ASK ARTHUR!

ANSWERS TO YOUR CI QUESTIONS

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AWARE

If you have any questions about CI—sources, techniques, tools or approaches to take—send them to me via e-mail. Each month I'll answer a selection from the questions sent in by readers. Although I can't guarantee to print answers to all questions, I hope that the questions and answers printed in this column will help with your own CI operations.

Dear Arthur

I sometimes find big differences when I look at news stories on my competitors, even though the stories cover the same basic information and have the same dates. How do I decide which story to believe and whether it is reliable?

One of the problems in CI is that sources are often unreliable or inaccurate. Even worse, sometimes this is deliberate. In the computer software industry, the term "vaporware" is used to describe the situation in which companies leak information about forthcoming products (which may never actually appear) with the aim of forestalling competitor products. One approach is to ask yourself these questions:

- Has the source been reliable in the past?
- Is the information corroborated by other independent sources?
- Does the information fit with what I already know about the topic?

Even information that is suspect may not actually be wrong, while information from the best sources that matches existing knowledge may be. The latter instance can result from not challenging assumptions and received knowledge, or not checking information adequately—perennial dangers for the CI analyst. The *London Sunday Times* recently published a news story about the actress Julie Christie, giving her age and mentioning a son, among other details. A letter from Ms. Christie refuted most of the news story, and denied that she had a son. The newspaper's response was to blame a "normally reliable website" for some of the information and the *International Who's Who* and *The Film Encyclopaedia* for giving different birthdays.

If major directories and leading newspapers get it wrong, whom can we trust? The answer could be nobody, but this would be incorrect. Part of the role of the CI analyst is to get behind media and corporate obfuscation to the truth. This involves using multiple sources, analysis to identify links and correlations, and finally primary research. Ultimately, the best information comes from the originating source and this is where confirmation should be sought. Only where this is not possible should secondary sources be relied on. In these cases the analyst needs to take extra care in interpreting the data.

Dear Arthur

I've heard that as well as competitive intelligence there is also competitive counter- intelligence. What is this, and how does it differ from CI?

Competitive counter-intelligence is the flip-side of CI. In the same way that you, as a CI specialist, will try to gather information on competitors, the counter-intelligence specialist will try to stop you. This can be by: (1) ensuring that only appropriate communications are released by the company; (2) disinformation, aimed at confusing; and (3) procedures that stop and control the release of information.

As an example, some companies have rules about who can speak to outsiders. If you do not have the name of an individual within the company then you are passed to an "external relations" spokesperson who will assess your inquiry before passing you on to the relevant person. So, if your purpose is to interview a staff member to gather CI, you may find access denied. (This is assuming that you are honest and do not lie about who you are and whom you represent). Other companies monitor e-mails coming in and going out of the firm, looking for keywords including competitors' names and similar information that could indicate leaks.

Counter-intelligence recognizes the techniques used by ethical CI practitioners as well as those who cross the line into industrial espionage and sets up procedures to block their access. Firms with a well-oiled counter-intelligence process take the same attitude about their information assets as they do about their physical assets. Both are too valuable to be left unguarded, and both require appropriate security measures to keep them protected.

Dear Arthur

Do you have information on PEST (Political, Environmental, Social & Technical) Analysis, please?

A PEST analysis (also sometimes called STEP, STEEP or PESTLE analysis) looks at the external business envi-

ronment. In this case, technological factors include ecological and environmental aspects (the second E in STEEP and PESTLE, while the L in PESTLE stands for legal). This analysis examines the impact each of these factors (and their interplay with each other) has on the business. The results can be used to take advantage of opportunities and to make contingency plans for threats when preparing business and strategic plans.

You need to consider each PEST factor individually, as they all play a part in determining your overall business environment. Thus, when you look at political factors you should consider the impact of any political or legislative changes that could affect your business. If you are operating in more than one country, you will need to look at each country in turn. Political factors include laws on maternity rights, data protection and even environmental policy. These three examples alone have an impact on employment terms, information access, product specification and business processes in many businesses globally.

Obviously politicians don't operate in a vacuum, and many political changes result from changes in the economy or in social and cultural mores. Although tax rates are generally decided by politicians, tax decisions also include economic considerations such as the state of the economy. In Europe, the politicians drove the introduction of the new euro currency but the impacts will be economic: cross-border pricing, European interest rates, bank charges, price transparency and so on. Other economic factors include exchange rates, inflation levels, income growth, debt and saving levels (which impact available money), and consumer and business confidence. There can also be narrow industry measures that become important. For example, the availability of skilled labor or raw-material costs can impact industries in different ways.

Advances in technology can have a major impact on business success, with companies that fail to keep up often going out of business. Technological change also affects political and economic aspects, and plays a part in how people view their world. For example, the Internet has had a major influence on the ways consumers and businesses research and purchase products. Five years ago, it was rare for consumers to consider cross-border purchases. This is now common via services such as e-Bay, so even small businesses can serve a global market. The music industry has not found an effective solution to the threat posed by the successors to Napster. Environmental factors include the impact of climate change: water and winter fuel costs could change dramatically if the world warms by only a couple of degrees.

Ultimately, all the various PEST analyses are governed by the socio-cultural factors (beliefs, values attitudes), the elements that build society and influence people's choices. Understanding changes here can be crucial, because they lead to political and societal change: demographic, consumer views on your product & industry, environmental (especially if your product involves hazardous or potentially damaging production processes), lifestyle, gender, work and leisure. Added complications are differences in ethnic and social groups. Not all groups have the same attitudes—and this influences how they view various products and services.

Dear Arthur

I am doing a project on competitive intelligence. I want to include a section about cultural differences between Europe and the US for CI. Can you help me?

First, neither Europe nor the US is a monolithic block, and it would be wrong to consider them in this way. There are cultural differences in different parts of the US: compare California to New York, for example. Within Europe the situation is even more diverse. Not only are there language differences, but across Europe there are differences in legal systems, democratic processes, work expectations, and religion. All this is important when looking at organizations across borders.

In the UK there is an expectation that even small private companies should file company accounts. In Germany, where the culture is much more sensitive to privacy issues, very few companies file accounts, despite a legal requirement to do so. German companies prefer to protect their privacy and risk a small fine every few years, making it difficult to obtain information on German company finances.

Understanding cultural differences is also important when interviewing contacts for CI. Different cultures show varying degrees of openness, and have distinct expectations. Ethics differ between cultures—what is acceptable in one country would be viewed with suspicion in another. Some cultures are happy to converse over the telephone, while others still prefer business meetings to be face-to-face. These differences are important when you plan an interview. If you don't speak the same language, or if your accent would put off a potential interviewee, it is better to use a local interviewer. The results will be worth the expense.

Dear Arthur

Should CI be a separate or integrated part of the product/commercial process within a firm? Is it better to outsource CI to an expert who can be objective, or set up an in-house CI department, risking being subjective when analyzing competitors?

I am probably not the best person to answer this sort of question, because my vested interests are to encourage CI outsourcing. However I will try and be objective!

The first consideration is that it is not the external CI expert who loses out if an organization's strategy goes awry: it is the organization's own officers and management who have this responsibility. Outsourcing should occur only when there are clear benefits to the organization. Much key intelligence information is held within the firm itself, generated from the experience of employees and the contacts they make. Competitive information is likely to be picked up during the sales processes, for example. There is a real risk that this information will be lost under an outsourcing arrangement, unless the consultant acts as a full-time staff member, working within the company on a daily basis. If this is the case, then why employ a consultant?

Having said this, there is always the risk that in-house people will be subjec-

tive in their analysis. Part of the internal CI staff's role is to be aware of corporate assumptions, and to challenge these and any industry myths or taboos that exist. External consultants can add value by providing a reality check.

External consultants should be considered when specialist skills that do not exist in-house are needed, or when the project has a tight deadline and insufficient internal staff to satisfy the request in the time allowed. External experts should also be used when it is important to protect the identity of the client company. Insist that the expert concerned complies with ethical codes and does not misrepresent him/herself or the client's interests.

In summary, there is a role for outsourcing some CI, but CI is too important and integral a business function to be outsourced totally. It needs to be handled, to some degree, in-house.

Dear Arthur

Where can I learn more about Competitive Intelligence?

Currently, not many university courses cover competitive intelligence formally, although CI is a module in some (mainly postgraduate) degree courses. Fortunately this situation is improving. The SCIP website has a list of 21 US and Canadian universities offering CI courses (www.scip.org/education/ciuniversity.asp) These include courses offered at Brigham Young, where Paul Dishman, the new SCIP President, currently is working. In Europe, there are a few universities offering courses featuring CI, including Henley Management College and De Montfort University, both in the UK. CI is also likely to be included as part of courses looking at knowledge management and information management.

Apart from university courses, CI can be learned through:

- commercial CI firms offering competitive intelligence training.
- Society of Competitive Intelligence Professionals (SCIP—www.scip.org).
- conferences on CI organized by SCIP and others.
- books on the topic.

SCIP chapter meetings are worth attending, Their speakers cover a variety of topics, so you learn and network at the same time. SCIP conferences are excellent value. There are also organizations that hold conferences inviting speakers to talk about their own CI practice. However, they tend to target practitioners who already have experience rather than novices and also to focus on particular industries—telecommunications, pharmaceuticals or utilities for example.

A new alternative is the Fuld-Gilad-Herring Academy of Competitive Intelligence, which offers an accredited CI certificate program. The academy was founded by major CI figures, and most trainers appear to be linked to the founders' firms. This, and similar commercial offerings, are aimed at organizations that pay for staff to attend. If you want to learn about CI you thus need to convince management to pay for you (or pay $1000 or more yourself) to attend SCIP chapter meetings, or read books on the subject.

The easiest way to select book titles is to go to Amazon (or any business bookshop) and enter in "competitive intelligence" as a topic. Even easier, visit the SCIP website where you'll find a list of CI related books (www.scip.org/marketplace/newstore.asp), dozens of them worth considering. You may lose the personal touch of face-to-face training, but if you are self-financing your education this is definitely a cheaper way of learning about CI.

Arthur Weiss is managing partner with AWARE, a leading UK competitive intelligence consultancy. The answers given do not necessarily represent the views and opinions of either CI Magazine or the Society of Competitive Intelligence Professionals. For more information on AWARE, visit the website at www.competitive-intelligence.co.uk. Part of the AWARE site includes a free online consultancy, where AWARE answers questions posted on a variety of marketing and business related topics. E-mail: a.weiss@competitive-intelligence.co.uk.

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