

# World-Class

## Intelligence

# Programs

*“As business begins to compete on a more global scale, corporations, like national governments, are going to need intelligence systems. Those who use the product of intelligence will be better prepared to decide and to act.”*

—Bob Galvin, chairman  
Motorola, Inc.

*Statement to his management team when expressing his reasons for creating an intelligence program at Motorola.*

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A variety of efforts have been made to identify the best business and competitive intelligence (BI/CI) programs, or at least those programs that other professionals might consider as best in class or even world class. Such efforts typically are intended to provide role models or benchmarks for other companies that wish to develop or improve their own programs. Among efforts that are well known, several are particularly instructive. I will briefly describe them as the background for defining my own set of world-class features and functions.

My choice of the term “world class” is rather straightforward. It implies that the program is among the best in the field of business or competitive intelligence and that the company it represents competes on a worldwide basis, regardless of the industry or type of business it is in.

### **SOME WORLD-CLASS PROGRAMS**

When I think of world-class business and competitive intelligence programs, several companies readily come to mind. But they come to mind for differing reasons and some are from different eras. For example, in the 1980s and 1990s more companies worldwide benchmarked themselves against Motorola’s Business Intelligence program than any other. And, more than all other similar programs of that era, its reputation inspired many corporate executives to start their own programs. Today’s Motorola Business Intelligence program barely resembles the original basic intelligence model. In many respects, the

**TABLE 1. CRITERIA FOR WORLD-CLASS BUSINESS AND COMPETITIVE INTELLIGENCE PROGRAMS**

Criteria	Definition	How It's Assessed
User understanding, utility, and value	Clients and management know what intelligence is and how to use it.	Intelligence produces business results, which can be measured in financial value to the company.  The program continues to perform for an extended period of time, justifying resources spent on it.
Operational effectiveness	Proficient and proactive intelligence operations, producing actionable intelligence that is insightful and provides managerial foresight.	Conducting effective intelligence operations in a creative manner, and doing so legally and ethically  Constantly adapting its intelligence organization and operations to the ever-changing marketplace in which its company competes.
Earned respect	Respect is earned from peers and other qualified industry observers.	Program is recognized as best in its class by competitive intelligence experts and industry peers.  Program's reputation for performance and professionalism are earned over time and recognized by intelligence worldwide experts.

program is both more effective and efficient than its predecessors. After more than 20 years, the program's viability is one of its most admired traits.

What functions and features made Motorola's program so effective and permitted the intelligence professionals involved to continuously adapt their efforts to both a rapidly changing competitive landscape and new generations of corporate managers? Two features would seem to qualify this program as world class:

- Well-informed users of intelligence
- A professionally trained director of intelligence

Several additional program features that also seem to warrant such classification will be identified later in this article.

The well-known programs of Kodak and Merck have also endured and continue to produce competitive intelligence that is well appreciated by their management. Regular renewal of these programs' purpose and their operation by experienced intelligence professionals are key factors in their viability and effectiveness.

For varying reasons, some business and competitive intelligence programs once considered industry benchmarks have faded (for example, AT&T, Amoco, Coors Brewery, Dow Chemical, Ericsson, General Dynamics, Honeywell, Kent Ridge Labs, McDonnell-Douglas, and NutraSweet). In some cases, the competitive intelligence activity still exists within the company, but the more formal program has gone away. Some of the companies have merged or been bought by competitors. This ebb-and-flow pattern closely

follows the usual business cycle associated with corporate business activities and is to be expected. A change in senior management often precipitates a program's decline, although a basic change in the company's business model (like that at NutraSweet and AT&T) can also account for such changes in their intelligence programs.

One interesting example is the business intelligence program at L'Oreal. Under the leadership of Robert Salmon in the early 1990s, it was considered by many to be a world-class program. Upon his retirement, the program declined in both effectiveness and prestige within the company. In fact, the program's performance fell off so noticeably that the company's current CEO brought Robert back to help rejuvenate it in 2000. Again, business intelligence experience and leadership were notable factors.

Discussing these business and competitive intelligence programs and their changing situations illustrates that, although a company's program may represent the best in class at a specific point in time or as its leadership finds ways to adapt and change the operations, the program can also become the best over time. I personally believe both classes are admirable and worth our attention.

## SUCCEEDING IN THE GLOBAL MARKETPLACE

Business and competitive intelligence programs are created for a variety of reasons. Programs designed to meet specific business or leadership needs appear to be the most successful. For example, Bob Galvin, Motorola's CEO when that program was established, created the company's intelligence program because he believed senior management

would need business intelligence to compete and survive in the global marketplace. Kodak's CEO felt the same need and he created that company's business intelligence program at approximately the same time. Interestingly, the two CEOs were friends and encouraged the cross-exchange of professional experiences between the two programs.

When Bob Shapiro created the business intelligence program at NutraSweet, he was acting on the advice of Peter Drucker to prepare the company for the serious international competition that his single-product business would eventually experience as it came to dominate the artificial sweetener business in the 1990s. And the CEO at Ford Motor Credit, who was experiencing great success, decided to create his business intelligence capability to preserve that position rather than wait until the competition became a problem. These senior executives recognized the need to prepare their company for what they saw as serious and increasing competition.

The key feature in these business and competitive intelligence programs was an executive who understood intelligence and appreciated its value and utility in either winning or maintaining their company's market position. These executives wanted this management capability and business advantage for their company and were willing to make the investment to do it well.

## **BASIC CRITERIA FOR WORLD-CLASS PROGRAMS**

From this rather brief review of these successful business and competitive intelligence programs, I would like to posit several criteria that characterize world-class programs (see Table 1). The first is user understanding, utility, and value. This involves the educated use of intelligence and appreciation for the business advantage and benefit derived from using it in a variety of business activities, from decision-making and planning to supporting sales and marketing and anticipating competitor initiatives. A business or competitive intelligence program's viability is dependent on its perceived value to management. If it does not deliver real value to the company, management will not continue to fund it.

The second criterion deals with the program's operational effectiveness. The intelligence operations—collection and analysis—must be cost-effective and productive, resulting in useful, insightful, and actionable intelligence. Having an appropriate and formal organizational model is the best way to ensure these features. At the same time, the intelligence operations must be truly professional and ethical, never putting the company in legal jeopardy.

Proficient and proactive are good descriptions of such intelligence operations. Possibly more important, the program's management must be constantly adapting these operations to changes in the marketplace and competition. Renewal of the program and its management must be an ongoing activity.

The last programmatic criterion is earned respect. World-

class programs earn that title from their peers and other qualified industry observers. It is not something you bestow on yourself or is given to your program simply for participating in an industry or professional event. World-class business and competitive intelligence programs—whether labeled as such for a long or short period of time—are accorded that title by qualified experts, once they have earned it.

## **BENEFITS OF A WORLD-CLASS PROGRAM**

Business and competitive intelligence programs that achieve such professional recognition—whether they are called best in class or world class—are considered valuable business assets by their companies. Like any valuable resource, the program will be well taken care of by its management, including its people and processes. And the more the program contributes to the company's business success, the longer it will survive and grow. Management does not continue funding efforts that do not make a valuable contribution. Thus "viability" becomes a visible indication of the worth of such intelligence programs.

Some intelligence programs become well recognized by others in the field and produce very good intelligence products, but for some reason they are not recognized by their management. Those involved in such programs often blame management for not understanding competitive intelligence or failing to use it properly. For whatever reason, the company and its management are not getting the benefit that an effective intelligence program should produce.

World-class programs must not only produce world-class intelligence products and services, they also must engage their users in ways that truly benefit the company and its various business activities. It is only when management and other key users put intelligence to work that the company begins to realize the value of good intelligence.

Many companies have invested in the development of competitive intelligence operations, collecting and analyzing information about their competitors and marketplaces. Such efforts are admirable and certainly contribute to a company's understanding of its competitive situation. However, unless their results have a direct impact on the company's business decisions, actions, and, most important, financial performance, such intelligence programs are not valuable contributors to their company's business success.

This comprehensive management view of intelligence's utility and value was probably best expressed by NutraSweet CEO Bob Flynn at the 1994 SCIP Annual Conference. Bob stated that his intelligence program was a major contributor to the company's competitive advantage in marketing, manufacturing, organizational structure, and financial activities. Competitive intelligence had helped them make more good decisions and fewer bad ones. He concluded by stating, "CI is worth up to \$50,000,000 a year to our company!"

In the final analysis, business and competitive

intelligence programs that are seen as “making money” for the company are successful. They achieve that recognition, or perception, by helping management and its other users become successful through the following:

- Better business decisions
- More effective strategic plans and competitive strategies
- More successful products and services

They also prevent the company and its management from being surprised by competitors or marketplace events that could upset the company’s business plans or new product introductions. And, in today’s global business world, good intelligence (including counterintelligence) is necessary to protect the company’s intellectual property from competitors who might steal it. World-class intelligence programs achieve this goal and are seen by management as making money for the company.

## ATTEMPTS TO CLASSIFY PROGRAMS

I personally have been involved in a dozen or so business and competitive intelligence program assessment activities. They vary from large formal projects (such as the APQC Benchmarking efforts and several SCIP-sponsored programs) to rather exclusive internal projects intended to compare a company’s program with the industry’s best. Most assessments were subjective in nature, although a few included specific performance measures as well as the usual organizational metrics (such as headcount and budget).

One effort sponsored by The Futures Group in the mid-1990s, called “Ostriches and Eagles,” was nothing more than an opinion poll. Approximately 100 executives were asked which companies they thought had the best business intelligence programs. Their answers were not based on information about the intelligence program, but only on their personal views of how competitive those companies appeared to them.

A joint IRI-SCIP program assessment in the late 1990s (1996–98) may have been one of the more comprehensive efforts. It began with a self-assessment survey taken by 153 Industrial Research Institute (IRI) organizations. That assessment was followed by a more in-depth survey of senior executives in 28 of the IRI organizations.

Using the traditional intelligence cycle operations, both surveys assessed the organization’s competitive intelligence program as a function of their intelligence producers’ skills

and users’ responsibilities. To score high, both groups had to perform equally well. Those organizations rating highest were labeled World Class, the next highest Good, and the remainder OK or Minimal. Only 10 of the 153 organizations had the highest rating, and 18 scored Good. The remaining 125 IRI organizations, some 80 percent of those participating, had no formal or organized efforts and few competitive intelligence skills.

The IRI world-class programs displayed several leading characteristics:

- Management not only supported the program, but also effectively used it, requiring intelligence inputs for key decision-making and program reviews.
- The world-class programs were well staffed: 14 full-time equivalents (FTEs) versus 6 FTEs for good programs, and the average age of world-class programs was 7.8 years versus 4.4 for good programs.

Subsequently, IRI created appropriate educational programs for its membership, designed to address the needs of both competitive intelligence users and producers, which had been identified by the

assessment projects.

Among the several notable rating exercises, the one that I believe came the closest to identifying true world-class programs was the SCIP Award of Excellence in 2000. The total effort required to conduct the program was significant, involving the whole SCIP staff and 12 judges (including 10 SCIP Fellows) over a one-year period. This effort was under the leadership of Leonard Fuld. The program evaluations, by panels of expert competitive judges, were conducted in five categories:

- Ethical and legal practices
- Training and education
- Leadership and management involvement
- Intelligence process (cycle) implementation
- Effectiveness and results

More than 100 companies worldwide applied, and after a preliminary screening, 25 competed for the award. Subsequently, 10 finalists were selected. The judges then conducted a series of one-hour interviews with each company, requiring that the applicant have senior management (and other users), their legal counsel, and the competitive intelligence team present during the interview.

The overall winner was Kent Ridge Digital Labs (Singapore), placing first in three of the five categories.

*“I believe in CI, our senior managers believe in it, and together we have created a corporate culture that supports it. That is the only way competitive intelligence can provide value—with the complete backing of the company’s decisionmakers.”*

—Robert E. Flynn, chairman and CEO,  
NutraSweet Company

Source: Robert Flynn (1996). “NutraSweet Faces Competition: The Critical Role of Competitive Intelligence.” CIR 7(1).

### **SIDEBAR: HERRING'S WORLD-CLASS PROGRAM CHARACTERISTICS**

1. A senior management team that is knowledgeable about competitive intelligence operations and an effective user of its products and services.
2. A well-respected director of competitive intelligence (D/CI), usually selected by senior management and deserving of their trust.
3. The company as a whole exhibits an awareness and acceptance of competitive intelligence as a legitimate and necessary activity in today's global competition, and over time intelligence has become a part of the company's culture and business success.
4. Professionally planned and executed operations, designed to meet the specific needs of the management team. Those needs are identified by a proficient needs-identification process and the results usually are evaluated in some accountable fashion.
5. The program is guided by a formal set of legal and ethical guidelines, often derived from or made a part of the company's own code of conduct. These guidelines and their implementation are the shared responsibility of the company's legal and competitive intelligence departments.
6. The intelligence organization acquires competitive information and intelligence professionally and efficiently from both secondary and primary sources, including human sources (both inside and outside the company). The proactive use of both sources of intelligence information provides the basis for an anticipatory early warning process.
7. The program's intelligence analysis creates both competitive insight and foresight, providing decision-makers and planners with a comprehensive view of the company's current competitive situation and the most likely future ones. The analysis often concludes with an analytical look at the various competitive options and, as appropriate, recommendations.
8. The most advanced programs also conduct counterintelligence operations and assessments designed to protect the company and its intellectual property from the intelligence activities of their competition. Such efforts are closely coordinated with security and usually are overseen by the legal department.
9. In addition to using information technology (IT) for the collection, storage, and dissemination of intelligence, world-class programs are constantly looking for new and innovative ways to leverage IT to achieve the following:
  - Manage the program
  - Enhance analysis
  - Support collection
  - Deliver finished intelligence to its users in an interactive form, thus facilitating decision-making and action
10. World-class programs have adequate personnel, which include the right mix of dedicated professionals, including managers and collection, analysis, and information services personnel. These individuals are professionally trained and constitute the core staff, on whom other employee-volunteers and part-time assignees depend for expertise and guidance to perform their assigned tasks. World-class programs grow when legitimate new tasks and responsibilities are assigned by management.

Hercules Corporation (U.S.) and ICA Fluor Daniel (Mexico) rounded out the top three. The placement of two non-U.S.-based companies in the top three was surprising, making the final outcome truly world class.

SCIP ran the award program again in 2001, but because of weak program promotion, it generated little interest and the total number of companies applying for it was significantly reduced. SCIP subsequently decided to discontinue the program. Interestingly, Kent Ridge Labs faded away after several years, because of a change in the company's mission and government sponsorship.

Like some of the company business and intelligence programs cited above, program evaluation systems also

come and go. Some of these programs are quite good, others rather subjective, and a few self-serving. So before accepting a company's claim of "best" or "world class," you need to closely scrutinize the evaluation process.

### **HERRING'S WORLD-CLASS PROGRAM**

In the final analysis, I have come to the conclusion that the world-class label is in the eye of the beholder. Thus, I have decided to create my own intelligence program rating system and have had some fun in the process. I will call it Herring's World-Class Intelligence Program. I base it on criteria that I know to be valued and admired by both

competitive professionals and the managers that use the intelligence these programs produce.

These program characteristics are derived from my professional experience and expertise. During 40 plus years as a professional intelligence officer, I have developed and managed successful, world-class intelligence programs in the private sector and government, including more than 30 totally new programs in most of the industrial sectors. I have advised and assisted more than 100 companies in developing or improving their business or competitive intelligence programs. All of these experiences have contributed to my views on what makes up a world-class intelligence program.

Of course, I recognize that other professionals may disagree on what criteria to use to select world-class programs. Ben Gilad and I often differ on which company programs are best. For example, Ben and I disagree over Kodak and Merck. I believe they are “best in their class”; he does not. My assessment of them is based mainly on two observable criteria:

- Strong management support and involvement
- Program longevity

These programs have also had strong, well-respected leadership.

I believe few companies today can claim to have a world-class intelligence program. But among those that do, they appear to share the following features and characteristics:

- A management team that both values and uses intelligence
- A director of intelligence that is considered to be a strong manager and leader by peers
- An earned reputation for having a professional staff and well-developed organization

Beyond these visible and rather subjective measures, I also believe there are several operational and programmatic features that are characteristic of true world-class intelligence programs. My world-class criteria are outlined in Sidebar 1.

If your business or competitive intelligence program possesses all 10 characteristics in the sidebar and:

- Your management not only supports it, but uses the program regularly
- It has operated continuously for five or more years
- It has become part of the company’s corporate culture

then you probably have a world-class intelligence program. Congratulations!

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