

# Create an Intelligence Program for Current and Future Business Needs

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Today's marketplace has become increasingly competitive for most companies. Business success (and in some cases survival) depends on a company's competitive awareness. This in turn has resulted in a growing interest in the field of business or competitive intelligence. The number of firms with formal or organized competitive intelligence (CI) efforts – depending on whose figures you use – varies between 65 and 85%. The effectiveness of many CI programs however, is questionable.

As companies look ahead, many will face an even more competitive landscape. Today, many industrial sectors are experiencing both consolidation and globalization. Price competition is being fueled by international competition – both at home and abroad – and for some businesses regulatory pressures are becoming worldwide. Add to these business dynamics, the growing uncertainty of *unexpected* market events such as terrorist attacks and internet failure, and you can appreciate the necessity of creating a truly effective competitive intelligence program for your company.

As many competitive intelligence professionals already know, creating an effective intelligence program is not an easy task! By all accounts, success comes to less than ten percent of those companies that try it. In fact, most attempts result in a CI program in name only. Many essentially enhance their libraries or market research department and call it competitive intelligence. Some end up only creating an expensive new staff . . . but NOT a true competitive intelligence program that actually provides the company and its management knowledge-based competitive advantage.

## REAL INTELLIGENCE

How do you know whether you have *real intelligence* or just more processed information? Robert Steele came up with the best answer that I know of: "Information costs money . . . intelligence makes money!" Cute . . . catchy . . . but on more serious reflection, I think he was right on.

Essentially, any competitive information that a business manager acts upon becomes intelligence. And intelligence used by a company that makes money is good intelligence! This is also a good reason for CI managers to attempt to measure the value of their operations.

## A step ahead

Professionally speaking, several key indicators show that your competitive intelligence efforts are producing *real intelligence*. First, your company always seems to be a step ahead of the competition. This could be just astute management. But in today's fast-paced marketplace, it often indicates that the CI program runs effective human-source collection operations. These collection operations produce unique, timely intelligence that is not yet in any electronic database, and thus not available to all your competitors. This provides competitive advantage.

## Real insight

Second, the company's intelligence analysis is producing real and different insights – as well as foresight. The company's management feels they are getting actionable intelligence about future competitive situations – and, therefore are more inclined to act on it.

### SIDEBAR 1: DIRECTOR'S PRIMARY RESPONSIBILITIES

- Identify the user's/company's intelligence needs.
- Plan and direct intelligence operations.
- Ensure all BI/CI operations are conducted legally and ethically.
- Ensure intelligence is relevant, credible, and timely.
- Provide adequate resources and remove barriers.
- Select and train employees for BI/CI operations.

#### Regular use

Last, the company's management knows what intelligence is and regularly uses it to plan and make better business decisions. This in turn leads to their supporting the CI program.

### CREATING THE PROGRAM YOUR COMPANY NEEDS

What does an effective CI program look like? Effective programs do not all look the same. Some don't even call their activities intelligence. But all are systematically collecting and analyzing information about their competitors.

Companies like GE under Jack Welch and Dell Computers have created the results that competitive intelligence delivers, but do it via different means. The CEO's of these companies required the managers of their business units to know the competitors and the competitive situations they faced; how they got that intelligence was up to them.

More traditional BI/CI programs at GM, Kodak, Merck, Motorola, and P&G look like what you would expect. Other firms use different approaches but have similar intelligence processes that are equally effective.

The key to all successful and viable programs is: management wants competitive intelligence and uses it! Without this, the chances of creating an effective CI program are little or none. My experience with several hundred companies – in all business sectors – is that competitive intelligence will only be successful where the management team takes an active interest, visibly supports, and actively uses it.

The challenge then is to create a competitive intelligence program that is both supported and used by your management. How do you do this?

#### Develop understanding

First, it must be *their* management tool. In the government – the president, ambassadors, generals, and admirals all know what intelligence is. For this to be so in the private sector, you must create that same understanding: intelligence is what gives them – the managers – the knowledge-based advantage over their competition.

You must educate your management about intelligence, what it is and how to use it. You most likely cannot do this all by yourself – you will need some help. Using an experienced CI manager or advisor is one way.

Another is to bring in a senior executive from a well-respected firm that uses competitive intelligence. Peer-to-peer education works! You could also use the SCIP videos of the two CEO roundtables that it has conducted in the past. They contain personal testimonials about the experiences of twenty to thirty senior executives.

#### Hire the right person

The second critical step is to be sure that the competitive intelligence program has the right director of intelligence (D/CI). One of senior management's peers is usually the best choice, a person who is an experienced and trusted manager. This individual can deliver competitive intelligence in his or her company's business language.

Good business managers can learn their competitive intelligence responsibilities rather quickly. Four of the six primary responsibilities, however, are strictly CI in nature and require appropriate professional education (see Sidebar 1).

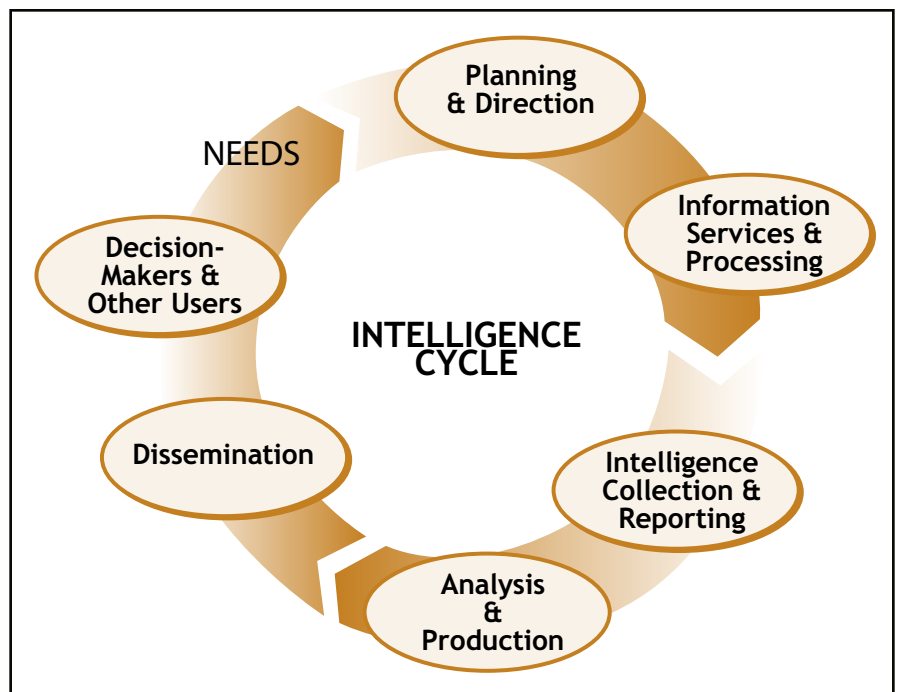


Figure 1: The intelligence cycle

Such a D/CI will also need a professional intelligence coach for the first year or so – to cope with the many unique managerial challenges that he or she will face.

**Select the appropriate organizational model**

Last, have the competitive intelligence organizational model that fits your company’s culture and management style. It simply amazes me that most D/CI do not recognize this simple operational tenet. CI organizations are not like a pair of socks; one size does not fit all! Yet, new D/CI’s often want to adopt the most popular organizational model they know or hear about.

The *Hub and Spoke* model, first used by P&G, is popularly known, but it is mainly for large, company-wide organizations with rather diverse cultures and product lines. (Why would anyone want to apply this model to a small, single-product business unit?)

There are six or eight basic, well-known competitive intelligence organizational models in use today – some for small firms and SBU’s, others for corporate-wide programs such as Kodak and Motorola. The D/CI should at least know what they are and which are applicable to their company culture and management style.

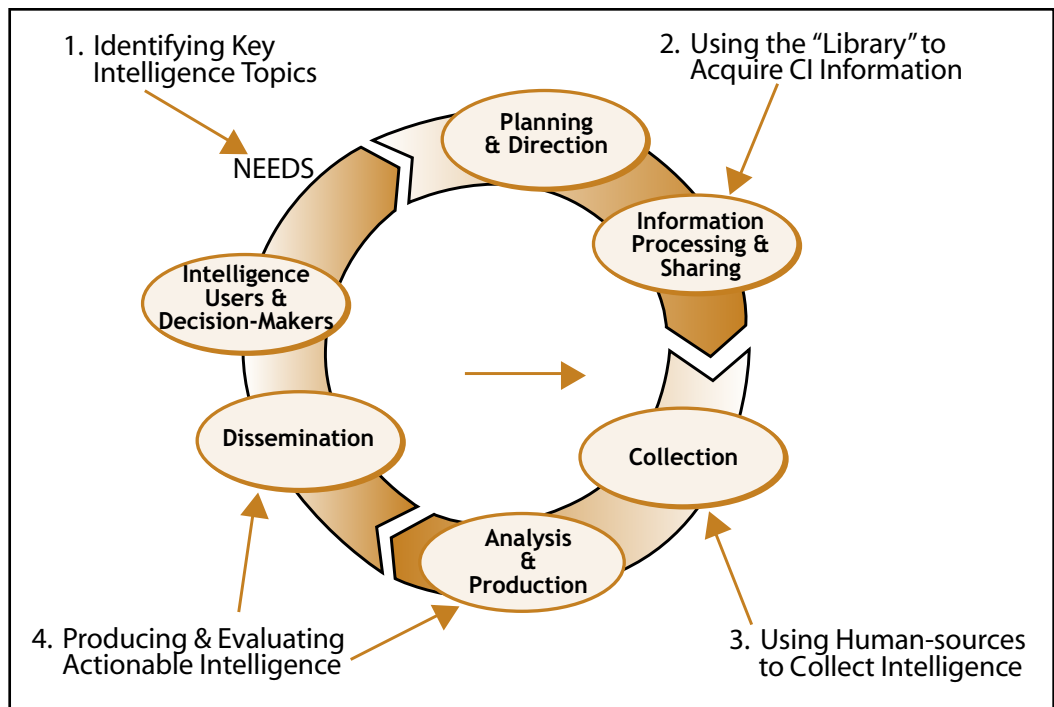
The one common essential design element you should strictly implement is to balance your competitive intelligence needs (key intelligence topics) and your available resources! The appropriate choice of an organizational model can support this managerial challenge.

**Have direct senior management involvement**

Only competitive intelligence programs developed with senior management support, and having direct senior manager involvement survive. All attempts that have been started from the bottom-up or middle-levels have eventually failed! CI programs only become viable, when they result from senior management initiatives . . . just a fact of reality.

**THE INTELLIGENCE PROCESS**

The traditional intelligence cycle embodies both the basic concepts and all of the operational principles necessary



**Figure 2: Critical CI processes and intelligence operations**

to establish and run an effective intelligence program (see Figure 1). The cycle is like the chess board and pieces: all who play the game – master or beginner – know the rules and moves, and some are just better than others.

This process is not as simple as it appears. The cycle is not – as some mistakenly think – the intelligence production process. It is the complete intelligence process, a complex system with multiple feedback loops. Each element or function must exist to create and run a proficient intelligence program. By establishing and using these functions the intelligence program can perform all the essential intelligence operations. It can also produce a variety of intelligence products and services, including early warning and counterintelligence activities (designed to protect your company from the competitor’s intelligence operations).

To be effective, the intelligence process and its essential functions must be institutionalized into the company’s organizational and managerial framework. This institutionalization is very hard to do right. Moreover, successful CI managers must fully understand the intelligence process, as they manage the entire process in addition to individual projects.

**CRITICAL OPERATIONS AND PROCESSES**

Several competitive intelligence processes and operations critical to an effective CI program are identified in Figure 2. The most important is the *user-needs identification process*. Intelligence is a management tool: the user’s intelligence needs – properly defined – are the handle of this tool.

Business managers must know how to identify and define their intelligence needs for them to use and benefit from the intelligence process. The intelligence professional must then create the capability to collect, analyze, and produce relevant intelligence proficiently.

**Collection**, including human-source intelligence, is a very professional activity. Collection begins with the proficient acquisition and processing of intelligence – information from all the secondary sources available to us. Because of the vast amount of information available worldwide, this task requires the command of both information science and advanced technology.

Most competitive intelligence collection comes from secondary sources, primarily because it is so easy to access and there is so much of it. Companies subscribe to many commercial information services and increasingly use sophisticated information technology tools to search the web and monitor various websites 24x7. Continuous collection requires greater skills and tools just to keep up with all the new secondary sources worldwide.

With primary (human sourced) information, competitive intelligence requires true professionalism to fully access and exploit all the possible sources. Starting with your own employees and other knowledgeable individuals, you collect the primary-source intelligence/information that is NOT in anyone's database. The professional challenge is to create ways for them to participate and voluntarily share what they learn about the marketplace and the competition. A key element is having a set of legal and ethical guidelines for CI activities, so employees feel comfortable participating. [Editors note: see the new Competitive Intelligence Foundation publication, *Competitive Intelligence Ethics*.]

**Intelligence analysis** is often described by catchy terms such as *thinking outside the box* and *connecting the dots*. But none of these sound bites truly captures the essence of intelligence analysis. Analysis creates insights that are not commonly perceived – *uncommon insights*, as my old boss at Motorola, Bob Galvin, calls it. But intelligence analysis also requires good forecasting skills, since foresight is equally important!

Not everyone is a good intelligence analyst. Some of us are good business analysts, possessing the skills learned in business schools. But the intelligence analyst also possesses unique non-cognitive skills, such as pattern thinking, recognizing discontinuities, and creating future insights.

The task of intelligence **analysis** is best conducted by multi-disciplinary teams that include both business and intelligence analysts. Such effort produces a variety of intelligence products (including current intelligence reports, competitor assessments and forecasts) and early warning alerts. Good analysis produces insight and foresight,

# Intelligence Program

and usually leads to appropriate business actions.

The effective **communication and**

**dissemination** of both collected and analyzed intelligence is the critical final step in the intelligence cycle. The finished intelligence should not only go to the appropriate users, but also gets into their heads. Using the right report format and delivering the results in the right analytical context are critical elements for producing actionable intelligence.

Communicating intelligence reports and analytical findings is an art, but one that can be learned. It requires a different set of skills and is greatly aided by an organizational sharing culture. Communicating intelligence results in a graphic and interactive format reflects the nature of today's complex issues. The goal is to get the CI into the hands and *heads* of the users: communicating your analytical insights and visions of future competitive situations is the objective. Last, engage the user in **evaluating** the intelligence products and services they receive – after all, it is their CI.

Institutionalizing all of these competitive intelligence functions and activities is both an organizational and **cultural** challenge. At its heart is having employees from different departments and disciplines work together on competitive issues and problems. That is the D/CI's challenge in creating a truly effective CI program!

## THE USER-NEEDS IDENTIFICATION PROCESS

Probably the most important – and frustrating – responsibility in the intelligence profession is identifying the user's real intelligence needs. The key to doing this properly is having the user believe that the *intelligence need* is actually his or hers.

There are two proven ways to identify the user's intelligence needs. The first is what I call *responsive* – the competitive intelligence unit lets the potential users know they are *open for business* and provides instructions on how the user might request intelligence products and services. The second is being pro-active – your D/CI meets with the potential CI users and, if necessary, helps them identify their intelligence needs.

Both approaches are effective, but I favor the pro-active mode, the key intelligence topics (KITs) user-needs identification process. In it the competitive intelligence professional actively engages the users in a two-way dialog to regularly discuss their needs and verify that the CI unit is addressing their expectations.

Some competitive intelligence professionals use a third way to identify their users' needs, but I do not recommend it. Based on all the information available, the CI professional tries to *guess* the user's needs. Too many CI professionals take this approach because they either do not have direct

access to their management or are too reticent to get on their appointment calendar and interview them. The chances of guessing the right topic, and the precise timing and place that the CI will be needed, are probably less than one hundred-to-one – not good odds.

## SOURCES OF INTELLIGENCE NEEDS

Within most business organizations there are three basic sources of intelligence needs:

1. senior management and other key decision-makers
2. existing management processes and procedures, such as program and budget reviews
3. the CI function itself

Each source has its own particular character and importance. Management's specific intelligence needs are perceived as the most important – as least by the managers themselves. Let's look at each.

### Senior management

Senior managers run the company and make the organization's critical business decisions. It is only common sense that the CI needs of such decision-makers and planners are important to the company's business success and competitive survival.

Those business decisions and plans become the objectives and priorities that middle-level managers and individual business units must address in their areas of responsibilities. Unless the company's management structure and operations are completely dysfunctional, both senior management and business unit/functional managers will be working on similar goals and priorities.

By focusing on senior management's key intelligence topics (KITs), effective CI operations will produce intelligence that benefits both. Business-level managers also need tactical or operational intelligence to support their roles as implementers of the company's overall strategic plans. (These usually require additional CI personnel and resources.)

### Management processes and procedures

Existing management processes and procedures, such as the company's program or business review process, provide the second source of real intelligence needs. Almost all companies periodically examine business performances or new product development programs. In most cases, the basic performance measure is some pre-agreed-upon growth or revenue figure that is also compared to the competition (e.g. relative market share or the number of head-to-head contract wins/losses).

Most companies do not pro-actively use existing management processes and procedures to identify and focus

on the organization's key intelligence needs. But such KITs are a part of the company's on-going management activities: the resulting intelligence is inherently actionable.

### The CI function

The third source of a company's intelligence needs is the CI function itself, particularly the operations and activities that focus on new competitors and marketplace early warning indicators. Irrespective of the CI activity involved – whether it is a Five Forces industry assessment, a competitive technology forecast, or some recent discovery of a totally new competitor at a trade show – the CI unit's credibility is the critical element for using this means of identifying a company's real intelligence needs.

The competitive intelligence leadership and professionalism necessary to focus the attention of a company's senior management and other key decision-makers on an intelligence-initiated issue or topic is considerable. Unfortunately most CI professionals whose advice and KITs suggestions are ignored do not have the credibility or professional reputation to earn their management's trust in this matter. Too few directors of CI programs possess these leadership traits.

## THREE TYPES OF KITS

A company's intelligence needs can generally be assigned to one of three functional categories:

1. **Management decisions and actions**, including the development of strategic plans and competitive strategies.
2. **Early warning topics**, including competitor initiatives, technological surprise, and government actions.
3. **Descriptions of the key players** in specific marketplaces, including competitors, customers, suppliers, regulators, and potential partners, among others.

Each type of KIT requires a different combination of intelligence operations. For example, intelligence for strategic decision-making usually requires both business and intelligence analysis, supported by thorough secondary-source research with appropriate human-source collection to ensure that the related CI assessment is current.

*Early warning* intelligence is critically dependent on human-source collection and monitoring. Analysis serves as the basic detection mechanism that *signals* possible future developments a company could face. *Player-oriented* intelligence usually takes the form of analytical profiles, sometimes tailored to specific user questions or planned actions. This requires both business and intelligence analysis, and human-source collection is usually needed only for completeness, not timeliness.

Significantly, KITs for each category are not mutually exclusive: A strategy-focused KIT might also require several competitor profiles and some form of early warning intelligence to alert a change in competitor activities, which in turn would signal a need to modify the new competitive strategy. An analytical understanding of an organization's complete set of KITs creates a combination of intelligence operations and marketplace insight that permits the CI program to become truly anticipatory . . . and thus producing the types of intelligence necessary to cause management to act more decisively.

In the final analysis, KITs are the user's tool, identified and prioritized by them in order for the user to view CI as their management tool. The D/CI's most important job is establishing and maintaining a two-way communication channel with the users so that their intelligence needs are regularly being discussed and their expectations are being met!

### PRODUCING ACTIONABLE INTELLIGENCE

We can produce a lot of *intelligence information*. But there is no true intelligence until someone in authority acts on it. Producing actionable intelligence is the ultimate goal of all competitive intelligence professionals – collectors, analysts, and D/CI's. It is the "Holy Grail" of intelligence.

So what is the secret? Is it better collection techniques or analytical methodologies? Or is it better CI organization and management? It is all of these and more! And most important, it is having a management team that knows what intelligence is and how to use it.

### CREATING A CI SHARING CULTURE

Critical to the CI unit's success is developing a corporate culture that values the production and use of intelligence, and encourages employees throughout the organization to be a part of the activity. The collection and timely reporting of intelligence are essential to all successful CI operations, and information sharing is critical to both. Once acquired, you have to want to get that new piece of intelligence to someone who has the authority to do something with it.

Creating a CI culture is critical to the program's effective operation and also contributes to its long-term viability. During business downturns and bad economic times, one of the major factors that will protect your CI program is a management that values CI. Creating a company-wide CI culture is one way of accomplishing this.

Underlying this activity is the creation of a sharing culture. Japanese companies are naturals when it comes to developing business intelligence because of the sharing culture that their society has already embraced. Most European and American companies have to work at creating a sharing culture.

### MEASURING THE CI PROGRAM'S VALUE

Peter Drucker has said, "What gets measured, gets managed." It also gets management's attention. And if what you are delivering is not measuring up to management's expectations, they will want to know why. Some competitive intelligence professionals do not want this kind of management attention, so they simply argue that measuring CI value is not possible to avoid attracting such attention. Sad!

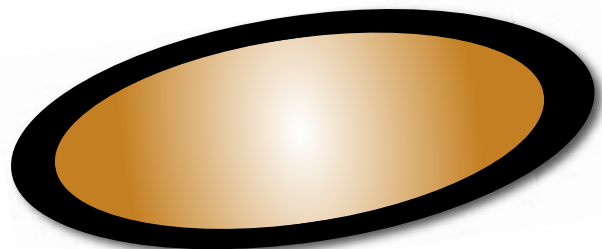
Assessing your effort's contribution to the business is both doable and a good thing. If you are not producing or helping the business, then the competitive intelligence unit – or possibly the current effort – should not be there. Also, when it comes time to request more resources, good numbers make that management decision easier.

For competitive intelligence to be valued and used by management, it must have a visible and positive impact on your company's business. Assessing customer satisfaction with the CI effort is okay, but your customers (i.e., management) will want to know how the effort is affecting the business.

Realistically, not all competitive intelligence is measurable. For example, assessing the value of something that you do not do (e.g., because of an early warning alert) is almost impossible to measure. But you should make a very professional effort to assess the benefits and value of each CI project.

Even the use of simple return on investment (ROI) measures can be beneficial. For example, where I could apply this measure the ROI's have been greater than 300 percent, and in some projects have been over 1,000 percent! Management will recognize and appreciate these kinds of contributions.

In a 1996 SCIP research report (*Measuring the Effectiveness of CI*), I identified and described several measures-of-effectiveness (MOEs). In that project, we interviewed some twenty executives in eight major companies with very different types of businesses. None were looking for financial MOEs. In fact a CFO with a major financial services institution did not even mention quantitative measurements during the formal interview. When questioned about the absence he replied, "We want to see CI cause the business to take action – we can always go back and assess its financial value later." All those interviewed stated they expected to see CI have a *visible* effect on the company and its management decisions.



In addition to ROI calculations, the SCIP research identified four quantitative and several qualitative measures that might be applied:

- **time savings** for both professional and support personnel
- **cost savings** by eliminating or reducing expenses
- **cost avoidance** by eliminating planned expenses
- **revenue increases** in the number of sales or size of sales
- **value added benefits** not easily related to specific dollar values (e.g., more effective strategies or better new products and services)

Such MOEs can best be applied to specific projects but they should be selected before the project is actually begun since it is difficult to go back and recover project-specific data after it is complete. I suggest selecting a couple of MOEs initially to be sure the expected result is amenable to the type of measurement you have chosen.

Programs as a whole are somewhat more difficult to measure, but with some effort on the part of all involved the results can be very satisfying. For example, the NutraSweet business intelligence program was estimated by the company's finance department to have been worth at least \$50 million a year over a 5-year period during the mid-1990's. For a program that costs about a million dollars a year that is a pretty good ROI!

The best measures of a competitive intelligence program's value comes in the form of *success stories* told by those that have benefited from the CI. For example:

- P&G's competitive benchmarking of a competitor's distribution system saved it some \$40 million when they applied the lessons learned.
- Motorola's successful acquisition of a European firm, credited to its BI Department, increased its yearly European profits by \$10 million.
- NutraSweet's CEO commented that one decision – not to react to a competitor's perceived initiative – actually saved the company \$38 million.
- GM's competitive benchmarking program was credited with saving the company hundreds of millions in comparable manufacturing costs.
- Merck's CI Program was judged to be worth over \$100 million in retained sales for one product alone.

The telling of such success stories by a company's management is not only good for the competitive intelligence program's success, it also adds to the shared belief that CI is a good thing – making it a part of the company's overall culture.

## FUTURE BUSINESS TRENDS

It is not easy to create an effective competitive intelligence program. Successful development takes at least

one to two years. When you decide to create a CI program, consider what kind of program your company is going to need in the two to three year *future* – and plan accordingly.

Let us consider some of the major competitive forces that will be shaping that future:

### Future competition will be different.

You will be facing new and different types of competitors – both at home and abroad. There will likely be new and different types of markets and services and even different customers. Global competition in your industry will be more of a reality than a statement.

### Knowledge-based competition will be predominant.

Peter Drucker's recent book on the *Managing in the Next Society* presages a new type of organizational model with the need for entirely different types of business strategies. His *next society* is the knowledge-based economy that we now see taking shape in a number of industries such as pharma/biotech and financial services. Competing on the basis of knowing more about your marketplace than your competition and knowing it quicker and better – will place a premium on worldwide intelligence.

### Anticipatory intelligence will be critical.

Companies will need the capability to anticipate unexpected events – from unsuspected sources – to minimize their impact on their businesses. One proven way this can be done is by using properly designed and implemented competitive intelligence early warning systems.

## CI DESIGN IMPLICATIONS

These global forces-of-change – as well as those within specific industries such as automotive, financial services, healthcare, and telecommunications – should be factored today into your company's future CI program. Let us also take a look at several business trends and their design implications for your CI program:

### The growing flood of business information:

The only way we are going to manage and exploit it for CI purposes is through the intelligent use of advanced information technology. The needed software is available today, much of it created by private-sector vendors for federal government intelligence programs. Companies only need to identify the appropriate software and adapt it to their specific CI needs.

### The globalization of business:

The collection and analysis of CI required to support business planning and decision-making in a global context will need to be significantly enhanced. For example, reading multiple foreign languages and understanding differing

competitive cultures are real challenges. Professional education, new IT analysis tools, and the use of foreign CI vendors will be required, all of which means the expenditure of additional resources.

Establishing global early warning (EW) systems also requires the professional use of advanced IT for both indications monitoring and the timely dissemination of EW alerts. For example, what a competitor did in Singapore today might affect your business deal in Stockholm tomorrow. That knowledge could provide an EW alert of a possible future opportunity as well as a competitive threat – if you know about both!

### Compressed time-frames for decision-making:

The speed of communications and the inter-connectivity of globalized business functions have also speeded up the human decision-making process. Many companies now need to have CI available on a moments notice and in many locations at the same time. One executive said that because of this situation, many decisions are being made based on a *stream-of-consciousness*. If the CI is not available, the decision will be made anyway.

### More sophisticated management requirements:

Management's need for better and timelier intelligence is growing and the sophistication of their needs is increasing faster. The explicit use of CI for enterprise risk assessment is one example. Another is ensuring that corporate boards receive honest and objective information on the company's total competitive landscape. Several companies have moved to the use of *real-time* strategic planning, but their CI departments have not been able to keep pace.

As your company competes in the global marketplace over the next few years, your management will find a well-designed and developed CI program to be one of their best competitive tools. If they have learned how to use this new management tool successfully, they will be better prepared to both out-think and out-perform their new competitors.

## FIVE STEPS TO AN EFFECTIVE INTELLIGENCE PROGRAM

These five steps create an effective CI program for your organization:

1. **Educate and engage the users, your management.** It must be their CI program or it will not succeed – or survive, if you do start one. The first and most fatal pitfall in creating a CI program is assuming that your management knows what intelligence is or how to use it.
2. **Select the right program manager.** Be sure he or she and all your CI practitioners are professionally trained.
  - Give them the proper tools and the training to use them and adequate resources to do the job right.
3. **Institutionalize the intelligence process.** Make sure the process begins and ends properly. Create the user-needs identification process (KITs) as soon as possible. Establish some form of evaluation process. And remember, *what gets measured* also gets management's attention. Act accordingly.
4. **Create and professionally manage the three essential CI operations required to produce actionable intelligence:**
  - Develop proficient intelligence collection, using both primary and secondary sources, and leverage advanced IT tools and vendor services.
  - Ensure that your intelligence analysis is providing real insights and competitive foresight.
  - Disseminate the resulting intelligence – both collected and analyzed – in forms and formats that not only engages management but also causes them to take appropriate action.
5. **Recognize that today's CI program will need to be capable of dealing with tomorrow's competitive situations.** Plan and develop your program accordingly.
 

These five developmental steps have worked well for a number of very successful competitive intelligence programs. Properly planned and implemented, they should also work well for you. Good Luck!

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