

Evaluating the Competitive Intelligence Effort in a Manufacturing Company

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Dedicated to:

*My wife Tisch, and my daughters, Bernedise and
Zandoné*

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LIST OF ABBREVIATIONS

CEO	-	Chief Executive Officer
CI	-	Competitive Intelligence
E-Mail	-	Electronic Mail
IMD	-	International Institute for Management Development
IT	-	Information Technology
KITS	-	Key Intelligence Topics
R & D	-	Research and Development
SCIP	-	Society of Competitive Intelligence Professionals
SWOT	-	Strengths, Weaknesses, Opportunities, Threats
USA	-	United States of America
WEF	-	World Economic Forum

ABSTRACT

In order for organisations to remain competitive, supportive tools for decision-making are required. In an industry of information overload, the emphasis is not on more information but on actionable intelligence, capable of guiding decisions in a company.

Specific areas are considered fundamental for the success of actionable competitive intelligence.

The most important facet is the support and involvement of top management and the participation of the entire company. Furthermore, the necessity of a knowledgeable competitive intelligence champion and a motivated competitive intelligence team to drive the competitive intelligence process. Clearly identified key competitive intelligence needs, and competitive intelligence products, which include systems, hardware and software is considered as vital for the successful execution of actionable competitive intelligence..

The study evaluates the competitive intelligence effort of a manufacturing company, referred to as Company X. The abovementioned fundamentals for the success of competitive intelligence form the basis from which this study was executed.

The primary objective of this study is to determine the necessity of a competitive intelligence program as a business discipline, and to evaluate the existing competitive intelligence effort in Company X. The goal of this study is to compare the existing practice of Company X with the literature, and to identify performance gaps or opportunities for improvement.

To realise this objective an extensive review of the current literature on competitive intelligence was undertaken.

Empirical research on the current competitive intelligence program in Company X was conducted and the results of this study were measured against specific literature on competitive intelligence.

An additional brief empirical study was conducted to compare the current competitive intelligence efforts of Company X with previous research findings on the topic of competitive intelligence in South Africa and more specifically competitive intelligence in a South African manufacturing environment.

From the literature study and empirical study, specific conclusions are made. The conclusions also form the basis on which specific recommendations are proposed to improve the competitive intelligence program in Company X. The study will also include an implementation plan, which can be used as a practical working document to improve the current competitive intelligence program in Company X.

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CHAPTER ONE

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Most companies' successes result from well-designed products and services, aligned commitment from the entire workforce and the strategic use of intelligence. Companies are generally no longer local, but operate in a global environment, with competitors scattered across the globe. To survive in this tumultuous environment, where knowledge truly is power, the right information is essential.

Competitive intelligence is appropriate to both small and large companies and this includes multinational companies, large nationals and small businesses. Although the source of information as well as the type of decisions made, based on the gathered intelligence will differ widely from company to company, the underlying need for competitive intelligence applies to all companies. Better-informed companies can react fast on their competitors' actions and enjoy sustainable, competitive advantage (Grey, 2004).

Competitiveness can be defined as the ability of a country or a company to generate more wealth than its competitors in world markets (Viviers, Muller & Du Toit, 2005:246). The World Competitiveness Yearbook (IMD, 2004) states that competitiveness is the ability to create added value and thus increase wealth by managing assets and processes, attractiveness and aggressiveness, globality and proximity, and by integrating these relationships into an economic and social plan.

South Africa as a country does not seem to be able to improve on its global competitiveness rankings. In the latest Global Competitiveness Report 2007 -

2008, released by the World Economic Forum (WEF, 2007), South Africa was placed 44th out of 131 economies on the Global Competitiveness Index. South Africa weakened by eight places in comparison to the 2006 - 2007 Index.

Porter (1998:11) argues that the wealth of a nation is governed by productivity, or the value each individual created per day of work, or capital investment, and whether each unit of the nation's physical resources is employed. Porter continues to say that the root of productivity is found in the national and regional environment for competition. Competitive advantage in specific industries depends fundamentally on the rate of improvement and innovation (Porter, 1998:145).

With the above statistical facts as background it is safe to state that competitive intelligence, as a business discipline, could play a pivotal role to enhance the competitive behaviour of South African companies. Companies and industries in South Africa face many competitiveness challenges and the effective use of competitive intelligence is one activity that can improve competitiveness (Muller, 2005:4).

The words "data", "information" and "intelligence" can easily be misused as similar terms and it is thus important to define these different terms. Bensoussan (2003:1-3) defines data as facts that are unevaluated, uncollated or unorganised, such as a raw report, image or broadcast. Bensoussan also defines information as data that has been collected, organised and evaluated to derive some insights, usually widely disseminated and of generic interest, such as newspaper articles, magazines articles, and reports.

Bensoussan (2003:1-3) continues by defining intelligence as analysed information and data that is predictive and is used as a basis for action and decision-making. Bensoussan further defines intelligence as data and

information that has been evaluated, collected and presented to meet a precise need.

The process of gathering information is not trouble free, and although there is an abundance of information available, it is an arduous task to obtain useful intelligence when it is needed. The success of competitive intelligence occurs when the company is able to transform the abundance of information available, into competitive intelligence through an effective competitive intelligence program.

The focus of this study is a steel and wire manufacturer (referred to as Company X). Rivalry amongst existing companies in this industry is strong. Apart from rivalry amongst existing companies, Company X is continuously faced with the threat of new market entrants and the power of new buyers.

To be profitable in this market, Company X must retain their current business. New product development is very limited in this industry. Accordingly, to grow, Company X should increase their current market share. To increase market share, Company X should take away market share from competitors and also protect their own strategic initiatives.

Company X operates in a very turbulent and volatile market. For Company X to have a competitive advantage over its competitors, information on competitors is very important. More significantly, Company X needs to convert competitor information into intelligence and manage the competitive intelligence effort effectively. It is from this perspective that the study will be undertaken.

1.2 PROBLEM STATEMENT

Companies sometimes do not realise the necessity of accurate competitive information on which to base current and future decisions. Companies should

know what competitive intelligence really is, how to obtain information from the marketplace and how to convert this information into intelligence.

The core questions that the researcher asks are: How well do companies know their market competitors through the intelligence gathered on these competitors? Is the information readily available to enable management to act promptly on the information? Can they sustain, and grow their market share with the competitive intelligence they have? And most importantly, can they use this information to the company's benefit by making sustainable strategic decisions and profitable sales?

The current competitive intelligence effort of Company X is ineffective, non-integrated, and the competitive intelligence program is incapable of providing management with accurate and reliable intelligence on the competitive environment for strategic decision-making.

1.3 OBJECTIVES OF THE STUDY

The objective of the study is divided into a primary and four secondary objectives.

1.3.1 Primary objective

The primary objective of this study is to establish the necessity of a competitive intelligence program as a business discipline, and to evaluate the existing competitive intelligence effort in Company X. The goal of this study is to compare the existing competitive intelligence practices of Company X with the literature, and to identify any performance gaps or opportunities for improvement.

1.3.2 Secondary objectives

The secondary objectives of the study are:

- To gain better understanding of issues and challenges involved in executing a successful competitive intelligence program, and to appreciate the importance of competitive intelligence, and its use in formulating long-term strategies for Company X.
- To demonstrate that competitive intelligence will add value to the shareholders of Company X.
- To demonstrate the monitoring of competitors through the implementation of an effective competitor intelligence program.
- To develop action plans aimed at improving the competitive intelligence program of Company X.

1.4 RESEARCH METHODOLOGY

In this study, two techniques were applied in the execution of the research.

In the first instance, a literature study was undertaken to determine what competitive intelligence is and to gain insight into the competitive intelligence process.

The literature research was conducted through the utilisation of the Internet, published books, journals, articles and previous studies conducted in the specific field of competitive intelligence.

The goal of this study was to build a sound theoretical foundation on competitive intelligence. The knowledge obtained through the literature will form the basis to evaluate the present competitive intelligence effort of Company X. Specific conclusions will be formulated from the evaluation, and recommendations will be made to improve the present competitive intelligence effort of Company X.

Secondly, an empirical study was undertaken. A predetermine short questionnaire (Annexure A) to determine the perception of management on competitive intelligence was distributed amongst five senior managers in Company X. The questions were discussed at a panel interview and the author recorded everybody's experiences with regards to every question. The purpose of the empirical study was to gather information on the current competitive intelligence effort of Company X. The questionnaire (Appendix A) formed the basis to determine what information is required to be able to evaluate the current competitive intelligence effort of Company X.

A key person within the wire department of Company X as well as the initiator of the competitive intelligence program for Company X was used as a shield to continuously evaluate finding. These specific comments, findings, and opinions formed part of the empirical study and was used in the final recommendations.

The goal of the empirical research was to critically evaluate the current competitive information efforts of Company X.

All research findings were documented and submitted, on a regular basis, for review by the appointed study leader. Alterations on documented research, specific findings, conclusions and recommendations were made after consultation with the appointed study leader.

1.5 THE SCOPE OF THIS STUDY

The study is undertaken in the steel and wire industry. More specifically, the study concentrates on Company X, a producer of steel, wire and wire-related products. A fictitious name is given to the company for the purpose of this study, to protect the identity of the company.

1.6 LIMITATIONS OF THE STUDY

The study is limited to Company X and its unique circumstances at the time the study was undertaken.

Information about the current competitive intelligence effort of Company X reflects the opinions of key individuals within the marketing department of the wire division of Company X as well as and personal experiences gained from being personally responsible for managing the competitive intelligence effort in Company X. The study is therefore limited to the opinions, and comments of individuals, as well as the interpretations of these opinions and comments.

However, the study can be used as a broad guideline for evaluating any competitive intelligence effort of a company operating in a defined industry.

1.7 LAYOUT OF THE STUDY

Chapter 1

This chapter is an introduction to the mini-dissertation. The discussion in this chapter is devoted to issues such as the problem statement, objectives of the study, demarcation of the field of study, research methodology and limitations of the study.

Chapter 2

Chapter two contains a literature study on particular aspects of competitive intelligence. This chapter will include definitions of competitive intelligence, the need for competitive intelligence, competitive intelligence models, and the competitive intelligence process. The chapter concludes with the benefits derived from competitive intelligence.

Chapter 3

This chapter contains the empirical study with specific findings on research conducted on the topic of competitive intelligence in a South African context, and in a manufacturing environment within South Africa. This chapter describes the current competitive intelligence effort of Company X.

Chapter 4

This is the final chapter, where conclusions are reached and recommendations are made to improve the competitive intelligence effort of Company X. This chapter will also comprise of a summary of the problem from which the study evolved, as well as the objectives of the study, and indicates whether these objectives were achieved. In conclusion, an action plan is formulated for the implementation of the recommendations made in this chapter.

1.8 CONCLUSION

In chapter one, the problem from which the study evolved has been stated. In addition to this, the primary and secondary objectives, which the study aims to achieve, were defined. Furthermore, the method of research, the scope of the study, and its limitations were described.

To be able to achieve the goals laid down in this chapter, it is essential to gain specific knowledge in the field of competitive intelligence. Chapter two contains specific literature on competitive intelligence.

CHAPTER TWO

COMPETITIVE INTELLIGENCE

2.1 INTRODUCTION

The world of business is transforming more and more into an international and collective community. The last two decades has shown intense increase in international trade and foreign investments, and no business can stay indifferent to the increase in world trade of manufactured goods. Companies are becoming increasingly ecumenical in terms of sales and manufacturing, and the role of manufacturing has changed to adapt to the global market. Since businesses operate globally, competition becomes global, and the complexity of the environment in which manufacturing companies operates increases substantially (Rudberg & West, 2008:91).

The theory is obvious: manufacturing companies must equip themselves with as much information on their competitors as possible. When a company is better informed, it will allow them to adapt their business strategies to reflect market needs, and react to the movements of their competitors.

The aim of this chapter is to gain theoretical knowledge on CI. CI is defined, and the need for CI discussed. The chapter also includes a comprehensive discussion of the CI process. In conclusion, it highlights the benefits derived from a successful CI program.

2.2 WHAT IS COMPETITIVE INTELLIGENCE?

CI is often compounded with other similar terms in business; for example, business intelligence, knowledge management and strategic intelligence. Obviously, these terms are linked and all are part of a company's information gathering processes. However, CI is a very specific part of the wider business intelligence network, and by defining these similar terms, one will be able to distinguish CI from other similar terms (Gray, 2004).

While again there are many interpretations of the term CI, it will be useful to understand this term from different viewpoints. A point of departure is to define CI from the viewpoint of the Society of CI Professionals (SCIP), followed by other experts in the field of CI.

CI, according to SCIP is, "A systematic and ethical program for gathering, analysing, and managing external information that can affect your company's plans, decisions, and operations" (Mason, 2006:141).

Gilad (1989:33) states that CI is the gathering and analysis of information from human and published sources about market trends and industry developments that allow for advanced identification of risks and opportunities in the competitive arena.

Prescott and Gibbons (1996:163) define CI as follows: "CI is a formalised, yet continuously evolving process by which the management team assesses the evolution of its industry and the capabilities and behaviour of its current and potential competitors, to assist in maintaining or developing a competitive advantage".

CI can thus be summarised as a process of enhancing marketplace competitiveness, through a greater understanding of a company's competitors and the competitive environment. CI is also the legal collection and examination of information regarding the capabilities, vulnerabilities, and intentions of business competitors, conducted by using information databases and information available in the public domain (Tarraf & Molz, 2006:26).

Gray (2004) describes business intelligence as an umbrella term since it involves the gathering and evaluation of information that relates to all aspects of a business, and this includes financial analysis, market surveys, and future forecasting of the overall business that is being conducted.

The difference between business intelligence and CI is that business intelligence relies on quantitative information; while CI relies on qualitative information (Britt, 2006).

Knowledge management is the name of a concept in which an enterprise consciously and comprehensively gathers, organises, shares, and analyses its knowledge in terms of resources, documents, and human skills (Aspinwall & Wong, 2006).

Strategic intelligence is information put to use in strategic planning, which is an important part of business management practices today (Gray, 2004).

Bateman and Snell (2002:120-121) state that successful strategic management largely depends on an accurate and thorough evaluation of the external environment. They define the external environment as all relevant forces that exist outside a company. Companies operate in an environment that includes the actions of competitors, suppliers, customers, new entrants and substitute products.

CI is a key component of the strategic management process, and contributes towards the understanding of the external environment in which a company operates. CI permits senior managers in companies of all sizes to make informed decisions about everything from marketing, research and development, and investing tactics to long-term business strategies (Sammon et al., 1984:16).

2.3 WHY COMPETITIVE INTELLIGENCE?

When asked once what scared him most, Bill Gates answered, "It's someone I don't know about – some kid sitting in front of a computer, writing new software that could immediately make Microsoft obsolete. In short – it's COMPETITION" (Rix, 2006:18).

As Jack Welch, former CEO of General Electric was so fond of saying, "If you don't have a competitive advantage, don't compete (Rix, 2006:19).

When different market players offer the same product to everyone in the industry, as it is the case in the steel and wire manufacturing industry in South Africa, it becomes very difficult to differentiate one company's products, services, and brands.

CI offers a company the opportunity to break away from the pack. CI gives businesses a means to scan for threats from rival companies, to be optimally configured and properly positioned to confront those threats. CI gives businesses the opportunity to adapt quickly to changes in the competitive environment and thus creating significantly more value for a business than what it costs (Hoffman, 2006:1).

Gray (2004) is of the opinion that CI plays an important role in forming sound sales and marketing decisions. Companies invest largely in their marketing teams, which are given the task of identifying the most successful ways of

positioning a product in the marketplace. According to Gray, these teams are often unaware of the benefits of an intimate knowledge of the opposition.

Gray (2004) also mentions that successful marketing involves not only knowledge of one's own products and its placement in the market, but also detailed knowledge of the competition.

The question that should be asked by business managers is: How much of a competitive landscape do you need to see before action is taken? Managers need to choose between two simple scenarios. These scenarios are, whether the company is willing to live with less information and more risk or, on the other hand, do they want less risk and more information (Fuld, 2006:27).

Culver (2006:20) believes that tactical CI can help inform company strategy. Culver defines tactical intelligence as "information and analysis about competitors that can support the daily operations in a company".

Tactical CI plays a major role in leading companies' competitive advantage since intelligence gives strategists a better view of external factors that can affect their companies' current performance and their long-term planning (Culver, 2006:17).

A classic example of tactical intelligence involves comparing and contrasting the characteristics of rival products to a company's own products to help inform the sales force of limitations and constraints in the rivals' products. The sales force can capitalise on these insights to market its own products and to inform customers how they outperform those of the rival companies (Culver, 2006:17).

Culver (2006:17-18) concurs that tactical CI is more likely to demonstrate its worth when the focus is on the following two central objectives:

- Increase in the margin of the win against competitors and thus contributing to shareholders' top-line revenues.
- Finding ways to help reduce the company's costs, primarily through competitor benchmarking.

Culver (2006:20) concludes that top management, who is mainly responsible for strategic formulation and implementation, can use tactical CI to understand a number of strategic issues and decisions, which include:

- New product development decisions.
- Investments in key current products or services.
- Major investments in technology, professional services and outsourcing.
- Merger and acquisition decisions.
- Divestment decisions.

Tactical CI can inform strategy through the following actions (Culver, 2006:20):

- Win/Loss debriefs to help the company out why the company won or lost a sale, competitor product pricing, competitor sales tactics, and competitor product specifications.
- Analysis that supports the day-to-day operations of a company, such as competitive bidding.
- Analysis that suggests how to compete more effectively by taking advantage of competitors' problems.

Kahaner (1997:28-31) cites the following reasons as to why companies need CI now, more than ever:

- **The pace of business is increasing rapidly.** Businesses are required to handle more projects and make more decisions, with greater speed than before.
- **Information overload.** Technological developments have developed the speed and availability of communication and information.
- **Increased global competition.** Increased access to resources (capital, skills, transportation) has increased the number of competitors and decreased the importance of close physical proximity.
- **Existing competition is becoming more intense.** Many markets are maturing fast, with the result that companies increase their market share at the expense of their competitors.
- **Political changes.** Many countries have moved from communism or socialism to capitalism in the last decades.
- **Rapid technological changes.** The last few decades have seen the introduction of wireless communication, personal computers and the Internet.

Bensoussan (2003) summarises the need for CI by saying that the business environment has many facets. These facets include competitors, customers, products or services, substitutes, suppliers, technology, domestic, international, social, environmental and economic trends, legislation and other governmental activities, potential mergers and acquisitions, or joint ventures. Bensoussan concludes that the ability to battle successfully in the specific industry is directly related to the quality of information, and the use of information gathered from the environment that a company operates in.

When a company understands its competitive environment, it will then complement the insight provided by studying the general and industry

environment. When an analysis of the general environment is done, the company focuses on the future, and this includes factors and conditions that influence its profitability within the specific industry. When an analysis is performed on the competitors, the company focuses on predicting the dynamics of competitors' actions, responses, and intentions. When combining the results of the three types of analyses, a company attempts to understand its external environment and how it influences its vision, mission and strategic actions (Hitt et al., 2007:39).

Many methods and models exist that are used to analyse and understand the external environment. Examples of some of these models and methods are the SWOT analysis, benchmarking, value chain analysis, strategic group mapping and Porter's 5-forces model, to name but a few (Strategic Report, 2003).

Porter's 5-forces model is an excellent model to analyse and understand a particular industry environment that a company operates in. The model describes the five main factors that influence industry performance. It is important to understand these factors before a company can take any market actions. A brief description of what Porter's 5-forces model entails, will now be discussed (Porter, 1980:4-5).

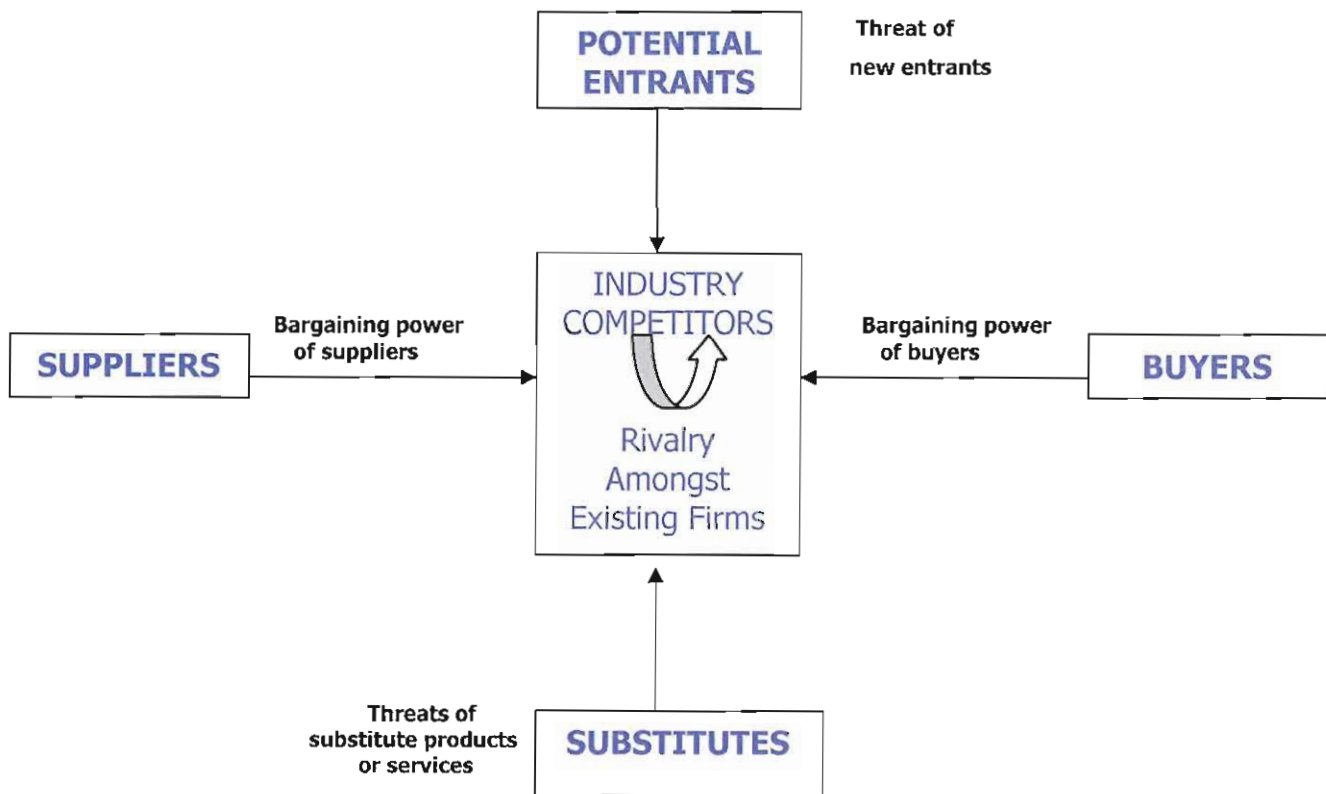
2.4 COMPETITOR INTELLIGENCE MODEL – PORTER'S 5-FORCES

Before a company can make any move in the market, an industry analysis should be carried out. The company should study the industry structure and understand the five forces that Porter advocates. Greatest attention should be given to the forces that can most readily influence the company's performance (Marcus, 2005:26).

Industry attractiveness is determined by Porter's forces driving industry competition, namely the power of suppliers and buyers, the rivalry amongst existing companies, the entrance of new competitors and the development of substitute products (Thompson, Strickland & Gamble, 2007:54-73). Refer to fig 2.1 reflecting a summary of Porter's model.

Figure 2.1

Forces driving industry competition



(Porter, 1980:4)

A brief discussion of each of Porter's five forces as illustrated in figure 2.1 will follow, under the sub headings, competitive rivalry, power of suppliers, power of buyers, threat of substitutes and the threat of new entrants.

2.4.1 Competitive rivalry

How aggressive are the competitors; are they pursuing a growth strategy or are they happy with their current market position? Thompson *et al.* (2007:55-60) explain the question.

An analysis of rivalry amongst existing firms and companies can allow an organisation to appreciate to what extent existing competitors may compete for an improved market position, and to what extent this competition may affect the company's own performance. Existing competitors may compete for market position using price competition, increased advertising, customer service differentiators, or through the offering of longer warranty periods.

Generally, competitive rivalry will be high when:

- There is little differentiation between the products sold to customers.
- Competitors in the industry are approximately the same size.
- The competitors all have similar strategies.
- It is costly to leave or withdraw products from the industry.
- Competitors will fight to stay in the market.

2.4.2 Power of suppliers

Bargaining power of suppliers identifies the extent to which suppliers can raise prices or reduce quality or service without fear of losing business (Thompson *et al.*, 2007:66-69).

When an industry has powerful suppliers, the industry is likely to be less profitable. Suppliers are also essential for the success of an organisation because raw material is needed to complete their finished product.

Supplier power derives from:

- When only one or a few suppliers are able to supply specific products in the marketplace.
- Whether it is costly for a company to move from one supplier to another (also known as the cost to switch).
- If there is no substitute for their product supplied to different companies.

2.4.3 Power of buyers

Bargaining power of customers identifies the extent to which customers can play a company off against its competitors. Buyers may request higher quality or improved service at the same price (Thompson *et al.*, 2007:69-72).

Buyers or customers can influence and control an industry in the following circumstances:

- When there is little differentiation over the product and substitutes can be found easily.
- When customers are sensitive to price.
- When switching to another product is not costly.

2.4.4 Threat of substitutes

Threat of substitute products or services available in the industry will affect a company's profitability. The purpose of this analysis is to determine what the likelihood of customers switching to substitute products are.

The threat of substitute (Thompson *et al.*, 2007:64-65) is high when:

- The price of a substitute product is lower.
- When it is easy for consumers to switch from one substitute product to another.

- When buyers are willing to substitute existing products.

2.4.5 Threat of new entrants

The threat of a new organisation entering the industry is high when it is easy for an organisation to enter the industry, i.e. when the entry barriers are low (Thompson *et al.*, 2007:60-64).

An organisation will look at how loyal customers are to existing products, how quickly they can achieve economy of scales, will they have access to suppliers, and will government legislation prevent them or encourage them to enter the industry.

For a company to defend itself, the company can raise appropriate barriers to entry or create unique competencies.

The goal of a competitive strategy for any company in a defined industry is to find a position in the industry where the company can best defend itself against these competitive forces, or can influence them in its own favour.

Some academics and strategists have repeatedly challenged Porter's framework. Coyne and Subramaniam (1996:18) have stated that three dubious assumptions underlie Porter's 5-forces, and they are:

- That buyers, competitors, and suppliers are unrelated and do not interact and collude.
- That the source of value is structural advantage (creating barriers to entry).
- That uncertainty is low, allowing participants in a market to plan for others' behaviour.

When the different activities that exist in the external environment are analysed, it is clear that there is a need for timely and appropriate information

to assist with the decision-making process. The key difference is that many companies may not understand the importance of the CI process in obtaining the required information, to make important business decisions.

In conclusion, Fuld (2006:80) argues that the principle behind the five forces is that it affects all industries. Fuld states that the most obvious force is competition amongst the same players in the industry, and he describes the other four forces as external forces. Fuld continues by adding that in Porter's world the most successful companies are those companies that can navigate best among the five forces using the most effective strategy.

All transactions begin and end by selling to a customer or buying from a supplier; therefore, by controlling the customer or the supplier the company is able to control the resulting intelligence (Fuld, 2006:224).

An abundance of information is available to the decision makers of companies; however, forthcoming strategic decisions are not possible if the correct information is not received at the correct time and in the correct format. An effective competitive intelligence process will provide decision makers with relevant and usable information. The competitive intelligence process has four phases which will be discussed in section 2.5.

2.5 COMPETITIVE INTELLIGENCE PROCESS

Intelligence is the product of an input process that begins with the collection of data, which is organised and generate information. Information that is analysed and brought into context becomes intelligence. When intelligence is applied to the decision-making process, it produces competitive advantage for an organisation (Do Nascimento Mélo & De Medeiros, 2007:208).

The process of transforming data into intelligence has four phases, namely directing, collecting, processing, and dissemination. A discussion of each of these phases follows:

2.5.1 Directing: Planning and directing is the management of the entire CI effort, from identifying the need for data to the delivering of an intelligence product. It is the beginning and the end of the cycle – the beginning, because it involves drawing up specific requirements, and the end, because finished intelligence, which supports decision makers, generates new requirements (Gilad & Gilad, 1988:28).

According to Gilad (2003:144), Jan Herring, head of Motorola's Business Intelligence unit was the first to introduce the concept of Key Intelligence Topics (KITS) into the business environment. Gilad states that the mechanisms of drawing KITS differ from business to business, but the most popular method is a set of questionnaires and/or interviews with top management to determine and compile a list of high priorities to be addressed by the intelligence unit during a specific period of time. The KITS are used by the intelligence department to plan their information collection activities, and will occupy a central role in the intelligence department's modus operandi (Gilad, 2003:144).

Some of the activities associated with the directing phase in the CI cycle (McLellan, 2004) are:

- Know how to identify and obtain the intelligence needs of decision makers.
- Develop or use communication channels to elicit CI.
- Understand basic psychology types to value the different orientations of decision makers.

- Know the organisational structure, culture, and environment as well as the key informants.
- Articulate intelligence needs into the intelligence cycle.
- Know the internal and external capabilities.
- Perform an information resource gap analysis.

2.5.2 Collecting: Gilad and Gilad (1988:55) say that collecting is the gathering of raw information needed to produce finished intelligence. The internal collection of information consists of employees who serve as collectors of intelligence, especially field data. The goal of successful competitor information is to tap as many field sources as possible.

Gilad and Gilad continue by mentioning that in the course of doing business, executives and employees who have dealings with someone outside the company, are capable to gather worthy information through their professional and personal associations.

According to Wilkins (2007:24), collectors of data should distinguish between primary and secondary data. Primary data comes straight from the competitor or from people who know about the competitor. Primary data is the glue in piecing together a competitor's position.

Wilkins claims that wherever money is exchanged, information is made public; therefore, it is suggested that annual reports, stockholders' communications, and financial press releases can be valuable primary resources.

Other primary resources that Wilkins mentions are:

- Speeches by CEOs and other members of top management.
- Articles and research papers.
- Competitors' website content.

- Patents and commercial registry findings.
- Surveys and interviews.
- Remote sensing, such as from cameras or satellite imagery.

Wilkins (2007:24-25) mentions that people and technology can be used in the acquisition of primary data and says that the sales force is the single best source for gathering primary data. He continues that in today's multi-disciplined, multi-levelled relationships that occur in the supply chain, companies are well-positioned to gather CI. Wilkins says that customer services, field staff, marketing, engineering and purchasing all have potential access to good CI.

Secondary sources, according to Wilkins, come from sources of information at least once removed from the primary source, and the Internet can play an important role to gather secondary data.

Other secondary sources that Wilkins mentions are:

- Newspapers, business magazines, and other printed media.
- Analysts' reports and expert opinions.
- Books about the industry and or company.
- Published comments and observations.
- Legal briefs and filings.
- General blogs.
- Employee blogs.

Wilkins (2007:25) further states that the Web can be invaluable as a starting point to gather secondary data. It will help to identify key players in competing companies and industries. The Web can retrieve articles in a hometown newspaper about outsourcing, plant shutdown or expansions, or a

new direction for a company. This and other information on the Web can provide valuable clues about the competition.

In addition to the Web, Wilkins suggests that data gatherers visit libraries and other points of collection for records, articles, or books to obtain secondary data.

Hoffman (2006:4) argues that when a situation exists where there is high engagement between employees and customers the engaged customer are significantly more willing to discuss what they like about the business and what they dislike about the competitors of the company. Engaged customers can assist the CI unit to spot and identify strategic weaknesses in the company on which the company can take defensive actions.

Some of the activities associated with the collecting phase in the CI cycle (McLellan, 2004) are:

- Gain an understanding of primary and secondary sources.
- Be acquainted with the various methods for accessing internal and external, primary and secondary sources.
- Manage primary and secondary sources correctly.
- Know how to execute the triangulation, multi-method, and multi-source approaches.
- Build up confidence levels by ensuring trustworthiness and soundness of CI sources.
- Recognise anomalies in the information.
- Develop formal research skills.
- Know the ethics related with data gathering.
- Recognise organisational information-gathering patterns and collect information accordingly.

2.5.3 Processing: Gilad and Gilad (1988:103) say that processing involves converting the enormous amount of information collected into a usable format by analysts. Analysis and production is the conversion of basic information into finished intelligence. It includes integrating, evaluating and analysing all available data that is often fragmented and even contradictory, and preparing intelligence products.

Gilad and Gilad mention that analysis is one of the most important stages in this cycle as it puts evaluated information into context. There are six components determining the usefulness of data, namely relevance, truth, understandability, sufficiency, significance, and timeliness (Gilad & Gilad, 1988:103).

Llanes *et al.* (2001:32) mention that there are many information analysis techniques that support the CI process. Llanes *et al.* (2001:32) define data mining as follows: "Data mining is a set of techniques used in an automated approach to exhaustively explore and bring to the surface complex relationships in very large data sets". Llanes *et al.* (2001:32) also explain cluster analysis, factor analysis, correspondence analysis, and time series analysis to name but a few techniques that can be applied in specifically identifying certain patterns.

Many analytical tools and models are available that can be used to analyse the data that have been gathered. Balanced Scorecard and SWOT analysis are less complex analytical tools that can be utilised in the processing phase (Wilkins, 2007:26).

Benchmarking is another tool that will allow a company to measure itself against existing practice. Although benchmarking will not allow a company to leapfrog its competitors, the analytical tool is very effective to analyse where

the company stands at present and what it should do to achieve the desired position in the marketplace (Rix, 2006:18).

Some of the activities associated with the processing phase in the CI cycle (Mclellan, 2004) are to:

- Recognise the relations between the collecting and analysis phases.
- Analyse the collected data innovatively.
- Employ inductive and deductive reasoning.
- Use network analysis and alternative thinking.
- Obtain an overview of the basic analytical models, introducing exciting and attractive models to elicit the discovery notion of analysis rather than the dry, research approach.
- Know when and why to use personality profiling, financial analysis, economic analysis, accounting analysis, trend analysis, risk assessments, quantitative and qualitative analysis, influence diagrams, opportunity analysis, and event analysis.
- Recognise the expected reality of gaps and blind spots.
- Know when to stop analysing.

2.5.4 Dissemination: Gilad and Gilad (1988:152-154) describe dissemination as the last step of the CI process, which logically feeds into the first step. Dissemination is the distribution of finished intelligence to the end user. The recipients of the finished intelligence make decisions based on the information, and these decisions may lead to the levying of more requirements, thus triggering the intelligence cycle. CI can be disseminated by printed reports, verbal communication at meetings, electronic mail, and on-line computer access.

Marin and Poulter's (2004:176-177) research findings state that the dissemination of CI is more and more dependent on technology. They further

remark that e-mail is most useful in time-sensitive cases. There is higher importance in the use of intranet for distribution of CI, as it is useful for the facilitating of online discussion groups between colleagues.

Marin and Poulter (2004:176-177) suggest that, forthcoming from their research findings, portals could be the solution for some organisations, as well as the implementation of 'third-generation' intranets to disseminate competitive information successfully.

Some of the activities associated with the processing phase in the CI cycle (McLellan, 2004) are to:

- Make use of persuasive presentation skills.
- Organise findings and convey the findings with assertiveness and diplomacy.
- Use a format or media that is appropriate for each end-user.
- Recognise the effective volume and level of disseminating the CI.

The bulk of the intelligence work resolves around the analysis and the task of organising and managing an efficient and effective CI program (Sammon *et al.*, 1984:93). For the CI process to be successfully executed, an effective competitive information system should exist. CI systems allow the organisation to face the challenges of its environment in which business is conducted (Llanes *et al.*, 2001:32).

A successful CI system involves many facets, and includes a needs assessment, involves creating a culture for intelligence, getting top management's involvement as well as the buy-in of the total workforce. The CI system is discussed in the following section.

2.6 COMPETITIVE INTELLIGENCE SYSTEMS

A needs assessment for a competitor information system is inevitable for any company that is considering the implementation of such a system. Just as a company writes a strategic plan in order to apply their resources appropriately, so must the objectives of an intelligence system be determined before its resources can be applied in the most efficient and effective manner (Fuld, 1995:422).

Fuld (1995:422) explains that a needs assessment for a CI information system consists of the following:

- Determine the most commonly needed information.
- Identify widely used internal sources.
- Locate communication channels and the vehicles people use to communicate.

Fuld (1995:417) argues that in most instances the framework for a successful CI system is built around the culture of an organisation.

According to Viviers, Saayman and Muller (2005:584) the CI culture in South Africa has improved since the last empirical research conducted in 1999. Viviers, Saayman and Muller (2005:584) state that South Africa still lags behind when comparing South Africa with countries like the USA, Sweden, Japan, and Australia.

To enhance the CI culture in South African companies Viviers, Saayman and Muller (2005:584) suggest the following:

- Establish a central pooling point of information in the company.
- Companies should appoint CI co-ordinators throughout the company.

- Companies should develop intelligence databases.
- Continuous CI training to all staff members of the company is imperative. Staff should know what to contribute towards the CI program and what information not to share outside the company.
- Companies should provide incentives for those who participate actively in the CI programs.
- Frequent discussions on CI and the importance thereof should be emphasised and become a regular item on meeting agendas.
- Companies should establish a simple code of ethics that provide guidance to employees on how not to conduct CI.

Mason (2006:142) highlights the fact that it is imperative to get the buy-in from the top, preferably the CEO, to ensure that CI has a good chance of becoming part of the overall company culture.

Fuld (1995:417) stated that intelligence systems succeed because of people and not of machines and computers, and therefore best-run intelligence systems highly leverage their people resources. Intelligence systems work because all employees are prepared to share, communicate, and use their own hard-won market information. If employees in the organisation do not share information, no technology will help. Only when an organisation begins to share information, a computer-based system may then be the next step in the process.

According to Muller (2005:1), the people factor is often ignored when it comes to competitiveness in South Africa. Muller argues that even if organisations have the best systems and business intelligence tools, CI will be wasted if the people factor is ignored. Muller feels strongly about the fact that people's cooperation, participation and unique insights and knowledge is vital for the success of any CI effort in any organisation.

The foundation for any intelligence system is a workforce that is motivated to share information and to help the development of the intelligence effort. To motivate employees the following two tasks need to be accomplished (Fuld, 1995:424):

- Raise awareness of the key issues.
- Provide incentives for continued contribution to the CI system.

Fuld (1995:424) continues to say that, even in highly motivated companies, management must recognise employees' contributions. Instead of monetary incentives, companies can provide incentives such as letters of recognition, announcements, and awards like contribution certificates.

Fuld (1995:424) suggests that organisations experiment with a combination of raising awareness and incentives. Raising awareness and providing incentives are a constant process and continue throughout the entire life of the CI system. Companies have most of the competitive data they need. The problem is that the data is invisible, and those people that have the knowledge, do not know who needs the information, where to go with the information or what information is important.

Viviers, Saayman and Muller (2005:584) advise that to enhance a CI culture in a company; it is important that the CI activities be integrated throughout the company and it should be embedded in and aligned with the company's infrastructure.

A central place within the company must be established for the execution of the CI effort. To centralise or decentralise the CI activities is another important question to be addressed by the company. The location of the CI activities is discussed in section 2.7.

2.7 THE LOCATION OF COMPETITIVE INTELLIGENCE ACTIVITIES

Hoffman (2006:4) says that for a company to get results from their CI effort, the company must get the right people since the CI system requires a nerve centre or a department of its own. Hoffman also argues that a small competitive unit is much more valuable than a large, slow moving one. However, he states that the CI unit should be tightly integrated within the company.

Prescott (1999:46) believes that the purpose of a CI system is to develop action-oriented implications for managers. According to Prescott, a CI operation can be located virtually anywhere in a company, although many large companies locate their CI activities primarily in marketing, planning, R & D, or directly reporting to the CEO.

Prescott (1999:46), furthermore, suggests that managers need to ask the following three questions to determine where to locate the CI effort:

- **Where do profitable sales come from?** Managers should not make the mistake to think that product offerings are the source of profits. For many companies location, a dedicated sales force, customer service, and efficient operations are the sources of profits.
- **Where do the company's new products come from?** Managers must determine what the real source of new products is, and whether customers, alliance partners, the sales force, or operations, provide new ideas.

- **What is the largest threat to the company's competitive position?** It is important to identify areas within the company that are under competitive threat. For example, will a new manufacturing process proposed by a competitor, undermine the company's cost structure?

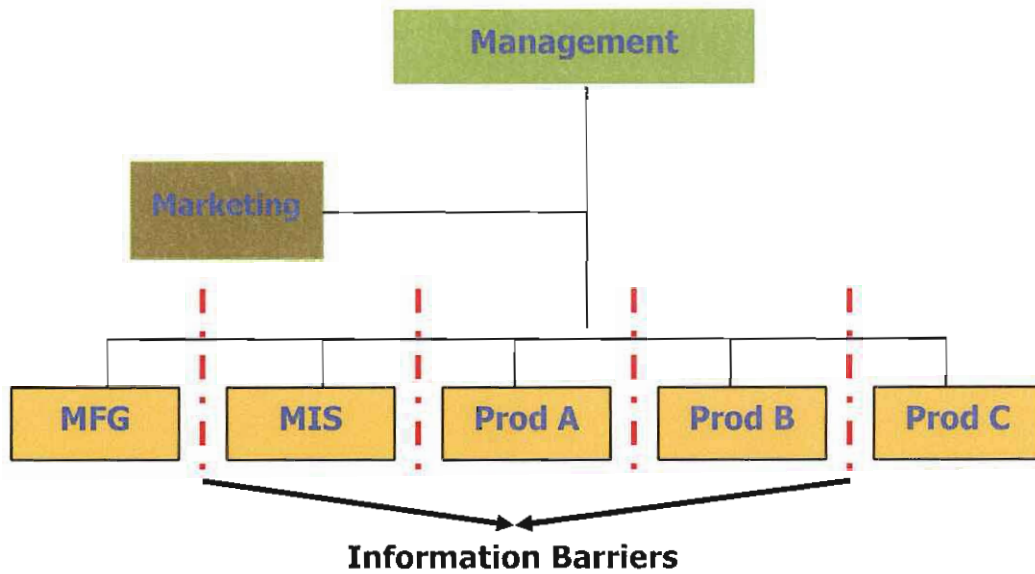
The reason why many companies have problems establishing successful intelligence systems is not a lack of internal knowledge, but the fact that the organisation has not figured out how to harness that knowledge to analyse their competition (Prescott, 1999:46). Fuld (1995:417) suggests that organisations should build broad networks of communication vehicles that can capture and speed along the critical intelligence.

Fuld (1995:417) continues to argue that it is not practical to centralise the competitor information system, but to decentralise the system so that individuals within the company control the flow and largely store the information, since company experts are literally everywhere in the company: in the field, the shop floor, and the customer service departments. It is therefore essential that the CI manager coordinate the information flow to avoid creating a bottleneck by centralising it.

In large organisations, different departments often end up building information barriers, because each department wants its own unit to succeed. Fuld reminds that good business practice then works against good intelligence.

Traditional companies create information barriers as illustrated by the following organisation chart in figure 2.2 on page 35.

Fig 2.2: Information Barriers

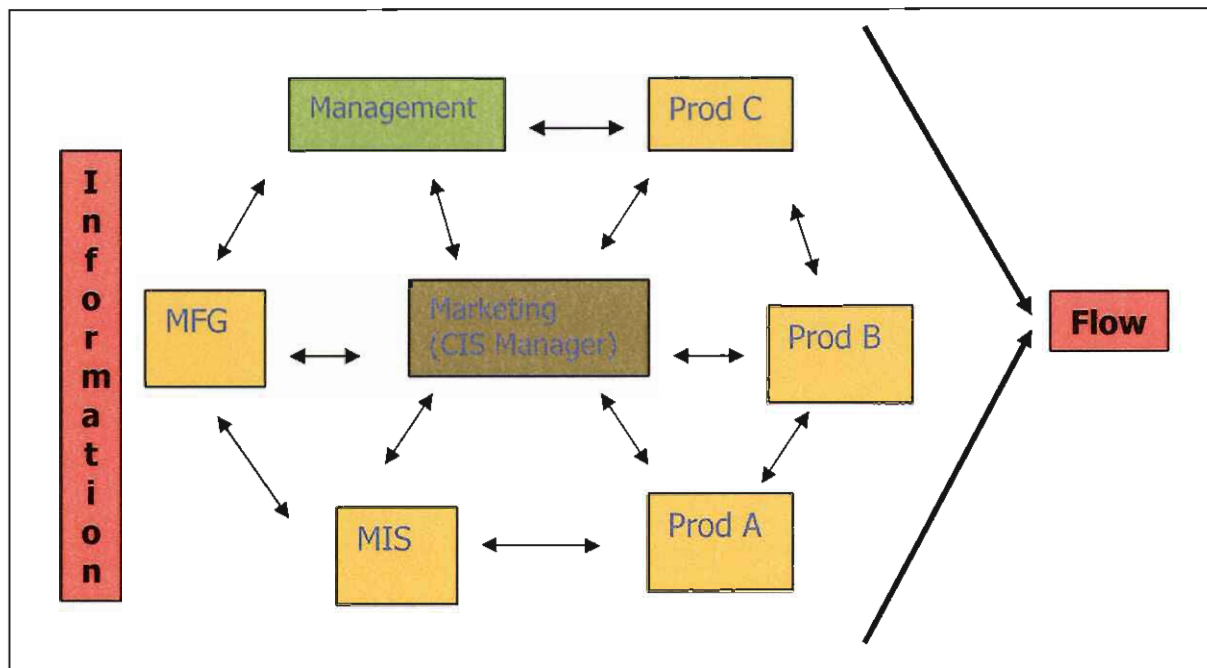


(Adapted: Fuld, 1995:421)

Figure 2.2 on page 35 illustrates a traditional company structure. The illustration indicates the different departments (MFG, MIS, Prod A, etc.) reporting to senior-level management. Information is not shared between the different departments – Fuld (1995:421) calls this information barriers. The information barriers are indicated by the red vertical dotted lines between the various departments.

Figure 2.3 on page 36 illustrates that information should flow freely between cross-functional departments within the organisation. When no information barriers exist, departments can share information more effectively.

Fig 2.3: Changing information barriers into information flow



(Adapted: Fuld, 1995:421)

Fuld (1995:421) concurs that an organisation can break down these barriers and foster healthy information exchange by:

- Creating and distributing an “Intelligence Directory” of all files and experts within the company, cross-indexing them by expertise.
- Using the company voice mail or e-mail to distribute important information or information requests.
- Bringing together internal experts to muddle out critical competitive issues.
- Encourage senior management to recognise intelligence contributions of sub-ordinates.

When information barriers are dismantled, an incredible amount of information will flow through an organisation. Using computer-based systems

for storage and diffusion of information, and converting the information into competitor intelligence is the best option to sustain a CI system.

A valuation must be conducted by the organisation to determine whether the organisation needs to invest in computer systems and software programs to support their CI efforts. A discussion of CI and the support of hardware and software will follow in section 2.8.

2.8 COMPUTER SYSTEMS AND SOFTWARE FOR COMPETITIVE INTELLIGENCE

Fuld (1995:426) argues that there are three pillars that support successful intelligence systems. They are:

- Manual files
- Libraries
- Computer systems

For computer systems to work best, four elements are required:

- A hardware base
- People to collect and feed in data
- Software to make the data accessible
- People to analyse the data and turn the data into intelligence.

Fuld (1995:427) suggests that if four or more of the statements mentioned below are answered 'yes', the organisation needs a computer-based system.

"My business ...

..... is subject to a high volume of information."

..... is multidivisional, and geographically dispersed."

..... has a complex product mix."

..... has many competitors."

..... is subject to rapidly changing technology or services.”

..... has a technology-friendly culture.”

The Internet is a potential goldmine for companies that want to keep track of their competitors. Companies give out a wealth of information about themselves on their websites and in newspaper articles. Software can be programmed to track particular companies and provide daily alerts to newly published articles on competitors that may contain details of their activities and plans (McLuhan, 2004:23).

Many advanced tools exist for the purpose of scanning information on the Internet. Modern search engines can be used to build advanced tools that enhance CI scanning and benchmarking on screening level. Search engines acquire and analyse information from the Internet. Analysing from news, company intranet pages, patents and databases are some examples of what the advanced software can do. This method, according to Rajaniemi (2007:465), reduces the time needed for acquiring information, enabling people to concentrate on analysing the information.

It is also true that software will not produce intelligence. Although many tools exist to assist in the CI effort, software cannot read or understand specific questions. The human brain is still the only software that can make sense of, and analyse information to produce company specific, meaningful intelligence for the decision makers of a company (McLuhan, 2004:24).

Besides computer hardware and software, organisations must take note of specific key factors that contribute to a successful CI program, and these keys to success are highlighted in the section that follows.

2.9 KEYS TO A SUCCESSFUL COMPETITIVE INTELLIGENCE PROGRAM

The following are keys to a successful CI program (Cruywagen, 2002):

- CEOs or company executive management should lead the CI initiative in a particular organisation.
- CEOs or executive management should act as the primary sponsor of the CI function, as well as the structure, and be a visible supporter and user of the product.
- The CI system must be able to serve senior managers at corporate, business, and regional levels.
- The company as a whole must embark upon a deliberate, calculated and studied approach in setting up and using the CI system.
- A survey of key decision makers' needs is critical to the imminent success of the CI unit.
- The company's existing intelligence capabilities must be evaluated before attempts are made to formalise any structure.
- An appropriate intelligence program should be designed to meet management's needs, keeping in mind that the system should be thoroughly aligned with and fit into the organisational culture and structure.
- Best practices indicate a formal but de-centralised structure to have the most advantages.

- The whole lifecycle of the CI system must be characterised by planned and phased development.

Fuld (1995:417) states that there are three immutable principles which guide the sustainability of an intelligence system, and they are:

Constancy. Information must be gathered constantly, day-in, day-out, and not just during the traditional annual strategic planning period. Competitors compete every day and their managers urge their employees to gather critical information every day.

Longevity. Long-term investments must be made in the intelligence system. According to Fuld, the most successful intelligence systems have taken three to five years to mature. From Fuld's experience, the longest-running, most successful programs have been allowed to grow and mature over many years, because they started out as low-cost and low-maintenance events.

Involvement. A way to control system cost and create a broad-based system at the same time, is to spread the responsibility for collecting and analysis of information across the entire organisation. When salespeople, agents, purchasing staff and senior management see the development and use of intelligence as part of their daily job activities, then the more readily available the intelligence will be and the more it will be used.

Rix (2006:19) adds that effective CI should be carried out on a continuous basis, since some types of data have a very short shelf-life. CI is based on external information and is most effective when it is used as an early warning system and for strategic risk management practices, and it can support complex decisions when done correctly.

A company will only be able to develop and maintain a successful CI program if someone in the company assumes the role of, takes full responsibility, and be recognised as the CI champion (Prescott, 1999:47).

The CI unit and the manager of the CI department equally contribute to the overall success of the CI effort within an organisation. It is important not to underestimate the importance of selecting the right person to deal with CI matters within an organisation. The CI unit and the CI professional will be discussed in section 2.10 and 2.11 respectively.

2.10 THE INTELLIGENCE UNIT

Cruywagen (2002) states that in many South African companies the CI function take up a relegated position in the structure of the organisation. It is argued that the relegated position is because the very people, who created the CI function, now judge it as a “back room” activity. This results in the CI function suffering from a lack of prominence, as well as the lack of support from top management.

Cruywagen (2002) also states that a direct result of the lack in support is that the CI function is left with a stern lack of authority impacting heavily on its influence. The CI function regularly has to cobble something together on a restricted budget, not fulfilling the purpose for which it was created. Cruywagen, furthermore, comments that it is often found that the CI function is operating disconnectedly from the functions within the organisation.

Fuld (1988:137) says that for many intelligence gatherers, competitor monitoring is very much a part-time job. As companies’ intelligence programs mature, so will the intelligence departments develop, and the company will soon have an intelligence department with several full-time staff members.

Getting into competitors' mindsets is the highest art of intelligence. Part time marketing assignments or project teams will not achieve this art. Highly paid consulting firms might accomplish this art but cannot share it with their clients. A company in a highly competitive industry needs competitive expertise; therefore, it needs an effective and efficient CI unit (Gilad, 2003:166).

The CI unit should comprise of employees drawn from customer service, purchasing, and sales and marketing as well as from operational areas, which includes logistics and transportation (Wilkins, 2007:27).

Wilkins (2007:27) also suggests that the responsibilities should be divided among the CI unit - some members should focus on secondary data and others on primary information. Wilkins says that it is very important that data be reviewed promptly and that the CI analyst should be involved from the early stage of the CI process.

Wilkins (2007:27) says that everyone in the CI unit should be encouraged frequently to move forward on the goals of the team and the strengths and discipline of the CI manager is critical to keep everyone focused on the tasks at hand.

Any executive team is ultimately interested in answering three strategy-relevant questions (Fahey, 2007:4):

- Whether and how the current strategy of the company should be changed?
- How can the strategy be better executed?
- What should the future strategy be?

In order to develop inputs of value to discussions dealing with these three questions, Fahey (2007:5) explains that CI units need to:

- Know and understand the company's current strategy.
- Be familiar with future strategic possibilities.
- Be comfortable in the language and conversations associated with the strategy of the company.
- Perform strategy analysis and intelligence work as if they were one and the same thing.

General functions of a CI department are (Fuld, 1998:139):

1) Monitoring and evaluating competitive positions in defined marketplaces, and include activities like:

- Maintaining up-to-date files on competitors and emerging competitors.
- Acquire and evaluate competitors' products.
- Developing and maintaining informational files on new product submissions and market evaluation.

2) Identify market opportunities:

- Provide information on users of the company's products. This includes periodic visits to the customers and distributors, to gain first-hand knowledge.
- Conduct primary research studies as required and include validation of information, coding and administration, tabulation, and writing reports of findings.
- Conduct secondary researches studies as required. This activity includes literature searches, identification of secondary sources, and validation of source material, written analyses, and reports of findings.

3) Establish and maintain the marketing database for ongoing projects.

- 4) Establish effective intradivisional and interdepartmental relationships to maintain awareness of current issues and concerns.

The other side of the CI coin is counterintelligence, another important function of a CI unit.

Myburgh (2004:55) argues that the amount of information a company can gather from their competitors, in an ethical and legal way and then analysing it, is equally available to competitors.

According to Mason (2006:41), counterintelligence refers to the need to protect the company against hostile gatherers. Market competitors try to acquire information about your own company from a variety of sources to build their own CI. These competitors analyse your company's data and turn the data into actionable intelligence for their own management to act upon.

Myburgh (2004:55) highlights the fact that organisations must safeguard their assets from exploiting, theft and fraud. Plants, personnel, information, systems, records, strategic plans, intellectual property, and intangible assets such as information and knowledge must all be protected.

Important questions that should be asked by the CI unit of an organisation, according to Myburgh (2004:55), are, what would competitors within a defined industry, look for and what methods will these competitors utilise to be able to get access to the required information.

One of the most effective methods to protect other companies obtaining information on your company is to implement a good security awareness plan. A security program should become an ongoing program that is revisited at regular intervals and should be conducted in a friendly and informal fashion (Mason, 2006:143).

Mason also suggests that the security awareness program should include topics like limited conversations in public places, and security issues both personal and data related, which include cell phones, notebooks, and PDAs to mention but a few.

In the 2007 competitive business environment, huge emphasis is placed on the responsibility of the CI unit to strictly adhere to ethical practices and confidentiality. Myburgh (2004:48) states that one of the first things that come to mind when the word CI is mentioned is industrial espionage. CI involves identifying information readily available in the public domain and interpreting the information in order to determine if the information is valuable to the organisation.

Myburgh (2004:48) elaborates by saying that CI is the legal collection and the analysis of open source or public domain information and does not involve illegal, immoral or unethical activities by those who gather competitor specific information.

Ethics goes beyond the legal gathering of information, but also include other functions like avoiding conflict of interest when fulfilling duties, providing honest and realistic recommendations, and promoting ethics within the company (Myburgh, 2004:49).

Hoffman (2006:5) describes the key success factors indicating whether or not a CI unit is functioning at its peak, and argues that a top performing CI unit:

- Clearly demonstrates that the unit creates unique value, value that would not have existed without the CI function.
- Leverage unique, primary human resource intelligence to build an innovation engine.

- Incorporates all available information from existing customers and that employee customer engagement works.
- Focuses on the company's most pressing strategic shortcomings, stressing that the valuable intelligence can help the company to solve specific problems.
- Ensures that all intelligence activities are conducted within strict legal and ethical guidelines.

In conclusion, Hoffman (2006:5) says that the biggest pitfall why CI units are not successful is because the CI unit is too low in the organisational hierarchy. Since most organisational decisions and strategies are made at the executive level, the CI units should report to the CEO or head of strategic planning.

To execute and manage the activities and responsibilities required from a CI unit, the CI professional, or manager of the CI unit, must have specific competencies, which are discussed in 2.11.

2.11 THE COMPETITIVE INTELLIGENCE PROFESSIONAL

CI units are most successful when they have a CI champion that is visible, and everyone participating in the CI program knows the process to report the intelligence. The CI champion should stress the ethics surrounding the gathering of data, and the value of the employees' contributions (Hoffman, 2006:4).

Prescott (1999:47) states that a critical role of a CI professional is to provide resources and moral support to other employees who participate in the CI process. Furthermore, a CI professional needs to focus on the following five strategy inputs (Fahey, 2007:5): marketplace opportunities, competitor threats, competitive risks, key vulnerabilities and core assumptions.

To perform these tasks Fahey (2007:5) states that each type of intelligence input requires considerable judgement and value-add on the part of the CI professional.

Marketplace opportunities: The CI professional should focus intently on assessing current and potential marketplace changes to identify possibilities in both of these areas of opportunity.

Competitor threats: (Fahey, 2007:7) The CI professional should be alert to current and potential competitor threats and go one step further: assessing their implications for the current strategy, for potential opportunities, for winning against specific rivals.

Competitive risks: (Fahey, 2007:8) Top management will pose the following three questions to the CI professional:

1. What competitive risks does our current company strategy face?
2. What competitive risk might the company face in the future?
3. How can the company best manage these risks?

Tailoring responses to these questions compels the CI professional to look beyond competitive threats, patterns and discontinuities to isolate and assess risks and demonstrate how they might negatively impact the search of specific opportunities.

Core assumptions: (Fahey, 2007:9) Top management can pose three questions specifically relating to assumptions to the CI professional:

1. What assumptions about marketplace changes strengthen the current strategy of the company?
2. What assumptions should the company make about emerging and potential marketplace changes?
3. Should the company need to change their assumptions, what will the implications be for strategy changes?

The CI professional should focus assumption analysis on the company's current strategy, potential strategy alternatives and "guiding" marketplace assumptions (Fahey, 2007:9).

Vulnerabilities (Fahey, 2007:11): The task of the CI professional involves the assessment of the following confronting question: What is it that could most critically affect the company strategy and that the company can least control?

The above question compels an analysis and ranking of current and potential threats and risks to identify those that could most severely hamper the strategy of a company.

To accomplish these tasks the CI professional needs to coordinate the human intelligence network, collect information through technology, and finally take up the role of an analyst.

Fleisher (2004:58) states that CI professionals should have a very specific set of skills, and they are:

Traits: creativity, determination, written and oral communication skills, analytical ability, understanding of scientific methodology, and independent learning skills.

Trainable and teachable skills: strategic thinking, business terminology, market research and presentation skills, knowledge of primary information sources and research methods. The CI professional must be able to develop interviewing and communication skills, analytical ability, and familiarity with scientific methodology.

Professional experience: knowledge of corporate power structures and decision-making processes, and industry knowledge. The CI professional

should be able to develop primary research skills, have business savvy, and interviewing and observational skills.

Mentoring: Creativity, persistence, strategic thinking, business terminology, the improvement of communication skills, and research skills are essential.

When an organisation understands the need for CI, it follows the correct CI process. It has an effective CI system that operates from an ideal location, is supported by computer hardware and software, and managed by skilled and motivated human capital. The organisation can reap many benefits from its total CI effort. Some of these benefits derived from CI are listed in section 2.12.

2.12 BENEFITS DERIVED FROM COMPETITIVE INTELLIGENCE

CI is a process and not a function. Good CI unfolds over time and proceeds in a methodical way. When a CI program is properly implemented, CI will benefit the company by giving early warning of (Wilkins, 2007:20):

- Competitive moves.
- Competitor strategies.
- New product launches by competitors.
- New, emerging, or changing markets.
- New technologies or business methods.

Sawka (2006) highlights some of the major benefits of CI and market analysis:

- CI can help inform and strengthen the entire strategic planning process.

- Understanding the operations of competitors and their strategies which act as an early warning system.
- Developing valuable competitive sales and business strategies.
- Identifying new business opportunities and increasing current market share.
- Identifying specific market trends and understanding the competitive landscape.

Gilad (1989:33) identifies more benefits of an organised CI program:

- Sharing of ideas and integrating diverse ideas.
- Improved ability to anticipate market surprises.
- Improving managers' analytical skills.

Kahaner (1997:24-26), moreover, adds yet further benefits of a CI program:

- Discovering new or potential competitors that may oppose market threats.
- Learning valuable business lessons from the successes and failures of others.
- Learning about new technologies, products and processes that can affect the operation of a company.
- Learning about political, legislative or regulatory changes that may affect the company.
- Aid in entering new business ventures.

2.13 CONCLUSION

The field of CI has shown rapid growth and considerable legitimacy over the past 30 years. Developments in IT, analysis, ethics, and the management of the CI process, will continue to be momentous issues that face the CI field.

Chapter two enfolded specific literature sources on the subject of CI. The purpose of the literature study was to gain insight into the field of CI. The knowledge gained through the literature study will form the basis to evaluate the current CI effort of Company X. The information in chapter three will be applied to evaluate the CI effort of Company X.

CHAPTER THREE

THE COMPETITIVE INTELLIGENCE PROGRAM IN COMPANY X

3.1 INTRODUCTION

An empirical study was undertaken to determine the status of the CI effort of Company X and to arrive at accurate conclusions and meaningful recommendations when linking the theory in Chapter two with the reality in this chapter. Further comparisons are also made between the current CI program in Company X and specific empirical research that was conducted on the subject of CI in South Africa.

The goal of the empirical study on the current CI program of Company X was to achieve the objectives of this study by determining the following:

- The necessity of CI as a business discipline and to evaluate the existing CI effort of Company X.
- To appreciate the importance of CI and its use to formulate long-term company strategies.
- To demonstrate that CI will add value to the shareholders of Company X.
- To show how to monitor competitors through the implementation of an effective competitor intelligence program.
- To develop action plans aimed at improving the CI efforts of Company X.

A questionnaire (appendix A) was developed to obtain specific information on the current CI efforts in Company X. The questions were grouped together to answer specific questions or draw specific conclusions on the current CI effort

in Company X. Questions relating to the existence of CI, the need for CI, the CI process, the CI unit, the location of CI, and the support to the CI effort were formulated in the questionnaire. The objective of obtaining this information is to evaluate the CI effort in Company X.

The chapter will include a brief company profile of Company X. The remainder of this chapter will be devoted to the existing CI program in Company X. This chapter will conclude by comparing the current CI effort of Company X with previous empirical research conducted on CI in South Africa.

3.2 COMPANY PROFILE

Company X is a medium sized family-owned business. The main activities of the company are the production of steel and the manufacturing of wire and wire-related products. The company services the mining, agriculture, industrial, commercial, civil engineering, and construction sectors.

Company X has, through full vertical integration, grown from a small wire netting manufacturing company in 1962 to a major producer of steel and wire products. Full vertical integration is achieved through Company X's ability to produce steel from scrap metal and from steel to many end-products sold directly to end users. These products include wire rod, galvanised end-products, and various black wire end-products, manufactured under one roof.

One of the divisions of Company X introduced two steel shredding units in 1988. This changed the face of scrap processing in South Africa, which resulted in increased capacity and full utilization of the most advanced mini mill technology. The division produces steel products, which conform to domestic and international standards.

The second division of Company X processes wire rod into uncoated wire, galvanised wire, and wire products for a variety of markets. These products

conform to international quality standards, and are manufactured from wire rod bearing the South African Bureau of Standards mark.

The company has a large customer base in South Africa and their marketing efforts are therefore mostly confined to the domestic market (within the borders of South Africa). Company X also sells products into Africa and exports products to the rest of the world.

The company has many local market competitors and international competition is starting to pose huge threats to the company. The industry competition consists of four well-established companies, relatively equal in product offerings, production capacity, quality, and distribution networks. There are approximately eighteen additional market competitors and these competitors are relatively small when comparing their product offerings and production capacity. The smaller competitors concentrate mainly on single product lines and their product quality is often inferior in comparison to the four major industry players.

Due to strong rivalry amongst existing companies, new market entrants, and the power of buyers, the marketing manager of the commercial department introduced the concept of a CI program for Company X.

3.3 THE NEED FOR COMPETITIVE INTELLIGENCE IN COMPANY X

The need for a CI program was identified after an industry environmental analysis was conducted in Company X.

The purpose of the environmental analysis was to determine what the competition is like in the industry.

Porter's 5-forces model was used to analyse the external environment of Company X. Rivalry amongst existing companies, the power of buyers and the threat of new entrants are seen as the strongest forces for Company X.

3.3.1 Rivalry amongst existing companies

The strength of rivalry is the most influential factor in the industry, which Company X operates in. Strong rivalry leads to increased competition.

Rivalry in the industry is driven by the following factors:

- There are a large number of competitors.
- Price competition is intense.
- There is slow industry growth in the wire division of Company X.
- Customers have low switching cost between different manufacturers.
- There are high exit barriers in terms of fixed assets.
- Industry offerings are weakly differentiated which naturally leads to stronger competition.
- Most companies are not diversified outside the steel and wire industry, so there are high strategic stakes.

3.3.2 Bargaining power of buyers

The bargaining power of customers is considered as a moderate to strong competitive force for the following reasons:

- Switching cost is relatively low for customers.
- Customers buy in large quantities.
- Customers in the related markets are very price sensitive.
- The current high demand for steel in South Africa, however, lessens the power that customers have over this specific section in the market.

3.3.3 Threat of entry

The threat of new competitors entering this market is moderate to strong.

- Global competition poses the biggest threat of entry due to various economical factors that exist, and the strong demand for steel currently in South Africa.
- Growth-minded local and international competitors are always looking to expand into profitable new geographical segments and Company X perceives this a threat.
- The image and reputation of Company X and other local role players are seen as strong barriers to enter for new entrants.
- New local competitors do not oppose huge threats due to the considerable capital investments needed to establish specialized production facilities.

Based on the external environmental scanning exercise, the need for a CI program was acknowledged and subsequently introduced in Company X.

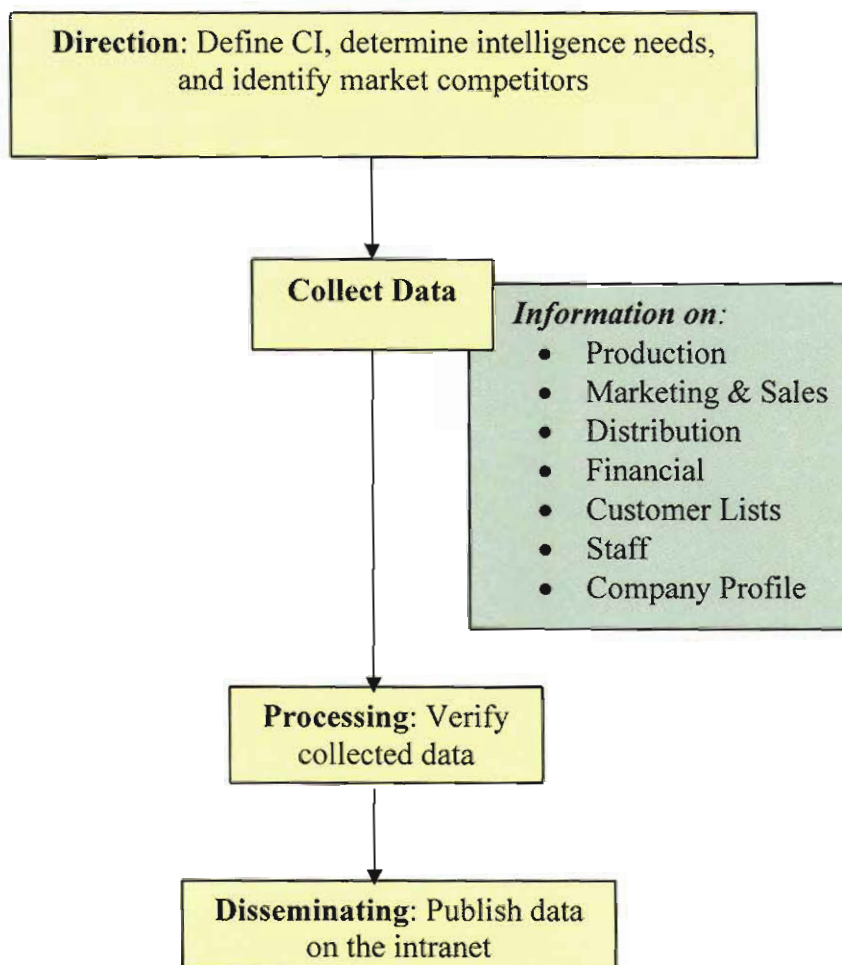
The purpose of such a program was to permit Company X to:

- Predict competitors' next moves.
- Exploit competitors' weaknesses.
- Determine competitors' strengths.
- Identify competitors' vulnerability to any market attacks or counter attacks.

3.4 THE COMPETITIVE INTELLIGENCE PROCESS IN COMPANY X

The current CI model of Company X is illustrated in figure 3.1, and consists of directing, collecting data, processing data, and the dissemination of information.

Figure 3.1: Competitive intelligence model of Company X



A discussion on the different activities that take place in each phase of the CI process of Company X will follow.

3.4.1 Directing

The company has no formal mission and vision for CI as a business discipline.

Company X defines their competition as:

- Other companies that offer the same product or service.
- Other companies that offer related products or services.
- Companies that could offer the same or related products or services in the future.
- Companies that can remove the need for a product or service, that are currently presented by Company X.

All marketing staff of the wire division is well informed, and consequently trained on the purpose of a CI program. Marketing staff knows what information needs to be gathered from the market. The marketing personnel are also trained to submit the gathered data in a pre-described format.

The need for specific data on competitors is clearly stipulated. The CI champion receives all competitor data that has been collected by the marketing staff. The data is presented to the commercial marketing manager for verification. After verification, the information is stored on a CI system.

3.4.2 Collecting

Market experts and the sales force of the wire division are mainly responsible for collecting information.

Given that there is so much data available in the market, it is vital that some boundaries or frameworks are formalised for the collection of data.

These guidelines are defined as key intelligence topics for CI in Company X. The sales force is familiar, and are frequently made aware of key intelligent topics, which are:

Competitors' customer lists: Which customers do the competitor serve, and where are the customers' geographical locations? What products do they buy from the competitor? What is the potential purchasing volume of the customer?

Competitors' product offering: What products do they offer in the market, the quality of the products and product specifications? Does the competitor buy to sell or is the competitor a manufacturer of end products?

Competitors' staff composition: Information on the competitor's executive team, management team and marketing staff.

Competitors' financial information: General financial information that includes the competitor's credit ratings.

Competitors' distribution channels: Do competitors make use of agents to distribute their products, do they have depots, how strategically are these depots deployed, and information about their total fleet.

Competitors' production capacity, machines and equipment: What machines do the competitors have, how many machines do they have and what is the total capacity of each machine?

Pricing and marketing information: Pricing and marketing strategies of competitors, special pricing offerings of competitors, price cut offerings, and market share.

General information: Who is the holding company, are there subsidiary companies, mergers and acquisitions, what are the physical addresses and contact details?

Company X uses limited resources to gather information on their competitors.

The different sources that are readily used are the resources that are more accessible to the salesforce. Most of the time, no cost, subscription or membership is required to gain access to these resources.

The sources that are more commonly used to gather data are from customers, day-to-day activities of the sales force, general press, advertisements published by competitors, trade shows, and the Internet.

Information on pricing and product quality of the competitors is most frequently received. Most of the other key intelligent topics are neglected when information is collected. When the gathered information is assessed based on the key intelligent topics, it can be assumed that most of the information is obtained when the sales staff has difficulty in closing a sale. When analysing the quantity of information, and the quality of information that is received, it is clear that the sales force makes little effort to obtain the correct information.

3.4.3 Processing

The data that is received from the sales force are converted into an understandable format. The marketing manager informally evaluates the collected data. The data is extremely fragmented and no formal analysis of the available data takes place. The data is consequently not converted into intelligence.

The data is only evaluated to determine its usefulness. To determine the usefulness, the marketing manager evaluates the relevance, truth, understandability, sufficiency, significance, and the timeliness of the data.

The processing function only includes the validation and storage of the information. This stage does not include proper analysis of information and the conversion of information into finished intelligence. Little or no integration of the available information takes place, and the information is fragmented and ever so often contradictory. No intelligence products are prepared for further applications.

The final step in the processing phase of Company X concerns the publication of the data - sometimes information - on the company intranet.

3.4.4 Dissemination

The dissemination activity is very limited and only filtered information, and not finished intelligence, is occasionally distributed to the applicable interested parties.

Since the information is systematically stored on the company's intranet, it allows access to selected individuals, to the published data or information. Most of the complete information is exchanged verbally, on which decisions are occasionally based upon. Information, and not intelligence, is distributed verbally or through written reports, and the use of e-mails.

There is no evidence that some decisions were based on intelligence upcoming from the CI program in Company X.

The dissemination phase occasionally triggers to the directing phase of the CI cycle.

3.5 THE COMPETITIVE INTELLIGENCE SYSTEM IN COMPANY X

The objective of the competitive information system in Company X is to publish the information received on competitors. The competitive information system can be accessed on-line from a secure intranet site.

The original purpose of introducing a CI system for Company X was to have the required information on competitors available to the decision makers of the company.

Information stored on the CI system is available to selected users only. These users include some executives, senior management and middle management.

Navigation buttons prompt the CI system. The navigation fields lead the individual to the information that is published on a specific competitor. The intranet site is limited to five levels and information can only be published or deleted on the system.

To access information an individual will sign on to the secure intranet site and follow the following steps:

Step 1: The user will select the navigation button marked "Departmental Info" and a Marketing page will open on the intranet.

Step 2: The user will select the navigation button marked "Competitor Information". All the competitors of Company X will appear as a list.

Step 3: The user selects a competitor from the list and an information tree of key intelligent topics appear. Examples of the key intelligence topics are:

- Competitors' customer lists.
- Competitors' financial information.

- Competitors' distribution channels.

Step 4: The user selects a key topic from the list and all the information published under the key intelligent topic is available and can be read when selected. No editing can be made on existing publications.

3.6 WHO IS INVOLVED IN THE COMPETITIVE INTELLIGENCE PROGRAM?

Company X has a marketing department for the steel division and a separate marketing department for the wire division. The different marketing departments function independently from one another. The wire division consists of a commercial and agricultural section, which is closely integrated.

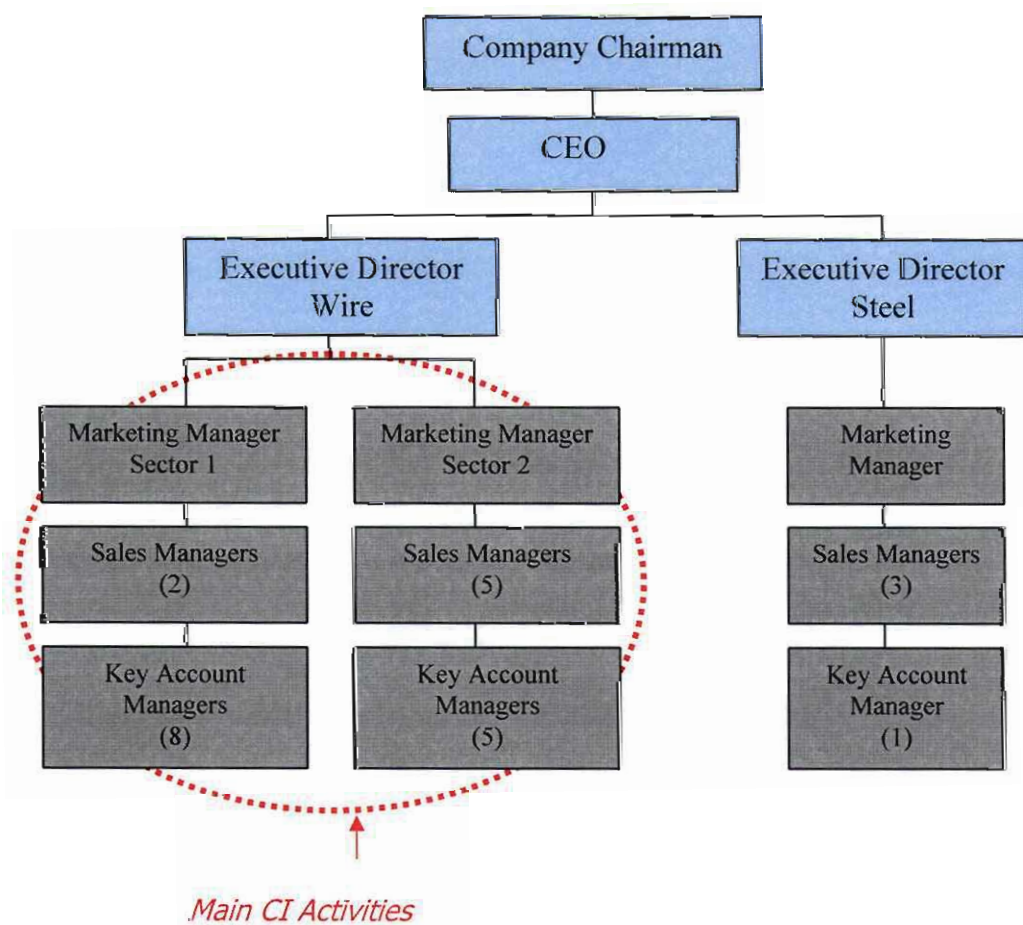
Each section within the wire division has one marketing manager, several sales managers and key account managers (Fig 3.2 on page 63). All the CI activities are confined to the marketing department of the wire division of Company X. The marketing department of the steel division contributes very little to the CI program in Company X. Awareness of CI is frequently raised within the wire division of Company X. Little or no recognition for the contributions of the employees towards the CI effort exists. The company does not provide any incentive to the contributors of CI. The task of gathering information on competitors does not form part of the general job description of the sales force in Company X.

3.7 LOCATION OF THE COMPETITIVE INTELLIGENCE ACTIVITIES

The CI operation is located in the marketing department of the wire division in Company X. The marketing department is well positioned to manage the competitive environment, because of their structure, reporting relationships, and tools available to gather information.

The CI activities is relatively centralised, and mainly limited to the marketing department of the wire division. Although information is exchanged between the steel and wire divisions, little formal information sharing takes place between these two divisions.

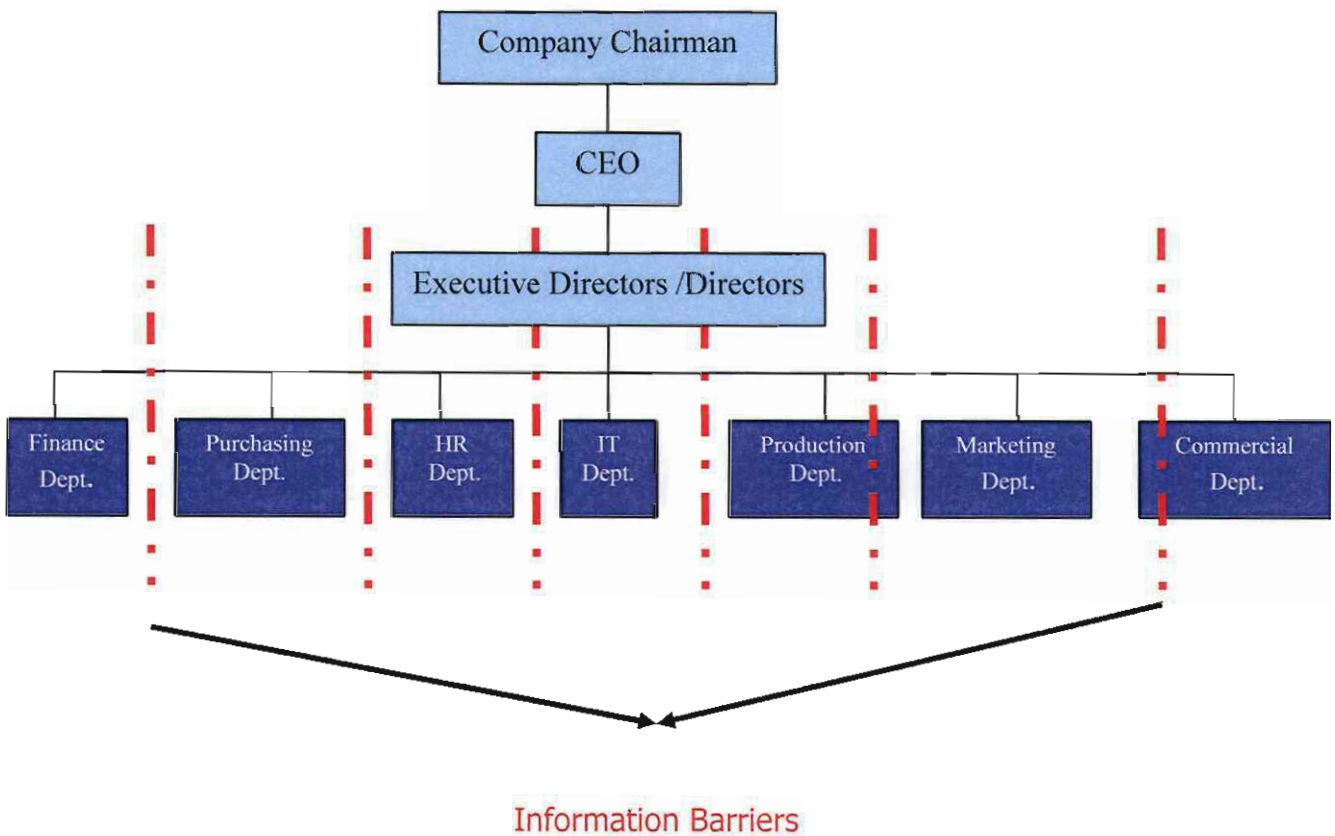
Figure 3.2: Location of the competitive intelligence activities in Company X



The purpose of figure 3.2 is to illustrate the exact position of the CI activities in Company X. The marketing managers, sales managers, and key account managers participate in the CI program of Company X. The figure clearly indicates that the top structure of Company X is not actively involved in the CI program.

Company X has a traditional company structure and huge information barriers exist between the different departments in Company X, as illustrated in Figure 3.3:

Figure 3.3: Information barriers in Company X



(Adapted: Fuld, 1995:421)

The purpose of figure 3.3 is to illustrate the presence of information barriers (indicated by the red dotted lines) that exist in Company X. The illustration

indicates that, to a certain extent, information sharing is taking place between the production, marketing and commercial departments.

Figure 3.3 on page 64 also indicates that no CI information is shared between other departments inside Company X.

3.8 COMPUTER SYSTEMS AND COMPETITIVE INTELLIGENCE SOFTWARE

Company X uses a computer system to store and disseminate information.

Company X employs no specific software to process data and to deliver CI products. The CI champion maintains the system and processes all the information received from the collators.

The processing of data is very labour intensive, as the majority of the data that is received must be retyped, before it can be stored.

A computer-based system was selected because:

- Company X has the potential to receive high volumes of information.
- The geographical location of the people collecting the data is spread across South Africa and neighbouring countries.
- Company X has a complex product mix.
- Company X has many competitors.

3.9 THE COMPETITIVE INTELLIGENCE UNIT

There is no formal CI unit in Company X to facilitate the CI program in Company X. The CI team in Company X consists of a commercial marketing manager, sales managers and key account managers.

3.9.1 Who is responsible for the competitive intelligence process?

The responsibilities of the CI effort were delegated downwards to one sales manager, and the sales manager controls the flow of information.

One sales manager is formally responsible for the entire CI program of Company X. The task to drive the CI activities was added as additional responsibilities to the main functions of this sales manager.

The responsibilities of the sales manager that champion the CI program include:

1. Development of the initial competitor information system and the continuous maintenance of the competitor information system.
2. Administration of the total CI process, and this includes:
 - Requesting information from the sales force.
 - Receiving data and information from the sales force.
 - Converting data and information into an understandable format.
 - Ensure that the commercial marketing manager verifies all data.
 - Storing information on the intranet.
 - Conduct primary and secondary research on competitors.

The sales manager has little or no authority to enforce the CI activities in Company X. Everyone in the marketing department is responsible for collecting data and this includes marketing managers, sales managers, and key account managers.

Tasks within the CI process, i.e. gathering of information, processing of information, and dissemination of information are tasks that were simply added to the individual's current responsibilities.

3.9.2 Competencies of the competitive intelligence champion

The sales manager possesses most of the competencies that is required, as defined on page 46, to execute the CI process.

The sales manager did not receive any formal training with regard to interviewing and presentation skills, but has completed several CI seminars. These seminars covered most aspects of CI as a business discipline.

3.10 BENEFITS DERIVED FROM THE COMPETITIVE INTELLIGENCE EFFORT

No or very little benefits are derived from the CI efforts currently conducted in Company X. The CI program only serves as an electronic filing cabinet of all the data that has been received from the market.

Although some decisions are made from the data or information received from the market, the CI program does not serve as a tool to base these decisions on.

No benefit is derived from the current CI program of Company X, because the program does not support the following activities as defined on page 49 and 50, to mention but a few:

- Identify and provide management with information on specific market trends.

- Assist management to understand the operations of competitors and their strategies.
- Assist in the development of valuable sales and business strategies.
- Assist to maximise company revenues and reducing company cost.
- Assist management to anticipate market surprises.
- Assist management about new technologies, products and processes that can affect the operation of the company.
- Serve as a tool to enter into new business ventures.

3.11 SUSTAINABILITY OF THE CURRENT COMPETITIVE INTELLIGENCE PROGRAM

According to Fuld (1995), there are three immutable principles that guide the sustainability of a CI program. With reference to the comments of Fuld, the sustainability of the current CI program of Company X is discussed.

The reasons why the CI program is not successful are:

3.11.1 Constancy

No aligned commitment from the majority of the sales staff to gather competitor information on a constant basis. Information is not communicated frequently and when information is communicated, the information is very fragmented.

Primary and secondary research sources and techniques are not fully discovered and utilised by the data gatherers in company X.

Participants of the CI program receive little or no recognition for their intelligence gathering efforts, which contributes to the erratic flow of information.

3.11.2 Longevity

The CI program has been in operation for approximately five years and is still in the growth phase. The current CI program of Company X is a low-cost and low-maintenance event and this contributes to the program not being managed effectively. No long-term investments are considered at present. Long-term investments are considered crucial to move from a growth phase to a more sustainable mature phase.

3.11.3 Involvement

Top management is not involved and does not support the CI program in Company X.

The CI efforts are confined to one section of the marketing department. Other departments in Company X do not form part of the CI program; thus information is not shared across departments.

The development and use of CI is not seen as part of the sales force's daily activities.

Previous research has been done on the topic of CI in South Africa and more specifically, research has been conducted on CI in a South African manufacturing environment. The research findings of Viviers, Saayman and Muller (2005:576) and the research findings of Du Toit (2003:119) are used in section 3.12 to compare the current CI activities with the findings of the researchers. The comparison also forms part of the empirical study that was conducted in Company X.

3.12 PREVIOUS RESEARCH CONDUCTED ON COMPETITIVE INTELLIGENCE IN SOUTH AFRICA

3.12.1 Competitive intelligence in South Africa

According to Viviers, Saayman and Muller (2005:576), a culture of competitiveness should prevail to allow CI to develop progressively into a triumphant integration business discipline in any company. The aim of their paper "Enhancing a CI culture in South Africa" was to measure the development of a CI culture in South Africa ever since the late 1990s and to make some recommendations on how to enhance this culture.

Viviers, Saayman and Muller (2005:576) based their research on the key areas of an intelligence model as identified by Calf and Breakspear in 1999, i.e. planning and focus, collecting, analysis, communication, process and structure, and organisational awareness and culture. Some of their key findings are highlighted in table 3.1 on page 71.

Some of the empirical survey findings of Viviers, Saayman and Muller (2005:576) are compared with the current CI program of Company X. The comparison is illustrated in table 3.1 on page 71.

Table 3.1: Comparison of Viviers, Saayman and Muller’s research findings with Company X

<p>Finding 1: A general lack of appropriate processes and structure exists for CI in South African companies.</p> <p>Company X: <i>There is a general lack of appropriate processes and structure for CI in Company X.</i></p>
<p>Finding 2: Few South African companies can claim that CI forms an integral part of their company.</p> <p>Company X: <i>CI does not form an integral part of the company.</i></p>
<p>Finding 3: Little information sharing is taking place within companies.</p> <p>Company X: <i>Little sharing is taking place between the different departments in Company X.</i></p>
<p>Finding 4: Employees, in general, do not know what the focus of a CI activity is in their company.</p> <p>Company X: <i>Participants in the CI program know what the focus of CI activities in Company X is. Other employees in the company are not aware that such a program exists.</i></p>
<p>Finding 5: South African companies acknowledge that CI can enhance competitiveness.</p> <p>Company X: <i>Company X introduced a CI program to enhance their competitiveness in the market.</i></p>
<p>Finding 6: CI is regarded as a justifiable business activity.</p> <p>Company X: <i>CI is not regarded as a justifiable business activity in Company X.</i></p>
<p>Finding 7: Evidence also emerged that CI extended beyond the activity of analysing competitors, but also included regulatory matters, customers and suppliers.</p> <p>Company X: <i>Company X is in a growing phase in respect to CI. CI is currently restricted to collecting and processing of competitive data and information.</i></p>

The overall conclusion of Viviers, Saayman and Muller (2005:586) was that South African companies, by 2001, were not as well equipped to conduct good CI compared to companies in the USA, Japan, France, Israel and Germany.

3.12.2 Competitive intelligence in South African manufacturing companies

The performance of South African companies will depend on the quality of their intelligence capabilities. Effective CI can give South African companies many strategic capabilities (Du Toit, 2003:119). Du Toit examined the role of CI in South African manufacturing companies, and it is important to highlight some of the results of this empirical research study. The purpose of the empirical research was to determine the importance of CI in the strategic management process and to establish where companies obtained their information on competitors and if competitor intelligence systems are effective in these companies.

Some of the empirical survey findings of Du Toit are compared with the current CI program of Company X. The comparison is illustrated in table 3.2 on page 73.

Table 3.2: Comparison of Du Toit's research findings with Company X

<p>Finding 1: Although 76% of the companies surveyed do have a CI system, only 26% of these companies have formal CI departments.</p> <p>Company X: <i>Company X has a CI system, although no formal CI department exists.</i></p>
<p>Finding 2: Of the companies with competitor information systems, only 36.1% considered their systems to be excellent.</p> <p>Company X: <i>Company X does not consider their CI system as excellent.</i></p>
<p>Finding 3: The majority of respondents indicated that newspapers, collegial relationships, customers, annual reports and trade shows were the most valuable source of information.</p> <p>Company X: <i>Company X considers the above sources a valuable source of information.</i></p>
<p>Finding 4: Companies with a competitor information system documented that they sometimes use advertising, distributors, suppliers and the Internet as information sources.</p> <p>Company X: <i>Company X sometimes use advertising, distributors and the Internet as information sources. Company X do not use suppliers as an information source.</i></p>
<p>Finding 5: Half of the respondents confirmed that they often use information that is verbally transferred by different communication networks within the company.</p> <p>Company X: <i>Company X uses information that is verbally communicated as valid information for CI.</i></p>
<p>Finding 6: In 12% of the companies that do have a competitor information system, the company's intranet is used to disseminate information.</p> <p>Company X: <i>Company X uses the intranet as a tool to disseminate competitive information.</i></p>
<p>Finding 7: All companies that have a competitor information system indicated that their senior management is directly involved in the CI function.</p> <p>Company X: <i>Only one senior manager is directly involved in the CI function in Company X.</i></p>

From the empirical study that was conducted in Company X, together with the comparison of the current CI effort in Company X with previous research findings, specific conclusions can be made.

3.13 CONCLUSION

Chapter three described the current CI efforts of Company X, and in Chapter Two a literature study was conducted on certain aspects of CI.

When comparing the literature study with the current CI efforts of Company X, it has become evident that the current CI effort in Company X presents certain problems.

Comparisons with previous research studies conducted by Viviers, Saayman and Muller on CI in South Africa, and by Du Toit on CI in South African manufacturing companies, further highlights the fact that Company X has specific weaknesses in regard to their current CI effort.

With the above knowledge, as well as personal experience gained by being personally involved with the entire CI effort of Company X, sound conclusions will be made in Chapter four, followed by practical recommendations to improve the CI program of Company X.

CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The aim of this chapter is to come to meaningful conclusions that will be based on the information gathered during the study; interviews, as well as personal observations and experience of the CI efforts of Company X. Considering these conclusions, certain recommendations will be made in respect of the CI efforts of Company X.

The aim of proposing certain recommendations is not to transform the current CI program in Company X into an ideal program, but rather to steer the current CI program closer to maturity.

4.2 CONCLUSIONS

Although Company X has a CI program in place, the current program is still in a growth phase.

The conclusions are based on the evaluation of the following:

- The CI process that Company X follows, which includes the direction, collecting, processing, and dissemination of information.
- The CI system.
- The location of CI activities.
- Computer systems and software for CI.
- The CI unit.

4.2.1 Competitive intelligence process (direction, collecting, processing, and dissemination of information)

The following observations are derived from the CI process examination:

There is no visible support from top management to provide the required CI direction and thus the process is flawed.

All the participants know that a CI function exists. The key intelligent topics are well defined and the participants are well informed on these topics.

There is a lack of adequate information, or the use of correct sources to collect information. Little effort is made by the collectors of information to obtain information on the key intelligence topic, which they are familiar with. The collecting of data is not seen as a task that needs to be performed continuously on a daily basis. Based on these assumptions it can be assumed that the participants may not be aware of the benefits that this information can bring to the process.

It can be concluded that the rationale behind the processing of information only focuses on the validation of information and the storage of the validated information. The processing phase is poor and does not include any integration, analysis, and delivering of finished intelligence.

It can be concluded that there is very little or no dissemination of CI. There is evidence that the e-mail and published information on the intranet are the primary delivery methods that are used to disseminate information. Since there is limited dissemination, little or no finished intelligence is fed to the end-users, and the CI efforts therefore do not contribute to any decision making in Company X.

4.2.2 Competitive intelligence system

The following conclusions are derived from the CI system:

Although Company X has a formal CI system, the system is very basic and no CI software is deployed as support to the CI system.

4.2.3 Location of competitive intelligence activities

The following conclusions are derived from the location of the CI activities:

It can be concluded that the CI unit is not a stand-alone unit, but reports to the marketing department. The location of the unit is visible within Company X. The opportunity exists that the intelligence team can have strong links to other business units in the company. With the present location it will be possible for the team to interact with other departments, for example production, commercial, customer service and IT departments.

4.2.4 Computer systems and software for competitive intelligence

The following conclusions are derived from the computer systems for CI:

Basic hardware and software are used to execute the CI effort. Company X has no supporting CI software to support the collection, processing, analysis and dissemination of CI.

4.2.5 Competitive intelligence unit

The following conclusions are derived from the CI unit:

It can be concluded that the current intelligence unit is not properly supported by means of adequate staff, and technology. Due to inadequate support, the CI effort in Company X will not have any recognisable impact on corporate decision-making.

4.2.6 Conclusions

These are the five most important components identified and can be considered the key success factors for an effective CI program for Company X. Specific recommendations are made to address the CI success factors that Company X's intelligence unit needs to develop from a growth phase to a phase of maturity.

4.3 RECOMMENDATIONS

The need for an improved CI program for Company X has been identified. To improve, and to steer the current CI program of Company X to a more mature phase, specific recommendations will be made.

Recommendations are categorised under the following respective headings:

- Redefine the role, administration, and structure of the CI program in Company X.
- Obtain action-orientated CI products and services.
- Give attention to the training of the participants in the CI program.
- Measure the CI program to meet the changing needs of Company X.

These items will now be discussed in more detail.

4.3.1 Redefine the role, administration, and structure of the competitive intelligence program in Company X

Although a clear business case for CI exists within the marketing department of Company X, the necessity of such a program needs the support of top management. It is recommended that senior-level decision makers become actively involved in the CI program of Company X. The involvement of senior management will assist the CI unit to identify management's CI needs and will allow the integration of CI into decision-making.

A clear, CI mission and code of ethics need to be developed for Company X.

A CI culture needs to be implanted in Company X. Efforts to implant a culture of CI can be achieved by raising the awareness of CI throughout Company X. Embedding a culture of CI throughout Company X will encourage company-wide support for the CI effort.

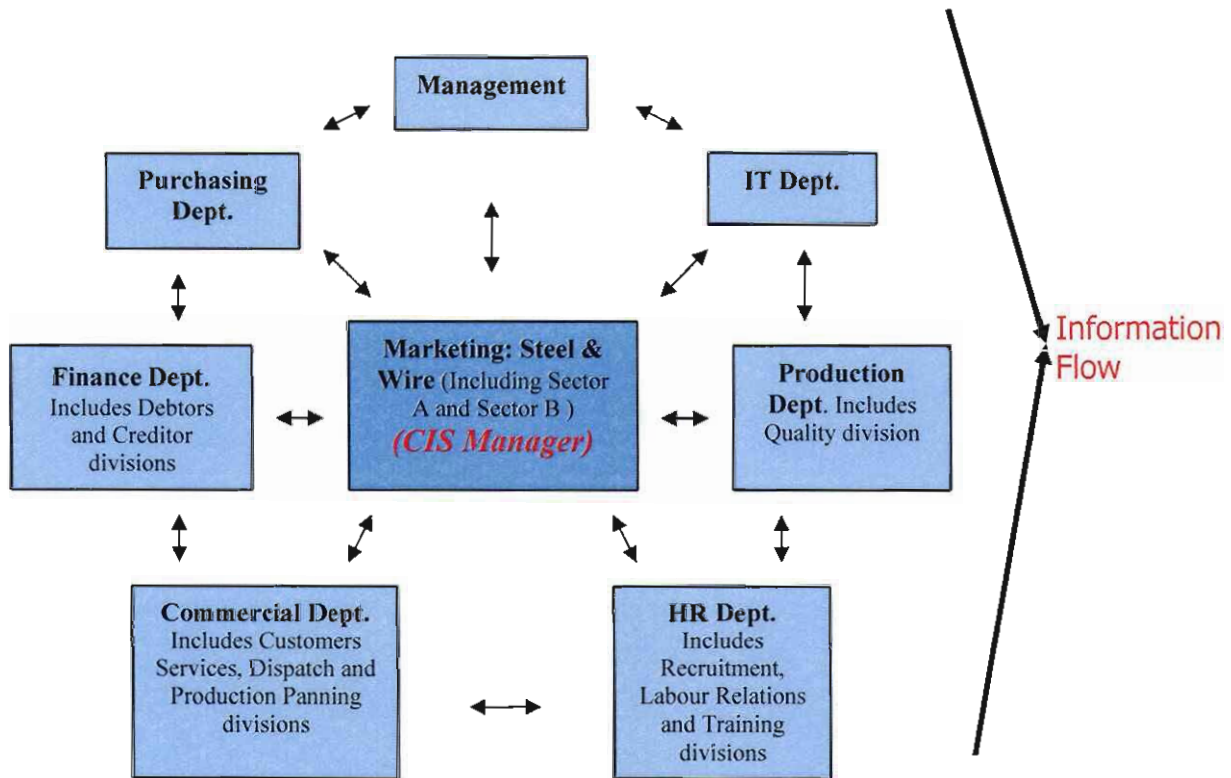
The existing key intelligence topics must be revised to ensure that these topics address management's needs. The purpose of this exercise will assist the collectors of data to understand what is expected from them during the collecting phase and why such information is required.

It is recommended that the employees through cross-functional links in Company X be developed. A wider source of information gathering will enable an effective flow of information from various departments within Company X.

The following model (adapted from Fuld, figure 2.3) is recommended to break down the existing information barriers, and allow the linkage throughout

Company X, resulting in the continuous flow of information. This is illustrated in figure 4.1:

Fig 4.1: Recommended information flow in Company X



(Adapted: Fuld, 1995:421)

It is not a necessity to link all the identified departments simultaneously, and it is recommended that the following phases be pursued:

Phase 1

Include all marketing divisions in the CI program. Therefore, it is recommended that the first phase includes the marketing department representing the steel division as well as the marketing department representing the wire division of Company X.

Phase 2

It is recommended that the following departments be included in phase two. These departments must be encouraged to actively participate in the CI program of Company X:

- IT Department
- Commercial department including all divisions within this department.

The inclusion of the IT department will be useful for the reason that the representatives from this department will add value through their advanced skills and capabilities of information technology. The IT department can contribute in many ways, for example, information gathering through the utilisation of the Internet and software development.

The inclusion of the Commercial department is important as this department has direct contact with the customers of Company X. The Commercial department consists of an ordering, processing, production planning and dispatch divisions. All these units communicate and assist customers on a daily basis and are a primary source of external information.

Phase 3

In phase three, it is recommended that the following departments be included in the CI program of Company X. These departments must be encouraged to actively participate in the CI program of Company X:

- Production departments, including all divisions within this department.
- Financial department, including all divisions within this department.
- HR department, including the different divisions within the department.
- Purchasing department.

It is further recommended that a formal CI team be selected. The CI team should include the existing participants of the program and additional members who will represent the different business units as indicated above in the different phases. The final team should comprise of a CI champion, analysts, information gatherers, and administrators.

It is recommended that the current CI champion continues to manage the entire CI program, because of the expertise gained and the involvement in the development of the entire system. The CI champion has the necessary skills and received formal training in the CI field.

4.3.2 Create action-orientated competitive intelligence products and services

It is anticipated that competitive pressures will intensify within the industry, and Company X must consider the establishment of a more comprehensive and formal CI system.

It is also recommended that CI software programs be considered, to assist the CI unit with automated intelligence gathering, filtering of data, and the electronic storage of intelligence. Processing intelligence in an electronic fashion will make the whole intelligence process more user-friendly and will encourage people to participate in the sharing of vital information.

4.3.3 Training of participants in the competitive intelligence program

The skills required to successfully execute the CI activities should be determined and a training program must be developed to equip the selected CI team in the execution of their responsibilities.

The skills development plan should include the following training:

- The CI team must attend a formal training course on CI.
- The CI team must receive training on information gathering, dissemination, interpreting, and presentation techniques.
- The CI team must be trained on how to apply CI software programs effectively.

Company X will find itself in many different situations where specific competitor information will be required to make company decisions. Appendix B describes the different market scenarios, and recommendations are made on what information needs to be gathered from the market.

4.3.4 Measuring the competitive intelligence program to meet the changing needs of Company X

The effectiveness of the CI efforts of Company X should be measured annually. The effectiveness of the CI program can be measured by conducting a CI audit.

Prescott (1999:46) highlights typical questions that should be asked during a CI audit:

- What intelligence activities are currently being conducted in the company?
- What CI information is needed to make decisions?
- What information would management like to receive?
- How could one make the information more accessible to improve the unit's performance?
- What would make the information more valuable?

- How satisfied is the intended management with action-oriented effort?
- What is the perceived credibility level of the information?
- What types of infrastructure are needed to handle *ad-hoc* requests?

4.3.5 Technology

Company X should investigate the different software packages available on the market, to assist the CI program. Company X should utilise their internal IT department to look into the cost, availability and adaptability to current software programs, of supporting CI software. Huge initial software expenditure is not necessary, but it is extremely important that the initial software is capable of accommodating upgrades in the future.

4.4 IMPLEMENTATION OF RECOMMENDATIONS

Table 4.1 on page 85 suggests an implementation plan. The plan prioritises the recommendations made in this chapter according to importance and allocates responsible individuals for the specific actions.

Table 4.1: Implementation of the recommendations

ACTION	WHAT TO DO	PERSON RESPONSIBLE	PRIORITY
Involve the steel division of Company X.	Present the mini-dissertation to the marketing manager in the steel division of Company X. Obtain his support, to ensure aligned commitment from the entire marketing division in Company X.	Marketing manager - wire division. CI champion.	1
Obtain the support from top management.	Present the mini-dissertation to top management to obtain the support from all senior management in Company X.	Marketing manager - wire division. Marketing manager - steel division. CI champion.	1
Involve all departments.	Present the case to the relevant business unit managers and gain their commitment to the CI program.	Marketing manager - wire division. CI champion.	2
Build a CI team.	Select key staff members from the identified business units, according to their skills and positions within these business units. Allocate individual roles.	Business unit managers. Marketing managers. CI champion.	3
Culture and code of ethics	A culture of CI will develop through the involvement of top management and implementation of various action plans. Draw up a simple code of ethics for the CI unit.	CI champion. Company legal advisers.	4
Involve training department of Company X.	Identify specific training requirements to successfully equip individuals to execute responsibilities.	Training manager. Marketing manager - wire division. CI champion.	4
Build personal development plans.	Build personal development plans to provide training to relevant individuals.	Training manager	4

Educate and train the team.	Provide training to the CI team in all aspects of the CI process.	Training manager. Business unit managers. Marketing manager - wire division. CI champion.	4
Involve all staff.	Raise awareness to all staff members in each business unit participating in the CI program. Use the mini-dissertation to educate and raise the awareness.	CI team member representing the relevant business unit. CI champion.	5
Train all staff.	Provide training to all staff in the different business units to execute their responsibilities, i.e. collecting techniques and understand the code of ethics.	Training department	5
Technology	Investigate CI software to support the CI effort.	IT manager. Marketing manager - wire division. CI champion.	6
Counterintelligence	Research and introduce a counterintelligence program in Company X.	Marketing manager - wire division. CI champion. Internal audit department.	5
CI audit	Conduct a CI audit annually to measure the entire CI effort of Company X.	Marketing managers. CI team.	7

4.5 SUCCESS OF THIS STUDY

The primary objective of this study has been achieved since the current CI efforts at Company X have been evaluated.

Requirements to improve the CI program under the headings of the CI model, the CI system, the involvement of employees, the location of the CI activities, and technology used to support the CI effort, were discussed.

The secondary objectives of this study have been achieved since the importance of CI, how CI will add value to the shareholders of company X, and how to monitor the competitors of Company X through the improvement of the existing CI system, were demonstrated.

The final secondary objective was achieved by the inclusion of an action plan to improve the current CI efforts of Company X.

4.6 FURTHER RESEARCH

The research in this study is not completed. It should be continued by identifying the most feasible software packages to support the CI program of Company X.

Furthermore, training needs and the cost to obtain the required skills must be researched.

4.7 CONCLUSION

The study indicates that the current CI program in Company X does not comply with the requirements of an effective CI program. Furthermore, it became evident that the current CI program of Company X has not reached maturity, but remains in a growth phase. Recommendations are made for the improvement of the current CI program of Company X and these recommendations are summarised in the form of an action plan, for implementation purposes.

The current CI program of Company X must therefore be reconsidered in conjunction with the above conclusions and recommendations, to ensure a more effective CI program for Company X.

"CI applies the lessons of competition and principles of intelligence to the need for every business to gain awareness and predictability of market risk and opportunity. By doing so, CI has the power to transform an enterprise from also-ran into a real winner, with agility enough to create and maintain sustainable competitive advantage."

-Arik Johnson

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APPENDIX A

EVALUATION QUESTIONNAIRE

The goal of this questionnaire is to gather information about the current competitive intelligence program of Company X. The purpose of this action is to evaluate the current competitive intelligence program and to propose recommendations to improve the competitive intelligence program for Company X.

Questions relating to the existence of competitive intelligence in Company X

1. Does Company X have a competitive intelligence program?
2. Do the competitive intelligence system receive the support of top management?
3. Who participates in the competitive intelligence program?

Questions relating to the need for competitive intelligence

1. Why did Company X introduce a competitive intelligence program?
2. Does the participants in the competitive intelligence program understand the need for such a program?

Questions relating to the competitive intelligence process

1. Does the company gather information on market competitors?
2. Who collects information on competitors?

3. Is clear direction given to the collectors of information on what kind of information to collect?
4. Do all employees, currently involved in the collecting of information, understand what the purpose is of collecting such information?
5. What primary and secondary sources are used to gather competitor information?
6. In what format is the information on competitors received?
 - "Hard and Fast" documented information.
 - Reliable verbal information.
 - Hearsay.
 - Combination of the above.
7. Does the company process information that has been collected?
8. Does the company analyse information that is received from the market on competitors?
9. How does the company analyse the data that they receive from competitors?
10. How does the company disseminate the competitive intelligence?
11. Is there an incentive scheme for the contributors of competitive information?
12. How is recognition given to the contributors of competitive intelligence?

Questions relating to the competitive intelligence unit

1. Is there a formal competitive intelligence unit in the company?
2. Who is responsible for the competitive intelligence program in the company?
3. Does the person responsible for the competitor intelligence effort have specific competencies to manage the competitive intelligence effort effectively?
4. Does the company benefit from the competitive intelligence program?

Questions relating to the location of competitive intelligence

1. Where is the competitive intelligence activity located in the company?
2. Who is involved in the competitive intelligence program in Company X?

Questions relating to technology applied to support the competitive intelligence effort

1. Does company X use a computer system to support the competitive intelligence process?
2. What competitive intelligence software is used to support the competitive intelligence program?