

Competitive Intelligence Best Practices for Global Companies



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- Rainer Michaeli

- Director Institute for Competitive Intelligence (ICI)
- Board Member dcif (Deutsches Competitive Intelligence Forum)
- Board Member SCIP (Society of Competitive Intelligence Professionals; 2003-2005)



*“Why I still like my CI job?
Every morning when I arrive at
my office, the telephone rings
and the next adventure begins”.*

Cliff Kalb, Merck & Co. (USA)
Former Head of CI

Speaker Profile Rainer Michaeli

■ Education

- ▶ Dipl.-Ing. Aeronautical Engineering
TU Braunschweig/University
of York, GB
- ▶ MBA (INSEAD) France

■ Professional Experience

- ▶ Project and Product Management
DIEHL GmbH & Co KG
- ▶ Key Account Manager
COMPUNET AG



- Founder and owner of DIE DENKFABRIK GmbH, Advisory Services in Business and Technology, since 1993

- Board Member of SCIP (Society of Competitive Intelligence Professionals) 2003-2005

- Board Member of dcif (Deutsches Competitive Intelligence Forum)

- Director of the Institute for Competitive Intelligence (ICI) since 2004

■ Intelligence Experience

- ▶ Military OR studies
- ▶ 500+ “Competitive Intelligence” projects for leading German and international companies
- ▶ CI Trainer for IIR, Euroforum, Management Circle, DGI, EAP (Ecole Européenne des Affaires, Paris), SCIP
- ▶ Associate professor at the University of Applied Sciences Darmstadt on “Competitive Intelligence” and “Dynamic Business Strategies”
- ▶ Various publications (including a 630 page textbook; Top 3 Financial Times bestseller in Germany)

Contact

- Michaeli@competitive-intelligence.com

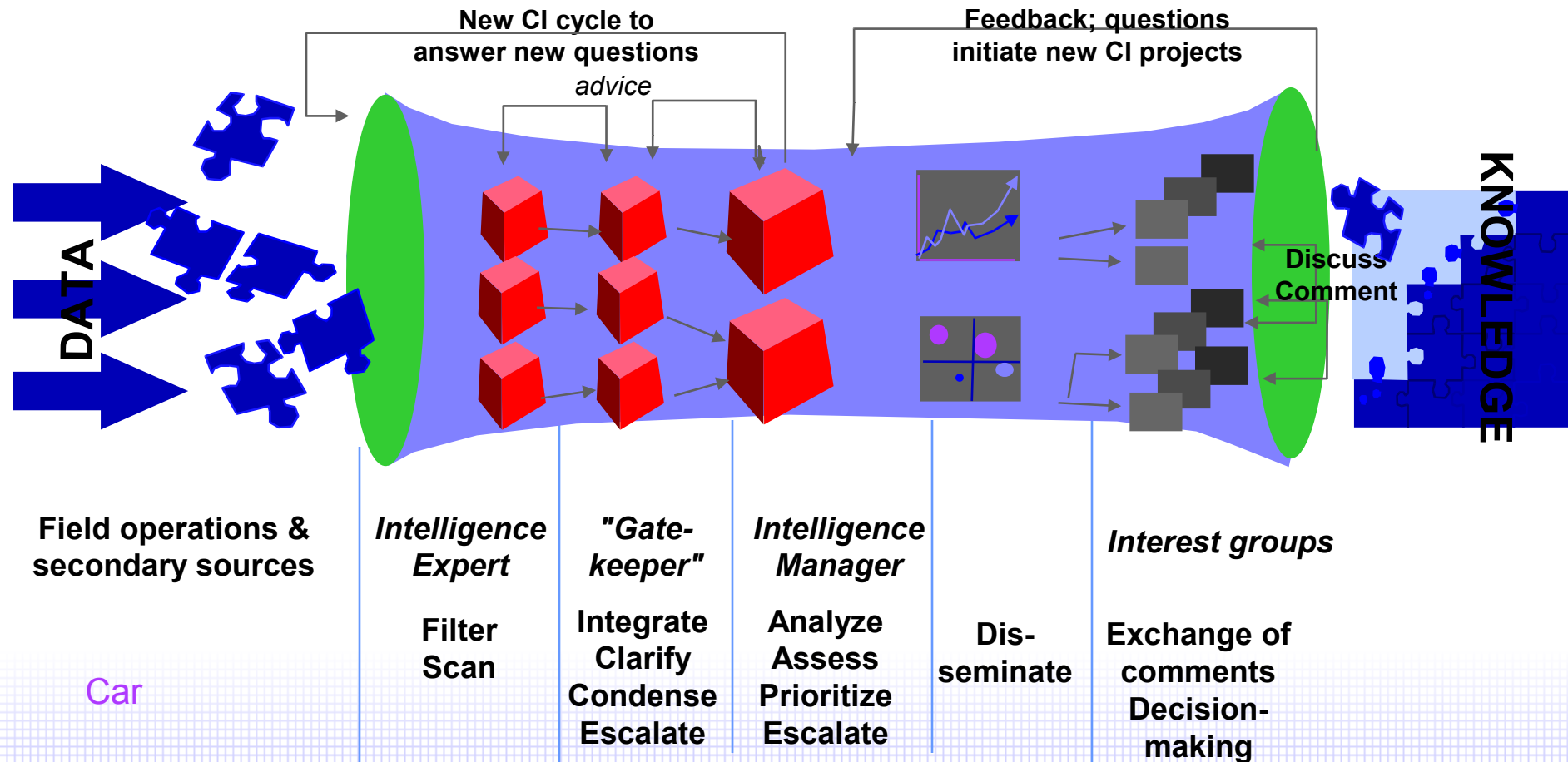
Agenda

- What is Competitive Intelligence?
- How to Define Best Practices for Global Companies?
 - ▶ Examples
 - ▶ **Best Practice Overview: 8 Success Factors to Consider**
- **Return on Intelligence (ROI)**
- **Questions & Answers**

What is Competitive Intelligence?

The Academic Answer

” ... an analytical process which transforms disaggregated company, industry and market data into actionable strategic knowledge about the position, performance, capabilities and intentions of target companies”.



What is Competitive Intelligence?

The Historian's Answer

- ▶ ... It has been is well known for a long time in warfare theory ...
 - Sun Tzu, “The Art of War”
 - Von Clausewitz, “On War”
- ▶ ... but it needed to be adopted to a business environment
 - M. Porter, “Competitive Advantage/Competitive Strategy”
 - R. D’Avini, “Hyper competition”

“By the word intelligence we mean all the information we have about the enemy and his country, that is, the basis for our own plans and actions. If we consider for a moment the nature of this information, how unreliable and variable it is, we soon get a feel for how dangerous the edifice of war is and how easily it can collapse, burying us under its rubble. [...]”

Carl von Clausewitz “Vom Kriege“ (On War), 1852
Prussian General



How to Define Best Practices for Global Companies?

- The bad news:
 - ▶ There's no single "best practice" that fits all companies in all competitive environments
- The good news:
 - ▶ There's common ground for defining structures and approaches that serve many companies well ...

What Does it Take?

- Example: Jan Herring's 10 characteristics of a world class CI program
 - ▶ CI-savvy senior management team
 - ▶ Well-respected Director of CI
 - ▶ CI is part of company culture (acceptance and awareness)
 - ▶ Professionally planned and executed CI operations driven by CI users' needs
 - ▶ Formal ethical and operational guidelines implemented
 - ▶ Proactive use of secondary and primary sources (incl. HUMINT)
 - ▶ Meaningful CI analysis as decision support creating competitive awareness
 - ▶ Counter-intelligence activities
 - ▶ Use of Information Technology (IT) for collection, storage and dissemination of information
 - ▶ Sufficient resources

HUMINT – HUMAN INTelligence

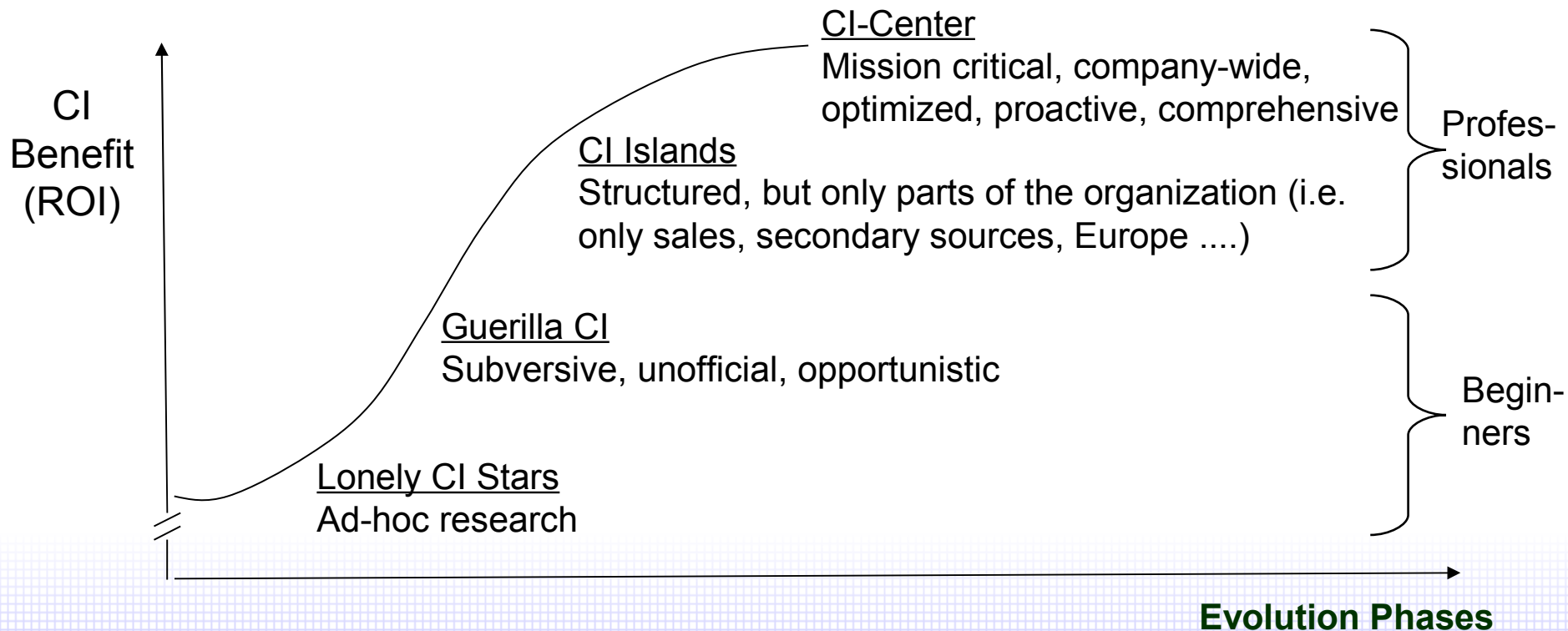
Herring, Jan: [World Class CI Programs](#), Competitive Intelligence Magazine, Vol 9 Number 3 May-June 2006

But ... There's no Need for Perfection

- Doesn't this somewhat resemble national/military intelligence operations?
 - ▶ National/Military intelligence operations tend to be very costly, bureaucratic animals. Hard to justify similar approaches in a business environment.
 - ▶ National intelligence operations tend to be as imperfect as the human beings involved. Blunders seems to be system-inherent: 9/11, Pearl Harbor, Yom-Kippur War, Falklands Islands
 - ▶ In an ideal world surprises are as unpopular as in a military environment – but they are not as painful at all
- Companies rather need to establish CI operations that are in line with:
 - ▶ Market dynamics (product life cycles, dynamics of end-user buying behavior, demographic trends...)
 - ▶ Technological advances (breakthroughs, emerging, substitutive, complementary...)
 - ▶ Other departments' activities (market research, business development, strategy...)
 - ▶ Competitive rivalry (fierce, cooperative, dynamic, fragmented...)

There Is Not One CI Practice for Every Company

- The evolution of CI in an organization might take years from start to proficiency!
- ... but it doesn't take a lot to get started
- No need to evolve to the highest level – just keep your marginal returns optimal for a given CI function!



Example of a Lonely CI Star Operation: Lycos Europe GmbH

■ Lycos Europe GmbH

- ▶ ISP (Internet Service Provider)
- ▶ Medium-sized (30 employees, 90 m€ turnover), fast growing
- ▶ Highly fragmented, pan-European competition

■ Competitive Environment

- ▶ Fierce tit-for-tat competition in very dynamic environment
- ▶ Product life cycles (such as Internet flat rates) can be measured in hours

■ Main CI Task

- ▶ Monitor competitor websites (offerings, target segments, innovations)
- ▶ Monitor technology
- ▶ Monitor service providers

■ Main CI Approach

- ▶ Network of freaks (power users)
- ▶ Direct reporting lines to CEO



Example of a CI Island Operation: Infineon AG

■ Infineon AG

- ▶ Semiconductor Industry
- ▶ More than 7.195 m€ turnover, unstable growth
- ▶ Highly fragmented market, global competition

■ Competitive Environment

- ▶ Fierce competition in very dynamic environment
- ▶ Product life cycles 2-5 years
- ▶ Technology driven (wafer production, applications)

■ Main CI Task

- ▶ Monitor competitor activities (ASIC design, wafer capacities, product bundling, prices...)
- ▶ Monitor end-user trends (performance...)

■ Main CI Approach

- ▶ Vertical industry focus
- ▶ Application database (lessons learned, potential trends, technological advancement...)



Never stop thinking

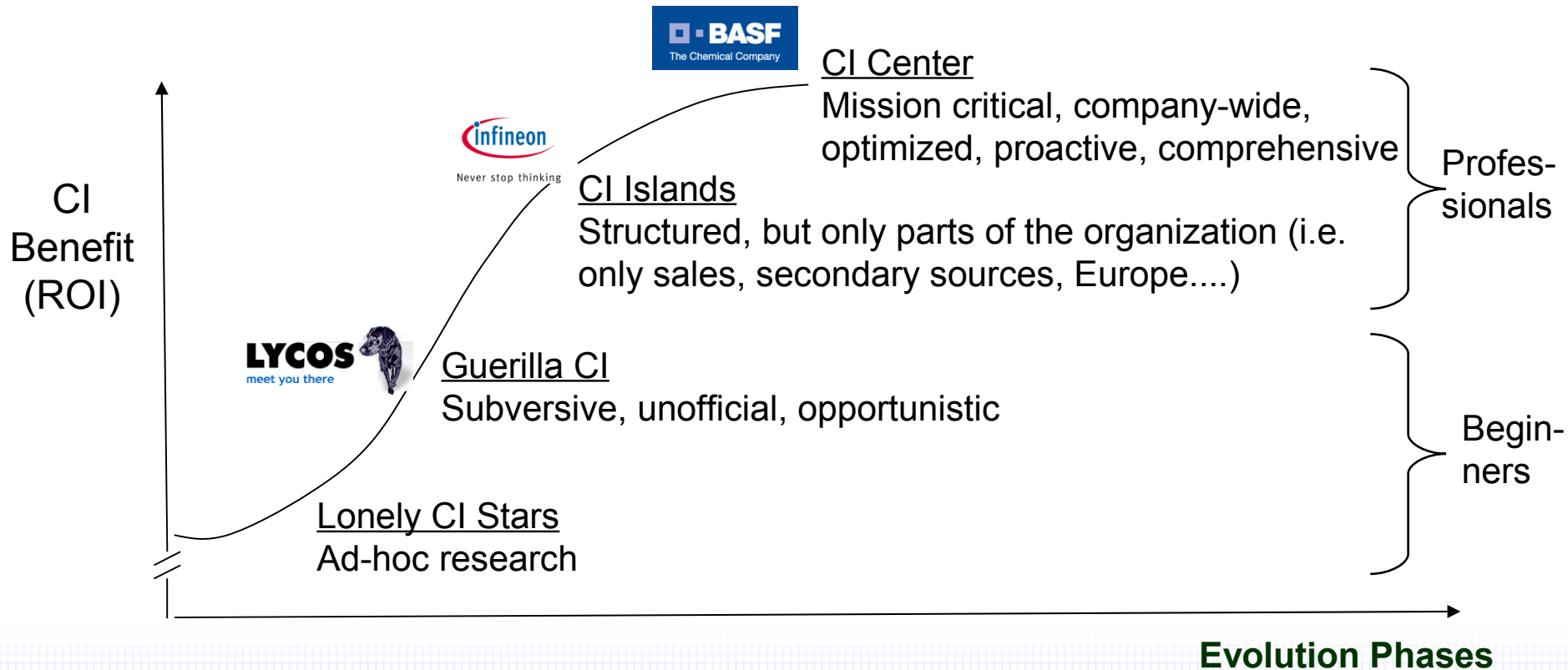
Example of a CI Center Operation: BASF Engineering Plastics



- BASF Engineering Plastics
 - ▶ Automotive industry supplier
 - ▶ More than 2,240 m€ turnover, moderate growth
 - ▶ Few global automotive manufactures, global competition (> 150 countries)
- Competitive Environment
 - ▶ Fierce competition in very dynamic environment
 - ▶ Product life cycles > 10-15 years
- Main CI Task
 - ▶ Monitor competitor activities (offerings, key accounts, innovations)
 - ▶ Monitor automotive manufactures needs (light weight constructions, maintenance, global productions, new specifications...)
- Main CI Approach
 - ▶ Global sensors (HUMINT)
 - ▶ Central project database (lessons learned, potential trends, technological advances...)
 - ▶ Centrally administered project teams

There Is Not One CI Practice for Every Company

- No need to evolve to the highest level – just keep your marginal returns optimal for a given CI function!
- What are the critical success factors?



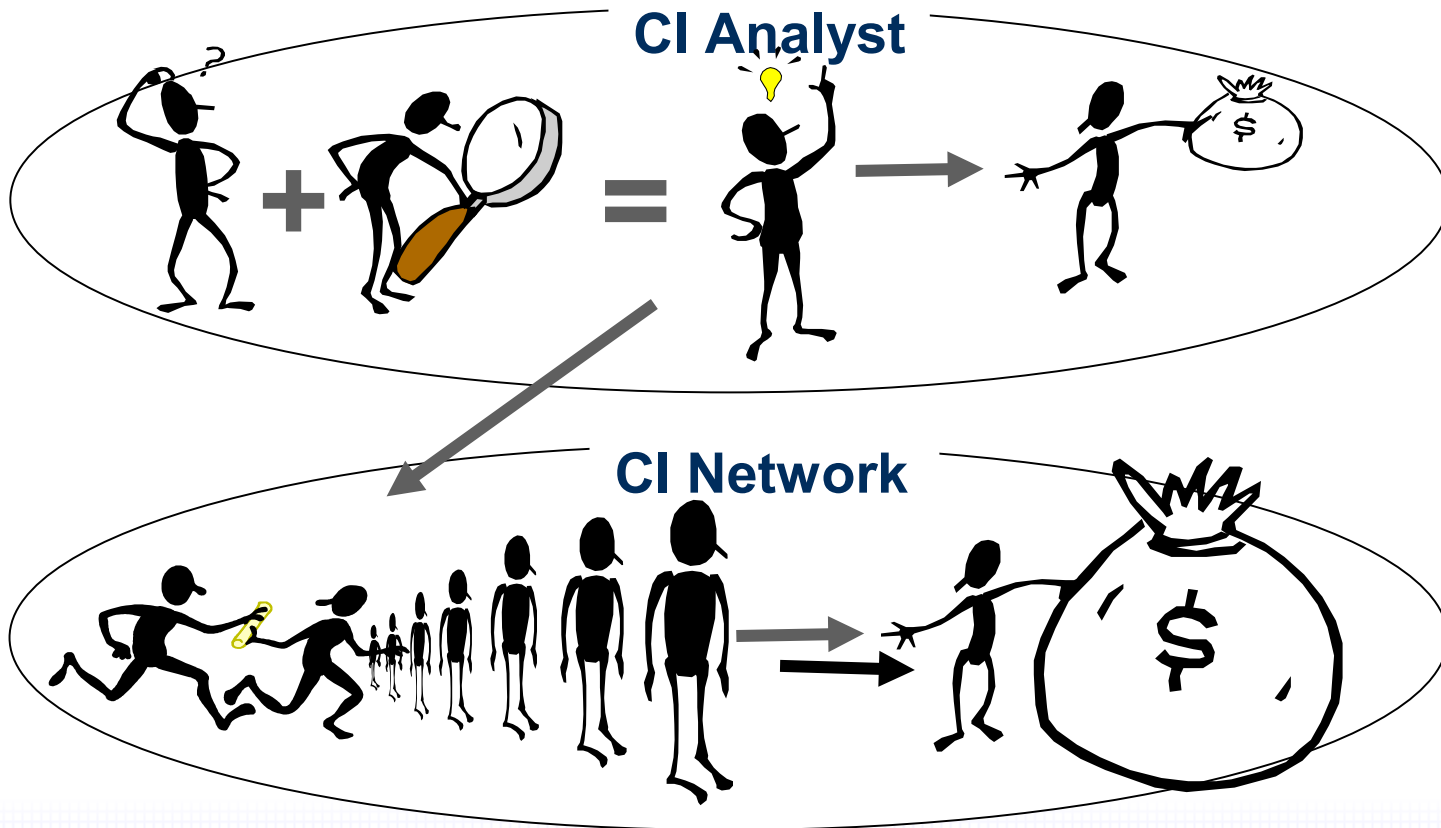
Best Practice Overview

Key practices from global CI operations (in order of priority):

- Develop and maintain information networks
- Gain support of internal organizational units
- Excel in professional information management
- Confidentiality of intelligence products
- Implementation of escalation procedures
- Knowledgeable CI team
- Seamless integration of strategic decision-making
- Control CI unit's performance with a CI scorecard

Best Practice: Develop and Maintain Information Networks

Secondary information research is (usually) insufficient for in-depth collection
Information networks (internal and external) are key to generate required insight/benefit



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Best Practice: Gain Support of Internal Organizational Units

- Beyond internal networks companies have vast amounts of knowledgeable employees, that can
 - ▶ Provide expertise ("gatekeepers")
 - ▶ Act as sensors in the field (early warning)
 - ▶ Access external experts upon request
- Key to success is the implementation of a CI culture and continuous promotion of CI activities (awareness)
- Typically companies organize formal and informal exchange platforms
 - ▶ Hub and spoke organization
 - ▶ Competitor committees/task forces
 - ▶ Project teams (M&A, Portfolio optimization, R&D Pipeline, ..)
 - ▶ Knowledge platforms (MS's sharenet)
- Design attractive incentives for employee contributions
 - ▶ Value points
 - ▶ Recognition
 - ▶ Insight
 - ▶

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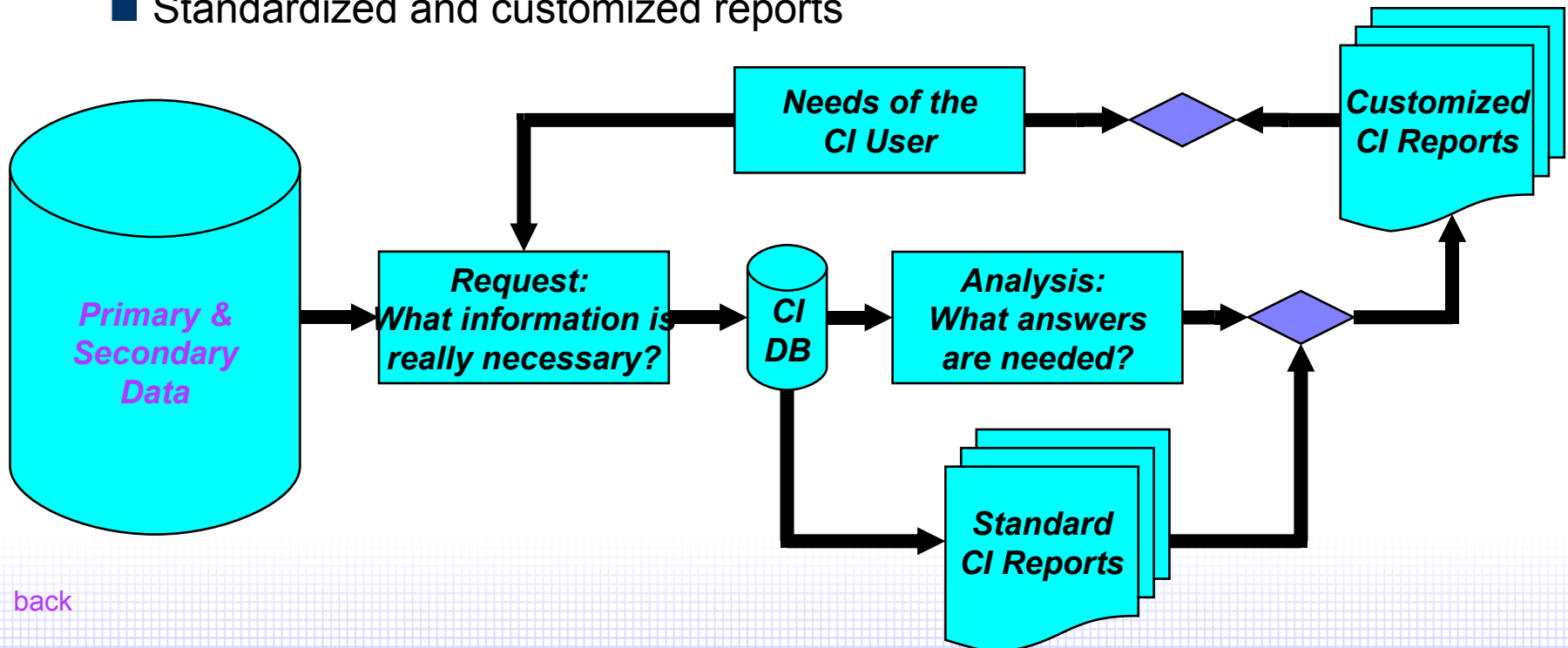
Best Practice: Excel in Professional Information Management (1)

- IT can support CI in many ways
 - ▶ Archiving and retrieval of information from internal and external information sources
 - ▶ Text mining (semantic analysis) of unstructured information
 - ▶ Monitoring and crawling of Internet URLs
 - ▶ Standardized, dynamically linked reports for CI intranet portals
 - ▶ Alerts
 - ▶ Dissemination of information
- A word of warning
 - ▶ Design first the CI processes based on your requirements, than specify software features
 - ▶ Software can provide a false sense of security
 - ▶ Focus, focus, focus ... less is more!

Best Practice: Excel in Professional Information Management (2)

Focus:

- Prevention of information overload
- Use of standard CI software as a CI database
- Targeted use of resources: “Need-to-analyze“
- Analyses are driven by CI need
- Standardized and customized reports

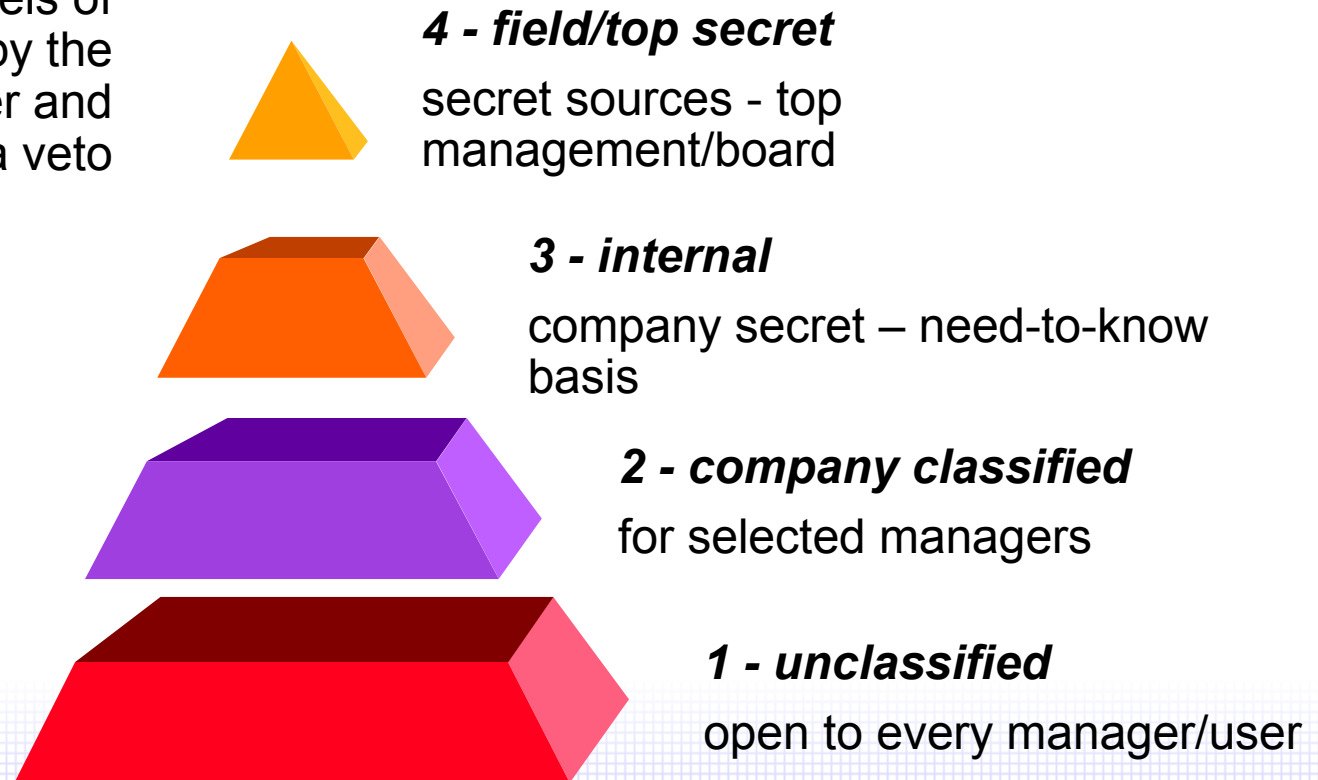


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Best Practice: Confidentiality Levels of Information

Design a clear need-to-know policy for intelligence dissemination
Without protection, sources tend to die ...

Confidentiality levels of users are set by the Intelligence Manager and CEO / Board on a veto basis



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Best Practice: Escalation Levels of Information (Messages/Reports)

What is the value of intelligence, if nobody knows about it? ZERO!

Escalation procedures must be planned to involve decision-makers and end users, and to trigger corrective / preventive management action



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Best Practice: The In-House CI Team

- Staff background and skill profiles should match the desired intelligence focus
- A sound mix of seasoned professionals (grey eminences), dynamic analysts (MBAs...) and experienced information/knowledge workers seems to be the recipe for success
- The CI team reflects the level of:
 - ▶ Commitment,
 - ▶ Risk and
 - ▶ Investment a company is willing to make
- Make sure they learn the magic word: “NO!”

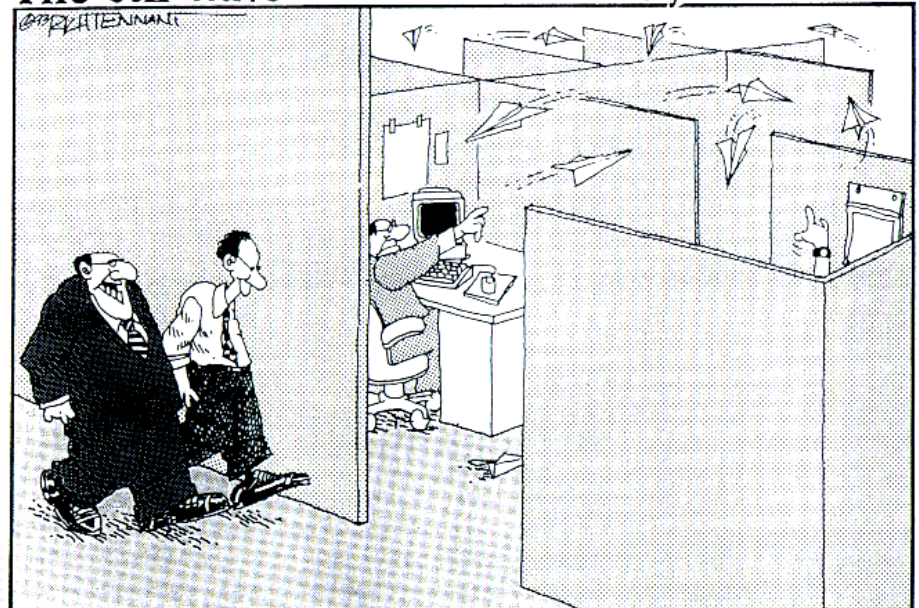


Best Practice: Seamless Integration of Strategic Decision-Making with CI

- Integration of CI with decision-making can be practiced in many ways:
 - ▶ Jour fixe with Top Managers
 - ▶ War Gaming sessions with management
 - ▶ Scenario planning with content provided by the CI group
 - ▶ Strategic Intelligence Briefs
- The level of direct involvement of the CI team with strategic planning correlates directly with the appreciation of CI

The 5th Wave

By Rich Tennant

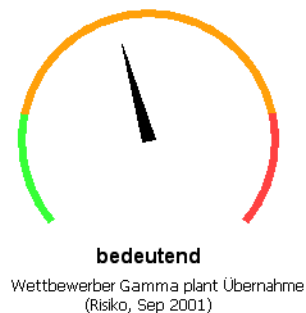


"Well, I don't know about business intelligence, but I have worked out a pretty nice reporting system on my own."

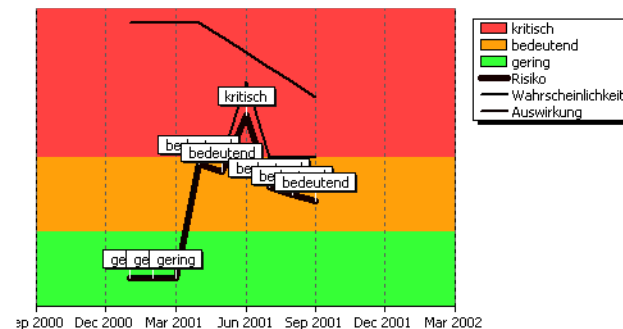
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Best Practice: Control the CI Unit's Performance with a CI Scorecard

- A CI scorecard provides substantial benefits:
 - ▶ Transparency of goals, strategies and achievements
 - ▶ Benefit/cost monitoring: ROI (see below)
 - ▶ Tracking of key success factors (hit rates, time-to-markets, detected competitors' surprises...)
 - ▶ Visualization of one's competitive environment



Threat Analysis Competitor A



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🔍	Baugenehmigung	Wahrscheinlich (Jul 2000)	🔴	➡
🔍	Gefüllte Kriegskasse	Unbestimmt (Sep 2000)	🟡	➡
🔍	Hohe Profitabilität	Wahrscheinlich (Jul 2000)	🟢	➡
🔍	Hohe Zufriedenheit des Management	Unbestimmt (Sep 2000)	🟡	➡

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The Benefits of CI

How to measure the return on CI?

- Return on investment (ROI) is the realized outcome (gains and/or savings) divided by the cost incurred to obtain the realized outcome
- ROI can only be measured when inputs and outputs (both expressed in Euros) are clearly defined. However the causality between a CI investment and the outcome is hardly clear!
 - ▶ Try to find empirical evidence that "luck favors the CI-driven company"
 - ▶ Check out case studies (from companies similar to yours) which at least indicate a best practice approach
- Do not rely solely on a €-based ROI-calculation! What about ...
 - ▶ Time and cost savings?
 - ▶ Cost avoidance?
 - ▶ Revenue/market share increases

Fallback rationale:

“At least competitor intelligence is analyzed information about competitors that is aimed at preventing the average executive from looking like a fool a few years down the road” (Ben Gilad)

Example for ROI Sources

- Determination of the marginal discounted cash flow due to your investment
 - ▶ Additional revenues or savings
 - „Automation“ of standard work
 - Avoidance of redundant work throughout the CI-Cycle (data collection, processing, analysis and communication)
 - Avoidance of waste of time
 - ▶ Increased quality of retrieved information, i.e. better decisions made
 - Multiple sources (competitor web sites, news groups, news, sales rep reports, service technicians intelligence reports)
 - Improves handling of information (validation, archiving)
 - ▶ Improved utilization of available intelligence
 - Collaborative intelligence by involvement of various experts (Metcalf's law)
 - Focus on relevant issues (no Chinese parliament, but prioritization and escalation of intelligence)

Return on Intelligence (ROI)

Results from a ROI analysis of 43 American und European companies

- Average total investment: 2.000.000 US\$ (over 5 years)
- ROI: 457% by introduction of a structures, automated, professional Competitive Intelligence system
- Variance on ROI: 17% and 2000%

- Budget and ROI do NOT correlate!

Source: IDC Report, quoted in Digimind White Paper „Return on investment from a competitive intelligence software“, 2005, www.digimind.fr

Summary

- Competitive Intelligence Best Practices for Global Companies:
 - ▶ There is not one CI practice that fits every company
 - ▶ Every company will seek to establish a CI function that optimizes marginal returns
 - ▶ Consider 8 key success factors when designing CI operations!

- Any questions?

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Literature

- Gubeno, Janel: A Guide to building an effective CI system from the ground up; Competitive Intelligence Magazine Vol. 6 Number 4 July-August 2003
- Herring, Jan: Create an intelligence program for current and future Business needs; Competitive Intelligence Magazine, Vol. 8 Number 5 September-October 2005
- Herring, Jan: World Class CI Programs, Competitive Intelligence Magazine, Vol. 9 Number 3 May-June 2006
- Michaeli, Rainer: Competitive Intelligence, Springer, forthcoming
- SCIP Foundation: State of the Art: Competitive Intelligence, Research Report 2005-2006, Executive Summary



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CI Software

CI Software (non-comprehensive list; check SCIP resource directory and conference exhibitions for more!)

AskSam; www.asksam.com

Chiper Systems, LLC: Knowledge Works; www.cipher-sys.com

Comintell AB: Knowledge XChanger 2.2; www.comintell.com

Digimind; Digimind Evolution; www.digimind.com

Novintel Oy: Viva Intelligence Portal; www.novintel.com

Strategy Software Inc: Strategy!; www.strategy-software.com

Traction Software, Inc. TeamPage; www.tractionsoftware.com

Wincite Systems, LLC: Wincite; www.wincite.com

CI Software Reports/Books

Fuld L (2003) Intelligence Software Report 2003: Leveraging the Web. Private Report by Fuld & Company, Boston, Massachusetts.

Aurora Software Report; www.aurorawdc.com/software

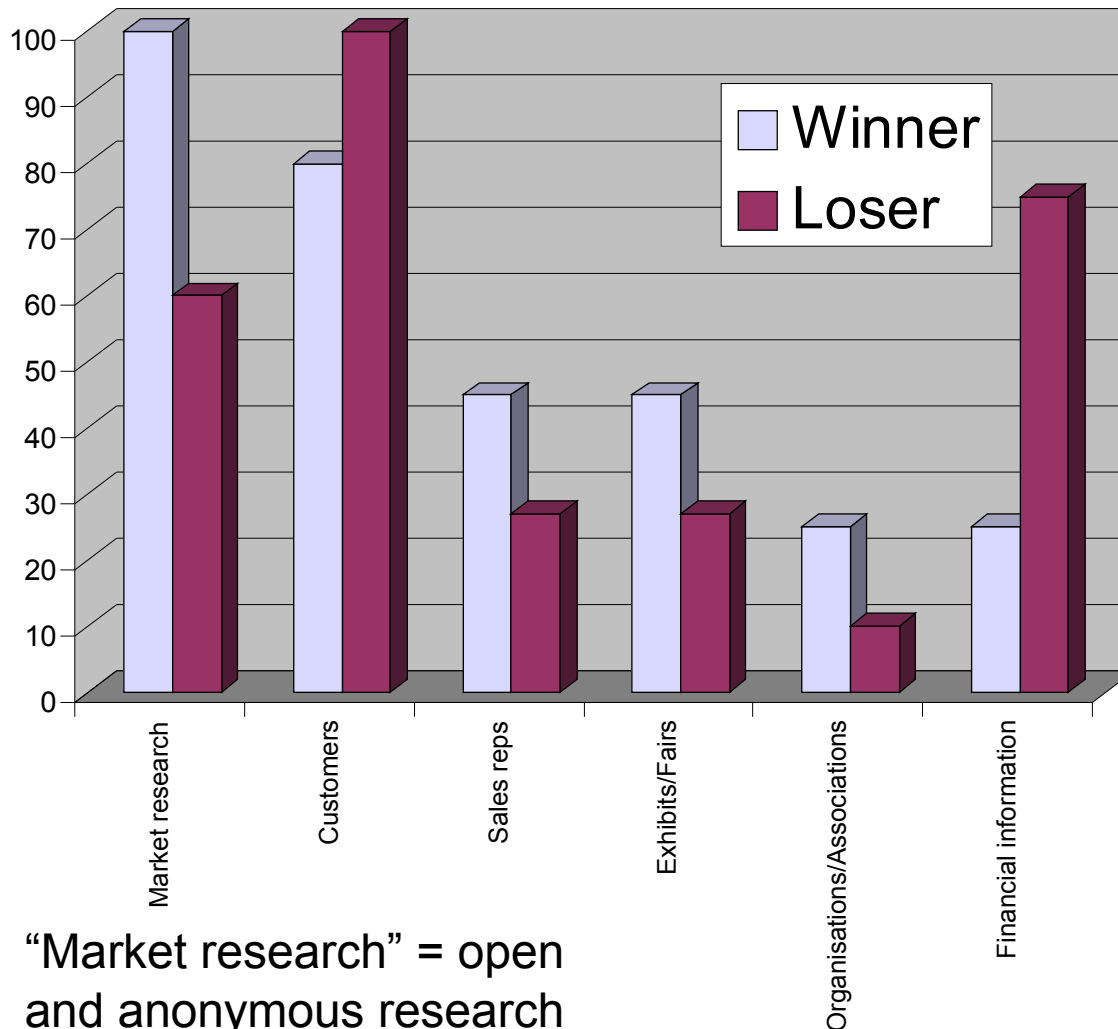
France Bouthillier, Kathleen Shearer Assessing Competitive Intelligence Software: A Guide to Evaluating CI Technology

Various articles in SCIP Magazine

Luck Favors the CI-Driven Company

(Hypothesis: "Success" Correlates with "CI" Proficiency)

How do you assess your competitive situation?



Findings of a market survey with some 500 industrial, internationally operating UK companies

"Winners" = over-proportionally successful

Braxton Associates, Early 90's

"Market research" = open and anonymous research