

COMPETITIVE INTELLIGENCE – WHERE IS THE INTELLIGENCE?

By Babette Bensoussan

Having collected all the data and information you need, have you ever wondered why most organizations have data overload but intelligence deficiencies? Well, this step is the cornerstone that turns information into intelligence and far too often is missed out.

This is all about analysis - *"a step in the production of intelligence in which information is subjected to systematic examination in order to identify relevant facts, determine significant relationships and derive key findings and conclusions"*¹.

Establishing a framework for this particular activity in advance can be extremely helpful because:

1. There may be plenty of information about, and the issues being analysed are complex.
2. The overall reality of the situation may not be all that obvious at first glance.
3. Assumptions, biases and mindsets may impede the recognition of vital issues.
4. New situations present new unknowns or unknowables.
5. Unfamiliarity with the industry, the problem or the issues being addressed.

However, it is important to spend some time discussing this step of the intelligence cycle because of its critical nature.

Analysis is the "ugly duckling" component of the basic competitive intelligence process - "ugly" because few people write about it, not many people want to talk about it, and even fewer people claim to be expert at it. If you do not believe this, compare the commercial availability and visibility of data analysis to data collection.

There are a number of reasons that can potentially explain why analysis is not among the most popular topics of discussion.

Firstly, analysis is hard to do for most people. As in nature, people tend to prefer taking the path of least resistance when it comes to putting forth effort or expending energy. In today's turbo-charged digital world, it is far easier to collect a lot of data than it is to figure out what to do with it.

Secondly, few people have publicly recognized or established business analysis expertise. Even those who do may not necessarily be able to "teach" or disseminate how to do it. Analytical skills can be developed over time as one grows in experience and knowledge, but some analysis expertise will require some degree of tacit skill or inherent creativity.

² Jan Herring, "What is Intelligence Analysis?", Competitive Intelligence Magazine, Vol. 1. No.2, July-September, 1998, p14

It has been suggested that there are a number of prevalent symptoms that may explain why analysis is not managed properly:

1. *Tool rut* - Like the man that has a hammer and thinks everything he begins to see looks like a nail, people keep using the same tools over and over again. This is counter to the principle that in addressing the complexity of this ever-changing world, the CI analyst needs to look at numerous models to provide value.
2. *B-school recipe* - Many individuals charged with doing analysis come out of MBA programs where they have been offered tried-and-true recipes from instructors with financial and management accounting backgrounds. Business and competitive analysis are as far different from accounting analysis as strategy is from accounting.
3. *Ratio blinders* - Most business people do analysis based on historical data and financial ratios. This can at best only provide comparison and does not help the analyst explain the reasons for the *why* or the *how*.
4. *Convenience shopping* - Individuals frequently do analysis on the basis of the data they happen to have as opposed to the data they should have.

Having recognized some of the reasons why analysis has been problematic in business and competitive intelligence undertakings, I would like to offer a method we developed at MindShifts for considering how best to manage the analysis process. We call it the **FAROUT^{®2}** system.

A FAROUT[®] Solution to the Problems of Managing Analysis

The **FAROUT[®]** system for managing analysis is designed to assist analysts in knowing what analytical techniques are appropriate for any situation. It is based on the premise that for analytical output to be intelligent, and therefore valuable to business decision-makers, it needs to meet a number of common characteristics. The output needs to be future-oriented, accurate, resource efficient, objective, useful and timely. Failure to meet all these criteria to a satisfactory level will result in the analytical output being of little value to business decision-makers.

Let me briefly describe each of the six elements below:

Future-oriented - The past can be a dangerous predictor of the future. Foresight is not gained by looking in the rear-view mirror or by using data all pointing toward the past. The better analytical methods for CI will be future, as opposed to historically, oriented. They will be predictive in addition to being descriptive and explanatory.

Accurate - The analyst should develop analytical outputs that aim for high levels of accuracy and credibility. Accuracy requires the analyst to give careful consideration to both the natures of the information and data inputs being analyzed and the actual application of the analytical techniques themselves. Care needs to be taken when the data underlying the analysis:

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- has come from only one source;
- has not been cross-validated against both hard and soft information;
- needs to be converted from sources in ways that it was not originally designed for; and
- comes from sources filled with high levels of bias in the first place.

Although achieving perfect accuracy is desirable in theory, the analyst needs to make trade-offs against other conceptual and pragmatic considerations, including the other five *FAROUT*[®] elements. In particular, some authors have suggested that accuracy or precision may often be less important than understanding or perspective.

Resource-efficient - In order to do analysis, data needs to come from sources that not only cost less than the resultant output is worth, but also should not take too long to gather so as to make it stale by the time the decision actually needs to be made.

Objective - This relates to the presence of biases held by the analyst and/or organization. To minimize the potentially destructive nature of common biases, the data or information should be viewed and analyzed using a "cold," rational and systematic approach. In other words, successful analysis minimizes the destructive potential of analytical and decision-oriented biases. This criterion also requires the analyst not only to avoid selectively choosing facts to provide support for pre-ordained conclusions but also to comprehensively consider all available data that might bear on the decision.

Useful - Almost by definition, valuable outputs must meet the critical intelligence needs of a decision-maker in a particular decision-making context. The key for the analyst is to develop outputs that are "need to know" and not "nice to know" and that meet or surpass the client's critical intelligence needs. This criterion also suggests that the analytical outputs and process must be clearly communicated in a language that can be easily explained and understood.

Timely - How long it takes the analyst to undertake the analysis will either hinder or assist the organization's use of intelligence. Certain methods of analysis may provide the intelligence required but take far too long to develop. On the other hand, other methods of analysis may require little time but do not deliver the required features of objectivity, accuracy, utility, and resource efficiencies. Valuable analysis will provide decision-makers enough time to allow the organization to implement the course of action recommended by the analysis.

Managing the analysis of business and competitive data is a difficult task and I am not aware of any "ten minute analyst" books or software that can replace a good balance of both science and creativity from the analyst. Further, it is highly unlikely that good data analysis will be based on just one analytical method or tool. Rather a combination of several techniques will be required.

Each analytical method has unique limitations, and these limitations multiply when placed in specific organizational contexts. The better analysts recognize and are sensitive to the limitations associated with any particular analytical method or technique and can address these issues throughout the whole of the competitive intelligence process to overcome the recognized limitations.

To give you a feel of some of the analytical methods or techniques available, listed below are a few common methods of analysis in business:

Competitor Analysis

- Strengths, weaknesses, opportunities and threats (SWOT) analysis
- Porter's Competitor Analysis Model
- Core Competence Analysis

Market Assessment

- Win/loss analysis
- Competitor-customer value chain analysis

Financial Analysis

- Cost analysis
- Ratio analysis
- Sustainable growth rate analysis

Organisation Analysis

- Organisation and personality assessment

Technology Assessment

- R&D, product and manufacturing analysis
- Patent analysis

Environmental Assessment

- Regulatory and legislative analysis
- Political economic assessment

Forecasting

- Trend analysis and projection
- Scenario analysis

Industry Analysis

- Distribution strategy analysis
- Porter's Five Forces analysis

Each of the above, as with any technique, has its limitations. Whatever they may be the key in this step is to be able to use a variety of analytical tools, while being careful not to over analyse the issue. The final objective of this step is to produce the Intelligence that senior executives can action in time.

A key point to remember here is that *"IF YOU CAN'T SUMMARISE YOUR BOTTOM LINE IN ONE SENTENCE, YOU HAVEN'T DONE YOUR ANALYSIS"*. This statement has served us well to ensure that our final reports are succinct and relevant.

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