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## The State of Business Competitive Intelligence in Australia

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The full report is available for \$100 USD, from SCIPAUST, MindShifts level 1, 1- 5 Railway Street Chatswood AUSTRALIA 2067.

### REPORT SUMMARY - the 1996 Survey

#### **INTRODUCTION**

This report is the first empirical study to estimate the extent of use of business competitive intelligence in Australia. In summary, there is widespread recognition that competitive challenges and risks will increase significantly in the future, and that there is an increasing need to monitor competitors if firms are to remain competitive themselves. However, most firms in Australia currently use relatively unsophisticated methods to keep track of what their competitors are doing, and of their own competitive position in the market. Most recognise the need to improve the quality and integration of their competitive intelligence, but only about half are in the process of implementing or developing plans, and many seem unsure of how to adopt more effective, integrated, and systematic approaches to BCI.

#### **WHAT IS BUSINESS COMPETITIVE INTELLIGENCE?**

Business Competitive Intelligence (BCI) is concerned with the methods companies use to monitor their competitors, their own competitive position, and to improve their competitiveness. BCI is concerned with the techniques used to select and filter information from a wide array of sources, to interpret and analyse it, to communicate it to the right people, and to use it effectively. Although all good managers intuitively carry out BCI, the information explosion, changing technology, and increasing global competitive pressures mean that there is an increasing need to develop more systematic ways of using BCI.

In the USA, research in three industries (telecommunications, packaged foods and pharmaceuticals) points to about 68% to 88% of major firms recognising the importance of BCI (Jaworski and Wee, 1993: p24). However even in the USA the majority of firms surveyed still use informal methods for BCI, and only between 15% and 35% use structured formal BCI (ibid p28). In Australia the situation is similar, although direct comparison is difficult; 60% use informal rumours and contacts on a regular basis, but only 15% make regular use of a systematic integrated approach to BCI.

#### **KEY FINDINGS**

##### **Competitive challenges will increase**

- Firms in Australia see the level of competition in their markets increasing a lot in the next few years, even though they are *already* in very competitive markets. The largest perceived increases are in Business services, Finance and Manufacturing.
- If they are to remain competitive over the next three years, managers generally see a need to know more about new products and services, technology, and about competitors and potential competitors.
- All this points to a strong need for more effective BCI. However there is a degree of complacency, with most of the respondents seeing themselves as above average in their ability to compete and similarly above average in their ability to monitor competitors and competitiveness.
- Perhaps the largest competitive challenge facing Australian firms is from their own managers; it is only when managers grasp the usefulness of BCI, and are willing to

adopt more sophisticated and integrated approaches to BCI that they will be able to meet the competitive challenges they face.

***The pattern of use of BCI is mostly unsystematic and unsophisticated***

- Most firms still rely on informal methods, such as rumours, to keep track of their competitors and their own competitiveness. Whilst such approaches are suited to a hands-on management approach in relatively simple market conditions, they are less effective in increasingly complex and sophisticated global markets;
- While about 60% of firms make regular use of strategic reviews, only about half that number make use of systematic intelligence gathering (such as competitor auditing, benchmarking, etc). Strategic planning without reliable, focussed and timely information about competitors and competitiveness is largely useless;
- Senior management is seen by 78% of respondents as having primary responsibility for keeping track of competitors and competitiveness. In future, senior management will retain its key role, but responsibility will be more diffused through the organisation. Increasing sophistication of BCI techniques and sources means that senior management will need to install effective systems to allow better delegation of responsibility for gathering, analysing and communicating BCI. This has some major implications for training and staff development and for the coordination of BCI.
- The main sources used to keep track of what competitors are doing are newspapers, front line staff, customers and trade literature; - these are used regularly by about 70% of respondents. A surprisingly high proportion of respondents make little or no use of electronic data bases and news services, or of market research. This points to many lost opportunities for cost effective BCI;
- The level of resources devoted to monitoring competitors is very low; around one cent per dollar of turnover, and usually around 1% to 4% of staff. Smaller firms tend to devote a higher proportion of their resources to BCI;
- BCI usage has a measurable effect on the perceived ability to compete; firms that have put more emphasis on BCI also see themselves as better able to compete than those that have not. Most of this benefit seems to be related to better BCI processes and techniques than to the increased use of BCI sources.

***Plans for the future reflect a degree of complacency***

- There is clear recognition that the world will become more competitive; 83% of respondents see the level of competition increasing in the future. What is less clear is whether Australian firms are planning adequately to meet the challenges that they see as inevitable. Only about 22% have actual plans in progress to improve their ability to keep track of competitors and competitiveness;
- There appears to be a degree of complacency and self deception which is inhibiting managers from instigating effective planning to improve BCI; 67% see themselves as above average in ability to compete, and 48% see themselves as above average in their ability to monitor competitors. Despite this, many of those who consider themselves as above average either carry out no strategic planning on a regular basis, or, if they do, only about half of them make regular use of BCI processes that would give them the information necessary to effectively monitor competitors;
- What is encouraging though is that about 50% of managers see a need to better integrate BCI and strategy, even though they may need help to do this. This suggests that the unsophisticated and unsystematic approaches to BCI will become less common in future.

The report sets out the results from a stratified survey of 544 firms in Australia. In total, 139 useable responses were received. Follow up of non respondents indicated that the effective response rate was about 30%. The survey was faxed to the chief executive, who was asked to delegate it to someone else if appropriate; in fact CEOs provided just over 63% of responses, indicating that there is significant awareness of the issues of competitiveness and the need to use competitive intelligence.