JUSTIFYING CI ACTIVITIES

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Dear Arthur,

I've been asked to justify our competitive intelligence activities to our CEO. How can I explain the value of CI to him?

Showing the value of competitive intelligence to skeptical management is one of those perennial questions that keeps getting asked. Unfortunately the question is not always easy to answer: it can be quite hard to demonstrate the value that effective competitive intelligence gives to organizations. Companies may only find the value years after cutting their CI expenditure, when a competitor springs a surprise and the company is caught with their pants down. Of course, by then it is too late!

There are several ways to answer the question. At the most basic level, competitive intelligence can be viewed as an insurance policy. Imagine the fate of the CEO who, in an effort to cut costs, decided to cancel the fire insurance on the company building. And then, one dark night, the building burnt down.

Competitive intelligence can be looked at in the same way as the fire policy – it provides a form of risk insurance, providing the organization with the information required to protect against direct threats posed by competitors and the environment. Of course there are differences: the fire policy pays out in cash and all that is needed is to prove a claim, whereas the information provided by a CI process is meaningless unless it is actually used in decision-making.

Competitive intelligence requires more effort, and the results of not doing CI may not be immediately obvious – especially if the CI process is ineffective. In fact, where CI is ineffective it can be viewed as equivalent to abandoning the fire policy, as decisions taken on inaccurate and wrong information can lead to major problems or even corporate destruction. If the CI department continually produces poor intelligence it is understandable if it is cut!

So how can a CI department justify its value to the organization?

WHAT CI IS NOT

First, it is important to realize what competitive intelligence isn't. CI is not an offshoot of the librarian function, where various news stories are circulated around the organization. It is also not just a form of market research, only giving information on product pricing, customer perceptions, and similar marketing data. It is certainly not a form of industrial espionage – with the CI department trying to collect data cloak-and-dagger style through unethical means.

All of these acivities would have problems justifying their existence: the librarian because the information is generally old and unfocused; the market-research type who duplicates the information that should be collected by a separate marketing research function; the industrial spy . . . in my opinion, companies that believe that this is an appropriate way of gathering data deserve to find out the hard way that it isn't (and there are numerous case studies of companies getting caught for such practices!).

THE COST AND VALUE OF CI

In contrast with the above, effective competitive intelligence helps organizations identify opportunities and threats, providing the information required to make decisions that can take advantage of the opportunities and steer clear of the dangers on time and at the lowest cost. Viewed like this, it becomes easier to see the value that CI can give.

The question becomes not "what does CI cost" but "what is the cost of not having the information provided?" The cost is that of a missed opportunity that could have made millions, or of not preparing adequately for a threat to the business that resulted in a loss. Viewed like this, it becomes obvious that the value of CI is that it can give organizations the information that not just saves them money but also helps them make it. The question then becomes how much?

Several studies have attempted to answer this question. Just to quote two, an article published in 1995 in SCIP's *Competitive Intelligence Review* looked at evidence linking the performance of publicly traded companies with the existence of an internal competitive intelligence function, while a 2002 survey from PriceWaterhouseCoopers showed that companies that placed a high value on competitive intelligence grew faster than their industry peers.

The 1995 study showed that companies employing competitive intelligence massively outperform those companies with no or minimal CI activities (Cappel and Boone, 1995). This study looked at average sales, market share, and profitability and showed that for the three measures, companies employing CI outperformed rivals without a CI department many times for most industries.

The 2002 survey, part of PriceWaterhouseCoopers Barometer Surveys, interviewed CEOs of 405 companies that had been identified as fast-growth companies (Collins 2002). Companies ranged in size from US$5 million to US$100 million in sales. The survey showed that companies placing a high value on competitor information grew at a 20% faster rate than the other companies in the survey. However this was not the only measure examined. These companies also tended to increase margins to a greater extent, took on more new employees, and had the finances to make more new investments including new product development and technology enhancements.

SHOW RESULTS

If none of the above convinces your CEO of the value of your competitive intelligence activities, then take a different approach. Show how the results of your CI efforts are used in decision-making. (If they are not used, then you do have a problem!)

You should have records of all competitive intelligence requests. Produce a report showing who made the requests, the research carried out, and how the resulting intelligence was used. Highlight repeat callers, requests from senior management, and also requests to be added to the distribution list for a report (as each such request is a vote of approval). Identify where your work, or parts of it, is mentioned or circulated.

There is always the danger that if you don't monitor how your work is used then it will become part of the "received wisdom" within the company and not be attributed back to you. By showing how your competitive analyses are used, you can demonstrate the importance of your CI efforts in the organization's decision-making processes and convince your CEO of your value even if you can't put a precise financial figure to your work.

REFERENCES

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