research and Development: During period of recession R & D budgets generally go under the scanner first. Organization that reduces their R&D budget may be adversely effected if competitors continue their efforts in R & D. Competitive Intelligence helps to find out the effective \cut in R&D activities of other organizations in the industry and thus helps in taking a decision regarding cost cust for Research and Development.

Pricing: Recessions see reduction in purchasing power of the customer but organizations cannot resort to drastic price changes because it can impact on consumer confidence. A sharp reduction could make the customer feel that he was being fleeced all this time and thus may make him feel cheated which could lead to reduce demand or encourage brand switching. It is therefore important to know what the competition is doing regarding pricing and then change prices that are in favor of the customer and the organization does not suffer losses.

Advertising: Budgeting for the advertising and media to be used for advertising during recession is a very big challenge which organizations face. Though logic would say to do away with the expenditure of advertising, it is not practically possible to do so infact what is needed more is aggressive marketing to stay in sight. Organizations should therefore try to be aware of the media being used by the competition, what they spend on advertising and the style of the adverts. If rivals are successful in a particular media, it might be worth trying. Sales representatives are the best source of this type of information.

Ethical Issues in Competitive Intelligence during Recessionary Period:

Though fundamentally Competitive Intelligence refers to, “the legal and ethical collection of information about competitors’ activities in the market place”, still, some intelligence-gatherers step over the ethical line. This is seen most during times of recession when Competitive Intelligence becomes very essential but organizations are not prepared to spend the money required in collecting information ethically.

Competitive information should be ideally obtained from public or subscription sources, from networking with competitors customers, or from field research interviews. Competitive Intelligence is different from industrial espionage, as Competitive Intelligence practitioners generally abide by legal guidelines and ethical business norms.

There is a strict code of ethics followed by reputable Competitive Intelligence practitioners, laid down by the Society of Competitive Intelligence Professionals (SCIP). Thus activities like –

- networking with competitor staff
- bugging of offices or meeting places
- bribing of staff or key position holders
- using of cleaning agencies to scan trash for proof
- attracting key staff with bigger salaries to derive information

are all considered as unethical practices and are not to be used by Competitive Intelligence Professionals

Competitive Intelligence Professionals must accurately disclose all relevant information, including one's identity and organization, prior to all information seeking. This ensures that primary research is conducted ethically without misrepresentation. At the same time, it may not be in the interests of the research to declare the ultimate purpose for which the information is being gathered - hence it is only required to disclose relevant information to sources such as one's identity, organization, etc. It is not a requirement to say who the ultimate client is, and so many organizations employ consultants who can be totally honest about who they are while keeping their client's name confidential. Such consultants will say that the information is being collected as part of a benchmarking or industry study, for example. What is not said is that the benchmarking study is being done only on competitors to the client!

Though the above guidelines are very clear in relation to Ethics in Competitive Intelligence and are laid down by Society of Competitive Intelligence Professionals, when organizations face desperate situations and funds are short most of these principles are dumped and short cuts are found to collect information. Difficult times bring out the importance of information and the methods used to collect information are mostly unethical. The most preferred methods of collecting information thus become

- bribing
- bugging and
- poaching

Conclusion:

One of the key success factors of a Competitive Intelligence is a Competitive Intelligence culture. The absence of a Competitive Intelligence culture and policy, effect the growth and expansion of many firms. Mere collection of data is not Competitive Intelligence. What companies do to use information to gain a competitive advantage is important. Many practitioners believe that true intelligence is created when information is analyzed and converted into actionable intelligence on which strategic and tactical decisions may be made (Gilad & Gilad, 1985a; Gilad & Gilad, 1986; Kahaner, 1996; Calof & Miller, 1997; Herring, 1998). Absence of an intelligence culture makes it difficult to conclude

whether Competitive Intelligence is an essential tool used to gain competitive advantage during recessions. However, based on the various dimensions of the survey, Competitive Intelligence can be effective but the users are not using it properly.

From the results of this study, it can be concluded that Competitive Intelligence is an effective tool to decision making in times of recession, however, it is not being used effectively. Data is being collected but the information collected at times lacks accuracy as the information cannot be verified due to the secrecy aspect. Because the information gathered lacks accuracy it cannot be properly analyzed and the resultant decision taken may not enhance a company's competitiveness. According to Malhotra (1996) inaccurate information may jeopardize the organization's Competitive Intelligence efforts and could lead to false confirmation, disinformation and blowback.

Recommendations

Competitive Intelligence is more than just collecting information- it is a systematic process involving planning, analysis, data collection, collation/preparation for analysis, communication, and process management. Thus whether it is used in times of boom or recession the process to be followed is very important. Short cuts to the process lead to haphazard work and wrong decisions. Most firms in India do not have the process and those following Competitive Intelligence generally look at it as a snooping exercise where they want to know the competitors secrets.

Competitive Intelligence is something that can enable organizations to gain a competitive advantage yet it has not been fully implemented in Indian organizations and a Competitive Intelligence culture does not exist. It seems therefore, that Indian firms are still not well equipped to conduct good intelligence practices such as practiced by their counterparts in the United States, Japan, Sweden, France, Israel and others.

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