

THE CHANGING LANDSCAPE OF COMPETITIVE INTELLIGENCE: TWO CRITICAL ISSUES INVESTIGATED

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Abstract

Competitive intelligence is evolving. Why? It is the evolving needs of businesses and not the method or technology supporting the gathering and analysis of information that force this continuing evolution. Two changes in competitive intelligence are investigated in this paper: 1) the failure of the competitive intelligence system because of reliance on an outdated understanding of the intelligence cycle and the associated concepts of key intelligence topics (KITs) and key intelligence questions (KIQs); and 2) the growth in the production of competitive intelligence by those who actually use it—the do-it-yourselfers, or DIYers.

Keywords: competitive intelligence cycle, Key intelligence topics, key intelligence questions, KIT, KIQ, do-it-yourselfers, DIYers

BACKGROUND

Competitive intelligence (CI) traces its intellectual origins to Harvard Professor Michael E. Porter’s 1980 work, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. (Porter, 1980) There, he described how to create a “competitor analysis system,” (Porter, 1980: 368–82) which linked the concept of CI to the development of corporate strategy. Competitive intelligence traces much of its operational origins to retired US government intelligence community officials who, at about the same time, helped transfer the concept of governmental intelligence to business (McGonagle, 2007). For example, Motorola was early recognised as the home of one of the first full-time modern competitive intelligence units:

[Jan Herring¹] “Although I started my intelligence career in 1963, I became a private sector competitive intelligence professional in 1983 when I joined Motorola. [Robert Galvin, then CEO of Motorola²] wanted a business intelligence program very much like the ones he had observed in government....*My approach was* [to apply]

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government principles, theory, and practices using my own professional skill.” (Symposium, 1997: 8–9, emphasis added)

[Robert Galvin³] “[Jan Herring] oversaw [Motorola’s] development of a *pioneering business intelligence system based on national security principles.* (Galvin, 1997: 3, emphasis added)

Since that time, competitive intelligence has been adopted by numerous private organisations, both businesses and non-profits, has been offered in universities, some at graduate-level, has been nurtured by numerous professional organisations, including the Strategic and Competitive Intelligence Professionals (SCIP, formerly the Society of Competitive Intelligence Professionals) and the International Association for Intelligence Education (IAFIE), and closely studied by research groups including the APQC (formerly the American Productivity and Quality Center).⁴

Today, competitive intelligence, at least formally, still retains elements of its government intelligence origins, first among them the importance of the CI cycle, as well as the implicit given that competitive intelligence is a product to be transmitted from an analyst to an end-user, rather than a process to be incorporated into management wherever it can help.

ISSUE UNDER INVESTIGATION

This essay notes two critical changes in competitive intelligence that are the result of its independent development since the 1980s, and by its expansion from, arguably, a predominantly strategic research method to one that now supports operational and even tactical decision-making. The two issues that will be investigated in this paper are: 1) the failure of the system of reliance on an outdated understanding of the intelligence cycle and the related key intelligence topics (KITs) and key intelligence questions (KIQs); and 2) the growth in the production of competitive intelligence by those who actually use it—the do-it-yourselfers, or DIYers.

CONTEXT OF THE COMPETITIVE INTELLIGENCE CYCLE

Competitive intelligence is traditionally viewed as following a cycle,⁵ derived from the strategic intelligence cycle described in government intelligence operations literature.⁶ That cycle traditionally starts with the determination of need by the end-user/requester, followed by the research of others, then an analysis, and finally communication of the finished intelligence to the requester

(who then decides whether or not to use it). At some point, there is feedback from the requester to the analyst.

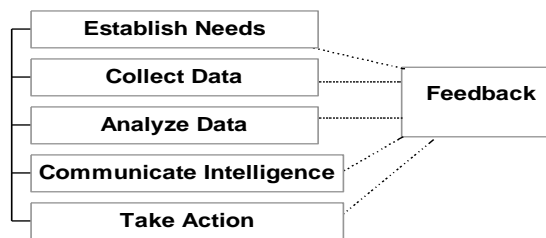


Figure 1—The Competitive Intelligence Cycle (McGonagle and Vella, 2003: 8) As can be seen, it is very much a process separating the intelligence requester from the intelligence provider. In practice, competitive intelligence professionals and academics in the field extended this cycle beyond strategic CI to tactical and operational CI. They also adapted it, recognizing that feedback was necessary from every step in the CI cycle to every other step in the cycle. That means for competitive intelligence professionals, the classic CI cycle is already more of a theoretical description than an operational guide.⁷

One of the operational methods that accompanied the transfer of the strategic government intelligence cycle to CI was the National Intelligence Topics process. In CI, it was recast as Key Intelligence Topics (KITs), a critical step in managing the determination of requester strategic needs and their communication to analysts. Over time, the use of KITs has spread to tactical and operational competitive intelligence:

It is the problems with KITs that is the subject of the next section. And, in the following section, we will discuss how, at least in the case of the individual DIYers, the CI cycle no longer exists. Instead, it is, at best, an approximation of the thought processes that an individual goes through.

KEY INTELLIGENCE TOPICS

Frustrations with the Current Paradigm

When the concept of a strategic intelligence cycle, Key Intelligence Topics (KITs) and Key Intelligence Questions (KIQs)⁸ were first brought to corporations by former state intelligence practitioners, they would have had no idea of how divisive or misapplied these concepts would later become. The intelligence cycle as it is seen in CI today (figure 1) has always presented a number of difficulties, even in the venues for which it was developed. Top among these issues is the

failure of the feedback mechanism to function all the way back to the request's initiator, in CI terms, the needs step.

The initiation of the competitive intelligence process develops when an end-user requires an answer to a competitive question or needs intelligence in order to make the best decision. As noted above, feedback is supposed to occur in every step of the process, all the way back to the end-user. The necessity of feedback is two-fold; first, it should help to eliminate cognitive biases of the requester⁹ and, second, it should provide a means by which the collectors and analysts confirm that the information and intelligence they derive is in accord with the requirements, both implicit and explicit, in the original request.¹⁰

In practice, that is not the case. It is our experience that if any feedback is actually started, it rarely gets a "sanity check" from the end user by those tasked as collectors and analysts. This is most true when the need is a strategic one and the requester is a director, vice president or member of the C-suite, but is also the case with tactical or even operational competitive intelligence. Experience shows that in most cases, the decision on using CI, and the reason the intelligence is needed, is made at a distance from the planners, collectors, or analysts. KITs and their related KIQs are developed during the initiation and planning stages of the traditional CI cycle. Examples of traditional KITs include:

- "What production process will the competition use in their new plant?"
- "How is competition likely to respond to our new product?"
- "How will the government change the regulatory regime we now operate under?"
- "Determine the competitive position of our new technology; and
- "What strategic alliances are our competitors seeking? Why?" (Herring, 2005).

It could be argued that any discussion involving a KIT provokes the question, "Why is it called a *topic* if we are asking questions."¹¹ To this, the only reply is that the topic was phrased in this way due to historical precedent. In other words, it became a question from inertia, possibly due to the unwillingness of the requester to engage in the feedback necessary to carefully articulate their needs in order to identify topics and then to generate the related KIQs.

Actually, the KITs were to be only *strategic* in focus (Herring, 2005), so inertia has already changed the process (without saying so) by eliminating

feedback and removing the iterative process of generating KIQs from KITs through interaction with the end-users. In addition, it was being applied to non-strategic topics, thus stretching it well beyond its original scope. Eventually, this has resulted in lost faith in the competitive intelligence cycle's KITs and KIQs as the starting points for generating sound intelligence. Other weaknesses that developed from flaws in the CI system include:

- information-loss between second and third-parties in the collection of intelligence;
- analysts' selection of inappropriate techniques and methods based on the requested information; and
- the failure of feedback (in the event any occurs) on the disseminated intelligence (its reception and utilisation by the requester) to get back to the analysts or collectors.

With respect to the first of these, the lack of direct contact with the end-user/requester results, more often than not, in either too much information or too little useful information being developed. The purpose of collection is, ideally, neither random nor exhaustive, but focused on garnering the best information to respond to requester's needs. Analysis, too, suffers from a failure to fully understand the requester's need: Is the appropriate method a ratio analyses for gaining financial insights or a Porter's Four Corners to understand a competitor's management's motivations; or is a BCG Matrix or SPACE Matrix more appropriate?

More simply, the tasking is now too far from the collection and analysis. And such a system fails to address emerging circumstances found by data collectors that may radically alter the equation.¹²

DIYers

One of the forces that helped develop competitive intelligence was its link to corporate strategy first developed in the seminal strategy book by Professor Michael Porter (Porter, 1980) together with his two follow-ons (Porter, 1985 and Porter, 1990). In Porter's vision of a competitive strategy achieving a competitive advantage, competitive intelligence is the link that enables a firm to develop its competitive strategy, which, when executed will produce a competitive advantage for it.

But, over time, competitive intelligence spread its mantle. CI professionals began providing intelligence not only on competitors' strategies, but on their tactics; not just on macro-level issues like long-term investments, but on micro-level issues, like pricing and product positioning. Regardless of the targets, it has been the goal of the CI professional to provide intelligence that the end-user will, well, *use*. As the end-user is not the same as the intelligence analyst and collector, CI historically ran into a fundamental disconnect. That is, while CI, very good CI, can be provided to the decision-maker, there is nothing requiring the end-user, the decision-maker, to use it to make a decision.

However, there were situations where such disconnects were avoided. That was done by having the end-user be a part of process of developing the raw data and finished analysis. For example, technology teams in a wide variety of industries began to develop and use access to data on pending research and development. The goal was to help develop an understanding of where their competitors were, are and will go. Technology-oriented intelligence grew out of this environment. It still enjoys the creativity, cross-fertilization, and intellectual stimulation that having competitive intelligence professionals work directly with the decision-makers generates.

Over the past 30 years, most CI has been provided by individual internal (and external) CI analysts to another person or another unit within a business, that is, their end-user (requester). Within the last ten years, an alternative has developed whereby the individual manager develops competitive intelligence for his or her own use, whether or not there is a dedicated internal full-time CI function available. For these people, CI is now an additional management approach just as are directing personnel, undertaking strategic planning, coping with Six Sigma, doing budgeting, etc.

Why? Because, as we have noted, traditional competitive intelligence, including the CI Cycle and KITs, is premised on a reactive, two-part relationship—that is, a CI professional responding to what an end-user identifies as a need, often with the help of the CI professional. But, by being a DIYer, a manager or business leader can turn CI from being reactive to being proactive, by eliminating the KITs, the conferencing, and the feedback. As the decision-maker, the DIYer now gets what CI he or she needs, when it is needed, and then can use it almost seamlessly.

In addition, as end-user (requester), collector, and analyst are the same, there is no longer any danger of the fundamental disconnect rendering a competitive

intelligence assignment pointless. The fundamental disconnect is when the end-user of CI does not incorporate the intelligence provided by the analyst into his/her decision-making.

CHANGING THE PARADIGM

There are, essentially, two functions for CI today. The first is to answer questions and provide intelligence for decisions. The second is to provide early warning of potential threats or early identification of developing opportunities. While these basic needs are unlikely to change, the way in which the needs are expressed and collected are either in flux or still following an outmoded paradigm that no longer, even if it could previously, provides the best information from which to derive intelligence.

There is a need for a new paradigm in competitive intelligence which will provide the best intelligence to those requiring answers in support of their needs. In essence, there is nothing particularly wrong or incorrect in the intelligence cycle as it currently exists—with the critical exception of assuming regular communication (including, but not limited to, feedback at all stages) between the necessary competence groups (requester, collector, and analyst), which does not always exist.

The role of the competitive intelligence professional is to assist in clearly defining the objectives, help identify the places and modes of collection, propose the best analytical techniques to develop the information, and determine the best methods of dissemination. The CI professional facilitates the ongoing communication between the competent groups. But how does the profession accomplish this given the flaws in the way we look at the production of CI as well as in the way in which it is now conducted?

The most difficult part of this process is explaining to leadership the benefit of a strong process for developing intelligence. As with the KIT/KIQ system, this begins with a clear definition of those factors where CI is most needed by the organization—call it the *Critical Intelligence Requirement* (CIR). This may be either a question or a decision that needs to be made, stated in clear, direct terms.

Ideally, this will be developed in consultation with the competitive intelligence team, the requester/end-user, and others in leadership to ensure that the output is *need-to-know*, not merely (the pointless and resource wasting) *nice-to-know*. The team approach also works by minimizing the biases that creep into the CIR and point, tacitly, to an expected answer.

If the KIT is replaced with the CIR, they then become a method for identifying and dealing with a strategic topic. And the KIQs can, in essence, then serve the tactical and operational end-users while remaining responsive to the KITs in light of the CIR. From this we can develop the collection strategy based on the format of an outline where the topic is the highest level of the outline (the Roman Numeral) and KIQs the next level down (the Roman capitals).

The topics/questions under the CIR then drive the collection strategy. For example, a CIR may be that “[As a chocolate manufacturer] we want to enter the high-end ice cream market.” Topics to be explored to enlighten the CIR may be *competition*, of course, but since we are discussing *competitive* intelligence, not merely *competitor* intelligence, we must go further. Additional topics to assist in developing the intelligence necessary for this decision might also include: synergies, consumer trends, market saturation, intellectual property, regulatory environment, fleet and logistics, distribution channels, suppliers, pricing, and so on. Now, under each of these topics we can develop the questions from which we hope to derive answers to better understand the topic directly responsive to the CIR.

DIYers

DIY CI is real, it is here and is it growing. One of the authors has already conducted numerous public and private courses for managers and business leaders who have added competitive intelligence to their personal methodological approaches.

Still not sure of this? Here is a partial list of non-CI trade and professional groups have held training, conference, or chapter presentations on CI for their (non-CI professional) members:

- Aligning Medical Affairs & Services for Success Conference;
- American Chemical Society;
- American Society for Industrial Security;
- ARMA International;
- Association of Independent Information Professionals;
- Association of Strategic Planning;
- Business Threat Awareness Council;
- Construction Market Research Council;
- Defense Industry Initiative;

- Professional Pricing Society;
- Society of Manufacturing Executives; and
- Special Libraries Association.

In addition, there is growing evidence that businesses are indirectly bringing some competitive intelligence into functions such as market research, customer insights, and even risk management.¹³ We do not mean to say that classic CI is destined to be replaced by DIY CI:

- What this means is that the methods and techniques that enable individual managers and leaders to produce their own CI for their consumption are out there, and have been honed by decades of work by academics and CI professionals. But, today's DIYers cannot just adopt them – of necessity, the DIYers must adapt to them.
- It also likely means a change in how internal CI units will function. Perhaps it will allow/force them to focus largely or exclusively on supporting early warning projects and strategy and move away from supporting tactical and operational activities.
- As for the future of external competitive intelligence firms, it is possible that their focus may shift more heavily to strategy/very large project/early warning support, more training of DIYers, and to becoming a resource for research that internal CI units and DIYers can/should not do, such as elicitation interviews of sensitive targets (your own employees, competitors, etc.).

CONCLUSION

Competitive intelligence is evolving. It is not the method or technology supporting the gathering and analysis of information that force this development, though they play their part. Rather, it is the evolving needs of businesses, both large and small, competing in the Internet Age to sell both commodities and differentiated products. Now, perhaps more than ever, a sound process for obtaining solid competitive intelligence is imperative. For large companies, this means developing a workable, formalised process. For the DIYer, the methods and techniques necessary to support the needs of their business or corporate function whether strategically, operationally or tactically. Good-enough competitive intelligence is already being practiced, but great competitive intelligence is on the horizon.

ENDNOTES

1. Jan Herring was former director of intelligence at Motorola, and before that a career intelligence officer at the CIA. See also, Fisher (2014).
2. Galvin had served on the US President's Foreign Intelligence Advisory Board.
3. For more on this, see Kahaner (1996: 1519) and Kraft and Lyke-Ho-Gland (2014).
4. See, for example, Sawka (2008: 4).
5. See, for example, Clark (2008: 10), Nolan (1999: 7) et seq., and Kahaner (1996: 43) et seq. This reflects the significant influence of former government intelligence analysts who have joined private companies as competitive intelligence analysts.
6. For more detailed critiques of the competitive intelligence cycle, see Wheaton (2014) and McGonagle (2007: 7186).
7. For more detail on the concept of KITs, see Herring (1999: 414).
8. "KIQs are used both to analyze the KIT and determine the types of intelligence operations that are required to develop understanding and insights regarding the critical elements of a KIT issue." (Herring, 2013)
9. A more detailed discussion on cognitive biases in the intelligence process can be found in Huer (1999).
10. Jan Herring, reviewing the use of KITs, noted that, "Developing key intelligence topics is not a simple 'question and answer' process. [A] KIT is ... seldom satisfied by a simple 'answer.' It usually requires some planned mix of collection and analysis, often combining various analysis techniques in addition to both primary and secondary collection operations. (Herring, 2013)
11. According to Herring (1999: 6–8) there were only supposed to be three types of KITs—strategic decision, early warning and key players.
12. For a preview of treating competitive intelligence as a process, see McGonagle and Vella (1996).
13. A search on *LinkedIn* (1 December, 2015) found over 150 individuals whose official titles combined competitive intelligence and market research or customer insights. On the relationship between competitive intelligence and risk management, see Gilad (2003).

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