

COMPETITIVE INTELLIGENCE: WHY YOUR COMPANY NEEDS IT

By Babette Bensoussan

Through the increase in computerisation, change management, globalisation and the use of information technology, management is faced with information overload, and a constantly and rapidly changing environment. Nothing is stable for long anymore.

Competitive advantages come from not only having timely and informed information about changing markets but understanding the implications or actions that are necessary as a consequence of this knowledge. Companies today need to act more intelligently with their environment.

A business environment has many facets and these include: competitors, customers, consumers, product or service markets, substitutes, suppliers, technology, domestic, international and social environmental and economic trends, legislation and other government activities, potential mergers and acquisitions, or joint ventures. Your ability to battle successfully in your business arena is directly related to the quality and use of information about your environment.

Competitive Intelligence (CI) refers to insights about change and future developments, and their implications to the company. It is the systematic process of ethical and legal gathering, evaluation and interpretation of information based on data located in the public arena which is effectively communicated to executives to allow for informed, strategic choices concerning the company's future.

Information by itself does not give you an advantage. It is the insight that comes from evaluated information that is of value. Only the human mind can create intelligence or insights, and what you have stacked around you in your office or company records is either data or information - not intelligence.

By way of background, Competitive Intelligence has only been a practised art in Western businesses for a few decades. Japanese firms on the other hand have practised it as an integral part of their corporate and cultural environment for centuries. Close scrutiny of successful Japanese company globalisation strategies confirms this has been the case in their development and entry strategies into foreign markets.

In the U.S.A. and Europe, organisations have begun to develop organisationally based competitive intelligence departments, while in Australia, companies are still dealing with internal issues of management information systems and not the broader picture. This situation is, however, far from satisfactory and this will become an increasingly more pressing problem as Australian businesses are required to operate at globally competitive levels - not only with products, services, and work practices, but more particularly with the quality of management's decision making and strategic planning.

The application of CI is a continuous process and can ensure that an organisation's planning and decisions are dynamic and are based on current reality and the future environment - not the past.

However, CI needs to be clearly differentiated from the concept of research. CI is the linking of what appears to be apparently unrelated signals, events, perceptions and data into patterns and trends concerning an organisation's competitive environment.

“The first step towards success in this realm [Competitive Intelligence] is an ability to see patterns in disparate information. The difference [between individuals] is that the intelligent person can put seemingly unrelated pieces of information together to create a new whole. That's what the...Intelligence professional does.” (Fortune Magazine, November 2, 1992).

The problem is that there is no shortage of information, in fact, there is now a positive overload for management. But it is an overload of data and information, not intelligence. The issue is then to clearly identify your information needs and process all the specific data, signals and events to produce quality intelligence that will enable you to make strategic choices. It is the capturing and processing of information flows that will play a major role in an organisation's ability to develop a sustainable competitive advantage.

It is then the application of thinking that makes the difference.

By the way, not all information is of equal value, worth or credibility. Information may arrive distorted, almost always incomplete and usually with a bias either from its source or from the user. Information therefore needs to be verified and there are four main sources of information, each able to validate the other in some way. These are:

1. *Human Sources* - oral information by way of business networks, meetings, seminars, friends and experts.
2. *Economic & Financial Sources* - annual reports, trade publications, general media.
3. *Corporate Sources* - customers, suppliers, company brochures, advertising.
4. *Technical Sources* - technical reports, journals, product manuals.

Competitive intelligence is an integral part of making business decisions and minimising the risk in dealing with the outside. The information gathering and evaluating process can identify and project strategies that current or emerging competitors might pursue, and provides an assessment of the implication of these strategies on your future. The effective communication of this intelligence, to the decision making parts of an organisation, increases early responsiveness to minimise risk and threats, and maximise opportunities.

The use of Competitive Intelligence can provide a differentiated and competitive focus for all areas of an organization. Afterall, its focus is about winning in a rapidly changing marketplace.

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