

Role and Function of Competitive Intelligence in Gaining Competitive Advantage

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In a competitive world whose companies have access to the same data, who will excel at turning data into information and then analyzing the information quickly and intelligently enough to generate superior knowledge?

Max Hopper, former Chair, American Airlines

1. What is Competitive Intelligence?

Competitive Intelligence is the analytical process by **which public** (accessible to or shared by all members of the community) **information** (i.e. disaggregated market and competitor data) **is collected and transformed** (through quantitative and qualitative analysis) **into valuable intelligence** (i.e. relevant and usable strategic knowledge about competitors' position, performance, capabilities, and intentions) **for use in tactical and strategic business decisions**. Competitive intelligence is also the product of that process. A Competitive Intelligence program entails a continuously evolving integration of both formalized and informal processes by which organizational members assess key trends, emerging discontinuities, the evolution of industry structure, and the capabilities and behaviours of current and potential competitors to assist in maintaining or gaining competitive advantage (**Dishman, 1998; STN, 1996**).

Management gurus and consulting companies define competitive intelligence in similar terms. *Competitive Intelligence* is "the careful analysis of information that brings critical insight to business decision-making" (**Fuld, unknown**). It is "the most powerful business tool of the 21st Century that will aid decision-makers in an ever increasingly competitive market. It can be utilised for both offensive and defensive purposes" (**ODC, 2000**);

The only formal body of competitive intelligence professionals, The Society of Competitive Intelligence Professionals (www.scip.org) defines Competitive Intelligence as "the process of monitoring the competitive environment. Competitive intelligence enables senior managers in companies of all sizes to make informed decisions about everything from marketing, R&D and investing tactics to long-term business strategies. Effective competitive intelligence is a continuous process involving the legal and ethical collection of information, analysis that doesn't avoid unwelcome conclusions, and controlled dissemination of actionable intelligence to decision makers."

Johnson (2001) defines Competitive Intelligence with great detail: it is the purposeful and coordinated **monitoring** of one's competitor(s) [those firms which one consider **rivals** in business, and with whom one compete for **market share**], within a specific **marketplace**. Competitive intelligence is used to gain **foreknowledge** of one's competitor's plans and to plan one's business strategy to countervail their plans. The "intelligence" part of the formula will involve many methods at the tactical **collection** level, but it will also require **integration** into one's existing information infrastructure, **analysis** and **distribution** of the information, and finally, the calculation of **business decisions** on the grounds of that information and its analysis.

But, says **Johnson (2001)**, a competitive intelligence consultant of the new school, competitive intelligence is dead. Since Johnson still has to make money out of the dead, he proposes to re-invent it, take it out of the "competitor" zone and into "enterprise". Here again comes a crusader for Knowledge Management, in the guise of a "competitive intelligence for opportunities";

Johnson (2001) wants businesses to “think of the intelligence function as a “business within a business” in its own right”. Being an “intelligence professional”, he is pushing his own barrow. Competition will exist, because it is genetically inherent in the human nature. True, we may run out of products, but we will still compete in the type of services we provide.

2. Defining Competitive Advantage

I have reservations about attempts to identify and define competitive advantage. Few products cannot be imitated, barriers to entry can only be guaranteed by regulation, core competencies are almost impossible to identify, customer loyalty depends largely on branding, and even famous brands can lose their attraction; a cost advantage can be quickly eroded, particularly as technology changes. This is a distinctive feature of a dynamic market economy. If a firm's competitive advantage could not be challenged there would be no change and no economic progress. For most companies competitive advantage is not static. The process of maintaining competitive advantage involves understanding the company's strategic advantage profile at the present, being aware of changes in the competitive environment, and having the capacity to change effectively (probably proactively) as the situation changes.

However, for the sake of comprehensiveness, I will quote a few definitions. **Cogburn (2000)** defines competitive advantage as maximizing productivity and efficiency within a distinct industry. Prof. Michael **Porter (1990)** states that there are two basic types of competitive advantage: lower cost and differentiation. Lower cost is the ability of a firm to design, produce, and market a comparable product more efficiently than its competitors. Differentiation is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service.

3. The Role of Competitive Intelligence

According to **Johnson (2001)**, “Competitive Intelligence is a value-added concept that layers over the top of business development, market research and strategic planning.”

Using Competitive Intelligence, the focus for an organization changes:

- from in-depth studies of its current competitors and what they have done and are currently doing to what they are about to do and what they seem to be planning to do in the future
- from market share to market opportunity how to shape the market of the future to your company's benefit
- from studying the past to creating the future
- from reacting to acting
- from following the market to driving the market.

The Competitive Intelligence information obtained using competitive intelligence process can be used in programs that supplement planning, mergers and acquisitions, restructuring, marketing, pricing, advertising, and R&D activities. (**Melhotra, 1996**)

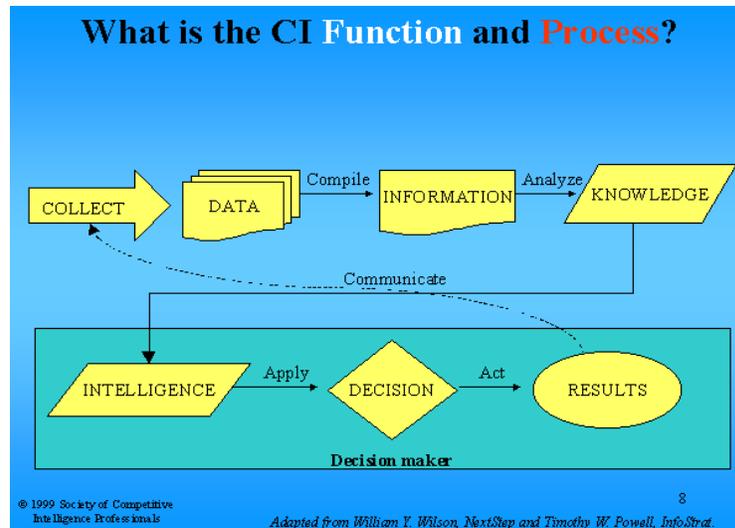
4. Functions of Competitive Intelligence

The functions of competitive intelligence are:

- to prevent surprises that could hurt the business
- to identify opportunities for the organization
- to gain competitive advantage by reducing reaction time

- to improve long and short term planning. (STN, 1996)
- to provide Actionable Intelligence for use in the development of strategies.
- to engender a greater understanding of your own company.
- to identify threats (ODC, 2000)

SCIP (1999) provides a comprehensive plan of action for a generic competitive intelligence project:



How can these functions be achieved?

There are three components to competitive intelligence: information gathering, analysis, and dissemination.

The information gathering component of competitive intelligence falls within the expertise of Information Professionals. Using the various online services providing an increasing number of ways to analyze search results, Information Professionals can now present information in "intelligent" reports more easily than ever before, and initiate the communication needed to move intelligence to where it is needed. These channels may already exist through the networks many Information Professionals have already established.

The groundwork for the competitive intelligence process is done through an internal Competitive Intelligence Audit that is primarily a review of the organization's operations to determine what is actually known about the competitors and their operations. As a starting point for obtaining competitive intelligence data, the organization generally has some knowledge of its competitors, and its own competitive intelligence needs. In absence of a definition of its information needs, the organization may not be able to deploy its resources effectively. To avoid such a scenario an organization may conduct a competitive intelligence audit that is effectively a review of its current operations to determine what is actually known about the competitors and their operations.

Next comes proactive monitoring of changes in the environment that can impact the organization. Things that can cause radical shifts or discontinuities should be picked up, analysed and passed on to those who need to know. Watching competitors and the relevant industry segment are the two most crucial components of the competitive intelligence process (STN, 1996). Malhotra (1996) states that the competitive intelligence unit is responsible for collection, evaluation and analysis of raw data, and preparation, presentation, and dissemination of competitive intelligence, either by

handling all the activities itself, or it assigning some tasks to an outside contractor. The competitive intelligence unit has also to decide upon the choice of sources of raw data.

A slightly different approach to the phases of competitive intelligence is sponsored by **Farrell (2001)**, who adds a *destination phase* (the preparedness and the capability to perform the task) before the gathering stage, and a *disengagement phase* (debriefing clients and reflecting to improve the process) after the dissemination stage.

Johnson (2001) states that competitive intelligence units should cooperate with other, pre-existing intelligence departments, such as Knowledge Management, Information centres, Information Systems, etc. **Marvin (1999)** gives a short overview of the role librarians play in the competitive intelligence process, as well as of resources available to them.

The biggest obstacle to the implementation of Competitive Intelligence processes is, according to **Pasemko (2000)**, lack of resources. He encourages the establishment of intelligence networks, both internal and external, as well as the use of the Internet, to lower expenses.

5. Competitive Intelligence in Context

The Immigration Law industry in Australia is highly regulated by two main bodies: the department of Immigration and the Migration Agents Registration Authority. As result of this regulation, all Migration Solicitors and Agents work under similar external conditions. The legal information needed is available to all and sundry equally, and under Australian Freedom of Information Act, all legal practitioners can obtain – in theory at least – equal access to information sources.

However, this does not mean that competition for clients between various Migration Law Services does not exist. On the contrary, the competition is quite high, and not all players play according to rules. But I will limit myself here to the kind of Competitive Intelligence (and therefore legally approved mode of information gathering) that gives a Migration Solicitor competitive advantage over his/her colleagues.

Success in legal practice is about reputation. The more successful cases a practitioner has, the bigger the chances that clients will keep streaming through the door. Therefore, client satisfaction is a major competitive advantage in the industry. To keep clients satisfied, a practitioner needs to do his/her homework. Competitive Intelligence is not about what the other Migration Solicitors are doing (they are all doing the same thing due to regulations), but how they are doing it, and how the practitioner in question can do it better.

Keeping updated on Governments policies, constant networking with relevant authorities, and attendance of courses and seminars all constitute Competitive Intelligence processes. Acquainting oneself with the situation of foreign countries, especially the economic and political one, helps estimate where the potential client market is going to be in the next few years. Planning any further than that seems rather frivolous, considering that the Australian Government tweaks the legislation every six months.

Resources are available, both online and in hard copy. The Department of Immigration and Multicultural Affairs has a very comprehensive website at www.immi.gov.au (the search engine is hopeless, though). The Department also has its own library and research centre. Materials can be obtained through inter-library loans. The Government Publishing House prints all the legal materials necessary for operating one's business. Its bookshops are available in all major Australian cities. The Legal Books Company (LBC) publishes an electronic copy of the same legal

material, in CD-ROM format, with databases stretching over the past 10 years and an excellent full-text search engine.

Both the Refugee Review Tribunal and the Migration Review Tribunal have huge databases of case law available for free online (<http://www.rrt.gov.au/> and <http://www.mrt.gov.au/>). The Migration Institute Australia advertises on its website (<http://mia.org.au/>) courses for continual development and various seminars. Australasian Legal Information Institute (<http://search.austlii.edu.au/>) has an extensive database of Federal Court and High Court cases as well as all Australian Acts and Regulations in text in ASCII format (which makes them look like scrambled eggs after downloading, but still saves money on buying them). The above are just examples of what is available in this rather narrow field of legal practice. The complete list of main online resources is much longer.

Another area of Competitive Intelligence in the Migration law Industry is service fee. This area is not regulated, with the end result that Migration Agents and Solicitors charge hugely different fees. A good knowledge of service providers in the geographical area one practices in, and of the client demographics allows a practitioner to decide how much can be charged without potentially underselling oneself, or losing clients to more reasonably priced service providers.

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