

**THE LEVEL OF IMPORTANCE ATTACHED TO COMPETITIVE  
INTELLIGENCE AT A MASS IMPORT-RETAIL ORGANIZATION**

by

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Dissertation submitted in fulfillment of the requirements for the degree

**MAGISTER ARTIUM**



in

in the

**FACULTY OF HUMANITIES**

at the

**UNIVERSITY OF JOHANNESBURG**

**STUDY LEADER: PROFESSOR A.S.A DU TOIT**

October 2007

## DECLARATION

I, Mohsin Begg hereby declare that this dissertation, submitted for the Magister Artium Degree, is my own original work and that all sources have been accurately reported and acknowledged and that this document has not previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.

M Begg

October 2007



## **ABSTRACT**

The purpose of this study was to establish the level of importance attached to competitive intelligence (CI) at a mass import-retail organization in South Africa. The rationale of CI is to alert an organization about the current situation relating to its business environment, competitors and how these aspects affect the competitive situation. CI has thus been viewed as a core tool to utilize within organizations in order to function competitively.

The value and significance that CI presents to organizations upon implementation was discussed thoroughly by focusing upon the growth of CI, the manner in which CI is usually executed, the necessity of conducting CI, various organizational structure options, establishing a CI culture, measuring the cost of CI relative to its benefits and ethical issues pertaining to CI operations.

The CI cycle was examined in depth by paying attention to four phases of this cycle. The first phase is planning, in which direction and purpose is gained for CI; collection is the second phase in which information from a variety of sources is gathered; the third phase is analysis, in which raw information is analyzed and converted into intelligence and the last phase, dissemination, refers to distributing intelligence to end-users in the form of a CI product.

After the above had been investigated, the influence that CI has on decision-making was determined. It was found that there is a positive influence on decision-making since CI assists in reducing the number of uncertainties when making decisions and better decisions can thus be made.

A survey was conducted at a mass import-retail organization to come to a conclusion on the purpose of the study. A total of 107 employees were randomly selected to complete a questionnaire and after the results of the survey were received, findings were reached. Based on the results it was found that this organization practises CI, albeit in an informal manner and it was concluded that a relatively high level of importance is attached to CI within this organization; however, a few areas for improvement were identified and a recommendation was made on implementing a formal CI function within the organization.



## **ACKNOWLEDGEMENTS**

The pen has written, the ink is dry and it is by His will that I am stationed where I am today. I would firstly like to offer my sincere gratitude to the Almighty, God, for His assistance and direction afforded to me throughout the period of completing this dissertation.

As they have been a constant driving force in motivating me to excel, I would like to convey an immense amount of appreciation to my encouraging parents, brother, grandparents and close relatives, for providing me with confidence and being my source of energy during the years of my academic career. I have now arrived at this destination.

For her dedicated effort and interest throughout this lengthy study, I thank Professor A.S.A du Toit. I appreciate her valuable input and time spent with me in ensuring that I complete this dissertation. I am grateful to have had someone who has offered me constant professional advice and supervision.

## **DEDICATION**

This dissertation is dedicated to my parents who taught me the value of unconditionally striving for success.



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## **CHAPTER 1: INTRODUCTION**

### **1.1 BACKGROUND**

Although it comes as no surprise that monitoring the behaviour of competitors in current times is of paramount importance, competitive intelligence (CI) as a formalized activity was only institutionalized in the USA during the 1970s and 1980s. CI, as an introduction to the term, alerts organizations on what is unknown and forces them to make quality decisions (Cook & Cook, 2000:5). Furthermore, CI is the process of gathering information which is then processed and disseminated to those who require intelligence after analysis has taken place.

Of key significance to the formalization process of CI was the configuration of the Society of Competitive Intelligence Professionals (SCIP) in which CI as a practice received much nurturing and thus developed from its infancy. An important outcome of SCIP was that numerous organizations broke away from the unethical activity of industrial espionage. The true techniques and practices of CI were introduced in Europe during the late 1980s and early 1990s. However the impetus was visible between 1995 and 1999 when a series of public conferences promoted CI to wider audiences. In current times, CI as a discipline has flourished as a fully fledged practice in numerous organizations across the globe (Sewlal, 2003).

In examining CI within the context of South Africa and bearing in mind its importance, it is noticeable that numerous heads of organizations locally have not received formal education or training in CI. This is disappointing to note, since CI is vital for organizations to remain competitive and to perform well. Another area of concern in the South African context is that in most organizations CI has not been

implemented at all. Although there is a need for decision-makers to identify the role of CI in organizations, a minute amount of literature has actually been published on how exactly this discipline should be implemented and aligned in the organization (Havenga & Botha, 2003:26-35). Viviers, Saayman and Muller (2005:576-589) note that although CI in South Africa is enjoying increased prominence, it is not yet at the same level as that in countries such as the USA, Australia, Japan, France and Canada. Most companies recognize the need to improve the quality and integration of their CI, but many seem unsure of how to adopt more effective, integrated and systematic approaches to CI. To date only two comprehensive research studies have been conducted on the CI practices of South African companies. In addition to this, these research studies mainly focused on the pharmaceutical industries in South Africa. Local literature on the subject of CI has been minimal, with only a handful of dissertations and theses having been compiled.

It has been agreed upon unanimously in various commercial literature sources that rivalry in the business landscape is currently intense; a great amount of emphasis is being placed on making the correct decisions from intelligence. As steps are being taken to move forward from the Information Age into the Intelligence Age, the organizations that will triumph are those that enhance and preserve their CI function, as asserted by Fayyad, Piatetsky-Shapiro and Smyth (1996:37-54).

Many regard CI as one of the most important strategic management tools that has attracted much attention in many organizations across the globe. Adding on to this, Tyson (1995:14-21) confirms that the underlying foundation of CI is valuable to organizations since it allows them to maintain market share in the face of strong competition, to identify opportunities for growth and to minimize threats. Therefore, key

decision-makers constantly require intelligence, since it can be acted upon, thus resulting in a profoundly positive effect on an organization's market position and profitability.

Certain managers believe that having information and plenty of it is the answer to making the right decisions. However, Kahaner (1997:15) disagrees with this statement and argues that information is simply the starting point of the decision-making process and not the end, since information must undergo a metamorphosis to flourish as intelligence. Jones (1992:62-63) adds to this view by stating that using information profitably and adding value to it to develop a competitive advantage is of crucial importance. Therefore, it is critical for organizations to learn to create and apply intelligence in decision-making.

To demonstrate this, the company Mitsubishi, for example, seems to execute the above theory quite well in the sense that it employs approximately 13000 employees in more than 200 offices worldwide and it sources the remarkable number of 30000 pieces of business and competitive information on a daily basis in order to remain informed (Fahey, King & Narayanan, 1999:32-39). This information is then converted into intelligence once the competitive intelligence cycle (CI cycle), which includes planning, collection, analysis and dissemination, has been completed and acted upon (Fahey *et al.*, 1999:32-39).

Hitt, Ireland and Hoskinsson (2000:208) point out that the external environment has become quite complex and information has become difficult to interpret. This environment comprises three spheres, namely the general, industry and competitor environment, which must constantly be monitored and reported on. CI by its nature, is a fundamental tool in dealing with the above problem.

Hitt *et al.* (2000:208) pronounce that the general environment may be divided into five fragments in which an organization functions. These are the economic, political, technological, international and social or cultural fragments. The industry environment may be thought of as the amalgamation of issues which have an impact on the company's competitive actions. These include buyers, suppliers, new entrants, substitute products and intensity of competition in the industry among competitors. The final area of the external environment is the competitor environment, which entails the rivals of a firm. These are important to monitor, since they have a direct impact on customers and market share. From the above one notices the importance of monitoring and analyzing continually with regard to the latest trends and developments in the external environment, since decision-making is directly affected.

For CI to perform successfully within organizations, there must be clarity on issues such as which intelligence products are required, the costs associated with implementing CI, adapting or changing the culture within the organization, where to locate a CI unit and similar significant issues. Using this as the foundation, one would then be able to proceed with CI in the form of completing the CI cycle by determining the intelligence needs within the organization and then presenting the CI to decision-makers (Hitt *et al.*, 2000:208).

## **1.2 KEY DEFINITIONS**

In the realm of CI, a number of key concepts are used and within this study such terminology will be defined in order to gain greater insight into CI.

### **1.2.1 Competitive Intelligence**

As the main topic of this study is CI, an array of definitions will be provided and thereafter an attempt will be made to gain a synthesized, objective and all-encompassing definition of the term.

Calof and Skinner (1999:20-23) state that CI is actionable information or knowledge arising from a systematic process involving planning, collecting, analyzing and disseminating information on the external environment for opportunities or developments that have the potential to affect a company's or country's competitive situation.

Kahaner (1997:16), on the other hand, insists that CI is an orderly programme for gathering and emphasizing analysis about an organization's competitors' activities and general business trends to further organizational goals.

Similarly, SCIP views CI as the legal collection and analysis of information regarding the capabilities, vulnerabilities and intentions of business competitors conducted by using 'open sources' and ethical inquiry (SCIP, 2006b).

A comprehensive definition provided by Rouach and Santi (2001:552-559) states that CI tracks the activity of direct and indirect competitors in a range of fields such as general business activity, business development, strategy and tactics, market penetration, patent registration, research activity and so on. It is a kind of radar screen spotting new opportunities or helping to avert disasters, enabling the organization to observe its environment, and it also empowers the firm to monitor its own development.

Lastly, Streamcrest (2003:5) believes that CI provides a framework of knowledge to organize co-ordinated activities as a group, to share information, to allow analysis and to incorporate active as well as passive collection techniques.

Based on the literature consulted, CI for the purpose of this study will be defined as collecting, analyzing and disseminating intelligence in an ethical manner and then making it available to individuals at all levels of the organization, ultimately to achieve enhanced organizational performance. Inevitably, CI is thus seen to shape an organization's future while protecting it from competitor threats.

### **1.2.2 Competitive advantage**

AGMRC (2005) insists that a competitive advantage is based on what an organization does that is healthier than its competitors, therefore it involves the characteristics that allow an organization to outperform its rivals. Competitive advantages may be derived from a variety of sources; for example it may involve intellectual property that is owned by a company that disallows rivals from making the same product or making the product in the same way.

On the other hand, Hitt *et al.* (2000:208) provide a healthier definition, stating that a competitive advantage occurs where an organization executes a value-creating strategy which is too costly for other competing companies to imitate, when the lifetime of such an advantage depends on how well the competing companies can emulate the strategy.

According to Porter (1980:2) a competitive advantage is achieved by having low costs, a differentiation advantage or a successful focus strategy. In addition, Porter argues that a competitive advantage grows

fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it.

In view of the above descriptions, a competitive advantage for this study will be defined as achieving a match between the distinctive competencies of an organization and the factors critical for success within the industry that permits the firm to outperform its competitors. Advantages can be gained by having the lowest delivered costs for example in terms of providing superior or unique performance on attributes that are important to customers. In conclusion, value should be created by an organization such that competitors are outperformed in order for a competitive advantage to transpire.

### **1.2.3 Decision-making**

Decision-making refers to the practice of selecting alternatives based on the values and preferences of the decision-maker. Decision-making is furthermore the process of adequately decreasing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them (Harris, 1998).

Gadomski (2006) defines decision-making as the cognitive process leading to the selection of a course of action among alternatives. Every decision-making process produces a final choice called a decision which, may be an action or an opinion. Therefore, decision-making is a reasoning process, which can be rational or irrational and can be based on explicit or tacit assumptions.

The Free Dictionary (2006) merely mentions that decision-making is the cognitive process of reaching a decision.

For the purpose of this study the definition provided by Gadomski will be used since it seems to be most logical and it is comprehensive in addressing the details of decision-making.

#### **1.2.4 Key Intelligence Topics (KITs)**

Herring (1999:4-14) believes that KITs are an interactive dialogue with key decision-makers in the organization and that the outcome of KITs interviews provides the focus needed to conduct effective intelligence operations, while permitting CI program designers and managers to determine the resources required to address the company's actual intelligence needs.

According to Bernhardt (2003:28) KITs are the mechanism through which the firm's intelligence staff identify and prioritize an organization's intelligence requirements. This involves translating the key decision-making needs of managers into topics and questions that can be operationalized for collection and analysis by the CI unit.

Lastly, SCIP (2006a) states that KITs are needs identification processes which require a professional understanding of the CI cycle and the various types of intelligence operations necessary to address identified needs. CI professionals must plan and execute the necessary intelligence operations continuously to meet all the organization's KITs needs.

For the purpose of this study, the definition provided by Herring is deemed to be most appropriate, since it pays attention to numerous fundamentals and it is deemed to be suitable for this study.



### **1.3 PROBLEM STATEMENT**

CI, with its huge potential benefits upon implementation, can be considered as one of the most fundamental tools of business science in contemporary times, but the question of concern is:

- What is the level of importance attached to CI at a mass import-retail organization?

In order to address the above problem, the following sub problems will be addressed:

- What importance does CI present once implemented within an organization?
- What is the functioning behind the CI cycle?
- What influence does CI have on decision-making?

### **1.4 METHODOLOGICAL ORIENTATION AND RESEARCH METHOD**

An extensive literature study on the role and functions of CI will be conducted in addition to paying thorough attention to the CI cycle. Attention will also be paid to the influence that CI has on decision-making.

This study made use of questionnaires, which were distributed to employees within a mass import-retail organization to establish the level of importance attached to CI. A hundred and seven individuals were included in the sample representing the entire population of this organization. The findings of the study were analyzed in order to arrive at conclusions.

## **1.5 STRUCTURE OF THE STUDY**

The following section provides a logical sequence of proceedings of this study, which is in accordance with achieving a solution to the problem statement.

### **Chapter 2**

In chapter 2, the value of CI and its promising effects once executed within organizations will be discussed. A motivation as to why CI is required by organizations and what can be attained will thus be addressed. This will be achieved by paying attention to various considerations and factors, which need to be attended to within the organizational context.

### **Chapter 3**

In chapter 3, the first and second phases of the CI cycle, will be discussed. The first, which is planning, will be examined and attention will be drawn to the manner in which KITS provide the accuracy required for the successful execution of this phase. The second phase, which is collection, will be explored by focusing on the various primary and secondary information sources. The collection methods that are available to CI professionals are in addition attended to.

### **Chapter 4**

Chapter 4 will deal with the final two phases of the CI cycle, which are analysis and dissemination. Phase three, which is analysis, will pay attention to the conversion of information into intelligence while dissemination, which is phase four, will examine the various CI products which may be created and disseminated. Eventually the influence that CI has on decision-making will be addressed.

## **Chapter 5**

This chapter consists of a data analysis based on questionnaires, which were distributed within a mass import-retail organization. The findings of the survey are discussed in this chapter.

## **Chapter 6**

This chapter summarizes the contents of the study from chapter 1 to chapter 5. Conclusions, recommendations and areas for future research are suggested in this chapter, which might assist the mass import-retail organization to excel in CI on the grounds of gaining sound information and converting it into intelligence for management use.



## **CHAPTER 2: THE IMPORTANCE OF CI FOR ORGANIZATIONS**

### **2.1 INTRODUCTION**

This chapter proposes to demonstrate the value that CI may have for an organization, as well as a number of significant organizational considerations which must be kept in mind when implementing CI. Therefore attention will first be given to CI's significance and thereafter and more specifically the steps involved in implementing CI. In this chapter the following sub-problem will be addressed: what is the importance of CI for organizations once implemented?

### **2.2. THE GROWTH OF CI**

CI is no doubt an essential venture which convinces organizations to focus beyond internal business activities and to monitor the external environment regularly. By doing this, a favourable outcome is likely to be achieved in various organizational areas. CI would thus be well appreciated and this would inevitably lead to its expansion within the organization and its global stature at large. Based on this, West (2001:28) has provided three reasons for CI's world-wide growth, namely:

- The need to have a competitive strategy,
- The ability to use the intelligence once it has been gathered to contribute to the bottom-line,
- The ability to study competitors.

These factors will be discussed on the following pages.

### **2.2.1 The need for a competitive strategy**

It is stated that the apparent need for an organization to function with a competitive strategy is influenced by the degree of intensity of competition within the market serviced by the organization. Furthermore, the industries that have been embracing CI in a prompt manner are those that operate in a highly turbulent and unpredictable market, which changes rapidly. Such industries are the telecommunication, pharmaceutical and financial service industries. In response, Hambrick and Fredrickson (2005:48-59) state that the competition witnessed in the above industries has increased owing to a series of developments that have strengthened the competition between organizations, such as privatization, deregulation, liberalization, global marketing and periods of economic recession. It is therefore vital for an organization to have an integrated design of how objectives will be achieved.

West (2001:29) comments on the issue of privatization by stating that in certain cases many industries, such as the electricity, gas, water, airline and broadcasting industries, have been sheltered from competition by the government. However, privatization has ended the protection mechanisms and intensified competition at a startling pace.

In relation to deregulation, the legal, airline and accountancy businesses are now required to engage in warfare in order to survive. Globalization and foreign market trade allow companies to market and supply imported products to new geographical regions, which upsets the current state of affairs in the regions they have just penetrated (West, 2001:29).

It is stated that periodic economic slowdowns and full recessions may intensify competition. When there is an economic upswing, competitors

all gain a fair share of the market. However, during downswings, market share can only be gained by impinging on competitors' market share.

All the factors discussed above have thus contributed to the expansion and development of CI.

### **2.2.2 The aptitude to use CI**

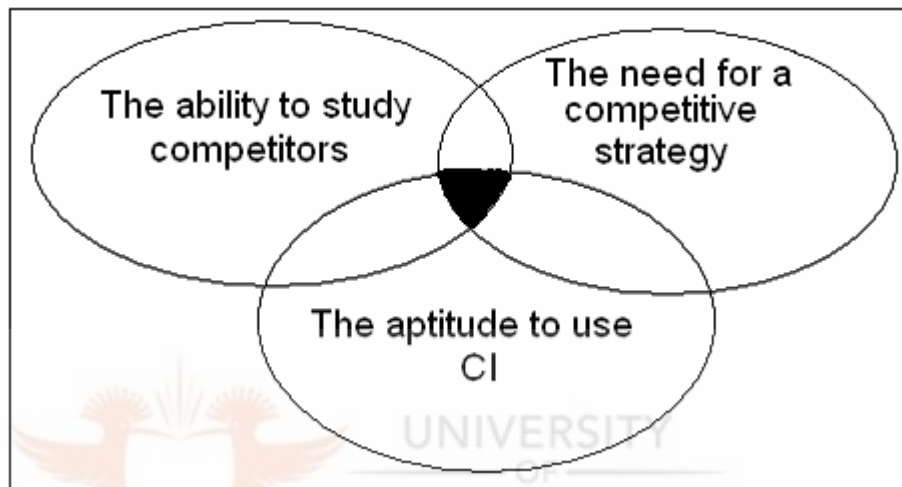
West (2001:30) believes that there is a high level of understanding of the tactical applications of CI, since it does not require training or experience to calculate competitors' prices, sales techniques, staffing policies and other similar issues, which would create a successful sales playing field. Fine (1997:2) comments that the strategic and future use of CI is crucial and this is necessary to place a company in a position to defend itself well against threats. Therefore, the need for the aptitude to use CI in an optimum manner has in turn stimulated the growth of CI.

### **2.2.3 The ability to study competitors**

According to Jaxworks (2007), it is vital for organizations to conduct daily strategic management activities, of which studying competitors will be a part. However, Fahey (2006:1) believes that too much emphasis should not be placed on current competitors while the possibility of potential competitors who may enter the market is neglected. Industry newsletters, company websites, press articles and employees are a few sources that companies may use to study a competitor, since they provide a satisfactory amount of understandable information, which may be processed into intelligence after analytical techniques and full analysis have been conducted. This information is readily available and simply requires CI to be applied to make an impact. The only potential

problem is the possibility of dealing with information overload during the above extraction of information.

In conclusion, if the above three factors overlap there would be synergy as in the black shaded area in the diagram (see Figure 1) and there would be a high probability of CI being transpired in an optimal manner.



**Figure 2.1: The growth of CI (West, 2001:29)**

### **2.3 METHOD OF IMPLEMENTING CI IN ORGANIZATIONS**

According to Farrell (2003), there are two circumstances that may exist with regard to the implementation of CI in organizations. The first is that of a "greenfield" situation where an institutionalized CI function does not exist and the second is where a CI function is in existence but additional attention is required for its development. The following section aims to emphasize on a "greenfield" scenario. Within a "greenfield" scenario, planning the execution of a CI function entails completion of ten major steps, which will be discussed below.

The ten steps are grouped into three parts for execution:

Part A: Where do we want to be? (Steps 1 to 4)

Part B: Where are we now? (Steps 5 to 8)

Part C: How will we get there? (Steps 9 to 10).

### **2.3.1 Part A**

#### **2.3.1.1 Step 1: Gaining executive management support and encouragement**

During this phase, educating and providing insight to the executive team on the capabilities of a CI department to the benefit of the organization must be conveyed, according to Daft (1988:123-139). Furthermore, all the possible options regarding the implementation of CI must be clearly mapped in this step. Farrell (2003) has noted that a CI function may very well have numerous purposes, such as defensive intelligence, to avoid surprises, passive intelligence to provide benchmark data or offensive intelligence to identify opportunities. The selection of one of the options listed above is largely determined by the type of organization and in all cases the focus of CI will be on the competitive, technological, economic, political, regulatory and social environment.

It is imperative for the CEO of the organization to be entirely committed to establishing CI; if not, the effort would simply be redundant. Therefore, one requires the executive team to concur on having a CI function, bearing in mind its numerous benefits upon implementation.

The form of organizational education regarding CI is dependent on circumstances, as established by Viviers, Saayman, Calof and Muller (2002:27-37). Preferably it would have a "champion" or "sponsor" at the executive level who would then establish the finest way of conducting



the education process, which would usually be in the form of a briefing. Conversely, it may involve some groundwork investigation and development of a formal proposal, which would then be presented to the executive level. More of this information will be provided in the CI culture section, which has been discussed further below. All in all, the primary outcome of this step is to gain thorough commitment from the executive level.

#### **2.3.1.2 Step 2: Assigning a CI manager**

Assuming that a CI manager has not already been assigned, appointing a person that will lead the development process is necessary, according to Cottrill (1998:27-30). The duty of such a person is to coordinate and synchronize the collection, storage, analysis and dissemination of intelligence within the organization. Counter Offensive (2000) adds to the previous statement by stating that such a person must be trained on what is involved in setting up and governing an effective CI capability within the organization.

Farrell (2003) affirms that such a person should be an internal appointment and if possible, a member of the executive team. It is essential for this person to have good aptitude for the industry and understanding of the organization. A large network of contacts within and outside the organization would be a benefit. This person must take a leading role in promoting organizational learning and must act as a change agent. Finally, the person assigned to this effort must be a project manager who will be able to enforce clear objectives and directives for the CI function. He or she should match tasks to the skills of the team members.

### **2.3.1.3 Step 3: Performing a stakeholder analysis**

A significant duty of the CI manager is to carry out a stakeholder analysis, which is to establish who the key intelligence users are, what they require intelligence for, when it will be required, why it is needed as well as how the intelligence will be used. In most cases this is extracted by individually interviewing the end users involved (Farrell, 2003).

### **2.3.1.4 Step 4: Establishing the purpose, direction and policies**

Once the requirements of users have been documented, a statement of the purpose, the products or services which will be delivered, how this will be done and initial beliefs on resources that would be required for the CI unit must be verified. These include staffing, infrastructure, budgets, operations, security and so on at a policy level (Farrell, 2003).

## **2.3.2 Part B**

### **2.3.2.1 Step 5: Performing an information audit**

In this step, Henczel (2000:210-226) states that the information that is already within the organization, which is essential to satisfy the needs obtained in Step 3, will be studied, as well as the environmental culture and facilities existing to communicate such information.

### **2.3.2.2 Step 6: Conducting a strengths, weaknesses, opportunities and threats (SWOT) analysis**

Honesty is required in this step in the sense that one should be objective in spotting the strengths, weaknesses, opportunities and threats of this proposed CI function compared to competitors' models (Robinson, 2003).

### **2.3.2.3 Step 7: Conducting a force-field analysis**

During this step, Farrell (2003) notes that human factors may aid or hinder the success of a CI unit owing to certain views, such as “knowledge is power”. Certain individuals may adopt this standpoint and this would lead to the withholding of highly useful information at the expense of conducting smooth CI in the organization (Mindtools, 2006).

### **2.3.2.4 Step 8: Identifying the critical success factors**

The success of a CI function hinges on the following success factors:

- Top management involvement
- A focus on what is important to the organization
- Being expert at analysis and communication
- Involvement of everyone in the organization
- Maintenance of ethical standards (eCompetitors, 2006).

## **2.3.3 Part C**

### **2.3.3.1 Step 9: Deciding on strategies**

Bergeron (1996:263-300) claims that the CI manager should determine what the strategies for developing the CI capability are, as well as the methods that are to be used relating to budgets, hiring, training of CI and company staff, managing the unit, ethics, communication and IT infrastructure. These should be aligned with the company’s overall strategy.

### **2.3.3.2 Step 10: Outlining the action plans**

In the final step the what, who and when to undertake the actions that would be necessary to deliver the strategies are stipulated (Best for

Business, 2006). Constant review and refinement of activities must occur as well (Farrell, 2003).

These steps should set a firm foundation for practicing CI, which should always be reviewed cyclically.

## **2.4 SIGNIFICANCE OF INSTITUTIONALIZING CI**

In the current competitive landscape, which includes competitors, the uncertainties concerning markets, global trends, political impact and other similar issues, one can clearly notice that the commercial stage is complex and unpredictable, which makes organizations vulnerable to surprises. According to Aware (2002), a handful of organizations function in a monopolized manner and in almost all cases organizations are faced with the situation where competitors are offering similar products and services. In such instances, organizations may be viewed as indulging in war, fighting to gain customers at the expense of one another. In order to win such a war, CI may be viewed as the weapon of effect, since it offers organizations the ability to identify:

- Competitors
- Thought processes
- Plans
- Strengths
- Weaknesses
- Where they may be attacked
- Where the risks of attack are too great
- What competitors plan to do next (Aware, 2002).

In response, Guyton (1962:84-88) believes that having the above knowledge about competitors and the general business environment

would certainly be welcomed to function in an enhanced manner. Research has indicated that organizations who practise CI in an established manner take pleasure in a larger bracket of revenue accumulated as opposed to those companies that do not practise CI. Research also proves that during a recession, CI can pay off hugely, as reported by SCIP (2006b).

In the findings of a March 2002 Trendsetter Barometer survey conducted by PriceWaterhouseCoopers, CEOs have valued competitor information as being either "very" or "critically" important. These CEOs increased organization revenue by 14.2% whereas those who did not institutionalize CI only grew revenues by 11.8% (SCIP, 2006b). Therefore, one notices that by placing a premium on CI, one has the ability to outclass peers based on sustained revenue growth, gross margins and a number of other key performance measures. Fahey *et al.* (1999:32-39) believe that this may be achieved by improving strategic and tactical planning, reaction time and striving towards a competitive advantage.

Clifford Kalb, the former SCIP president and vice-president of strategic business analysis at the pharmaceutical firm Merck & Co. Inc, stated that Merck's CI department was responsible for creating a counter-strategy to a competitor's imminent product launch that enabled Merck to anticipate and outsmart the competition on a 30-day notice from the CI department, which had resulted in a saving of approximately \$200 million to the bottom-line with an estimated boost to the bottom-line as high as \$400 million (SCIP, 2006b). The significance of CI is clearly evident from the above facts.

## **2.5 THEORETICAL NECESSITY OF CONDUCTING CI**

It is evident that CI does play a significant role in organizations, as noted in the real-world cases and subsequent to that, theoretical information on the potential business value of CI will be discussed below as broadly documented by Kahaner (1996:22).

### **2.5.1 Anticipating changes in the marketplace**

It is believed that those organizations that devote their intelligence efforts to sensing adjustments in the business environment will be least surprised and negatively affected when industry changes take place (Kahaner, 1996:23). In order for this to occur, Rothberg (1997:3-11) believes that organizations may anticipate changes in the marketplace by executing competitive scenarios, which would assist in making preparatory plans for future changes. Industry Canada (2006:21) adds an insightful point, stating that the identification of threats is an important feature of CI.

### **2.5.2 Foreseeing the movements of competitors**

The nature of CI allows organizations with the ability to trace environmental signals to detect that a new competitor might establish its presence on the scene (Kahaner, 1996:24). McGonagle and Vella (1999:173) therefore state that knowing the competition is one part of gaining a competitive advantage and this is dependent on practising CI.

It comes as no surprise that those organizations that are quick to identify the actions of rivals in the marketplace will be better positioned to implement tactical decisions that would place them on a higher level than competitors in terms of a competitive advantage (Kahaner, 1996:23; MultiQuest Consultants, 2004). A competitive advantage cannot be overemphasized and by implementing CI, organizations would have the ability to anticipate competitor movements by gaining constructive

analytical information, which would ensure competitiveness (Porter, 1998:77-90).

### **2.5.3 CI enables effective business strategies**

Competitiveness is based on learning and on the aptitude to listen to consumers, suppliers, competitors, industry experts and most importantly to one's own employees. The essence of this philosophy is that the competitive environment transmits messages continually about change, trends, prospects, threats and weaknesses. In the beginning, these signals seem to be ineffective, vague and hidden. However, paying closer attention to them will eventually make business strategies much more rational (Farrell, 2003). Gilad (1996:17) concurs by affirming that through doing this, CI would have an important influence on the strategic direction of the organization.

### **2.5.4 Learning about political or legislative regulations**

Political and legislative acts have direct effects on organizations, whose CI departments should as far as possible try to observe how these regulations affect business. On the other hand and more proactively, CI departments should be able to anticipate new regulations by following 'hints', which may be implied in the media. It is a known fact that a political crisis in countries affects businesses worldwide (Kahaner, 1996:26).

### **2.5.5 Entering new business ventures**

Johnson (2006) affirms that CI assists organizations in selecting new market ventures for existing offerings, revenue streams or other opportunities for the organization to grow value for shareholders. Therefore CI gives organizations the ability to decide whether they want to enter a new business which is well demonstrated by the following

example. A Japanese naval architect who designed oil tankers was given the responsibility to design Japan's first tourist ship. The architect and some personnel took cruises around the world in other ships. Before dinner, photographs were taken of the dining arrangements in the restaurants. Once dinner was over the number of people present in bars and the swimming pool areas were tallied. Everything that could be noted was entered into a database, which was then analyzed to assist in understanding how a successful cruise-liner should function and all this analyzed information then led to Japan entering a new line of business (Kahaner, 1996:27).

## **2.6 ORGANIZATIONAL STRUCTURE OPTIONS**

The process of conducting CI relies on four phases, namely planning, collection, analysis and dissemination, and the question emphasized is how best to assign responsibilities for executing these phases within the organization. Therefore, in order for CI to be conducted well, the organizational structure needs to be appropriate to do this (Gilad & Gilad, 1986:53-60).

A number of uncertainties arise in this implementation facet of CI. To list a few, it should be decided whether collectors of information and data should be analysts, whether managers should be involved in carrying out certain tasks or whether there should be corporate involvement in CI. Therefore, the following section aims to provide insight into three organizational structures that may be chosen to suit an organization, namely decentralized, centralized and hybrid ones (see Table 2.1).

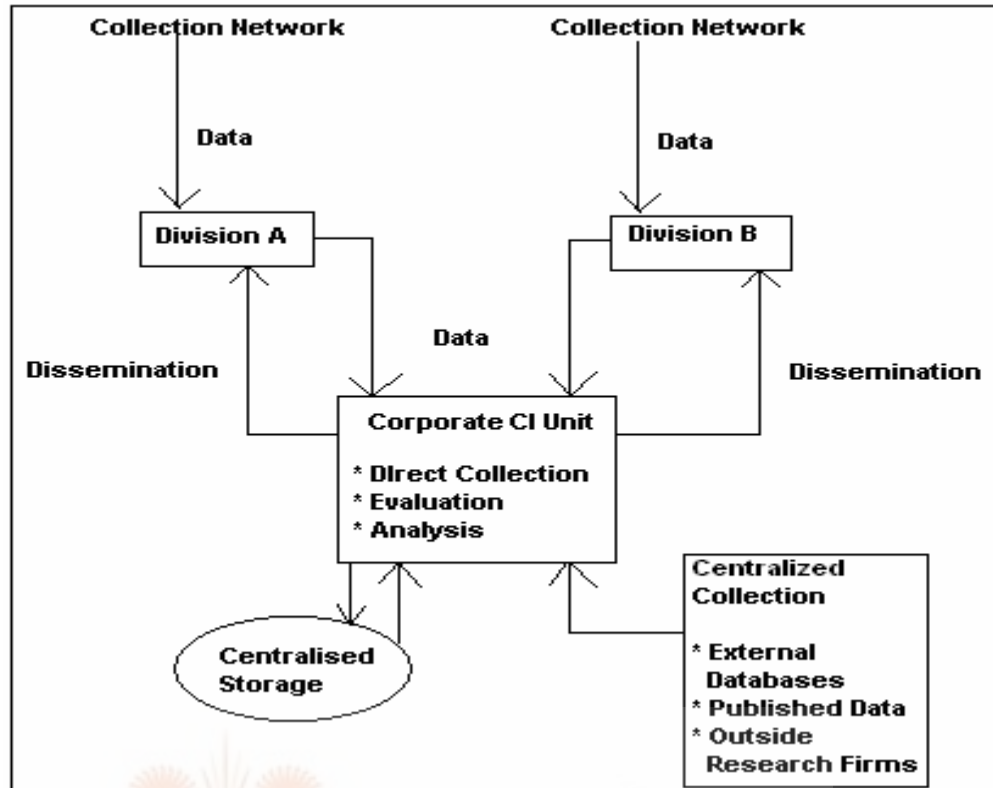


	<b>Strategic vs tactical</b>	<b>Corporate organizational structure</b>	<b>Locus of decision-making</b>
<b>Decentralized</b>	Weigh toward tactical focus	Highly autonomous SBUs	Complete empowerment
<b>Centralized</b>	Weigh toward strategic focus	Strong corporate staff	Little empowerment
<b>Hybrid</b>	Mix of strategic and tactical needs	Balance of power among corporate and divisional staffs	Consensual decision-making

**Table 2.1: Organizational structure options (Miller, 2000:47).**

### **2.6.1 Decentralized approach**

In this organizational structure, CI operates as a fragmented operation, which would be carried out by each functional department within the organization thus servicing their department's needs exclusively. For example, market research will conduct market studies for the sales and marketing department and the research and development (R&D) department will stay abreast of happenings that affect it (Gilad & Gilad, 1988:159) (see Figure 2.2). A huge benefit of this structure, according to Kahaner (1997:133), is that decentralized systems allow for easier communication of information through dependence on interpersonal networking and spontaneous team building.



**Figure 2.2: Illustration of a decentralized approach (Gilad & Gilad, 1988:166)**

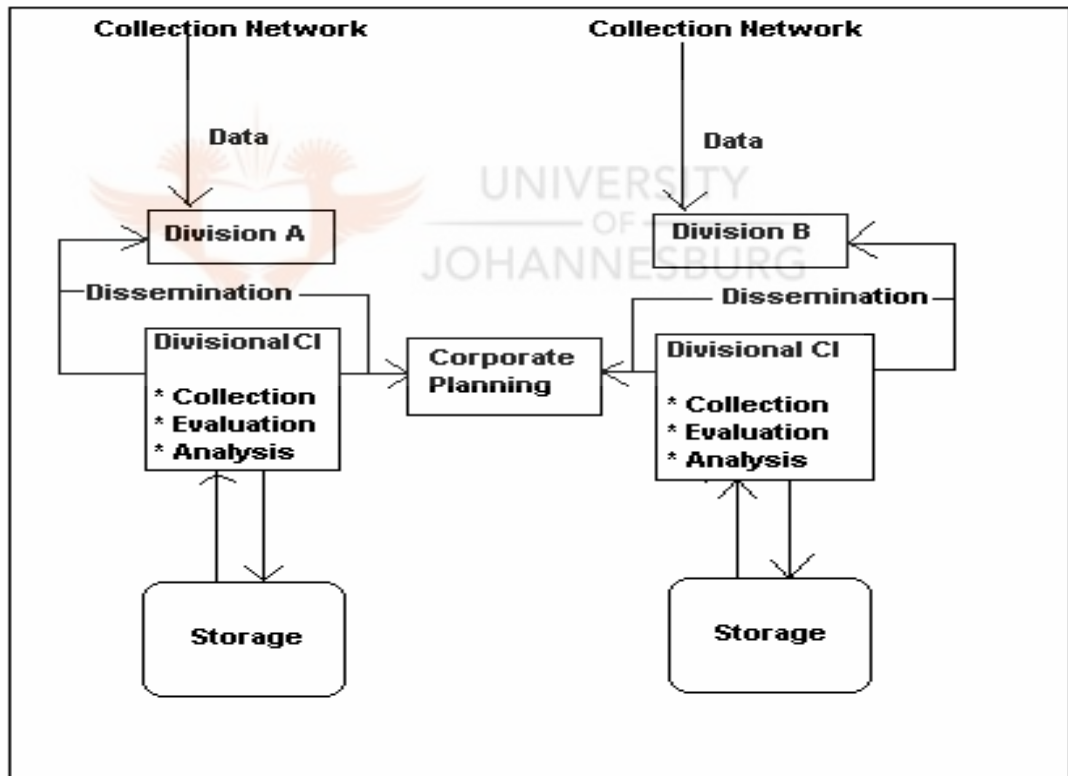
### **2.6.2 Centralized approach**

In this sphere, there is one CI unit, which services the requests of the entire organization. Large organizations usually opt for this (Miller, 2000:48). A centralized CI approach begins with the notion that strategic needs are dominant and that the decisions concerning strategy are made by corporate decision-makers. Therefore, centralized approaches stand alone and function by relying on information and analytical contributions from the entire organization.

Miller (2000:48) extends the view that those working within this unit usually report to a senior corporate executive who has the responsibility for ensuring that the necessary organizational support for the CI process is in place (see Figure 2.3).

A centralized CI approach would lessen redundancy and enable data to be assembled and shared in a simpler fashion because all divisions route their information to a single, organizing unit. Commenting on this, Kahaner (1997:133) confirms that ultimately, this practice improves the synchronization and sharing of data.

Kahaner (1997:133) provides concluding insight into this approach by stating that the storage of information and its dissemination is strongly tied to functional or divisional structures and decision-making is often attained through committees. Information usually tracks up or down the hierarchies but barely across divisions.



**Figure 2.3: Illustration of a centralized approach (Gilad & Gilad, 1988:167)**

### **2.6.3 Hybrid approach**

The hybrid approach is a combination of centralized and decentralized approaches. In this instance, the senior executives' needs are the principal thrust in establishing intelligence targets. It is stated that hybrid approaches have a degree of flexibility and are thus able to deal with operational needs as well. In terms of the collection and analysis of information and the number and type of intelligence products, the hybrid approach is quite uniform across the organization (Miller, 2000:49).

## **2.7 ESTABLISHING A CI CULTURE**

It is stated that in order for CI to expand the prosperity of organizations, it must be implemented and utilized in an optimal manner. For CI to become a successful practice, organizations must enhance a culture within their organization that is capable of promoting the exchange of knowledge and ideas among individuals and departments (Pole, Madsen & Dishman, 2000:25-31).

Regrettably, a large number of organizations in contemporary times still look internally like the old industrial or "smokestack" industries where the "smokestacks" are very much the isolated "silos" that make up individual departments within their organizations such as the marketing, engineering or human resource (HR) departments. These departments act independently, without sharing information or ideas, whether strategic, tactical or technological and the outcome is that the organization does not function optimally (Dent, 1999:576).

In response to the above statement, Ghoshal and Westney (1991:17-31) emphasize that in order to break away from this scenario, there should be a high degree of organizational consciousness of creating a culture of competitiveness. In order for this to occur, the appropriate atmosphere for CI must be created. This would require incessant staff

training, where ample emphasis must be placed on the significance of CI.

It is believed that even though decision-makers are the primary users of CI, the constant gathering of information should be the responsibility of all within the organization (Kahaner, 1997:53). One may then presume that in the absence of a well-established CI mind-set, which would support intelligence and information sharing, it would be quite difficult to expand intelligence within an organization.

Calof and Viviers (2001:61-67) insist that suitable education about intelligence seems to be the only way to develop positive mindsets about CI. They add that the most successful technique for stimulating CI within organizations is to conduct training sessions for each respective industry. However, they caution that in order for CI training to function correctly, the organization should be equipped with adequate knowledge of CI and particularly the organization's managers should recognize the value that CI may have in enhancing competitiveness through making more informed decisions. In addition to enhancing a CI culture, organizations should work on the right CI skills and then develop suitable training programmes.

Viviers *et al.* (2005:576-589) have put forth a few vital points regarding the establishment of a CI culture:

- Introduce structural alterations by means of the growth and expansion of integrating mechanisms, e.g. establish a central pooling point of information.
- Assign CI co-ordinating officers within the organization.
- Develop an intelligence database.

- Establish a sensitization programme that is continually flowing with the goal in mind to inform employees what CI is, what they can and should contribute and exhibit the value in sharing information.
- Discuss CI and the importance of a learning or knowledge-based organization as a recurring item on any meeting's agenda.
- Establish simple codes of ethics that provide guidance to employees about ethical behaviour.

Sewlal (2003) has stated that a strong intelligence culture is one in which a sizeable number of staff members present intelligence on competitors and business trends to the organization. Furthermore, a CI culture develops where intelligence is always demanded at all levels before decisions are made, staff members who are not permitted to gain access to intelligence make clear complaints in order to gain access and victories over competitors are strongly celebrated. A test of whether a CI culture has been institutionalized is to propose a withdrawal of CI within the organization and see whether this would lead to howls of anger or not.

In conclusion to this section Viviers *et al.* (2002:27-37) claim that CI should be incorporated throughout the organization and it should be fixed in and aligned with an organization's infrastructure while remaining flexible to changes that may occur.

## **2.8 MEASUREMENT OF COST RELATIVE TO BENEFITS OF IMPLEMENTING CI**

Just as the value of business practices and activities should be measured and evaluated, so too must CI, since huge budgets may be allocated to this function. CI professionals have attempted for years to measure the impact of CI on organizations with little success, since there are numerous aspects that have an effect on the success of a

company in the competitive environment. Measurable results from CI are simply elusive (Industry Canada, 2006:24).

Kahaner (1996:230) states that an attempt to quantify the direct effect of CI is similar to that of trying to establish the return a city receives from having excellent education facilities, police services, fire departments and so on. Kahaner argues that the effect that CI has on an organization is indirect.

Numerous organizations are uncertain about the budget allocated to CI, which means that return on investment is difficult to quantify. Furthermore, it is stated that CI practitioners, in trying to justify the cost, effectiveness and value of CI, should frequently engage with internal CI users to ensure that products and services are useful (Industry Canada, 2006:5). However, many CI units are unable to conduct this, since they do not possess adequate resources, organizational standing or the credibility required to track and record outcomes, according to Gilad and Herring (1996:29-30).

Industry Canada (2006:25) further argues that measuring the benefits of CI is more qualitative than quantitative, since CI is tied to specific company actions, decisions and outcomes. It is also reasoned that CI plays an important role, since it reduces surprises, assists in the ability to gain greater insight into competitor actions, increasing quality and enhancing strategic planning. However, placing a monetary figure next to each benefit is difficult, if not impossible.

Kerr (2002) states that there are practical ways for measuring the significance of CI, which are by linking financial and market performance to CI. These are listed and discussed on the following page.

- Measuring the value of CI based on its direct financial impact on the business.
- Measuring the value of CI based on its indirect financial impact on the business.

### **2.8.1 Evidence linking financial and market performance to CI**

Kerr (2002) reports that during 1995, the Competitive Intelligence Review published an article entitled "A Look at the Link between Competitive Intelligence and Performance" that discussed empirical confirmation connecting the financial and market performance of companies to the existence of an internal CI function. In this study, the performance of organizations with CI functions compared to organizations without CI functions in terms of sales, market share and earnings per share on average exceeded and outclassed companies without CI activities.

Davis (2004) states that the nature of the conclusion points out that CI is definitely an advantage; however, it is difficult for one to correlate positive overall financial and market results directly with organizational efforts.

### **2.8.2 Measuring the value of CI based on its direct financial impact on the business**

It is stated that the most easily valued CI is that to which revenue or savings can be directly tied. To demonstrate this in an example, if an organization was able to assess the cost and margin of a competitor's product correctly, one would have a major lead in a competitive pricing situation. In addition, assuming the sales department used this valuable information in a successful campaign, one could state with confidence that a segment of the value of the deal should be attributed to CI.



In a real-world example a senior partner at Market Alert has taken note that the pharmaceutical industry uses CI to assist in managing large marketing expenses, which are held in reserve to defend competitor threats. For instance, if Company A knows the launch date of a competitor's generic drug release on the market, this allows Company A to execute a more timely and effective marketing campaign in response. If CI points out a setback in the release date for the generic drug, then Company A may defer the retaliatory marketing expense. Therefore the value of CI is the estimated cost of capital saved during the deferral period (Kerr, 2002).

In the long run, one may confidently state that the benefits of CI outweigh the costs associated with it, which would place any organization on a superior platform. Even though the monetary returns may be ambiguous to calculate, the qualitative and intangible benefits offered are immense.

## **2.9 CI ETHICS**

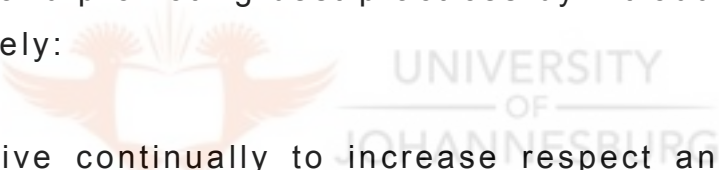
According to Bateman and Snell (1999:154), ethics are defined as the system of rules governing the ordering of values, whereas business ethics are the moral principles and standards that guide behaviour in the world of business. Therefore, CI is most certainly neither industrial espionage nor spying, although it has often been mistaken for this. To confirm this, reference is made to numerous definitions, of which most state that CI is the ethical means of gathering information to convert into intelligence.

An employee contacting a competitor and misrepresenting himself or herself to get vital information is an example of unethical behaviour, which is not conducted in the context of CI. In fact, such behaviour is not even necessary, since all the required data and information are

usually accessible and available legally, ruling out the need to conduct espionage. Industry Canada (2006:8) strongly affirms that CI only works for organizations within the lawful and professional boundaries.

Bill Weber, executive director of SCIP, claims that most information can be gathered through overt means. Weber says that the World Wide Web (Web) has created a wealth of material that just has to be analyzed (SCIP, 2006b). It is furthermore stated that the key for a good CI professional is to know where to locate the information and how to retrieve it swiftly (Ashton & Stacey, 1995:79-104).

SCIP in the US has striven to build the status of CI over the years by orchestrating conferences, increasing the knowledge of tools, techniques and promoting best practices by introducing the SCIP code of ethics, namely:

- 
- To strive continually to increase respect and recognition for the profession
  - To pursue one's duties with zeal and diligence while maintaining the highest degree of professionalism and avoiding all unethical practices
  - To adhere faithfully to and abide by one's company's policies, objectives and guidelines
  - To comply with all applicable laws
  - To disclose all relevant information accurately, including one's identity and one's organization, prior to all interviews
  - To respect fully all requests for confidentiality of information
  - To promote and encourage full compliance with third party contractors and within the entire profession (Pollard, 2003:124).

Therefore, in relation to the above, West (2001:161) has stated that the onus is on CI professionals to adhere to legislation concerning criminal law, copyright law and data protection legislation. In conclusion to the ethical sphere of CI, all organizations must keep in mind that the manner in which CI is conducted is a true reflection of the organization's image.

## **2.10 CONCLUSION**

This chapter has dedicated effort towards discovering the importance of CI within an organization and also a number of aspects that need to be taken into consideration when implementing CI.

Therefore, from this chapter it is concluded that:

- CI as an endeavour within organizations has grown in response to the need for understanding and becoming accustomed to business complexities.
- Implementing CI is dependent on devising a well-documented proposal in which a number of steps need to be taken for implementation.
- There are a number of motivations for an organization to pursue CI in an intimidating business environment.
- It is imperative to identify which organizational structure would be best suited to an organization's needs.
- A CI culture is necessary to initiate in order for an even mindset to be adopted.
- It is highly unlikely that a monetary figure could be attached to the benefits of implementing CI; the advantages achieved may only be qualitatively accounted for.
- CI is an ethical profession that is bound by a code of ethics, which maintains the honour of CI.

- The practice of CI has a fundamental role to play in supporting organizations to gain a competitive advantage.

In conclusion, it is important for organizations to realize the true potential that CI may offer and that implementing this discipline would lead to a constructive outcome.

The following chapter will discuss phases one and two of the CI cycle which are planning and collection.



## **CHAPTER 3: THE CI CYLCE – PLANNING AND COLLECTION**

### **3.1 INTRODUCTION**

In the previous chapter, the value and significance that CI has to offer organizations was discussed, as well as a number of key factors which should be considered when embarking on a CI venture. Using the preceding chapter as a foundation, this chapter will provide a structured and detailed examination of the CI cycle and two of its four phases, namely planning and collection.

The planning phase is the beginning of a constant cycle and it is crucial, since it stipulates the required resources for the CI cycle as well as an evaluation of the intelligence that is required. Planning provides focus on a number of issues of the highest importance to the organization (Muller, 2002).

Once the planning phase is completed, collection takes place by making use of the numerous secondary and primary information sources that are available to CI professionals (Fleisher, 2001:3-18).

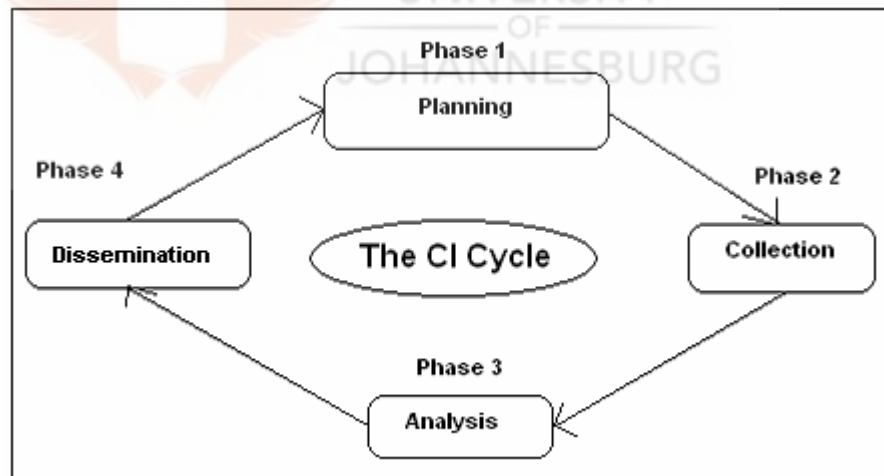
Therefore the sub-problem to be addressed in this chapter is: what is the functioning of the CI cycle?

### **3.2 A BRIEF INTRODUCTION TO THE CI CYCLE**

According to Kahaner (1996:43) the fundamental and elementary unit of a CI function is the CI cycle, through which raw data is converted into intelligence. The CI cycle is well known across organizational communities, especially for its simplicity in that it only involves four steps (see Figure 3.1). As support to CI, even the Central Intelligence

Agency (CIA) and other intelligence communities use this cycle for conducting their activities.

The CI cycle is an essential process within the organization, since once the process is completed, the intelligence generated may be used to enhance the understanding of the organization's business environment, making healthier decisions to achieve goals and objectives and ultimately to gain a competitive advantage. In addition to this statement, Fiora (2002:38-39) states that CI professionals must thus ensure that once the CI cycle has been completed, the intelligence that has been created leads to strategic action. The flow of created intelligence must ultimately enable senior executives at the corporate, operations, sales and marketing levels to formulate strategies, gain market share and understand competitors' conduct.



**Figure 3.1: The CI cycle (Kahaner, 1996:44)**

### **3.3 PHASE ONE: PLANNING**

The initial phase of the CI cycle is that of planning, which is believed to be the most significant element of the CI cycle since all tasks that follow are dependent on a well-instituted plan. The planning phase assists CI

professionals to maintain focus on their identified targets, which will increase the likelihood of a successful cycle (Kahaner, 1996:48). Favourable results will thus be produced by the fine execution of well-designed plans.

In the planning phase, the scope and orientation of the entire CI cycle has to be defined. In addition, the objectives, strategy selection, sequencing of the information collection and the analysis tasks should be determined. Work breakdown and establishing a baseline are required in this phase. Supporting this statement is a comment by Johnson (2006) who states that another practice of the planning phase is scheduling the activities involved on a calendar basis, which assists in time management. It is further stated that along with forecasting a schedule, the resources required for the execution of the CI cycle must be available and a budget must be allocated through which costs should be contained. Johnson further comments on these targets by stating that during this phase there should be costs and expectations of the CI cycle. Furthermore, control and planning for corrective action, with reporting, are also emphasized.

### **3.3.1 Establishing the users of intelligence**

Pollard (1999:61) points out that in order for the planning phase to run well, the decision-makers in an organization may be segmented into three categories:

- Executive management
- Middle management
- Tactical management.

CI professionals are required to know that each of the above factions will have different intelligence requirements and Pollard (1999:61) affirms that decision-makers should be segmented further in order to determine the importance of tasks associated with these factions, into:

- Hot decision makers – who receive first priority
- Warm decision makers – who receive second priority
- Cold decision makers – who receive third priority.

It is stated that the above fragmentations would make the task of determining the priority of decisions more important. This leads to the identification of KITs.

### **3.3.2 Utilizing the KITs process**

In the planning phase, KITs play a crucial role in gaining true direction for the rest of the CI cycle. In refreshing the concept of KITs, it may be thought of as an interactive dialogue between CI professionals and decision-makers, identifying their needs and converting these into topics or questions, which can then be operationalized for collection and analysis by the CI unit (Bernhardt, 2003:28). On the other hand, April and Bessa (2007:15) state that KITs are a statement of scenarios and predicted outcomes with necessary decision points made in advance.

The KITs interview procedure involves open ended questions directed at the decision-maker, where expressive verbalization of needs is required to assist CI professionals in gaining a clearer understanding of what exactly is required. Bensoussan (2003:1) states that the identification of KITs is one of the demanding steps for both decision-makers and CI professionals. KITs are noted to be highly useful in the planning phase since they compel executives to give thought to their exact intelligence

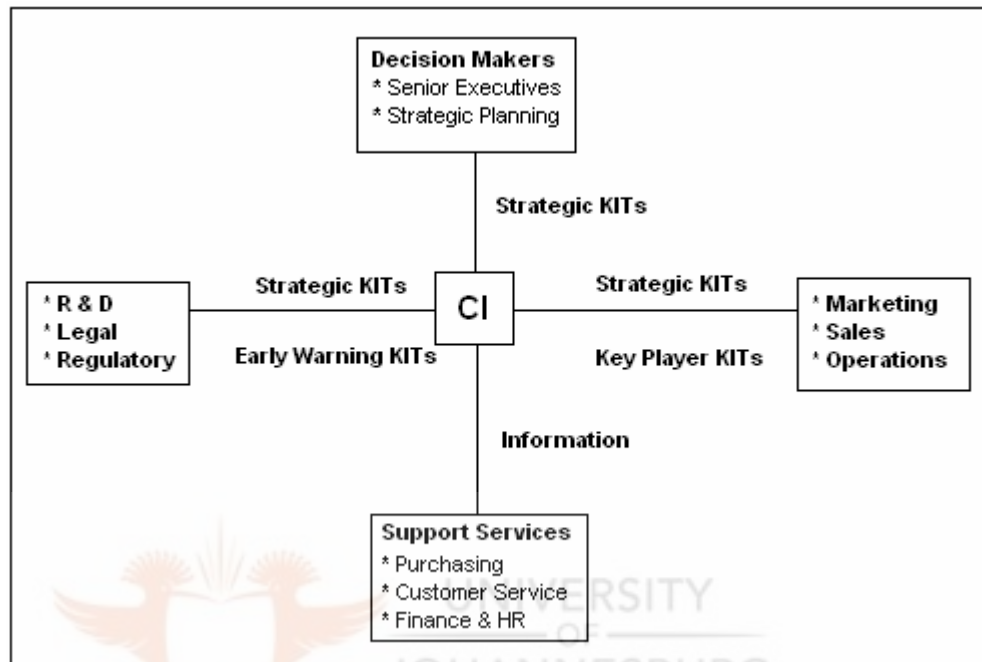


requirements. Discovering and prioritizing decision-makers' CI needs and then adequately focusing on delivering actionable intelligence to meet those needs, are critical activities for the success of the CI function, as well as for the organization as a whole, as Herring (1999:4-14) documents.

Based on the above, Bernhardt (2003:23) provides a real-world case, stating that numerous pharmaceutical organizations schedule regular meetings with their sales force in which information needs are constantly communicated and understood in order for the correct information to be gathered. Such organizations ensure that additional dialogues are carried out spontaneously to refine requirements and keep communication channels open. The only problem that may arise is unintended miscommunication of requirements, which is why interactive dialogues should always take place continually to avoid this scenario.

Herring (1999:4-14) has identified three KITs types, namely strategic KITs, early warning KITs and key player KITs. Strategic KITs refer to CI having a direct input into decisions in the field of strategy formulation and execution. A few authentic examples of this KITs type are strategic investment decisions, alliances and acquisitions or strategic expansions. Early warning KITs refer to the hazards posed by the business environment, which may be identified in advance, hence the term early warning. Competitors' intentions, technological surprises and government actions are among a few possible examples of early warning KITs. Key player KITs surface from the competition arising among organizations, the potential threat of newcomers and substitute products on the market.

It is clear that KITs detection involves the communication between CI professionals and key users. Therefore, interaction plays a vital role in establishing KITs (see Figure 3.2).



**Figure 3.2: Key interactions of the KITs process (Mody, 1990:19)**

Benefits of the KITs process to the planning phase as noted by Fleisher (2001:3-18) are that:

- The KITs process ensures that the CI function is needs-driven, thus ensuring that specific and appropriate planning occurs.
- The greater the amount of organization concerning KITs, the greater the success of the planning phase. On a broader note the CI cycle would also be a success.
- The analysis of the KITs process is advantageous to the planning phase because management blind spots may be identified.

### **3.4 PHASE TWO: COLLECTION**

The second phase of the CI cycle is that of collection, where the gathering of information and data are conducted from print, electronic and oral sources, such as speeches. The gathering of such information may be secondary or primary in nature (Miller, 2000:12). Thorough examination of sources and the information gathered from these must be conducted, including the evaluation of their accuracy, timeliness and exclusiveness in order to avoid misinformation and disinformation. Misinformation refers to information which is inadvertently erroneous whereas disinformation refers to false information that has been intentionally dispersed in the business society (Muller, 2002).

In view of this statement, a survey of over 300 CI professionals in various industries showed that data collection is the most time-consuming task in typical CI projects, since accuracy is key and it accounts for more than 30% of total time spent in the CI cycle, as Prescott and Smith (1991:3-5) have noted. Of crucial significance in this phase is that CI professionals should know which sources to consult for the information that is required, since actionable intelligence must be the ultimate outcome, according to Kahaner (1996:54).

It is during the collection phase that information and data relating to competitors and the general business environment are gathered. This is confirmed by Fleisher (2001:3-18), who states that the collection phase has the objective of locating and producing information on competition, competitors and the competitive business landscape. The collection of information may be gained from a variety of sources that include, among others, public documents, interviews, published sources and in-house expertise. The various sources of collection will be discussed in Section 3.4.1.

Muller (2002) believes that in terms of alertness, CI professionals must be well equipped with sound research skills, recognizing corporate information-gathering patterns, and they must be able to collect information accordingly. Such personnel should also have knowledge of the ethics customarily associated with information gathering and they should be sensitive to security, legal and counter-intelligence issues. The possibility of misinformation and disinformation can endanger decision-making and both have the potential to cause damage to CI and CI professionals should be alert to this.

While on the issue of alertness, McLellan (2001) adds that CI professionals should be wary of international and cultural issues that might affect the CI cycle. Chuck (2000) adds to this by stating that CI professionals should be alert to the gathering of information on competitor's products and services, competitor's strategies, pricing and cost structures, customer demographics and customer needs and wants.

Rouach and Santi (2001:552-559) have commented on three types of information CI professionals may be exposed to once on the path of information collection:

- *Open source information*

Also known as white information, this type of information is a representation of the open source information that may be accessed in public databases, newspapers or publications. Dun & Bradstreet, Lexis-Nexis and Reuters are a few companies that offer a significant amount of quality data and information. A number of firms subscribe to such databases in order to receive sound information. Such databases are electronically based and represent 80% of information collected.

- *Grey Information*

This is a representation of information accessed through public sources. Such information is located by visiting trade shows, bringing back information from a network of salesmen or subscribing to detailed publications, which may possibly be ignored by competitors.

- *Black Information*

This type of information collection does not exist within the ethical scope of CI, since it involves gathering information through illegal means such as computer piracy, burglary or phone line tapping. Such activities are not even necessary since a well executed CI cycle is comprehensive enough in its nature.

Aware (2005) affirms that there is no method for collecting information on competitors; it is rather a process. First one needs to differentiate between passive and active collection prior to collection taking place.

Passive collection refers to information that is retrieved via the daily operations of the company and CI professionals would be required to categorize, store the retrieved information and encourage its collection. This task entails ensuring that all the staff members that gain access to competitor information are encouraged to share it with the CI team when they come across it. For example, if a sales person visits a client and is provided with a fragment of competitor information, then the sales person should pass this information on to the CI professionals.

In saying this, however, Aware (2005) states that passive collection has no information gathering plan *per se*, since the information passed on by others is essentially random. Therefore the quantity of information that is retrieved depends on the culture of the organization and how

competitor focused it is. For example, if an organization is weakly competitor-focused, without a committed drive to monitor competitors, then even when competitor information is encountered it will not be passed on to the CI department. The opposite will be the case in a strongly competitor-focused organization, where information collection would take place.

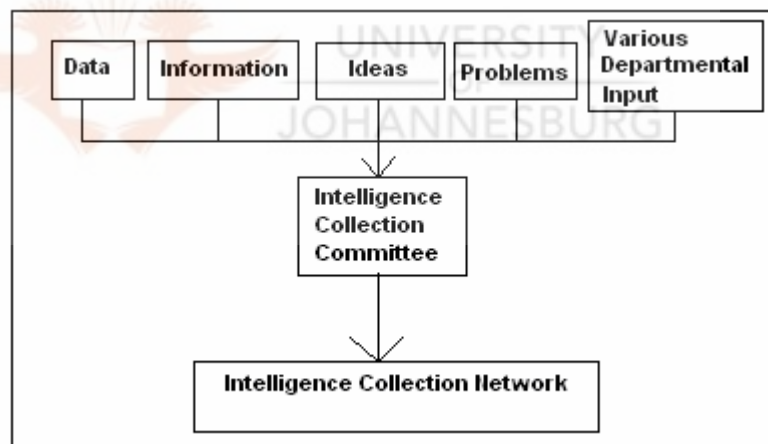
According to Aware (2005) there are three types of active collection processes:

- Type 1: CI professionals have gathered information from the passive process described above, that requires elucidation. For this, CI professionals need to dig deeper to answer the question posed by the passive information. Generally this will require primary research focusing on the original sources of the information.
- Type 2: This refers to a particular internal question that needs answering. An example of a type 2 question would be, "what are competitors doing in the area where we plan to release a new product?" or "which competitors are active in our proposed new market?"
- Type 3: This refers to situations where an organization may actively target events and situations where competitor information is likely to be available. A typical example is a trade exhibition. Although information can be freely accessed, it makes sense to decide in advance which stands to visit and when and what to look out for. Similarly, scanning the trade press for competitor information is an active process, although the CI professional has no control over what is actually published.

Since the collection phase may be a tough task to complete, Gilad (1996:58) establishes that it may be aided by developing an internal

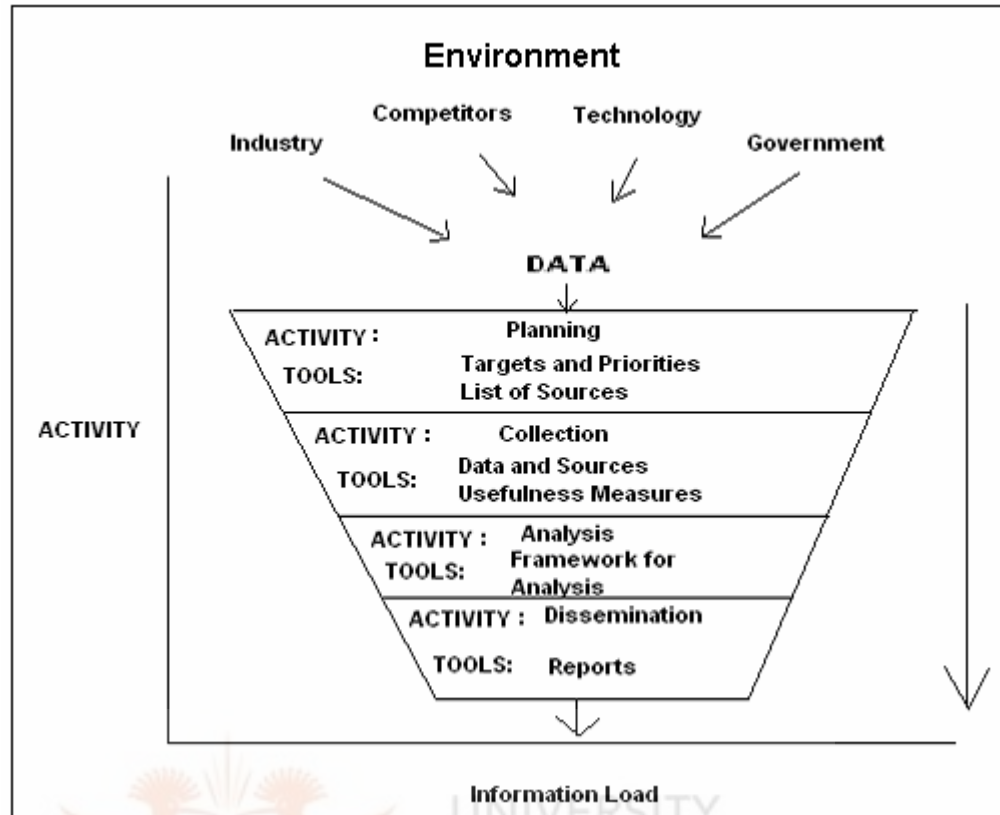
collection network (ICN) (see Figure 3.3), which entails interaction of individuals within the organization who would gather information collectively.

Pollard (1999:92) agrees with Gilad and has documented four stages which assist in building such a network. The ICN firstly requires one to be adequately informed about the type of information required and secondly to have knowledge of the information that employees have access to. Once this has been established, a collection committee should be formed and the functioning of this would entail various departments participating in the ICN, interacting and sharing ideas about how data may be gathered, discussing potential sources of information and noting problems with the gathering of information.



**Figure 3.3: An intelligence collection network (Gilad, 1996:63)**

Gilad (1996:22) indicates that filtering of information is necessary when using an ICN for CI because management is usually overwhelmed with information but lacks intelligence. Therefore filters are vitally important to use during the various activities, along with tools to assist in avoiding possible problems, such as an overload of information (see Figure 3.4).



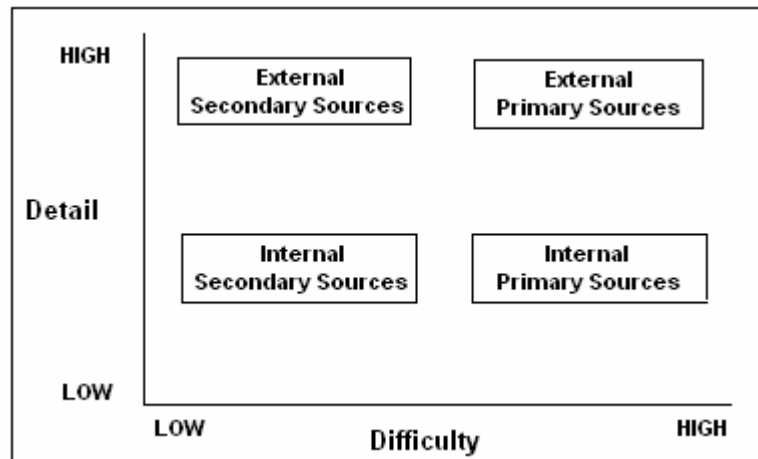
**Figure 3.4: The reduction in the load of information (Gilad, 1996:22)**

### **3.4.1 Sources of collection**

According to West (2001:50), CI may be collected from an array of sources, where certain sources may be simple to use and access and others not. Therefore it is crucial for CI professionals to possess skills in locating sources that may contain significant pieces of information and to extract this. There are two categories of sources that assist CI professionals in gaining the information they require, namely secondary and primary sources (Johnson, 2006). According to studies of the CI culture in South African companies, a healthy mix of primary and secondary sources is being used for information-gathering activities, although there is a tendency to rely too much on secondary information (Viviers *et al.*, 2002:27-37). Secondary sources are usually consulted first, prior to primary sources, and it is for this reason that secondary



sources will be addressed first in the section below. Secondary and primary sources may exist within and outside the boundaries of a company, each with varying degrees of detail and difficulty in sourcing (see Figure 3.5).



**Figure 3.5: The basic information collection building blocks (West, 2001:51)**



### 3.4.1.1 Secondary sources

West (2001:51) affirms that secondary sources are those that are available in the public domain and are usually not freely accessible or available. CI analysts place a large amount of emphasis on secondary sources for information collection. Examples of these sources include industry analyst reports, various Internet sources, edited reports, trade journals, books, survey summaries and results and other publications. According to Evans (2004:5), most sources consulted are 70% to 80% likely to be secondary in nature. In another statistic, secondary sources are the major core for CI research, which should be exploited for relevant information, according to McGonagle and Vella (1990:59).

West (2001:51) states that secondary sources are either published or held in databases. Such databases, which may be accessed by CI

professionals, contain written publications and online or disk databases, which either report or store information on a number of organizations. It is believed that the benefit of secondary sources is that they are economical to consult; however, it is necessary to have ample time to scan through them. Secondary sources differ in value, timeliness and in precision. Since secondary sources are available both internally and outside an organization's boundary, it is recommended that one consumes all internal secondary information prior to searching externally.

The section below aims to provide a discussion of internal and external secondary sources.

#### **3.4.1.2 Internal secondary sources**

Internal secondary sources are those residing within the company and should be consulted first. These sources are discussed below.

- *The CI audit*

The CI audit entails the locating of intelligence held by employees at their workstations as well as identifying gaps within the organization with regard to CI (Huster, 2005:12-17). Fine (1997:4) adds to this by stating that critical flows of information need to be determined as well as uncovering the sources of vulnerability within the company. This includes documents, books, files and reports, as well as information held on computers.

The CI audit has a number of objectives, namely to:

- Discover sources and potential sources of information within a company.
  - Classify the information by type, relevance and quality.
  - Gather and inspect information which employees may provide.
  - Document the sources from where the information was gathered.
  - Verify the sources (West, 2001:57).
- 
- *Library files*

Library files provide CI professionals with a significant amount of information, usually in a highly organized and accessible manner. A fine example of a company library is one in which there are official statistics, trade statistics, annual reports and other filings which may have been created by competitors (West, 2001:57).

- *Market research reports*

Brod (1999:1) states that market research reports contain valuable information and may be compiled by a research service company. Such reports may be valued by CI professionals and would include:

- Panel surveys, which are involved in tracking sales of products
- Documents been published on industry sectors
- Market share analysis
- The distribution channels used by competitors
- Crucial competitor accounts
- The satisfaction of customers with competitors

- An analysis of customers' perceptions of the strengths and weaknesses of competitors' products and service levels (Taher, 2006).

- *Staff files*

Employees within organizations with an outward-facing role usually stock files of information which have been collected for personal or general use. In such files, one may find information on the market and competitors present in it. Brochures, catalogues, press articles, newsletters notices of new appointments and various other privately filed pieces of information may be found in staff files. Chuck (2000) believes that the information executives possess is useful and is often overlooked, therefore attention should be directed to it.

- *Trade association reports and statistics*

West (2001:58) establishes that applying for membership of a trade association presents one with much valued reports and statistics. In addition, trade associations offer the opportunity for competitors to meet.

- *Sales representative reports*

Sales representatives have the ability to maintain both direct and indirect contact with the staff of competitors. Such representatives gain information on competitors' interests from customers. Therefore, the sales-reporting process provides rumours circulating, information on competitors' sales and technical staff, former employees and new recruits, motives as to why competitors may be winning or losing, new product inventions and possibly even problems relating to the culture of

a competitor's organization. These reports are unfortunately time-consuming to produce, according to Colvin (2002).

#### **3.4.1.3 External secondary sources**

West (2001:60) notes that internal secondary sources have their restrictions which is why external secondary sources may then be consulted. These are discussed below.

- *Official company filings*

A direct approach to collecting information that specifically conveys information on competitors is obtainable through information that has been published by competitors for the purpose of statutory reporting or possibly for promotional purposes. West (2001:60) states that official company filings are well known and are a highly reliable external secondary source. In contemporary times, no business may remain mute about the various activities that it conducts. Organizations know that the documents they produce will ultimately be acquired by competitors but they cannot conceal such information, since authorities demand its disclosure.

- *Company documents*

According to West (2001:62), company documents typically entail promotional documents, technical data sheets and directory entries. Based on this, Prior (2004:24) states that documents contain recorded knowledge on subjects and is structured in a way as to facilitate human comprehension. This may thus provide one with information relating to competitors' products and services.

- *Brokers' reports*

Broker analysts and CI analysts that are employed in stockbrokers' research departments seem to produce outputs that are similar in nature. Brokers' reports are almost equivalent in nature to market research reports and are focused on a particular company. Although stockbrokers' analysts primarily analyze financial data, they need to be acquainted with new products being developed, new production technologies and the market competition in order to speculate on future earning levels. Brokers have the huge advantage of openly interviewing an organization's staff and the final reports generated by them are highly useful for CI analysts to pursue, since it is very rare for these reports to be misleading (McKeown, 2000:27).

- *Credit reporting agencies*

The information provided in reports that are produced by credit-reporting agencies is of value, since they deal with private organizations that may be competitors. The data presented in these reports are not available in any other source and much valued comments made by management are included here (West, 2001:64).

- *Published media*

Published media are a highly important source of information for the simple reason that they offer a large amount of information on a timely basis. West (2001:65) has noted a disadvantage in using published sources since they are subjective towards organizations and are available to all. Tyson (1995:14-21) provides examples of published media, which are business journals, the trade press, academic and semi-academic publications, industry newsletters and conference papers.

- *Venture capital reports*

According to West (2001:68), reports are created at times relating to the activities of companies where investments have been made and such reports usually contain information on deals which have been concluded. Upon analysis of such reports, early warning of upcoming technologies and potential acquisition targets may be identified.

- *Patent databases*

Singh (2007) affirms that patent databases contain a plethora of information and can provide CI professionals with information on new technology, which may be pursued by competitors. On this point, West (2001:70) states that patent tracking requires the work of a specialist investigator who would be able to track product developments including:

- The inventor
- The profile of the organization involved in licensing to utilize the new product
- The characteristics of the invention and its functionality
- Citations.

Patent databases may prove to be highly useful if the skills of using this type of database are employed.

- *Competitor sources*

All actions of competitors must be carefully and continuously scanned for direct and indirect indications of their intentions, motives, goals or internal situation (Du Toit, 2003:111-120). CI professionals may consult conference presentations, trade shows and industry meetings in order to

gather information on competitors (Pollard, 1999:98). Streamcrest (2003:9) states assertively that CI professionals should be active at trade shows.

- *Technical Meetings*

A number of industries host gatherings which seem to be limited to their scope but can be useful to enhance general alertness and for sensing speculation that may surface (Pollard, 1999:99).

#### **3.4.1.4 Locating external secondary sources of information**

West (2001:71) affirms that secondary sources of information may be found in three types of sources:

- Libraries
- Databases
- The Web.



- *Libraries*

Pollard (2003:103) believes that although one may be inclined to think that the use of traditional libraries is redundant in contemporary times, they are still a highly useful repository of information. Libraries are a valuable source of information and they offer CI professionals the advantage of scanning shelves, which usually contain information that will never be found on the Web. Hohhof (2007), on the other hand, believes that the disadvantage of using libraries is that they have to be physically accessed, thus entailing searching for lengthy periods of time.



- *Databases*

On the basis of statistics, West (2001:72) documents that there has been a proliferation in the use of databases where database hosts are willing to expand on the capacity of information that they may hold and organizations are willing to submit more information to database vendors. The advantage of using databases is that a significant amount of time may be saved and one may gain instant knowledge (Pollard, 2003:106).

- *The Web*

The most dynamic part of the online world is the Web, which is home to a mass of information that CI professionals may access for collection purposes (Crump & Nick, 1997:3). In an extensive account of the Web, Pollard (2003:109) expresses the opinion that the Web offers information that is free in most cases, whereas other vendors operate on a fee-based system. Doldi and Bratengeyer (2005:400-411) believe that the Web, if used in a professional manner, is a constructive source of scientific information and such information would be valued in the CI field.

The advantage of using the Web is that it has global reach and is usually quite prompt in locating information that one is searching for. The Web allows CI professionals to access discussion forums, which are a meeting place for individuals interested in a specific topic. CI professionals may observe the discussions taking place there to obtain information. However, the disadvantage of discussion forums is that one may not be able to establish the credentials of the members of such forums. Newsgroups on the Web provide one with the opportunity to interact with interest groups and to post messages into a newsgroup

with the expectation that they will be read and responded to by thousands of individuals worldwide. CI professionals may use newsgroups for their calibre of contributions.

It should be noted that information available on the Web is also available to competitors and in itself no source of a competitive advantage, as it has levelled the playing field in terms of access to information. Pollard (1999:109) has compiled a list of competitor intelligence resources which may be located via the Web.

- **Competitor Information**

- Competitors' websites
- Annual reports
- Filings
- Company adverts
- Trademarks and patents
- Trade shows.

- **Third-party information**

- Company profiles
- Brokers' reports
- News
- Market and industry information
- Credit reports
- Stock market information
- Groups and industry experts
- Government and official information sources.

Since the above number of resources may be demanding, numerous tools have been developed to assist CI professionals with searching, gathering and monitoring on the Web. Burwell (1999:15) affirms that these are monitoring and filtering, CI systems and intelligence portals.

- *Monitoring and filtering*

Seeing that the Web and its related technologies develop quite rapidly, a number of tools have been created, which may be used to examine Websites for alterations to their information. If, for instance, there has been an updated piece of information which is of interest to the CI professionals, the push technology, which is an emerging technology, would push information to its users. An example is Ewatch, which does not simply observe information from Web pages, but also from newsgroups, electronic mailing lists, discussion areas and bulletin boards. Ewatch would identify alterations in the above areas and notify the users of such alterations (Burwell, 1999:15).

- *CI systems*

CI professionals may use CI systems that are designed to collect, monitor and index information from text documents on the Web as well as graphic files. The product Autonomy, for example, collects, monitors and indexes information from text documents on the Web as well as graphic files. Automatic searching and monitoring of information sources on the Internet and corporate Intranets are all within the functionality of Autonomy. Documents may also be categorized according to users' preferences (Burwell 1999:15). The benefits of implementing CI systems are substantial, as confirmed by Fish (2004:3).

- *Intelligence portals*

Burwell (1999:15) comments on this aspect, stating that intelligence portals have the functionality of collecting personalized information requests defined by CI professionals where results may be prioritized and stored in an archive. The primary advantage of this is that a significant amount of time is saved allowing CI professionals to attend to other tasks while office automation takes place. Intelligence portals differ from push technology in that they go beyond the simple tracking and monitoring of press releases or pre-packaged sources.

It is stated that the information gained from intelligence portals should be fresh if one is to act upon it. For example, CI professionals may use the intelligence portal as a means of discovering a series of acquisitions in a promising market where signals may be sensed of a competitor moving into a new product space (SCIP, 2006a). Millan and Comai (2004:3-13) make a point with regard to the importance attached to CI where almost all best practice companies have adopted a personalized intelligence portal.

#### **3.4.2.1 Primary sources**

West (2001:86) states that primary sources of information are a means to fill any loopholes that may have been identified when secondary sources have been fully consumed. In addition to this, primary sources may provide one with the most relevant and valuable intelligence and are deemed to be an outstanding source of information, according to Klein (2006). Primary sources are, however, believed to be complex to access. Similar to secondary sources of information, primary sources reside both internally and externally. It is believed that primary sources are highly productive; however, they are underutilized.

### **3.4.2.2 Internal primary sources**

Crucial sources of primary intelligence are found in the minds of an organization's top management, marketing managers, sales managers and employees. The significance of this source of information is that its value originates from experience gained and this provides promising and valuable information to CI professionals (West, 2001:87). Below is a discussion of these internal primary sources of information.

- *Staff joining from competitors*

As noted, newly recruited employees who had been employed by competitors may provide worthwhile insight on the current business landscape based on their prior experience of working with competitors. These individuals may thus provide additional and diverse skills (Euro Info Centre, 2007). Capturing the knowledge and skills that these individuals have acquired from being in a competitor's environment is a legitimate activity that would be advantageous to enhance understanding of competitors' dynamics. A word of caution provided by West (2001:87) is that the boundary between ethical and unethical means to gain information must always be respected.

- *Sales staff*

Customers and distributors are approached by sales staff on a regular basis and this interaction yields information that can be enlightening to CI professionals in the collection phase (Pollard, 1999:101). Such information may be gained from sales staff through customized Information Technology systems (D'Andrea, Cattai & Jacucci, 2007:4). In addition, sales staff may casually communicate with wholesalers or retailers for gathering supplementary information. It should be noted that

prior to such interaction, sales staff should structure their questionnaires well if this opportunity for collecting information is to be exploited optimally.

Apart from direct questioning, sales staff may simply obtain useful information for the CI cycle by listening to comments made by customers about competitors, obtaining information from competitors' reception areas, being sensitive to the deliveries being made to competitors and also paying attention to industry gossip (Pollard, 1999:101).

- *Members of professional, trade and industry associations*

CI professionals who are members of professional associations may meet with the staff of competitors at events where information may be shared. While the papers that have been presented may stimulate discussion and may be useful to CI professionals, the true opportunity to gain primary information is by conversing with competitors' staff at such events. It is stated that much 'verbal fencing' takes place between individuals from competing organizations in order for minimal information to be exchanged; however, as in any encounter, there will inevitably be a flow of information, which assists in the collection process (West, 2001:89).

- *Staff attending conferences and seminars*

Staff attending conferences and seminars will be exposed to networking, education and discussions that take place on a variety of topics, thus acting as a valuable platform to gain useful insights. West (2001:90) explains that a number of attendees may view the intervals between sessions as more significant than the sessions themselves for the

reason that intervals allow for the informal exchange of information through discussions.

### **3.4.2.3 External primary sources**

Once secondary and primary internal sources of information have been exhausted, CI professionals turn to the last resort, which is to gather information from external primary sources. This is left for last, since it is difficult to gather information in this way and it requires skilled researchers to reduce the level of uncertainty (El Louadi, 1998:180-199). This method is also said to be the most costly one of collecting information.

The collection of information from external primary sources may provide CI professionals with insight once fragmented pieces of information are gathered and an overall picture is revealed. CI professionals may also gain insight by gaining input from individuals from a variety of differing organizations (West, 2001:92).

- *Employees in competitor organizations*

A highly reliable and precise source of external primary information resides with employees within competitors' organizations. One may assume that such employees, upon being approached, will not engage in a discussion. However employees do reveal information when

- they feel the information being requested is not classified;
- they engage in a conversation where they feel that they have the opportunity of learning;
- they are not suspicious about the conversation; or

- they have no inhibitions about disclosing information (West, 2001:94).

- *Customers*

Evans (2007:9) believes that in contemporary times, customers have an impact on any organization. They have a wealth of information on competitors and may have perceptions of the general business landscape, which may be relayed during any casual exchanges between customers and CI professionals or by surveys. This primary source of information is viewed as providing constructive information, since the relationship with customers is simple to maintain.

- *Suppliers*

Pollard (1999:101) maintains the view that communication with suppliers is a source of information where production volumes, delivery schedules, the amount of consumables and even the stationery delivered to competitors may all indicate rivals' intentions.

- *Brokers' Analysts*

The organizations which are quoted are regularly reported on by stockbrokers. The authorized stockbroker of the specific organization has the accountability for advancing clients' shares. Organizations that are quoted are obligated to provide accurate information to stockbrokers in order for accurate judgements to be made.

Even though stockbrokers are dependent on organizations for information to be provided, they constantly conduct research themselves for extending their knowledge and verifying the facts. CI professionals

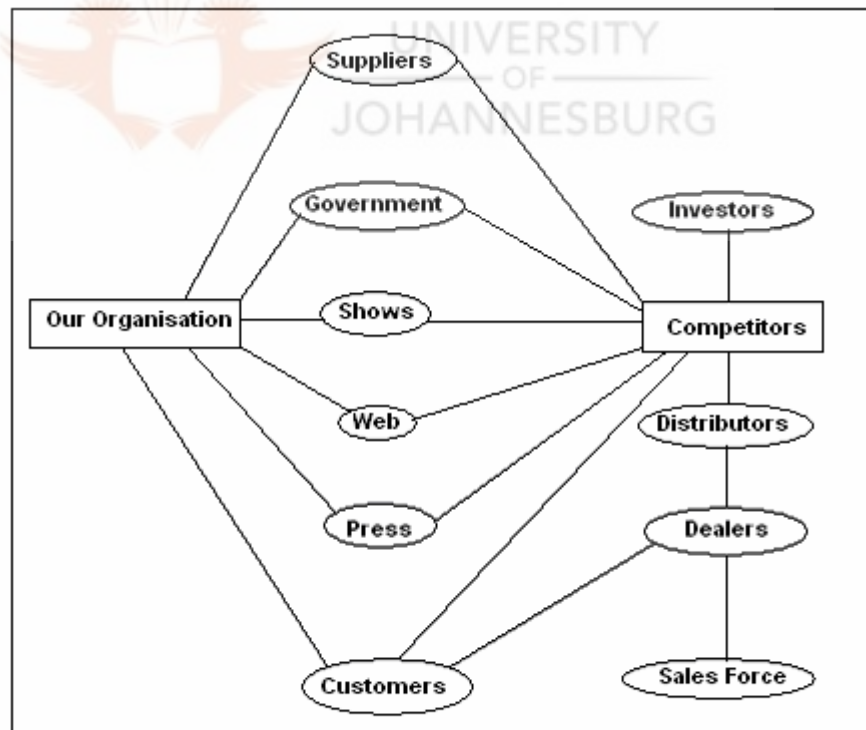


may target stockbrokers to gather information where a relationship could be developed and much information could be gained (West, 2001:96).

- *Journalists*

Journalists report on activities that are invisible at national level and it is believed that trade press journalists are exposed to information of a high scale and are usually willing to confer about activities within an organization to CI professionals (Pirttimaki, 2006:11).

Since no organization operates in isolation in the current business landscape, the sharing of information occurs generously and freely (see Figure 3.6).



**Figure 3.6: Exchange of information (Streamcrest, 2003:8)**

### 3.5 CONCLUSION

In this chapter, two phases of the CI cycle were discussed, namely planning and collection. Numerous literature findings on the CI cycle provide evidence that CI definitely has an impact on businesses and is an important tool to use, provided the crucial phase of planning is well executed. The various information sources that were examined were categorized accordingly and discussed.

Therefore, from this chapter it is concluded that

- the planning phase hosts an important feature in the context of CI, which is that of KITs, through which specific direction and focus are attained for the entire CI cycle;
- the collection phase is fairly complex. CI professionals may use secondary and primary sources of information for collection and both internal and external sources may be consulted;
- secondary sources are economically viable to consult; however, it is important to have ample time to scan through them; and
- primary sources of information collection are used to fill any gaps after secondary sources have been fully examined.

The last two phases of the CI cycle, namely analysis and dissemination, will be dealt with in the following chapter, along with CI's impact on decision-making in organizations.

## **CHAPTER 4: THE CI CYCLE - ANALYSIS AND DISSEMINATION**

### **4.1. INTRODUCTION**

In the previous chapter, attention was given to two of the four phases of the CI cycle and it was noted how needs and requirements are expressed by requesters in order to assist them in the first phase of the CI cycle, which is planning. Thereafter various collection sources as part of phase two, which is collection, were discussed thoroughly. In this chapter phase three, which is analysis, will be discussed and this is where the raw data and information are converted, questioned and explored to reveal substance on a particular topic, which can be acted upon by decision-makers. Finally, once analysis has been completed, phase four, dissemination, will be reviewed along with the various products that may be distributed to requesters. Once this is completed, the two sub-problems to be addressed are: what is the functioning of the CI cycle and what influence does CI have on decision-making?

### **4.2. PHASE THREE: ANALYSIS**

Analysis is a step in the production of intelligence in which information is subjected to systematic examination in order to identify relevant facts and derive key findings and conclusions (Herring, 1998:13-16). Cook and Cook (2000:117) add to this, stating that analysis is thus the key to effective decision-making since it allows one to gain insight into the linkages and associations between data or information to obtain intelligence, which would otherwise not have been apparent. All the data and information that have been collected in the previous phase must be analyzed in order for it to be useful (The Weeks Group, 2003:1-9). Furthermore, data and information would simply provide an analyst with

information on what competitors are undertaking, whereas analysis aims to reveal why they are doing it (West, 2001:116).

Most CI analysts rely solely on common sense, triangulations of data from a number of sources, comparisons with their own experience, comparisons between competitor organizations, estimations and guesswork (Calof & Miller, 1997:213-223). The most elementary type of analysis occurs in the form of deductions, where analysts would say if A equals B then C must equal D. In the proliferation of using these deductions a number of spreadsheets have mechanized manual analysis and made the process swifter to the extent that it is possible to run large numbers of alternative observations and arrive at the most likely deduction in a limited period of time.

The spreadsheet approach is based on the philosophy that simple ratios are used to determine whether data make sense. Rouach and Santi (2001:552-559) establish that phase three is the heart of the CI cycle and this is the most demanding and difficult task to conduct, since there is no yardstick to conduct analysis activities. Ashton and Stacey (1995:79-104) agree with this as well.

#### **4.2.1 Methods for data analysis**

Once information has been collected, the CI analysts must use analytical tools to assist them in gaining further insight into the activities of the business environment and of competitors. Marceau and Sawka (1999:30-40) state that in order for intelligence to be relevant, momentous and suitable, the correct analytical tools must be used. The Weeks Group (2003:1-9) provides insight into these tools, which will be discussed below.

The popular analysis tools are:

- *Financial analysis*. This is where financial ratios are produced and for this type of analysis to be useful, the financial analysis must be relevant. This relevance may be attained by comparing the ratios to a series of benchmarks or to a time series that reveals trends.
- *Market opportunity analysis*. This analysis points out the gaps that are found between problems that customers experience relative to the quantity or quality of solutions that are available.
- *SWOT analysis*. This is a highly useful qualitative method that may extract insight from various other forms of analysis, leading to enhanced understanding and knowledge. The strengths and weaknesses are based internally in a company, while opportunities and threats are external issues.
- *Technology analysis*. Here, the emphasis is placed on analyzing promising technologies that may influence or affect the manner in which business is conducted in an industry.
- *Merger and acquisition analysis*. This method of analysis guides an organization's actions if it intends to embark on an acquisition or divestiture. Merger and acquisition analysis is a clearly defined set of pre-merger and post-merger objectives.
- *Issue analysis*. In this instance the potential effects of legal, regulatory, economic, political or technological changes that have an influence on the industry in which an organization operates are analyzed.

- *Industry segmentation*. This method of analysis places emphasis on identifying patterns of different sets of characteristics of customers within an industry in order to make offerings that are more specific to the segment.
- *Benchmarking/Best practices*. Benchmarking analysis begins with recognizing functions and processes that should be enhanced whilst comparing these with the functions and processes of competitors.
- *Game theory*. This method of analysis encourages analysts to assimilate the data and information that have been collected, simulate the roles of one's competitors, simulate business conditions, observe reactions and then determine the likely reactions of competitors.

#### **4.2.2 Analysis sub-processes**

In the phase of analysis there are four separate sub-processes, which have been documented and will be discussed below according to Douglas and Oshaker (1998:44). These are assimilation, incubation, enlightenment and corroboration.

##### **4.2.2.1 Assimilation**

In this instance, the CI analyst studies all the data and information that have been collected. Examining the text unhurriedly is usually done twice or thrice. The analyst may review the data and information differently each time; on the first occasion by source, on the second by topic and another time by chronological order. The objective of this practice is to master the sources that were consulted, including those that first do not seem to have much value. It has been stated that after fragments of raw data have been passed through a number of steps,

surprising discoveries are made about their importance. Douglas and Oshaker (1998:44) documented that a famous FBI agent stated that no detail of a case can be either excluded outright or taken at face value. Everything must be analyzed in the larger context of the investigation. The same applies to the CI cycle, where one may come across seemingly insignificant pieces of data and information, which are in fact important.

#### **4.2.2.2 Incubation**

In this phase, the analyst ponders on the information that has already been collected. Consciously and unconsciously the analyst then proceeds to assemble the facts in various ways in order for one or more logical pictures to begin appearing (Douglas & Oshaker, 1998:44).

#### **4.2.2.3 Enlightenment**

After a lengthy examination of the problem, the data and the information relating to it, the true meaning and significance of the data and information are revealed (Industry Canada, 2006:15). In addition, a solution to the problem unfolds. Enlightenment therefore entails the actual analysis of the raw data with the objective of drawing conclusions (Douglas & Oshaker, 1998:44).

#### **4.2.2.4 Corroboration**

In this instance, the analyst has the responsibility of approving or rejecting the solution that has been offered during enlightenment. Corroboration also entails establishing conclusions and verifying them against the observed facts prior to disseminating them to decision-makers (Douglas & Oshaker, 1998:44).

### **4.2.3 Analysis techniques**

There are a number of highly recommended analysis techniques, which are usually employed by organizations in the analysis phase (Cook & Cook, 2000:120). These techniques may also be used in the framework of CI and each will be discussed below.

#### **4.2.3.1 Market analysis**

Since the global economy has proven to be extremely competitive, organizations may be keen to expand their growth into other parts of the world. However this is not a simple procedure, since there are numerous elements that need to be analyzed when embarking on foreign ventures, such as identifying general market disruptions and specific market conduct problems (Berendt & Odiorne, 2007:3). Market factor analysis is a subdivision of market analysis and is thus a frequently used tool (Cook & Cook, 2000:120).

##### **4.2.3.1.1 Market factor analysis**

This type of analysis provides one with a historical viewpoint relating to a market's evolution. Five broad factors need to be considered when examining a market, namely political, economic, social, technological and industry-specific issues (Cook & Cook, 2000:120).

##### **4.2.3.1.2 Political analysis**

It would be disastrous if an organization had invested heavily in expanding into a foreign market just before a coup breaks out in that country. The government would then be overthrown, militants would announce their authority and all foreign investment would be seized,



including an organization's current operations. The above example clearly depicts a possible occurrence, which would leave an organization in a horrific situation if no political analysis had taken place. Political analysis should begin by analyzing the type of government and the legal system that is employed. Both the status and the personality of the president would be essential to examine.

One should ensure that knowledge is gained relating to the various legalities which may affect an organization's competitiveness and how these legalities have influenced past organizations in the same area (Fahey & Narayanan, 1986:58). Understanding or lack of understanding of the political situation entails survival or dissolution (Cook & Cook, 2000:120).

#### **4.2.3.1.3 Economic analysis**

It is imperative for organizations to gain insight into the past progress or decline of the economic situation in a particular market in an attempt to ascertain the viability of business in the future. Economic analysis involves the study of the various strengths and weaknesses that an industry possesses relative to other markets and in relation to its past performance.

Constant scanning of this area is key, according to Fahey and Narayanan (1986:42). The CI analyst should try to establish the entire market's economic potentials. A number of governments publish documents giving statistics and quantitative economic figures, which are sources of analysis to the analyst (De Bruyn, 1991:14).

#### **4.2.3.1.4 Social analysis**

According to Birkinshaw, Morrison and Hulland (1995:637-655) organizations in contemporary times should be wary of the social and cultural elements that determine the business environment, since these have an impact on competitiveness. Social analysis allows CI analysts to gain more knowledge of how receptive the social market may be to introductions of new products or services (Cook & Cook, 2000:122).

#### **4.2.3.1.5 Technological analysis**

One cannot overemphasize the significance of technology in assisting organizations to achieve its objectives. Cook and Cook (2000:122) state that the level of technology that is adopted is directly proportional to the impact on an organization's success. This is dubbed the law of technological influence. It is stated that CI analysts should analyze the maturity of technology and the rate of technological adoption in a particular market prior to entering since this is a critical success factor (Pirttimaki, 2006:114). Technological analysis, upon completion, plays a tremendous role in raising the value of market analysis and ultimately decision-making.

#### **4.2.3.2 Industry analysis**

In order for one to be well positioned in the market, CI analysts should have a robust awareness of a particular industry in the form of an industry analysis. Popular industry analysis involves Porter's five forces, competitor profiling, SWOT analysis, merger analysis and patent analysis (Cook & Cook, 2000:123).

#### **4.2.3.2.1 Porter's five forces model**

Professor Michael Porter has developed a well known model, which includes five forces that have an impact on competitors operating within an industry. The following forces will be listed and discussed further below:

- Competition within the industry
- Threat of new competitors
- Influence of suppliers
- Influence of customers
- Threat of substitute products (Porter, 1979:137-145).

##### **4.2.3.2.1.1 Competition within the industry**

Organizational competition has become an inescapable norm for markets across the globe where rivalry is believed to be nourishing, since it brings about the best in organizations, especially in economic terms. All organizations, regardless of their size, must analyze the competition in their industry (Porter, 1979:137-145).

##### **4.2.3.2.1.2 Threat of new competition**

A rule of thumb is that the establishment of new markets is automatically correlated with new competitors entering these markets, who may have the same aspirations as one seeks growth in market share, sales and customers. Cook and Cook (2000:126) affirm that competition arises each day and decision-makers must be aware of this in the market (Porter, 1979:137-145).

#### **4.2.3.2.1.3 Influence of suppliers**

In a number of instances, an organization's success correlates with the fate of its suppliers. Suppliers' competence, efficiency, instability or negligence are vital to an organization's success and thus it is crucially important to analyze suppliers' influence on operations (Porter, 1979:137-145).

#### **4.2.3.2.1.4 Influence of buyers**

Porter states that the situation where customers demand the best service and quality will always exist. The bargaining power and choice customers has to purchase products and services from various alternatives has the ability to make winners and losers in an industry. Organizations which are keen on success must analyze the needs of customers and potential customers as part of the competitive strategy to be well positioned in the market (Porter, 1979:137-145).

#### **4.2.3.2.1.5 Threat of substitute products**

Originality exercised by one company may stimulate imitation by other companies to produce a similar product at a more favourable price (Porter, 1979:137-145). Substitute products satisfy similar consumer needs but with different characteristics.

#### **4.2.3.3 Company Analysis**

Cook and Cook (2000:127) state that a company level analysis has a number of components, namely technical analysis, personality analysis and operational analysis.

#### **4.2.3.4 SWOT analysis**

A SWOT analysis, as discussed previously, is a very useful instrument that CI analysts may use, since it examines competitors' strengths, weaknesses and the opportunities or threats in the market (Robinson, 2003). A SWOT analysis may be found to be useful since it may provide CI analysts with a comparison between their organization and competitors and could indicate how the future may look. Strengths refer to those capabilities that are powerful assets to a company and weaknesses are the converse. Both strengths and weaknesses are internal to a company. Opportunities refer to prosperous future situations which may be pursued to enhance the status of the organization (Kahaner, 1996:98).

Threats, on the other hand, refer to undesirable circumstances, which may affect an organization and is thus important to identify by using the SWOT analysis tool. Opportunities and threats are external characteristics (Kahaner, 1996:98).

#### **4.2.3.5 Early warning analysis**

Early warning analysis is a hugely important product to disseminate, since it indicates any alterations which may take place in the business environment specifically dealing with competitors. An understanding of any changes made to their strategies, prices and human resource must be known in a timely manner (Edelman, 1998:2). Dynamic industries such as the banking and insurance industries require constant competitor forecasts to create an atmosphere of attention and alertness to any surprise which may occur (Pollard, 1999:167).

#### **4.2.3.6 Strength and weaknesses analysis**

Pollard (1999:167) believes that a crucial product which attracts the attention of decision-makers in the organization is a strength and weakness analysis through which a comparison is drawn between oneself and a competitor. Pollard mentions further that in order for a strength and weakness analysis to be of value to the recipient, it must be measured against key success factors of both organizations.

#### **4.2.3.7 Competitor response analysis**

A frequent concern of executives and decision makers is that of the likely reactions of competitors to an envisaged plan of action. In order to measure the likely reactions of competitors, a competitor response model may assist CI professionals greatly.

### **4.3 DISSEMINATION**

Once the analysis has been conducted, Calof and Skinner (1999:20-23) state that all the findings and outcomes of the CI cycle thus far must be disseminated to the relevant authorities within the organization, who will then act upon what has been received. Communication in the phase of dissemination is deemed to be vital and to justify this statement, according to studies that have been conducted on the CI practices of exporters in South Africa, many exporters do not seem to perform well in the area of dissemination, since a minute amount of time is spent on constant communication (De Pelsmacker, Muller, Viviers, Saayman, Cuyvers & Jegers, 2005:606-620).

According to Baumand (1994:53-55), knowing the use of the completed CI product is crucial, since the conclusions drawn should be aligned with the requesters' needs and the format of the disseminated reports should

be readable, understandable and useful to the recipients. For example, the content of a report that is to be disseminated to the R&D department should differ from a report created for the marketing department for the reason that each department is unique and each has its degree of sophistication, which needs to guide the content and presentation of the document. In addition, Baumand (1994:53-55) states that in order for dissemination to be a success, one should know who the reports are going to be presented to, in what detail and how to present them. The disseminated products must therefore highlight the 'bottom-line' interests of the parties that requested the intelligence.

Companies that have formalized the process of gathering, analyzing and interpreting information have shown the best returns on investment in CI. Certain strategically managed companies demand continuous CI dissemination as an input into management at all levels, which demonstrates the importance of this phase of the CI cycle. Therefore West (2001:173) argues that a high degree of emphasis must be placed on constantly disseminating intelligence.

Bernhardt (2003:60) has noted that CI that is to be disseminated must express the following features for it to be usable:

- The CI requester is involved with the CI cycle throughout, where his/her KITS are clearly defined.
- The findings and discoveries are clearly linked to the requester's responsibilities. For example, the situation should not arise where a CI report developed for a marketing manager contains only enough substance that a general manager can act upon.
- The dissemination of CI is seen to be predictive as opposed to passive where the future outcomes and developments are included.
- The implication of the findings for the company are discussed fully in the context of the organization.

- The disseminated intelligence contains recommendations on key findings that were monitored.

#### **4.3.1 The structure of intelligence products**

According to Pollard (1999:174) the structure of CI products should be built on the premise of a well-designed CI template. Such a template may be viewed as a mould in which information and data that have been collected may be analyzed and then 'poured' into the template, after which it is disseminated to its recipients. The creation of a fine template is dependent on testing and polishing it until it is aligned with the needs of the recipient. Three guidelines which should ensure a template of quality are simplicity, clarity and appropriateness. Fuld (1985:56) conforms with the above statement and places high emphasis on the importance of a presentable format of the CI.

#### **4.3.2 Channels through which CI is disseminated**

As stipulated by Pollard (1999:174) and supported by McKellar (2006), effective channels of dissemination are:

- Voice
  - Personal face-to-face interaction with the recipient
  - Audio/video files sent to the recipient
  - Video links
  - Presentation by a third party.
- Hard-copy
  - Back-up face-to-face presentation
  - Internal mail.



- Electronic
  - E-mail or intranet
  - Disk.

The dissemination of intelligence that may be utilized by CI professionals includes:

- Distributing written reports
- Meetings and forums where CI is verbally discussed
- E-mail
- Organizational intranets
- Management information systems (MIS)
- Lotus Notes.

Each of the above options will now be discussed.

#### **4.3.2.1 Written reports**

It is believed that in small to medium organizations, written reports are viewed to be cost-effective in disseminating CI and these reports have the advantage of being reproduced and disseminated to a large audience in a short period of time. Gilad and Gilad (1988:154) state that written reports will continue to be mainstream tools in disseminating intelligence, as the statistics reveal (see Table 4.1). A well-written report must be concise and logical to be able to transfer the exact meaning that is intended (Ryan, 2007:16-19).

#### **4.3.2.2 Verbal communication**

Much CI may be transported orally during lunch meetings, office visits or meetings and forums which attract many individuals and are open to a

large amount of sharing. Gilad and Gilad (1988:156) mention that if an analysis committee is established, when meetings and forums take place the analysis committee meeting would serve as a tool to synthesize data into intelligence and disseminate it to whoever is present.

On a more wary note, McGonagle and Vella (1999:130) state that the act of disseminating CI to a number of people at once has the disadvantage of miscommunication. A second disadvantage in this area is that when CI is communicated orally there is no record to refer to at a later stage, which makes it difficult for intelligence to be built on in the future.

#### **4.3.2.3 E-mail**

Carr (2006:1) affirms that using e-mail facilities has proven to be a very useful tool to gain attention from recipients. E-mail is an ideal channel that can be used to disseminate CI, competitive newsletters and alerts containing information which should be acted on.

#### **4.3.2.4 Corporate intranets**

According to Spoolstra (1999), Intranets are seen to be gaining rapid acceptance since they allow for the collection and sharing of information. Adding substance to the topic, West (2001:172) believes that Intranets also have the advantage of being simple to use for dissemination purposes, since CI is easily accessible. However, on the downside they have the disadvantage of being difficult to tailor to CI purposes.

#### **4.3.2.5 Management information systems**

Multiman Consulting (2007) defines MIS not merely as statistics and data analysis, but also assessment of human capabilities. The MIS concept has existed for quite some time and can certainly incorporate CI into its functionality for dissemination purposes. In terms of CI, a MIS must inspire the stream of information to users, take the action required to fill information gaps and also ensure that the information that is available from the system is continuously updated to meet the needs of the organization. In terms of dissemination, a MIS should contain most of the CI that executives require and a MIS should have the functionality where employees may enter information and their interpretations in order to make comments on trends that have been identified for colleagues to use (West, 2001:173).

#### **4.3.2.6 Lotus Notes**

A contemporary and new way of disseminating CI may be achieved by using Lotus Notes, which is known as a passive dissemination mode (IBM, 2005). By using Lotus Notes, CI analysts determine the needs and requirements of the requesters and various potential readers of the analysis. Once this is done, CI analysts create reports, which vary in length, complexity and frequency.

Once the reports are completed, the various reports are all posted on the organization's Intranet. Such reports are not directly disseminated but are highly accessible and centralized, as opposed to being scattered, pigeonholed or hidden. The rationale behind the design of Lotus Notes is that those in search of CI may seek it out in a simple manner. In order for CI to be disseminated, it must be promoted and

sold by making employees aware that such reports are available (Graef, 1996).

There is a variety of forms in which CI may be distributed; however, each form varies in significance and status according to its prominence (see Table 4.1).

<b>Written Reports</b>	<b>68 percent</b>
<b>File Materials available on request</b>	<b>60 percent</b>
<b>Periodic Reports</b>	<b>55 percent</b>
<b>Occasional Presentations</b>	<b>43 percent</b>
<b>Newsletters</b>	<b>29 percent</b>
<b>In-house electronic databases</b>	<b>28 percent</b>
<b>Periodic Presentations</b>	<b>22 percent</b>

**Table 4.1: Various forms in which CI may be disseminated and their prominence (McGonagle & Vella, 1999:128).**

#### **4.4 VARIOUS CI PRODUCTS**

According to Gilad and Gilad (1988:152) a number of reports may be generated and disseminated to decision-makers on various time scales. Since readers of CI have numerous demands, CI professionals should ensure that disseminated reports are well prepared and attractive in terms of communication. Based on the user requirements that have been identified, CI professionals may design reports, which may provide CI therein in various ways. These are examined below.

#### **4.4.1 User requested CI reports**

These reports are predefined and can be selected, sorted and scheduled based on user criteria and constantly disseminated to targeted users (Mainsoft, 2007).

#### **4.4.2 Operational CI reports**

Operational CI reports are predefined reports that may be disseminated and usually have a minimal horizon and contain information on events that management may want to counter urgently (Mainsoft, 2007). This type of CI should be conveyed daily or as it becomes available. Operational CI reports includes details about changes in competitor prices, market analysis summaries and important announcements made by competitors about increasing the size in capacity of operations (Gilad & Gilad, 1988:152). Elite (2006:3) believes that operational reports create a comprehensive reporting environment for effective and immediate competitive analysis.

#### **4.4.3 Strategic CI reports**

Strategic CI reports are summarizes in nature, provide a strategic overview of issues and are disseminated on a monthly, quarterly and annual basis. These reports assist long-term decision-making based on information and thus CI that has been collected over a lengthy period of time (IMS, 2007:6).

Gilad and Gilad (1988:152) affirm that strategic CI reports usually contain a monthly compilation of key statistics, analysis of both market trends on an annual basis and quarterly profiling of competitors. Dissemination of such reports would primarily be aimed at the

preparation of proposals and strategic plans. Such intelligence should be provided to decision-makers early on in the planning phase or else the essence of strategic decisions is not truly served. Such documents should be created for determining and managing strategic direction (Gilad & Gilad, 1988:153).

#### **4.4.4 Critical CI reports**

Critical CI reports are another type of report, which may be dispersed to individuals who require them immediately to take urgent action. Critical CI reports are short in length, descriptive and contain a slight degree of analysis with little processing. Gilad and Gilad (1988:154) have noted that numerous organizations disseminate critical reports alerting others to new occurrences in the market that may require attention (see Table 4.2).

#### **4.4.5 Situation CI reports**

Situation CI reports are said to be either strategic or operational in nature since their prime focus is to make decision makers aware of competitor activities, to keep abreast of environmental developments and to point out various areas of potential interest to the organization in the future (Kennedy Information Inc., 2005:15) (see Table 4.2). Situation CI reports are descriptive and restricted in scope. However, they do stretch further than raw data and provide analysis of events in question (Gilad & Gilad, 1988:152).

#### **4.4.6 Periodic CI reports**

Periodic CI reports are said to be strategic in nature since they are both descriptive and analytic in the sense that they incorporate full-scale

analysis and amalgamation of data which are broad in scope. Periodic CI reports focus on demarcating competitor strategies and identifying environmental threats and opportunities in an organization's context (see Table 4.2). Such reports form part of strategic planning (Gilad & Gilad, 1988:152).

As has been discussed above, various intelligence reports may be produced within organizations, each having different characteristics and outcomes to address various needs in the organization (see Table 4.2).

	<b>Critical Intelligence</b>	<b>Situation Reports</b>	<b>Periodic Reports</b>	<b>User-requested Reports</b>
<b>Type</b>	Strategic/Operational	Strategic/Operational	Strategic	Any
<b>Scope</b>	Specific topic, short, descriptive	Descriptive, focused, limited scope	Broad, in-depth, synthesis; Descriptive/analytic	Broad or focused
<b>Purpose</b>	Quick dissemination of critical intelligence for immediate action	Monitor competitor activities; Monitor other environmental events; Identify potential areas of interest	Outline competitor strategy; Environmental threats and opportunities; Component of strategic plans	Cover new targets; Up-to-date competitor reports; Special requests
<b>Distribution</b>	CI personnel	CI personnel	Senior management	User identified at time of request
<b>Frequency</b>	Ad hoc	Periodic	Periodic	As requested
<b>Format</b>	Bulletin, telephone	Concise, brief highlights	Background, detailed, analytic, recommendation for action	As requested

**Table 4.2: Comparison of CI reports (Gilad & Gilad, 1988:155)**

Bernhardt (2003:60) has provided a discussion on additional completed CI which may then be packaged as products and disseminated. These are:

- Current CI products
- Estimative CI products
- Research CI products
- Scientific and technical intelligence products
- Warning intelligence products.

#### **4.4.7 Current CI products**

Bernhardt (2003:60) states that current CI products are prepared and disseminated by CI professionals to satisfy a manager's or management's explicit requirements by a set completion date. The rationale behind current CI products is to provide managers with sufficient and timely signals of occurrences which may have an impact on corporate strategies and business processes (Swoyer, 2006). Current CI products pay attention to day-to-day incidents of which decision-makers may be informed and therefore assess the risk of such incidents, the significance of threats and the possibility of short-term hazards and consequences in the short or long term. In demonstrating current CI in a pharmaceutical industry example, an organization's competitor may be experiencing certain problems with its intended drug developments, which may well have a negative impact on one's own organizational drug development plans (Bernhardt, 2003:60).

The duty of CI professionals in this case would be to establish the severity of the situation by providing details, analysis and implications on the organization, after which current CI products would be disseminated to managers and decision-makers who would determine how the organization's drug development efforts may be recalibrated.

When current CI products are disseminated it usually contains the following titles:

- Key judgments
- Scope
- Introduction
- Evidence/findings
- Implications.



Bernhardt (2003:61) furthermore states that current CI products include disseminated reports such as:

- *CEO's daily brief (CDB)*. The CDB pays attention to CI issues which are of the highest degree of significance and are necessary for the CEO to execute daily operations to advance the strategic goals and objectives of the organization. CDBs are only intended for the CEO and occasionally other members of the executive team.
- *Senior executive intelligence briefing (SEIB)*. A SEIB is an amalgamation of KITs. It is customized to satisfy the needs of executives and is disseminated numerous times per week.
- *CI assessment*. This report is a detailed analysis of a strategically relevant occurrence or issue, in five to 25 pages. This disseminated report provides decision-makers with evaluations and judgments in the field of planning and policy (Bernhardt 2003:60).

#### **4.4.8 Estimative CI products**

Estimative CI products are stated to be the most trustworthy and authoritative analytic product which may be disseminated by CI professionals. This product consists of a thorough analysis, including long-range forecasts of significant trends in the industry and their likely future impact on the organization. Estimative CI products target senior management to assist them in envisioning the future in terms of opportunities and threats which may be faced (Ford, 1993:66). Major strategic queries are addressed and these extend over departmental, functional and geographic boundaries. Bernhardt (2003:61) claims that estimative CI products provide decision-makers with the headlamps they

require to seek through the fog and darkness that otherwise conceal 'the road ahead'. Ideally, such a product assesses typical courses and the impact of significant industry, market and specific technological developments (Helfer, 2006:1-14).

Therefore an estimative CI product represents

- a collection of pertinent data and information from primary and secondary sources;
- a study of the data and information by CI professionals who then make estimative judgments; and
- a portrayal of the principal forces at work in the given question being studied (Bernhardt 2003:60).

#### **4.4.9 Research CI products**

Research CI products entail detailed examinations, which are mostly presented in the form of confidential, highly focused monographs or memorandums. Within this sphere, research and analysis focus on regional, market, competitor and political issues that have surfaced. Decision-makers use basic CI research products at times to support new initiatives or it is stored in anticipation of future crises. Basic CI research products concentrate on preparing competitor profiles. Such profiles validate data and statements which are combined with a 'so what' analysis in order for it to be of more assistance (Bernhardt 2003:62).

#### **4.4.10 Operational support CI products**

These products are adapted, focused and produced quickly in order to serve the needs and requirements of managers who have operational

accountabilities (Noetix, 2006). The users of such CI products would be country managers, the sales force and channel marketing managers. CI professionals may be asked for the changes in competitor's sales force constitution or what the competitor's new training programme for its distributors involves (Bernhardt, 2003:60).

#### **4.4.11 Scientific and technical CI products**

Scientific and technical intelligence products are vital for organizations that operate in technology-based industries. In such industries it is necessary for organizations to have a good comprehension of competitor technologies (National Research Council, 2005:7). In the pharmaceutical and telecommunication industries, new technologies are exploited regularly and CI professionals should disseminate such products (Bernhardt, 2003:63).

#### **4.4.12 Warning CI products**

Bernhardt (2003:63) provides two types of warning CI products, namely:

- *Warning watchlist*

A warning watchlist traces and allocates the probability of potential threats to the organization's strategic interests, which may develop within a fixed time frame.

- *Warning alerts*

Warning alerts convey warnings that deserve attention on the part of decision-makers. Such alerts would be disseminated to appropriate executives and should include the factors listed on the following page.

- Statement of facts
- Analysis and outlook
- Implications for the firm
- Intelligence gaps
- Possible actions.

Lastly, according to Pollard (1999:166), the CI products discussed below provide fine guidance to a firm's decision-making:

- News analysis products
- Current situation or forecast products.

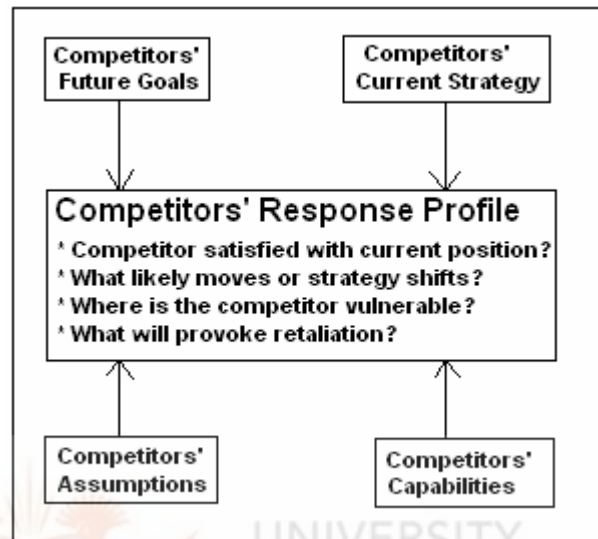
#### **4.4.13 News analysis products**

A news analysis product consists of informal and unplanned interpretations of events in an organization's industry. News updates may reveal various outputs that a competitor has produced in the form of new products, for example. Once these news pieces have been analyzed and the impact on the organization's own product development intentions has been considered, a disseminated product may be used to indicate the necessary framework that should be set for the future.

#### **4.4.14 Current situation and forecast products**

A current situation and forecast product is a recurrent piece of analysis, which is conducted to gain insight and awareness into what the current competitive situation is (Parks 2004:7). Financial performance, market share and operational efficiency are among a few alternatives of this product, which may be disseminated.

A competitor response profile is a useful and insightful product that may be disseminated, since it is an amalgamation of an organization's competitor's future goals, strategies, assumptions and capabilities. Upon analysis and drawing inferences, a competitor's reaction may be established and this information could be highly useful (see Figure 4.1).



**Figure 4.1: Attempt to determine competitor reactions (Pollard, 1999:168)**

#### **4.5 CI AND ITS INFLUENCE ON DECISION-MAKING**

Decision-making refers to the study of recognizing and selecting alternatives based on the values and preferences of the decision-maker. Decision-making is furthermore the process of adequately decreasing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them (Harris, 1998). This definition emphasizes the information-gathering function of decision-making. However, it should be noted that uncertainty and ambiguity are reduced rather than eliminated. Very few decisions are made with absolute certainty because complete knowledge about all the alternatives is seldom possible. Miller (2001:2) states frankly that although individuals may be receiving adequate

intelligence, the true task is to use it in an effective manner, where productive decision-making is the outcome.

Predicting the likely behaviour of competitors by comparative decision-making processes of other competitors in a marketplace is regarded as crucial by Johnson (2006).

Within the CI cycle, the planning, collection, analysis and dissemination of all available information is pertinent to one or more aspects of an executive's needs and may be seen as potentially significant to decision-making. It is a notable fact that expired intelligence and methods are increasingly ineffective for making current decisions and even less effective for identifying tomorrow's opportunities, problems and unknown competitors. Therefore, corporate decision-makers need timely flows of accurate and complete analyzed information to assist them in formulating and guiding the implementation of a strategy. Effective decision-making lies at the heart of CI. Those managers who learn the principles of CI learn quickly how to use the right information to arrive at the best, most expedient but not necessarily the perfect decision. Therefore, CI is about making reasoned, rational decisions while under pressure (Gadomski, 2006).

Prescott (1999:71-91) has provided information in which a few corporate concerns or issues may be addressed to display the impact of CI on the organization (see Table 4.3).

Key Decision Areas	
Decision Area	Key Concerns
Focus of CI Efforts	<b>Early warning of opportunities and threats</b> <b>Strategic decision-making support</b> <b>Tactical decision-making support</b> <b>Competitor monitoring and assessment</b>

**Table 4.3: Areas where CI influences organizational concerns (Prescott, 1999:71-91).**

#### **4.5.1 Early warning**

The focus on early warning CI is based on recognizing opportunities and threats in the competitive landscape prior to them becoming apparent to all industry players, as noted by Marrs and Tanner (2005:2). They further state that early warning provides a rich ground from which to draw insights and expertise, since when it is understood, created, applied and recognized it can afford a clear advantage for the organization. In terms of decision-making, early warning enables firms to take well-planned decisions in respect of various opportunities or threats (Prescott, 1999:71-91).

#### **4.5.2 Strategic decision-making support**

The second area in which CI assists organizations is where support for strategic decision-making is provided. Strategic decision-making is a concept aimed at making decisions that are crucial to an organization's survival (Noorderhaven, Hofstede, Jan & Vermunt, 1997:321-336). Such CI activities are designed to bring information and analysis to bear on important strategic thrusts, which are brought about through careful and objective assessments (Zdenek & Steinback, 2002). For instance, if an organization decides to expand its operations into another country then

such a strategic decision should be preceded by thorough CI support (Prescott, 1999:71-91).

#### **4.5.3 Tactical decision-making support**

The third sphere where CI may assist an organization is tactical decision-making which is emphasized in day-to-day operations of the organization. Tactical decisions are aligned with and have the goal of achieving the company's strategy and strategic business objectives, according to Holtzman (2004:3). Prescott (1999:71-91) states that when CI is linked to the sales function, a tactical focus is witnessed.

#### **4.5.4 Competitor monitoring and assessment**

In this situation, developing a deep understanding of competitors' strategic and tactical intent would be provided by CI (Bergen & Peteraf, 2002:157-169). The information required to assist decision-makers to position the organization in respect to competitors would be provided by such monitoring and assessments (Prescott, 1999:71-91).

### **4.6 CONCLUSION**

In this chapter the final two phases of the CI cycle were discussed, namely analysis and dissemination. There have been numerous literature findings on the last two phases of the CI cycle, which provides evidence that the CI cycle has an impact on businesses and is an important tool to use.



Therefore, from this chapter it is concluded that:

- There are various methods for data analysis in which analytical tools are used in order to gain a knowledgeable grasp of the business and competitive environment.
- Analysis techniques are valuable to utilize and these are also used by CI professionals to examine the environment in which an organization operates.
- Dissemination is the outcome of the efforts involved in the preceding phases, where intelligence is packaged according to a number of criteria and then distributed to specific recipients.
- There are various channels through which CI professionals may distribute intelligence and each of the media by which this can be achieved is examined.
- CI professionals have a broad array of CI reports and products to choose from when dissemination is intended. Each report and product varies vastly.
- CI has a positive impact on decision-making by providing decision-makers with the correct information to use and to make informed decisions.

Once the CI cycle has been completed and the products are in the hands of decision-makers, this is bound to be a great help to decision-making as was discussed in the final section of this chapter.

The following chapter will deal with the empirical survey in which a mass import-retail organization was examined.

## **CHAPTER 5: EMPIRICAL STUDY**

### **5.1 INTRODUCTION**

The previous chapter investigated the final phases of the CI cycle, namely analysis and dissemination. In the assessment of the analysis, the various methods of data analysis were discussed along with analysis techniques that are highly recommended for use in organizations. Subsequent to this, dissemination was discussed and it was revealed that in order for CI reports and products to be distributed with success, CI professionals should know who the target audience is, in what detail to present products and how to present them.

It was therefore noted that dissemination should have the 'bottom-line' interests of the parties that requested the intelligence in mind. Also, the previous chapter observed the impact of CI on decision-making along with a discussion of how CI helps to reach decisions on areas of concern in the organization. Based on this, it is clear that CI reduces uncertainty and doubt, thus allowing for informed decisions to be effected (Harris, 1998).

This chapter is dedicated to the empirical study where the problem statement specified in Chapter 1 will be tested. Hence this chapter revolves around the manner in which this researcher has attempted to establish the level of significance that is attached to CI at a mass import-retail organization in South Africa.

The research approach adopted in this survey is elucidated below, followed by the results of the questionnaire.

## 5.2 RESEARCH APPROACH

Leedy (2001:139) states that the research problem and nature of the data mold the research methodology of a study. This statement is explained by qualitative methods being more appropriate for the gathering of verbal data and quantitative methods being more suitable for the collection of numerical data.

Key (1997) has stated that certain benefits may be derived from conducting qualitative research, namely:

- Generating information which is more in-depth and comprehensive
- The qualitative approach allowing researchers to observe behaviour in a social setting
- More flexibility and adaptability that may be achieved in implementation.

Based on the above benefits and the perspective of this study, it has been decided that a qualitative research approach would be followed; however, within this approach, quantitative methods are employed to achieve the objective of solving the research problem.

In this chapter, the research will proceed to using surveys as part of the empirical qualitative research. As opposed to theory, Mouton (2001:144-147) believes that empirical research is the derivative of experimentation and observation and it has been stated that this is characteristic of conducting research in the social sciences realm.

This study will therefore be dedicated to an empirical qualitative research approach in order for the problem statement to be solved. Such an approach necessitates the use of questionnaire surveys, which

represents the qualitative method and the analysis of statistical data from the questionnaire results represents the quantitative method.

According to the sequence of this study, a literature investigation was completed initially, which entailed a detailed and systematic investigation of various literature sources on the subject of CI. Dalton (1991:118) states that the first part of a study is focused on conceptualization, where crucial theories, models and concepts in connection with the study are explored. These include the significance of implementing CI, the steps for implementation, organizational structure and cultural considerations, which were taken into account in previous chapters. Once this had been discussed, the four phases of the CI cycle were focused upon, namely the planning, collection, analysis and dissemination phases. Subsequent to this, the impact that CI has on decision-making was demonstrated and a positive effect was noticed.

The second part of the study on which Dalton (1991:118) comments, is that of operationalization, which exists in the form of empirical research. This entails the procedure of gathering data based on the theory and analyzing it to be presented as facts to support the foundation of knowledge within the theory.

## **5.3 RESEARCH METHODOLOGY AND DESIGN**

### **5.3.1 Survey research**

Since the purpose of this study involves the need to determine the significance of CI in an organization in South Africa, it is proposed that survey research would be best suited by making use of questionnaires, which are a sub-category of surveys and are an important tool that has been distinctively developed to extract information for analysis. Babbie

(2005:251) states that the use of surveys is valuable, since it enables the evaluation of the attitudes in large populations. A meeting scheduled with the CEO of a mass import-retail organization served as a foundation in which the objectives and requirements of the survey research were clearly articulated and agreed upon.

### **5.3.2 Population**

A population as part of a research study has been defined by Babbie (2005:112) as a group of individuals, in this case, about whom deductions may be made. In view of the magnitude of the numbers of individuals in a group to be investigated, it is improbable that the entire population could be investigated and hence the discoveries and inferences in a survey may realistically be limited to a reduced number of individuals from whom generalizations may be made about the whole number.

### **5.3.3 Research participants**

The participants that contributed to this study were employees of a mass import-retail organization. A register of employees from the HR department revealed that the organization has 183 employees. Employees from various areas of the organizational structure established the sample based on the random selection method. It was believed that in this manner, all employees would have an equal opportunity of being selected. A total number of 107 employees were thus included in the sample whose questionnaire responses represented the entire population.

#### **5.3.4 Questionnaires**

Nardi (2003:58) affirms that a questionnaire is a survey tool comprising of questions and other types of features, which are intended to request respondents for information that relates to the objective of a study after analysis has been conducted. It has been commonly agreed upon that the use of questionnaires is the most practical manner in which respondents are surveyed with regard to their opinions and perceptions. In view of the extensive use of computers, this method has been favoured to distribute questionnaires; however, in this study the questionnaires were distributed in hard-copy format and hand delivered to the sample population.

Luck, Wales, Taylor and Rubin (1989:114) pointed out the benefit of distributing questionnaires in this format by stating that confidential information may be divulged willingly if respondents are guaranteed anonymity and this would have an effect on the response rate achieved. Fouche (1998:154) furthermore states that hand delivered questionnaires increase the timeliness of responses. The benefits listed above served as a sound motivation for distributing the questionnaires in this manner.

#### **5.3.5 Anonymity**

Nachmias and Nachmias (1996:225) deem surveys conducted through questionnaires to usually be anonymous and within this study total anonymity was guaranteed to both the organization and the employees because of the sensitivity of the issues in the questionnaire and the confidential nature of this study. In fact, reference to the term CI was strictly excluded. None of the respondents were required to state their names on the questionnaire and further assurance was provided that all

information would be dealt with as highly confidential. It is clear that this would encourage respondents to provide objective and honest responses. Furthermore, it is believed that the absence of the researcher provides enhanced anonymity of the respondents.

### **5.3.6 Physical Format**

The questionnaire was designed in English, as this is the dominant language spoken in the organization.

#### **5.3.6.1 Length**

In the construction of the questionnaire, with much assistance from Statcon (the Statistical Consultation Service) at the University of Johannesburg, a number of issues had to be taken into account, such as the amount of time that participants would dedicate to the completion of the questionnaire. The distributed questionnaire consisted of eight pages containing 26 questions. It was indicated that the questionnaire would take between 9 and 12 minutes to complete.

#### **5.3.6.2 Terminology**

When constructing the questions, the purpose was to ensure that the wording and diction would be understandable to respondents and it was also important that the questions would allow for accurate replies to be received (Fowler, 1993:102).

#### **5.3.6.3 Types of questions**

Babbie (2005:127) has stated that survey instruments are guided by two types of questions, namely close-ended and open-ended, structured or

unstructured. In the open-ended questions, respondents provide their own answers to a question whereas close-ended questions request a selection to be made based on options provided, as in the case of this questionnaire. Questions 5, 8, 18 and 23 offered the 'other' option, where respondents may have provided their individual input.

The questions posed were constructed with fixed alternative items and the respondent had to select either [Yes] or [No]. A Likert scale was used in questions that characterize features of performance; e.g. [1] was considered 'daily', [2] was 'weekly', [3] was 'monthly', [4] was 'quarterly', [5] was 'yearly and [6] was 'never'.

The questions were grouped in sections according to the study, namely background information to establish the demographics of a participant's profile, a section concerning the organization's competitive situation, the information activities, sources of information that the organization consults, its analysis of information, followed by questions on dissemination and decision-making.

The results of the questionnaire appear in the same order as the questions were asked.

### **5.3.7 Administering the questionnaire**

In administering the questionnaire for this study, a covering letter was formulated, written and signed by the study leader in order to provide assurance and encouragement for the survey to be conducted within this organization in full realization of the sensitivity of the topic. This letter indicated the principle behind the investigation and emphasized that complete anonymity would be maintained and upon completion of the study, results may be requested, which might be useful for this



organization's particular needs. Following this letter, the organization was given the instructions for completion of the questionnaire along with an example to demonstrate the required answer format. These documents were presented and explained to the CEO during the scheduled meeting.

Subsequent to this, was the submission and collection of the completed printed copies of the questionnaires at weekly intervals from the organization after permission had been granted by the CEO in a letter dated 6 July 2007 to conduct the investigation in the organization. A period of four weeks was tactically allocated for the completion of the questionnaire. The reason for allocating this lengthy time frame was logically to attempt to receive a promising response rate.

Within this period, numerous telephonic, electronic and physical follow-up procedures were executed in order to remind management and individuals in the organization of the necessity of completing the questionnaire. It is believed that the timing of follow-up procedures is important and these were conducted a few times per week in order to place added emphasis on completion.

During weekly intervals, batches of completed questionnaires were collected and tallied. Individuals who had not completed questionnaires at these follow-up periods were encouraged to do so and it was noticed that this led to an improvement in the number of completed responses received in the following weekly follow-ups. By conducting this technique each week until the end of the four week period, along with the physical distribution of questionnaires and other techniques adopted to aid responses, an extremely positive effect was realized in that a remarkable response rate of 100% was attained. Analysis and reasons

for achieving such an impressive response rate were certainly deemed to be a result of the factors identified below:

- From the outset of the empirical study at this mass import-retail organization, the goal was to achieve an outstanding response rate with the justification that a high response rate would make the understanding of CI clear and this would provide a quality indication of the reality with regard to these activities in this organization.
- Nachmias and Nachmias (1996:226) insist that a researcher may obtain a 100% response rate and this would be achieved through the physical involvement of distribution and collection of the questionnaires as was conducted in this study. Therefore, a key determinant of the success gained in achieving a response rate of 100% in this study was that it was considered to be advantageous to distribute the questionnaires physically and in hard-copy because this conveys earnestness in the purpose of conducting the survey within the organization. It is considered that this subsequently had a substantial role to play in achieving this response rate.
- Another factor contributing to the achievement of this excellent response rate was that a period of four weeks was allotted for the completion of the questionnaire. This period was deemed sufficient for circulation of the questionnaires and for the respondents to complete them. In addition and as stated previously, regular weekly follow-up procedures were conducted by collecting those questionnaires which have been completed and then encouraging management and individuals to complete the outstanding number of

questionnaires which had not been completed. This too played a vital role in the response rate achieved.

- Interaction during the meeting scheduled with the CEO provided a clear indication of interest in having the study conducted within this organization. This is a major contributing factor to the response rate achieved, as the importance of gaining an understanding of the level of importance attached to CI within this organization had seemed to stimulate curiosity and sound interest in the CEO during the meeting. In addition, the eagerness of the CEO to receive the questionnaire results and recommendations was strongly perceived during the meeting. Based on this, it is regarded that the importance of completing all the questionnaires were communicated by the CEO to those individuals within the selected sample which then evidently led to the flawless response rate achieved.

Upon receipt of the completed questionnaires, they were submitted for statistical analysis to Statcon at the University of Johannesburg, where the SPSS (Statistical Package for Social Sciences) software, version 11.0, was used for input, management and statistical analysis of the data that had been collected.

Once this had been completed, results were placed into spreadsheets with statistical graphs for a visual representation of the results. The frequencies and tables are available to provide the reader with a complete image of the results obtained. In some instances the results were also compared to those obtained in a study conducted by De Pelsmacker *et al.* (2005:606-620) in which the CI practices of South African and Belgian exporters had been studied empirically. For the

purpose of this study, a comparison only within the South African context will be focused upon.

## 5.4 ANALYSIS AND INTERPRETATION OF THE QUESTIONNAIRE RESULTS

The questionnaire which was submitted and received by 107 respondents comprised seven sections, which will be analyzed below.

### 5.4.1 Section A: Background information

As a logical introduction to the questionnaire, it was necessary to gain insight into the biographical information of the sample; these characteristics would provide a fair portrait of the organization.

#### **Question 1**

*What is your gender?*



		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Male	59	55.1	55.1	55.1
	Female	48	44.9	44.9	100.0
	Total	107	100.0	100.0	

**Table 5.1: Gender composition**

Based on table 5.1, it is noted that 55.1% of the sample was male and 44.9% female. Since there is not a huge difference, it is assumed that this organization has attempted to create gender equality.

## Question 2

What is your age in years?

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	18 – 25	15	14.0	14.0	14.0
	26 – 30	39	36.4	36.4	50.5
	31 - 35	32	29.9	29.9	80.4
	36 or older	21	19.6	19.6	100.0
	Total	107	100.0	100.0	

**Table 5.2: Age distribution**

As indicated above, 36.4% of the respondents are within the age group of 26 to 30 years which represents the majority age group, followed by 29.9% falling in the category of 31 to 35 years of age; 19.6% are older than 36 years of age compared to only 14% between the ages of 18 and 25 years (see Table 5.2).

The above data confirm that that this is a fairly youthful organization.

### Question 3

*What is your highest educational qualification?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Grade 12 or lower	23	21.5	21.5	21.5
	Post -school diploma or certificate	49	45.8	45.8	67.3
	Bachelor's degree or higher	35	32.7	32.7	100.0
	Total	107	100.0	100.0	

**Table 5.3: Qualification attained**

Most qualifications that respondents hold are post-school diplomas or certificates, representing 45.8%, followed by a bachelor's degree or higher qualification, which 32.7% of employees possess. Only 21.5% have obtained a Grade 12 or lower (see Table 5.3).

The data indicate that this organization seems to attach importance to educational qualifications, which most respondents hold. Attracting and retaining intellectual human capital through the organization's criteria appear to be a strategy that is exercised.

#### **Question 4**

*How long have you been employed in your organization?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>2 years or less</b>	37	34.6	34.6	34.6
	<b>3 - 4 years</b>	45	42.1	42.1	76.6
	<b>5 years or more</b>	25	23.4	23.4	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.4: Years employed in organization**

To a question on the number of years employed in the organization (see Table 5.4), 42.1% state that they have been employed for 3 to 4 years, followed by 34.6% of employees who have been employed for 2 years or less. It is noted that 23.4% of respondents have been employed for 5 years or more.

It is interesting to note that the lowest number is for employees who have been employed by the organization for 5 or more years. This confirms the interpretation in question 2, where it was noted that this is a fairly youthful organization. The conclusion is that a youthful organization would display and deliver new, innovative ideas through the talent it possesses.

### Question 5

Which one of the following best describes your position?

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Board (CEO, CFO, COO) level	2	1.9	1.9	1.9
	Executive committee member	5	4.7	4.7	6.5
	Manager/Business unit head level	34	31.8	31.8	38.3
	Consultant	37	34.6	34.6	72.9
	Other	29	27.1	27.1	100.0
	Total	107	100.0	100.0	

**Table 5.5: Position within organization**

The data (see Table 5.5) indicate that 34.6% of employees are consultants, followed by 31.8% employed in a managerial or business unit head level position. Executive committee members account for 4.7% of the sample and 1.9% represent those at board level. It was noted that 27.1% of respondents fall within the 'other' category.

In commenting on the above statistics, it is noted that there are a large number of managers and consultants, which may point to the fact that the mass import-retail industry demands individuals to be in positions where they may exercise their ability to plan, organize, lead and control the organization. A level above managers is the executive committee, whose members are most likely be engaged with the board members to strategize and it is perceived that they would also ensure the development of future leaders in the organization. These two categories will be the employees in the organization with a need for accurate and complete information to assist them in formulating and guiding the



implementation of the organization's strategy (see Section 4.5). Upon closer inspection of the 'other' category, it was discovered that these were students, part-time employees, secretaries and personal assistants.

#### 5.4.2 Section B: Competitive situation

The section below assesses the degree and factors influencing competitiveness in this organization's environment.

##### **Question 6**

*How well does your organization cope with changes in the business environment?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	<b>Above average (i.e. they cope very well)</b>	52	48.6	48.6	48.6
	<b>Average (i.e. they cope)</b>	55	51.4	51.4	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.6: Coping with changes in the business environment**

According to the data obtained (see Table 5.6), 51.4% indicated that their organization coped on an average level with changes in the business environment, whereas 48.6% believed that it coped above average or very well.

The conclusion reached here is that this organization appears to be in control of the environment and understands the importance of it. Coping satisfactorily would allow this organization to perform well and thus be

more competitive, where a competitive advantage may be pursued. The above statistics are aligned with what is indicated by Kahaner (1996:23), who states that organizations that focus their efforts on being alert and coping with the environment in which they operate will ultimately be the least surprised and negatively affected when there are changes in the industry.

**Question 7**

*How intense is competition in your business environment?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Very intense	63	58.9	58.9	58.9
	Intense	44	41.1	41.1	100.0
	Total	107	100.0	100.0	

**Table 5.7: Level of intensity of competition in the business environment**

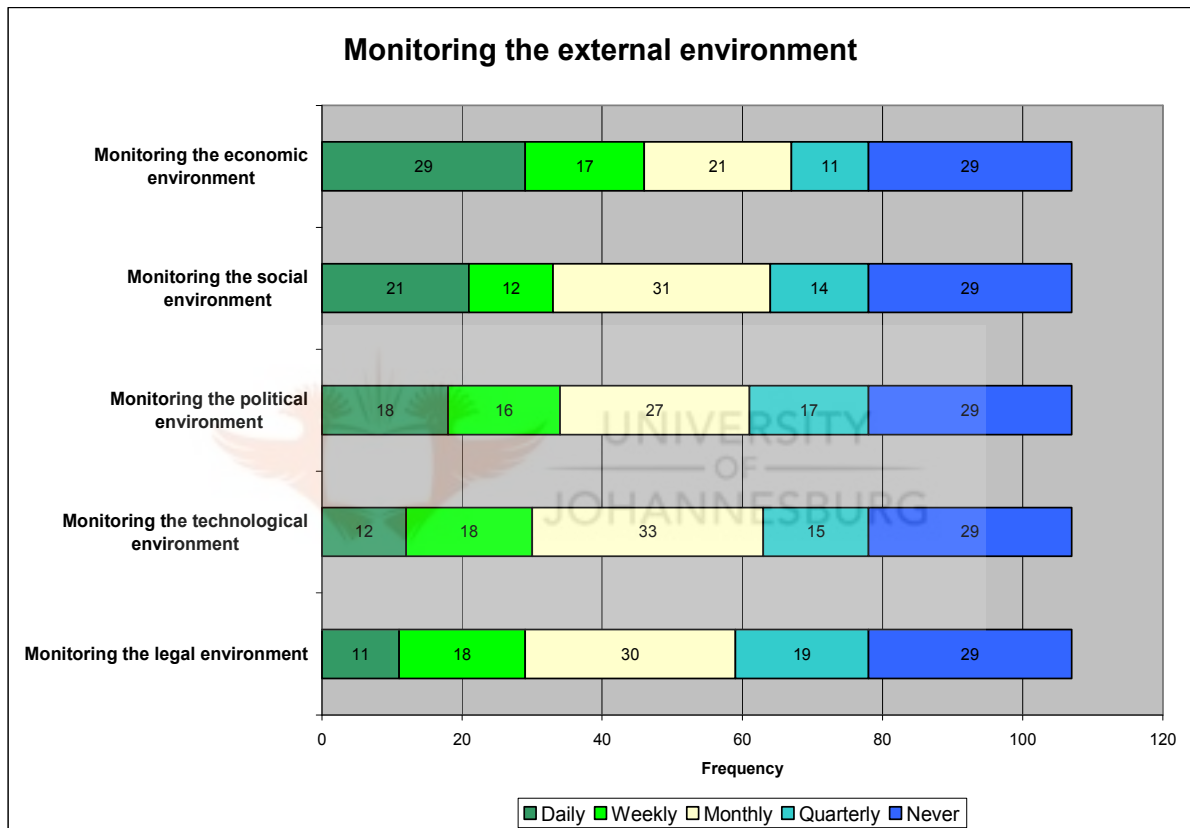
In assessing the perceived level of competition in the business environment (see Table 5.7), 58.9% of respondents are of the opinion that it is very intense, while 41.1% believe that competition is intense. None of the respondents claimed that competition is not intense.

In analyzing the above statistics, it is observed that competition is known to be generally intense in this organization’s environment and because of this employees must be aware, up to date and have measures in place to deal with such an intense environment. Since competition is intense, it is understood that this would bring about the best in this organization’s performance and it is assumed that this would enhance operations, products and services provided, encourage

efficiency and it may be argued that growth, along with sustainability, may be increased as well (West, 2001:29).

**Question 8**

*How often do you monitor each of the environments to gain information on competitors?*



**Figure 5.1: Monitoring the external environment**

Figure 5.1 depicts that 29% of respondents monitor the economic environment on a daily basis to gain information on competitors, 17% on a weekly basis, 21% on a monthly basis, 11% on a quarterly basis and 29% never monitor this field.

Considering that this organization is in the import-retail industry, it seems obvious that it would be influenced by the economic environment

and it is because of this that the majority of respondents monitor this sphere daily and would somehow gain information on competitors. It is supposed that awareness is directed at being alert to various aspects of the economy such as the exchange rate, interest rate and inflation rate since these factors affect all organizations in the importing industry directly.

In terms of keeping abreast of activities relating to competitors in the social environment, 21% of respondents state that they monitor this area on a daily basis, 12% on a weekly basis, 31% monthly and 14% quarterly, while 29% never undertake monitoring activities.

The examination of the social environment seems to be of importance to this organization based on the statistics and it is assumed that this organization is dedicated to identifying and analyzing trends in society such as social spending patterns and changing tastes and preferences relating to rivals.

The political environment is monitored on a daily basis by 18% of respondents, 16% monitor this weekly, 27% monthly and 17% quarterly, while 29% never conduct such monitoring.

The stability of the political system and issues in this area require attention. However, this organization focuses more strongly on monitoring it on a monthly basis, since political systems are not altered daily and would affect their organization as well as competitors in the same manner.

In the sphere of technological monitoring for gathering information on competitors, 12% examine this area daily, 18% weekly, 33% monthly, 15% quarterly and 29% do not monitor the technological environment.

The technological environment would have to be assessed regularly, since this organization must be updated with the latest products, materials, processes, methods and inventions which may possibly be adopted by rivals as well. It is disappointing to note that most respondents in the organization monitor the technological sphere to gain information on competitors mostly on a monthly basis, when it is known that new developments take place daily and this could be a threat.

In the legal sphere, 11% of respondents monitor this daily, 18% weekly, 30% monthly, 19% quarterly and 29% never keep updated in this environment relating to competitors.

It is crucial for any organization to monitor legislation since regulations have a direct effect on the functioning of an organization and its competitors. It is encouraging to note that the organization exercises such monitoring, albeit mostly on a monthly basis.

Since this organization conducts importing from abroad, it would have to monitor the economic, social, political, technological and legal environments both domestically and internationally in order for information to be gained. Kahaner (1996:26) believes that changes in the above environments must be expected from clues that may be detected. It is disappointing to discover the large number of respondents who do not monitor the various environments. This may lead to a situation of being unformed regarding competition.

### **Question 9**

*How important is research to gain an advantage over competitors?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>Very important</b>	43	40.2	40.2	40.2
	<b>Important</b>	58	54.2	54.2	94.4
	<b>Of average importance</b>	6	5.6	5.6	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.8: The importance of research to gain a competitive advantage**

It is encouraging to note that 54.2% of individuals believe that research to gain a competitive advantage is important, followed by 40.2% of respondents stating that conducting research is very important. Only 5.6% believe that it is of average importance (see Table 5.8).

The general response to this question indicates that research is significant and it is assumed that this organization understands the value attached to conducting research, since it provides information and breadth and depth of knowledge. Research, if conducted thoroughly and with vision, can assist this organization in gaining a competitive advantage by providing understandable information, which may be processed into intelligence after analytical techniques and full analysis have been conducted. West (2001:31) confirms this, stating that information from the information department would simply require analysis to be applied to make a vast impact.

**Question 10**

*Does your organization have a strategy in place to manage competitors?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	104	97.2	97.2	97.2
	Don't know	3	2.8	2.8	100.0
	Total	107	100.0	100.0	

**Table 5.9: Managing competitors via a strategy**

When questioned about whether there is a strategy in place to manage competitors, 97.2% of respondents answered in the affirmative while only 2.8% do not know whether a strategy is in place for this purpose (see Table 5.9).

The interpretation of the responses is that this organization is competitor orientated and understands the significance of having a strategy in place to deal with competition. Such a strategy may encourage innovation and possibly the formation of alliances with customers, which would lead to a competitive advantage. Gilad (1996:17) concurs with the above and affirms that having a strategy in place would have a positive impact on the strategic direction of an organization.

### **Question 11**

*How often do you communicate information about competitors to those in leadership roles?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>Daily</b>	11	10.3	10.3	10.3
	<b>Weekly</b>	47	43.9	43.9	54.2
	<b>Monthly</b>	26	24.3	24.3	78.5
	<b>Never</b>	23	21.5	21.5	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.10: Communicating information about competitors to the supervisor, manager or CEO**

The data obtained reveal that 43.9% of employees give information about competitors to their supervisor (see Table 5.10), manager or CEO on a weekly basis, 24.3% communicate this on a monthly basis and 21.5% never communicate such information, whereas 10.3% do this daily.

The above responses imply that communication generally takes place, which is vital for the transmission of information, knowledge, opinions, ideas and concerns from subordinates to supervisors, managers and board members.

#### **5.4.3 Section C: Information activities**

Enquiries about issues concerning information and knowledge were made in order to gain insight into attitudes about these aspects.



**Question 12**

*Is there a formal information function in your organization?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>Yes</b>	107	100.0	100.0	100.0

**Table 5.11: Formal information function**

All employees of the sample (100%) unanimously state that there is an information function within the organization (see Table 5.11).

It is deemed necessary to have a formal information function within such a competitive organization, since research would be the output from this department thus assisting in providing information and knowledge to individuals in the organization. Farrell (2003) believes that a formal function where information may be sought would have numerous purposes, such as avoiding surprises and furnishing passive intelligence to provide benchmark data or offensive intelligence to identify opportunities in this particular industry.

### Question 13

How often are information collection activities relating to competitors conducted in your organization?

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Daily	5	4.7	4.7	4.7
	Weekly	43	40.2	40.2	44.9
	Monthly	57	53.3	53.3	98.1
	Never	2	1.9	1.9	100.0
	Total	107	100.0	100.0	

**Table 5.12: Frequency of information collection activities regarding competitors**

Information collection activities in relation to competitors are mostly conducted on a monthly basis (see Table 5.12), which accounts for 53.3% of responses, whereas 40.2% conduct this on a weekly basis. Only 4.7% retrieve information on competitors on a daily basis, compared to 1.9% who never engage in this activity.

The above results display clearly that information collection activities are conducted frequently; the bulk of this is performed weekly and monthly. In comparing this with the findings of the study conducted by De Pelsmacker *et al.* (2005:606-620), it is noted that a significant amount of time is spent on information collection activities. It is advantageous to note that information collection activities do take place frequently and it is clear that this organization is competitively minded.

**Question 14**

*To what extent does an environment of knowledge-sharing about competitive issues exist within your organization?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>To a large extent</b>	36	33.6	33.6	33.6
	<b>To a moderate extent</b>	66	61.7	61.7	95.3
	<b>To a small extent</b>	5	4.7	4.7	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.13: Knowledge-sharing about competitive issues**

Statistics reveal that 61.7% of the sample are of the opinion that knowledge-sharing about competitive issues occurs to a moderate extent (see Table 5.13) while 33.6% believe that this occurs to a large extent, 4.7% indicate that this occurs to a small extent.

This organization seems to encourage and practise knowledge-sharing to a sizeable extent and must surely understand that the exchange of existing knowledge breeds new knowledge and ideas. Since it is the age of knowledge, lack of knowledge-sharing would have fatal effects for an organization (Guyton, 1962:84-88).

### **Question 15**

*What influence does knowledge-sharing about competitive issues have on decision-making?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>Very positive influence</b>	41	38.3	38.3	38.3
	<b>Positive influence</b>	66	61.7	61.7	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.14: Influence of knowledge-sharing about competitive issues**

As table 5.14 indicates, 61.7% of respondents believe that knowledge-sharing about competitive issues has a positive impact on decision-making while 38.3% consider this to have a very positive impact.

The benefits of knowledge-sharing are displayed in the statistics revealed; this organization believes exchanging knowledge has a constructive influence, thus creating an environment of continuous learning.

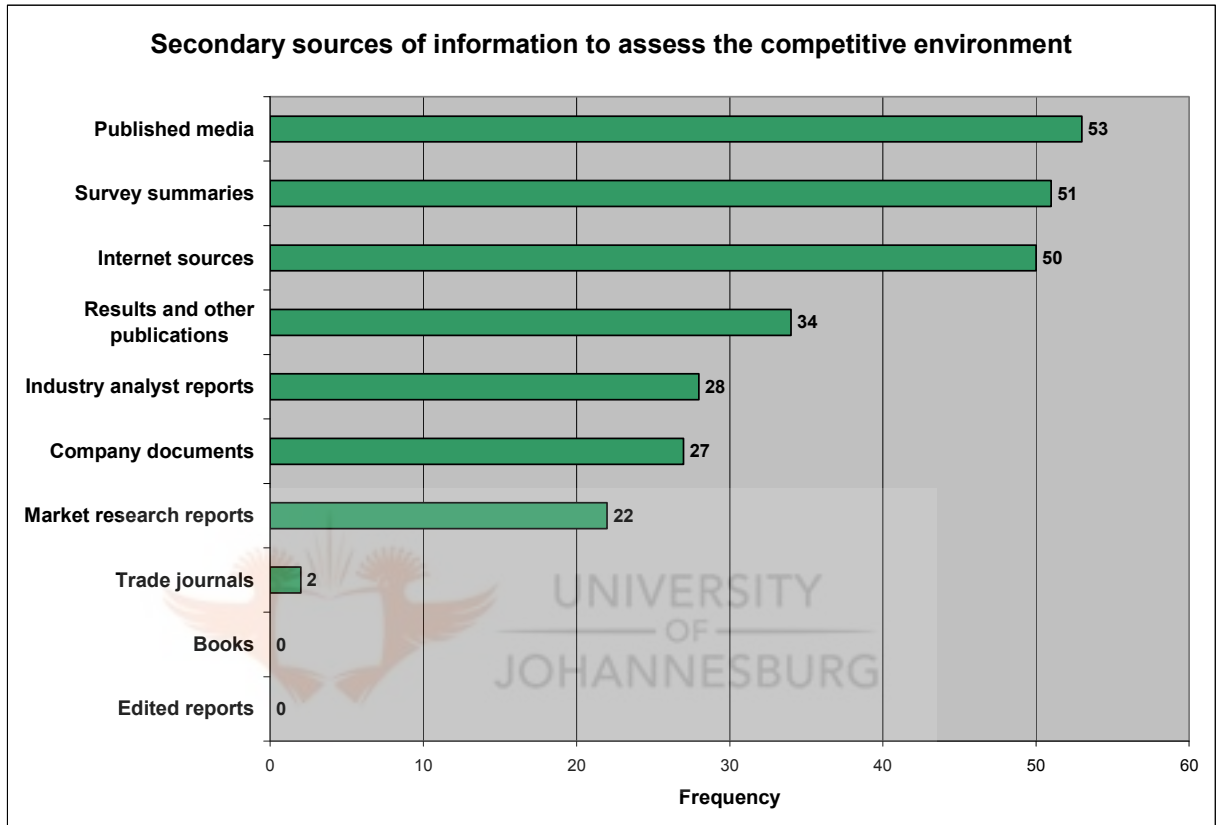
Pole *et al.* (2000:25-31) affirm that a successful organization should focus on enhancing a culture of the transmission of knowledge among individuals and departments within the organization. It is encouraging to notice that this organization does practise this.

#### **5.4.4 Section D: Sources of information**

In this section, it was necessary to interpret which primary and secondary sources of information are accessed by employees in the organization. These were then analyzed.

**Question 16**

*Which secondary sources of information do you use to assess the competitive environment?*



**Figure 5.2: Secondary sources of information consulted**

Based on the data displayed above, 53% of respondents use published media as a secondary source of information to assess the competitive environment, closely followed by 51% who use survey summaries, 50% of respondents who claim that they benefit from making use of Internet sources, 34% who consult results and other publications, 28% who use industry analyst reports, 27% who use company documents, 22% who claim that they read market research reports and only 2% who use trade journals, whereas none of the respondents use books nor edited reports.

Published media are used most, since it is assumed that these offer this organization important information on a favourable time scale to assess the competitive environment by making use of business journals, trade press, academic and semi-academic publications, industry newsletters and conference papers. The results of the study conducted by De Pelsmacker *et al.* (2005:606-620) reveal a similarity in that published media are an important source of information for exporters.

Survey summaries are frequently used in this organization and it is interpreted that this source of secondary information provides excellent focus on pragmatic occurrences in the competitive environment. This organization may then be knowledgeable and aware of the perceptions of individuals on issues being investigated.

The scale at which the Internet is utilized as a secondary source of information as indicated by respondents, is no surprise, since this medium has many advantages, such as speed, and new information on a plethora of topics is available daily. This organization would focus on competitive issues about the import-retail context via the Internet.

The analysis of the use of results and other publications is that this source would provide valuable findings and recommendations which the organization may use.

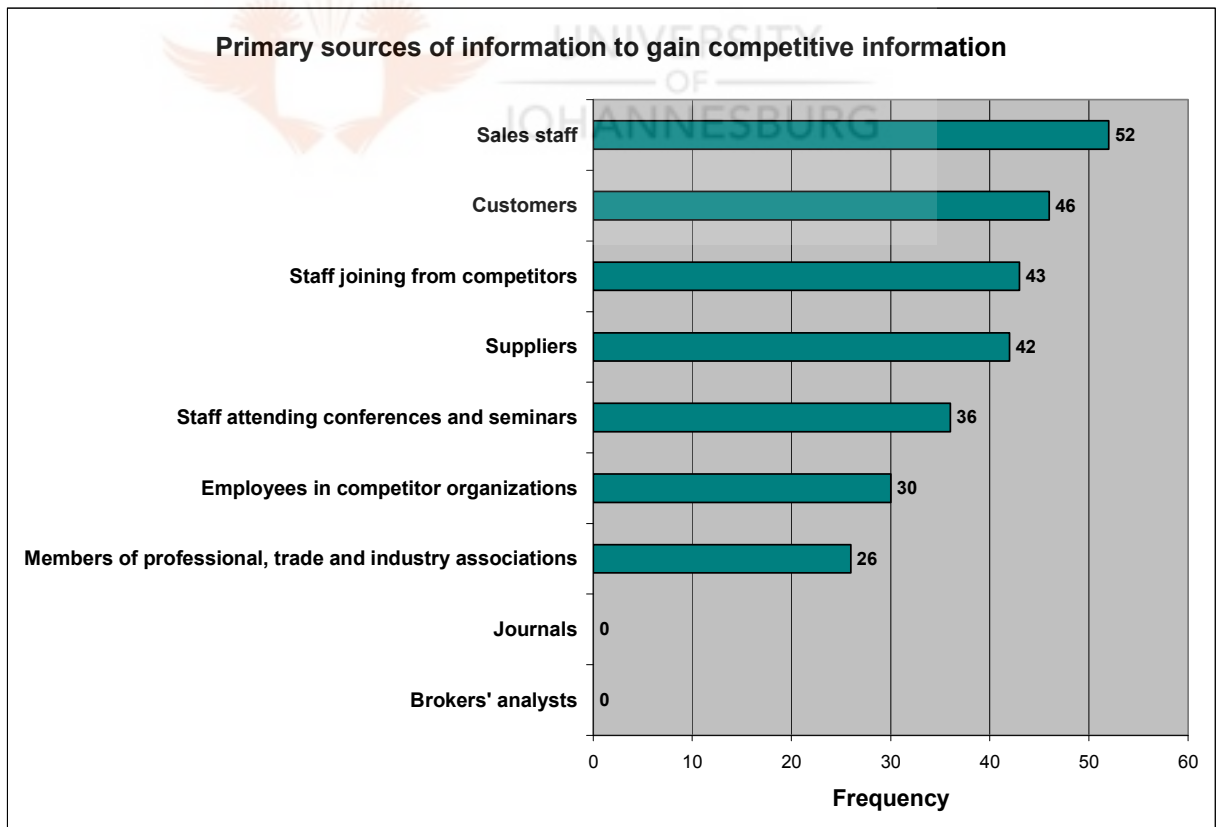
Industry analyst reports, company documents, market research reports and trade journals are not consulted as frequently as the previously discussed sources and the perceived reason for this is that these sources may not be available and accessible on a regular basis, as published media may be for instance.

Books and edited reports are not referred to by respondents and this may be because these sources do not seem to provide valuable and regularly updated competitive environmental information.

The above statistics confirm what West (2001:51) has stated, that a large amount of emphasis is placed on secondary sources as a means of information collection. The benefit, according to McGonagle and Vella (1990:59), is that such sources are economical to consult. However, it is necessary to have ample time to scan through them.

**Question 17**

*Which primary sources of information are used to gain competitive information?*



**Figure 5.3: Primary sources of information consulted**

Figure 5.3 depicts that 52% of respondents claim sales staff to be the most frequent source of primary competitive information, followed by 46% of respondents affirming that customers are an informative source, 43% who state that staff joining from competitors are of use, 42% who gain information from suppliers, 36% who reveal that staff attending conferences and seminars are a primary source of information and 30% of respondents surprisingly believe that employees in competitor organizations may be used to extract information, whereas only 26% of respondents claim that members of professional trade and industry associations are a source of information. Journals and brokers' analysts are not referred to at all.

The conclusion from the above statistics is that this organization uses sales staff who would listen and register comments made by customers about competitors, obtain information from competitors' reception areas, for instance, be sensitive to the deliveries being made to competitors and also pay attention to industry gossip. Such information would be advantageous and this is confirmed by this organization, which uses this source most often. The sales staff or company staff as De Pelsmacker *et al.* (2005:606-620) state are also an important source of information for exporters.

It is interpreted that customers present a wealth of information both directly and indirectly and using them as a source of information may serve as a vital tool to gain competitive information and thus knowledge.

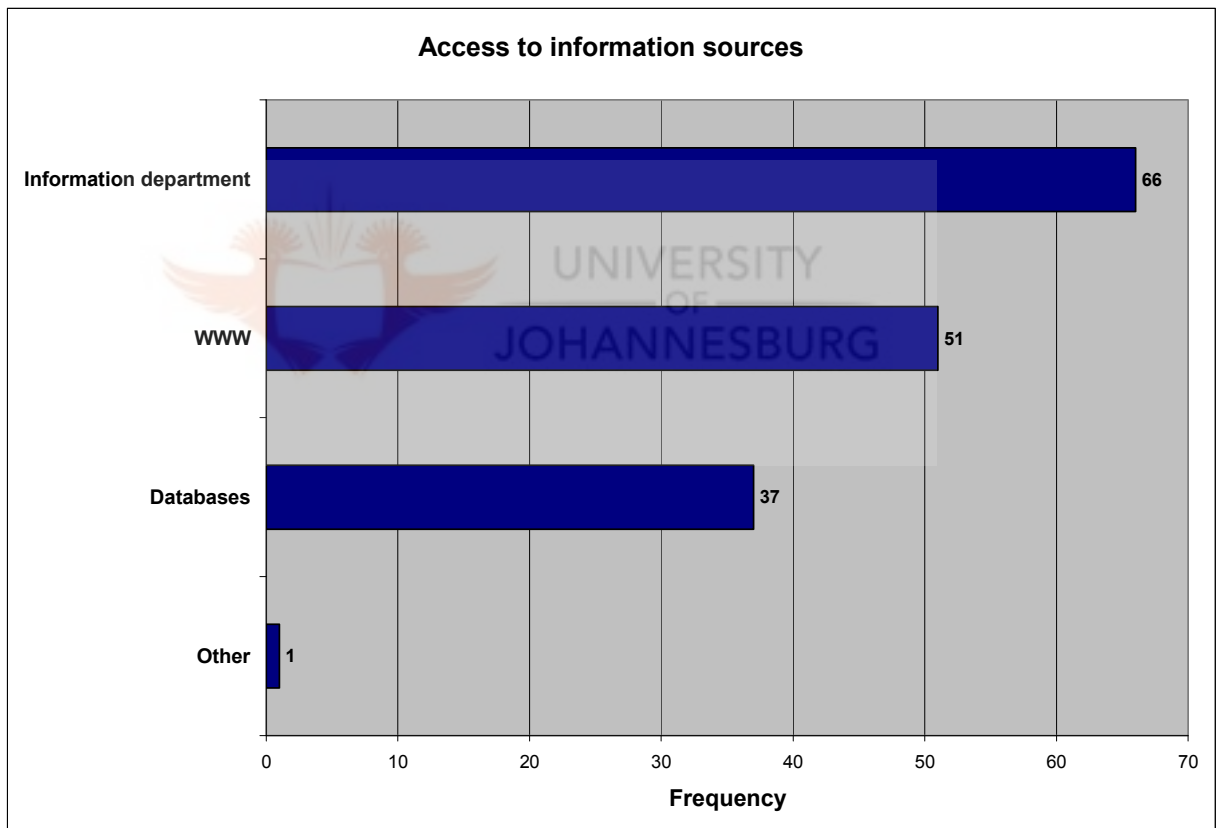
It was interesting to note that a large number of respondents use staff members who are or were employed in competitor organizations as a source of competitive information. The conclusion reached here is that there may be a few individuals who have been recruited from rivals who may provide precious information which may assist this organization in



understanding the strengths and weaknesses of competitors. In understanding these factors, this organization may focus on attaining a competitive advantage through the use of primary sources, which are highly valued, according to Klein (2006). West (2001:87), however, asserts that the boundary between ethical and unethical means to gain information must always be respected.

**Question 18**

*Where do you access the above sources of information?*



**Figure 5.4: Access to information sources**

The graph above depicts where access to primary and secondary information is sourced. The information department is a source consulted by 66% of respondents, 51% claim that the Web is used,

followed by 37% of respondents using databases, whereas only 1% claimed that other sources are used to gain access to information.

The conclusion reached here is that the information department seems to be a reliable source of information, since it is deemed to be a popular source of providing for the informational needs and requirements of employees of this organization. This proves that it is vital to have an information department in this organization. The conclusion on the proficient use of the Web is that it provides employees with easy access to an enormous amount of information. De Pelsmacker *et al.* (2005:606-620) state that using the Web to find information is advantageous compared to consulting publicly available publications.

This organization uses databases albeit to a more limited degree, according to respondents. The interpretation is that the advantage of using databases is the saving of a significant amount of time, not having to search through masses of information, and one may gain access to instant knowledge (Pollard, 2003:106).

#### **5.4.5 Section E: Analysis**

Since the collection of information has been attended to, analysis follows and it is significant to assess the analytical practices focusing on this organization, compared to its competitors.

**Question 19**

*Does your organization network with external industry contacts to help gather and interpret business information?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	90	84.1	84.1	84.1
	No	5	4.7	4.7	88.8
	Don't know	12	11.2	11.2	100.0
	Total	107	100.0	100.0	

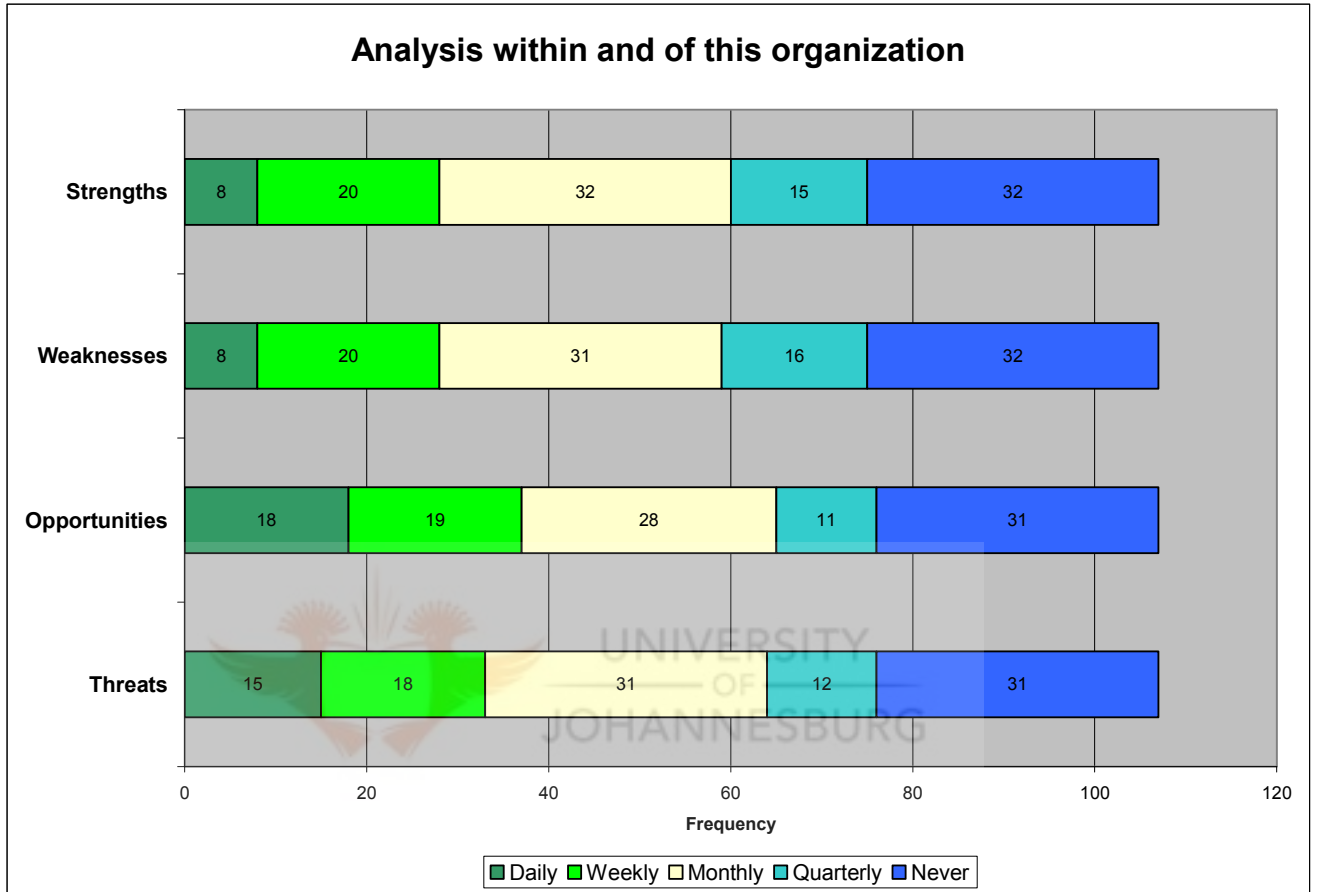
**Table 5.15: External industry contacts as a source of information**

According to the captured data (see Table 5.15), 84,1% of respondents broadly indicate that this organization does maintain a network of external industry contacts as a source of information; 11.2% do not know of such industry contacts, compared to 4.7% who state that the organization does not have such linkages.

The conclusion reached here is that it is deemed important to have associations with individuals outside the organization who may provide information and analysis in terms of enhancing competitiveness. Another similarity is noticed with the study conducted by De Pelsmacker *et al.* (2005:606-620), where having personal contacts outside the organization seem to be of significance.

**Question 20**

*How often do you analyze strengths, weaknesses, opportunities and threats of your organization?*



**Figure 5.5: Analysis within and of this organization**

According to the graph above, it is noted that, in the context of this organization, 8% of respondents analyze their organization’s strengths on a daily basis, 20% on a weekly basis, 32% on a monthly basis, 15% analyze these quarterly, whereas 32% of respondents never analyze the strengths of this organization.

In terms of weaknesses, 8% of respondents claim that they analyze this area daily, 20% analyze it weekly, 31% interpret this field on a monthly basis, 16% conduct this analysis quarterly and 32% never do analysis.

Opportunities are analyzed daily by 18% of respondents, weekly by 19%, monthly by 28%, quarterly by 11% and 31% never analyze opportunities.

In focusing on threats, these are analyzed daily by 15% of respondents, weekly by 18%, 31% analyze this area monthly compared to 12% who analyze it on a quarterly basis and 31% alarmingly do not analyze threats within the organization.

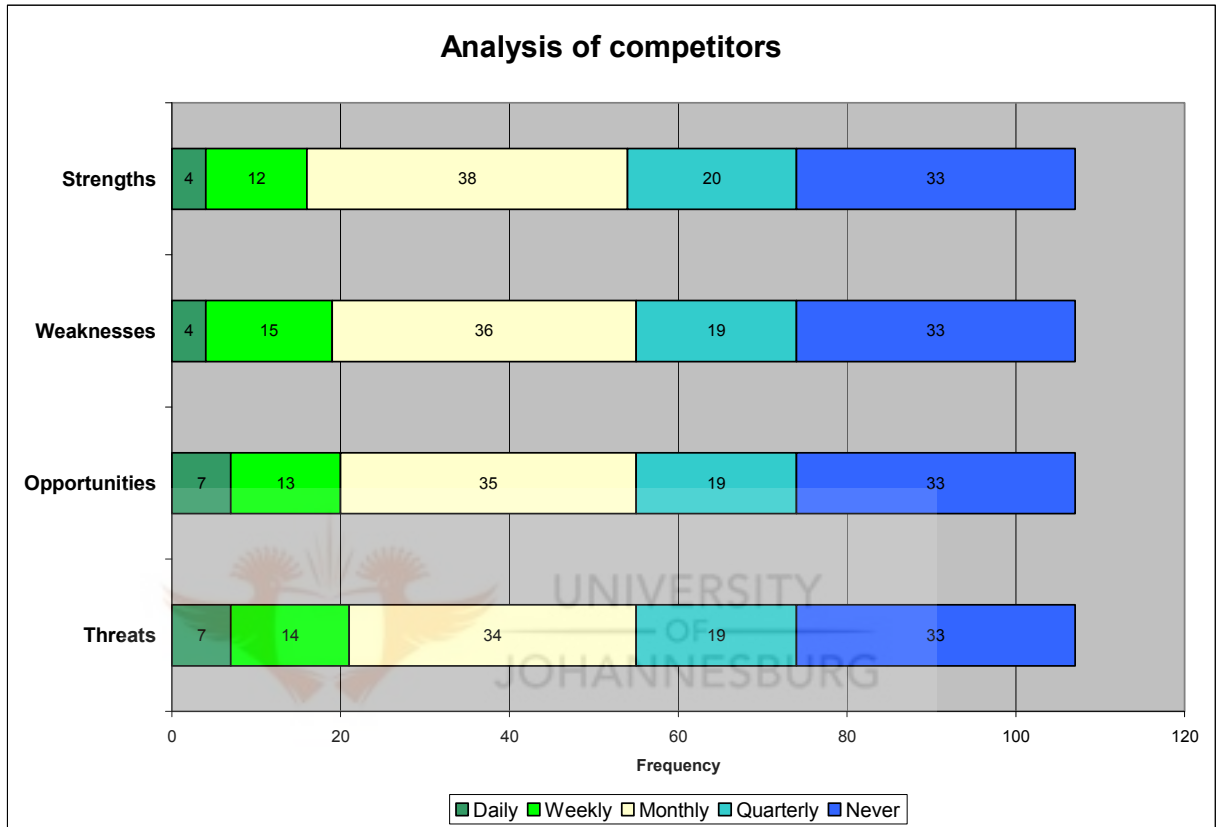
The conclusion drawn from the above statistics is that this organization seems to attach significance and weight to the analysis of identifying opportunities. This implies that this organization is future-oriented and seeks to establish itself as a fierce competitor by identifying, analyzing and then pursuing opportunities.

It was concerning to note that a large number of respondents do not analyze the strengths, weaknesses, opportunities and threats in the organization. This finding within this organization agrees with the findings of De Pelsmacker *et al.* (2005:606-620), who observed that South African export organizations spend more time on information collection and less on evaluation and analysis.

A SWOT analysis is a useful tool, since it may provide CI analysts with a comparison between their organization and that of competitors and indications of how the future may be shaped (Kahaner, 1996:98)

**Question 21**

*How often do you analyze strengths, weaknesses, opportunities and threats of competitors?*



**Figure 5.6: Analysis of competitors**

According to the statistics relating to an analysis of competitors, 4% of respondents claim that they analyze this area daily, 12% analyze this weekly, 38% on a monthly basis, 20% quarterly and 33% never analyze this environment.

In terms of analyzing competitors' weaknesses, 4% of respondents analyze this on a daily basis, 15% weekly, 36% on a monthly basis and 19% on a quarterly basis, whereas 33% never analyze the weaknesses of rivals.

Opportunities that competitors may pursue are analyzed daily by 7% of respondents, 13% analyze this weekly and 35% on a monthly basis and 19% conduct such analysis quarterly, while 33% never involve themselves in this field of analysis.

The areas that may threaten competitors are analyzed daily by 7% of respondents, 14% analyze this on a weekly basis, 34% analyze these areas on a monthly basis, whereas 19% of respondents analyze them quarterly and 33% never monitor competitor threats.

The interpretation of the above statistics is that analysis of competitors mostly takes place on a monthly basis. It is, however, encouraging to note that respondents claim that such analysis is conducted more frequently, e.g. on a daily or weekly basis. It is clear that this organization understands that it cannot only be aware of its own environment; it also needs to be well acquainted with competitors' strengths, weaknesses, opportunities and threats. The ability to be aware of the business environment is thus vital (Kahaner, 1996:24).

It was interesting to find that 33% of respondents never analyze competitors' strengths, weaknesses, opportunities or threats. This may possibly be due to the fact that such analysis falls outside the job description of these individuals.

#### **5.4.6 Section F: Dissemination**

The aim of this section was to interpret the disseminated products and to gain an understanding of the quality of such products within this organization.

**Question 22**

*In your organization, are there disseminated products distributed that are competitive in nature?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	90	84.1	84.1	84.1
	No	8	7.5	7.5	91.6
	Don't know	9	8.4	8.4	100.0
	Total	107	100.0	100.0	

**Table 5.16: Disseminated products within the organization**

In terms of assessing whether there are disseminated products that are competitive in nature within the organization (see Table 5.16), 84.1% indicated that there are such products. On the other hand, 8.4% did not know about these products compared to 7.5% stating that no products were disseminated.

The large number of respondents indicating that products that are competitive in nature are disseminated leads to the conclusion that emphasis is placed on the creation of such products to meet the requirements of individuals in the organization.

Baumand (1994:53-55) believes that disseminated products must therefore highlight the bottom-line interests of those that may have requested such products.



### **Question 23**

*If you answered yes in the previous question, name the products.*

Most respondents who answered yes stated that these products are in the form of e-mail, corporately produced reports relating to competition and presentations.

### **Question 24**

*How would you rate these disseminated products in providing competitive insight?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
<b>Valid</b>	<b>Excellent</b>	2	1.9	2.2	2.2
	<b>Good</b>	28	26.2	30.8	33.0
	<b>Average</b>	48	44.9	52.7	85.7
	<b>Poor</b>	13	12.1	14.3	100.0
	<b>Total</b>	91	85.0	100.0	
<b>Missing</b>	<b>System</b>	16	15.0		
<b>Total</b>		107	100.0		

**Table 5.17: Rating of the disseminated products**

In assigning a rating to the disseminated products in terms of providing competitive insight (see Table 5.17), 52.7% indicate that they are average in nature, 30.8% state that they are good and 14.3% specify that they are poor, while only 2.2% rate the products as excellent.

Generally, it is noted that the disseminated products are not of an excellent quality, since they fall into the category of good and average. This may present room for improvement, as quality disseminated products are vital for the circulation of knowledge.

Bernhardt (2003:60) provides reasons for the above products not being of a high standard. Needs are possibly not clearly defined or there may be no clarity in key findings in the context of the organization or poor recommendations for future effort.

**Question 25**

*How often do you use these disseminated products?*

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
<b>Valid</b>	<b>Daily</b>	1	.9	1.1	1.1
	<b>Weekly</b>	29	27.1	31.9	33.0
	<b>Monthly</b>	32	29.9	35.2	68.1
	<b>Ad Hoc</b>	26	24.3	28.6	96.7
	<b>Never</b>	3	2.8	3.3	100.0
	<b>Total</b>	91	85.0	100.0	
<b>Missing</b>	<b>System</b>	16	15.0		
<b>Total</b>		107	100.0		

**Table 5.18: Frequency of use of disseminated products**

It is observed that 35.2% of respondents use disseminated products monthly, 31.9% weekly, 28.6% on an ad hoc basis and 3.3% never use these products, while 1.1% make use of these products daily (see Table 5.18).

It is encouraging to observe that most disseminated products are used regularly, although rarely on a daily basis.

**5.4.7 Section G: Decision-making**

This section was devised to tally the number of occurrences in which disseminated products had assisted in decision-making.

**Question 26**

*In how many instances have products which are competitive in nature played a role in decision-making within the past month?*

		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
<b>Valid</b>	<b>0</b>	24	22.4	22.4	22.4
	<b>1 – 5</b>	64	59.8	59.8	82.2
	<b>6 – 10</b>	19	17.8	17.8	100.0
	<b>Total</b>	107	100.0	100.0	

**Table 5.19: Decision-making**

It is observed that 59.8% of the members of the sample state that disseminated products assisted in decision-making in the past month between one and five times whereas 22.4% believe that this had no impact on decision-making and 17.8% state that it influenced decision-making between six and 10 times (see Table 5.19).

Based on the statistics above, it is disappointing to note that such a large number of individuals consider disseminated products not to have assisted or influenced decision-making. However, it is good to notice that such products have assisted the organization many times in between one and five or six and 10 cases over the past month. The use of these products is bound to have a positive effect on the organization and thus competitiveness.

Miller (2001:2) asserts that the true challenge of receiving disseminated products is to use them effectively to ensure that productive decision-making is the outcome.

## 5.5 Conclusion

The aim of this chapter was to execute the research methodology used for the empirical survey. The frequencies and results of the completed questionnaire were analyzed in the context of a mass import-retail organization.

It was found that:

- This organization is dedicated to establishing gender equality.
- This mass import-retail organization is fairly youthful and attaches importance to educational qualifications.
- The majority of respondents have been employed for three to four years and most positions are within the managerial and consultant capacity.
- Coping with changes in the business environment is dealt with adequately in the context of intense competition.
- Of all the environments, the economic sphere is monitored most frequently to gain information on competitors.
- Research is deemed to be significant to gain a competitive advantage.
- This organization deals with competition by employing a strategy.
- Communication generally takes place regularly.
- There is an information function within this organization and information collection activities are frequently conducted.
- The exchange of knowledge is generally undertaken and this has a positive influence on decision-making.
- Published media as a secondary source of information is utilized the most whereas sales staff as a primary source of information are used most.

- Most of the information is sourced from the information department followed by the Web and lastly databases.
- This organization communicates with external industry contacts who assist in analyzing business information.
- The analysis of this organization's strengths, weaknesses, opportunities and threats is usually conducted on a monthly basis.
- The analysis of competitors' strengths, weaknesses, opportunities and threats is usually conducted on a monthly basis.
- Most respondents claim that products that are competitive in nature are disseminated; however, their quality is rated as average and they are mostly used on a monthly basis.
- The disseminated products assist in decision-making.

The following chapter will discuss the conclusions reached relating to the research problem and recommendations on future research possibilities in this study field will be presented.

## **CHAPTER 6: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 INTRODUCTION**

This chapter is aimed at providing a summary of the entire study, as well as deriving conclusions based on the findings of the empirical study along with areas for future research.

### **6.2 SUMMARY**

The objective of this study was to determine the level of importance attached to CI at a mass import-retail organization.

Chapter 2 focused upon the importance of implementing CI in an organization. The growth of CI was first discussed and thereafter a framework on how CI is usually implemented in an organization was explored. Following this, a few of the many benefits of implementing CI were focused upon, namely to anticipate changes in the marketplace, foresee movements of competitors, enable business strategies, learn about political or legislative regulations and enter into new business ventures. This chapter also dedicated effort towards the various organizational structure options available for organizations to pursue. A discussion of a CI culture was investigated and it was important to note a few points on how this could be established. This was followed by measuring the cost of implementing CI compared to the benefits realized. Lastly, a discussion relating to the ethical sphere of practising CI was explored and it was concluded that organizations must at all times adhere to legislation concerning criminal law, copyright law and data-protection legislation.

The CI cycle was discussed in depth and Chapter 3 was dedicated to the first two phases of this cycle, namely planning and collection. Planning entails the manner in which direction is gained with regard to the intelligence that is required and is determined by means of a needs assessment. KITs were attended to and this indicated how these can be employed by ascertaining the needs and requirements of individuals. KITs compel executives to give thought to their exact intelligence requirements. Therefore, the first phase is the most significant element of the CI cycle, since all tasks that follow are dependent on a well-instituted plan. Emphasis was then placed on the various dynamics of phase two, which is the collection of information from both secondary and primary sources.

The focus of Chapter 4 was on providing insight into the final two phases of the CI cycle, analysis and dissemination. Analysis is used to convert raw information into intelligence for consumption. However, such intelligence must be specific to the needs and requirements of users and represent value to them. The discussion on analysis included the different methods of data analysis, analysis sub-processes and analysis techniques. In addition to this, company analysis, SWOT analysis, early warning analysis, strength and weakness analysis and competitor response analysis were also explored. After analysis had been discussed, dissemination was attended to, as the final intelligence products are required to be distributed to recipients. This section explored the various considerations which need to be taken into account to ensure successful dissemination and this will ensure that CI is effectively communicated through various channels, along with a discussion of various products that are available to disseminate CI. Lastly, this chapter dealt with gaining an understanding of the manner in which CI influences decision-making. It was noted that intelligence is a

means of reducing uncertainty and therefore quality decisions may be enhanced by utilizing CI.

The focus of Chapter 5 was a discussion of the empirical study by addressing the research methodology employed, followed by a discussion of the manner in which the questionnaire was constructed and administered to 107 participants in a mass import-retail organization. A major highlight of this study was attaining a response rate of 100%. The results of the completed questionnaires were discussed and a few important conclusive findings are presented below.

- Based on the answers to a number of questions probing the depth of importance of competitiveness at this organization, this organization had fared well in coping with the business environment and in confronting intense competition. This would allow the organization to perform competitively and thus strive to achieve a competitive advantage.
- Functioning in a competitively intense environment requires tenacity from this organization and monitoring changes in the external environment on a regular basis serves to keep it informed about the environment in which it operates.
- Regular communication within the organization with regard to competitors seems to create a culture of knowledge-sharing, which is vital in establishing a CI culture.
- Research to gain a competitive advantage is considered important within this organization, since it seems to provide information and knowledge on various areas to recipients.
- It is of paramount importance to manage an organization's competitors via a strategy since this would indicate that competitiveness is a strategic issue that is regarded as significant. It was motivating to note that almost all respondents claimed that



there is a strategy in place to manage competitors and the benefits of this is realized.

- The frequency of collecting information and sharing knowledge about competitors indicates the level of importance attached to competitiveness within the organization.
- This organization attaches priority to information collection activities regarding competitors, which is reflected in eagerness and dedication to be knowledgeable about occurrences. Both primary and secondary sources of information are important to consult. It was noted that those sources from which information is available speedily are accessed most, such as published media, survey summaries, Internet sources, sales staff, customers and staff joining from competitors.
- In terms of analysis, this organization has linkages with external industry contacts to analyze information, which indicates that gaining knowledge about issues pertaining to the organization is of prime importance.
- External industry contacts as a source of information seem to be valued and this would be valuable in the analysis of information and for gaining objective viewpoints.
- Analysis does take place within this organization. However, the bulk of this is conducted on a monthly basis, which may present an area of improvement.
- Products that are competitive in nature are distributed within the organization, although the quality seems to be rated as average, which could be the reason why these products are usually only consulted mostly on a monthly basis.
- It is encouraging to note that in most cases, the disseminated products are in fact used regularly for the purpose of decision-making although there were responses indicating that these products do not influence decision-making.

**In attempting to solve the problem statement, it was concluded that this organization does attach a reasonably high level of importance to CI, based on the research findings.**

### **6.3 RECOMMENDATIONS**

Prior to the recommendation to implement a CI function in this organization, it is necessary to provide a few recommendations based on the findings of the questionnaire results. It was noted that there are areas this organization may improve upon:

More communication should take place on a daily basis between employees and top management, since the results display that most communication takes place on a weekly or monthly basis, which may be seen as a flaw.

A large number of respondents do not monitor the business environment or analyze strengths, weaknesses, opportunities and threats of their organization or those of competitors, which is a major vulnerability. This deficiency could be addressed by dedicated CI professionals who would attend to these tasks upon implementation of a CI function.

Another weakness is that the disseminated CI products are mostly considered to be average in quality and these products are not used frequently enough. Once again the recommendation is to assign the creation of these products to the CI function.

The recommended manner in which this mass import-retail organization can implement a CI function is detailed below, based on steps provided by Farrell (2003).

### **Step 1: Gaining executive management support and encouragement**

From the outset, the complete commitment to CI from the board members as well as the executive committee members in this organization must be gained and the recommended manner of doing this is to demonstrate the benefits of a CI function to these individuals. It would be necessary for a “champion” to be selected in a highly ranked position within this organization and this “champion” should be responsible and accountable for the direction and implementation of the CI function. It is suggested that this step should also include the recruitment of personnel from a CI or related background who would represent the human capital for this function.

### **Step 2: Assigning a CI manager**

Once CI professionals are recruited, the individual with the highest qualifications and most experience should be appointed as a full-time CI manager. Such a manager should ultimately be responsible for activities relating to planning, collection, analysis and dissemination of CI. Regular interaction with top management should be carried out.

### **Step 3: Performing a stakeholder analysis**

In this step the CI manager would be asked to identify who the users of CI would be. In the context of this organization the board members, executive committee members, managers and consultants would most likely be the target group. The exact intelligence needs of these individuals should be ascertained.

### **Step 4: Establishing the purpose, direction and policies**

This phase should aim to formalize CI within the mass import-retail organization by devising a statement of purpose, direction and policies

regarding CI. The products to be delivered and resources required for their delivery should be clearly affirmed by the selected CI manager. It is recommended that the CI function be incorporated into the information department, as this integration would seem to work well within this organization.

### **Step 5: Performing an information audit**

It would be necessary to identify the information that already resides within the organization in order to gain an understanding of how this organization deals with information and this would provide comprehension of how information tasks and activities are aligned with the organizational objectives. This would best be done by following seven steps, described by Henczel (2000:210-226).

Planning is the first step through which an understanding of the information in the organization is attained and objectives are developed to determine the scope and resource allocation of information. A methodology would have to be chosen, followed by developing a communication strategy and then gaining management support.

Secondly, data collection would require this organization to collect data in order to achieve its set objectives. Thirdly in the information audit is the analysis of data, through which this organization would have to interpret and analyze the data that has been collected and this would reveal gaps, duplications and over-provision of information resources.

Evaluating the data forms part of the fourth step where problems and opportunities may be identified and interpreted within the context of this organization. The fifth step involves the communication of recommendations by attending to identified problems followed by the sixth step which is the implementation of the recommendations made in

the previous step. Finally, as the organization changes, so too will its information, and continual refinement is required by this organization.

### **Step 6: Conducting a SWOT analysis**

In this step it is essential to have an objective mindset in determining the strengths, weaknesses, opportunities and threats regarding this organization and that of competitors and to assess how CI would assist in the management of these dynamics.

### **Step 7: Identifying the critical success factors**

In order for CI to function optimally within this organization, it would be necessary to devise a few critical success factors, namely gaining top management involvement, having a clear understanding of what is important and required within this organization, being proficient at converting information into intelligence, ensuring that all employees are involved in CI and lastly maintaining ethical standards of CI operation (eCompetitors, 2006).

### **Step 8: Deciding on strategies**

This step involves a long-term plan of action regarding CI, which should be aligned with this organization's overall strategy, which the CI manager must be well acquainted with. It would be vital for this organization to implement a CI strategy that is capable of managing market share in relation to that of competitors. The ultimate outcome would be to achieve a competitive advantage based on this organization's core competencies.

### **Step 9: Outlining the action plans**

Action plans can be assigning individuals to perform certain tasks and the time frame in which these tasks should be decided upon is done by

the CI manager in order for the CI strategy to be realized. Constant reviews should take place in order to ensure that what is set out in step four is in fact accomplished.

#### **6.4 AREAS OF FUTURE RESEARCH**

There is no doubt that CI is a tool that organizations may use to realize many benefits. However, since CI is expected to play a key developmental role in South Africa in the future, further research is required in this field.

This study has been restricted to one mass import-retail organization in South Africa and future research may be expanded to study this industry in more depth to find differences or similarities, both locally and internationally.

Since this study was restricted to a mass import-retail organization, it would be revealing to specifically study South African mass export-retail organizations to identify similarities or differences in this area.

Since this study focused on the level of importance attached to CI in this organization, other areas that may be pursued for further research could be examining the level of maturity of CI in organizations after it had been implemented for a period of time. It may then be determined whether CI is being utilized as a strategic function or not.

As a follow-up to this study, it would be enlightening to investigate the success of implementing a CI function within this organization.

## **6.5 CONCLUSION**

The dynamics of CI were explored in depth to reveal that this business science is the systematic process of planning to gather, analyze and disseminate intelligence relating to the movements of competitors, as well as the general business environment to further an organization's goals. It is clear that CI places emphasis on creating knowledge from obtainable information by using a systematic process, after which decision-makers would be able to take action to realize a competitive advantage.

The objective of this study was to determine the level of importance attached to CI at a mass import-retail organization and it was found that a relatively high level of importance is attached to it, based on the results and analysis. In addition, achieving an excellent response rate of 100% was deemed to be indicative of the importance and true zeal ascribed to CI in this organization conveyed both by the CEO as well as the respondents' compliance to instructions. However, although there are activities pertaining to CI within this organization, it is emphasized that a formal CI function should be implemented to achieve optimal competitive performance.

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## APPENDIX A: COVERING LETTER



23 April 2007

Dear Sir/Madam

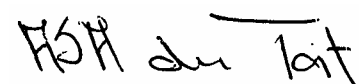
Mr Mohsin Begg is a registered student in this Department and is engaged with research on the competitiveness of South African companies in order to fulfil the requirements for a Masters degree in Information Science.

Because little research has been done about this specific topic in South Africa, the results of the study will benefit managers of firms. The need to enhance South African companies' competitiveness has grown rapidly. There is an overload of information, the Internet has made information accessible to most and companies have come to rely on making better use of information to create and sustain a competitive edge.

I realize that we are all short of time, and that by completing the questionnaire will take up some of your time. However, we do need your co-operation, without which Mr Begg shall be unable to complete his research. All the information will be treated as strictly confidential and your anonymity will be guaranteed.

If required, Mr Begg will feed back the results of his research so that managers can select ideas and facts which could be useful to their particular needs.

Thank you very much for your kind co-operation.



Prof ASA du Toit  
Chair: Department of Information and Knowledge Management  
Tel: 011 489 2186

Fax: 011 489 2822  
E-mail: [adutoit@uj.ac.za](mailto:adutoit@uj.ac.za)



## Masters Survey

Competitiveness has become a topical issue in South Africa and amongst South African companies. The manner in which an organization manages competition is seen to shape its future whilst protecting it from competitor threats.

I would greatly appreciate your participation by answering the questions below. Your input to this study is crucial to obtain credible data and provide South African managers with an in-depth look into the current use of information to obtain a competitive advantage.

The estimated time to complete this questionnaire is **9-12** minutes. I would like to assure you that confidentiality is guaranteed and that your response will remain **anonymous**. The information you provide will not be used for any purpose other than the intended academic work.

Please complete the questionnaire electronically (in Word), saving it and e-mailing the questionnaire to me: [mbeggmail@yahoo.com](mailto:mbeggmail@yahoo.com)

Alternatively you can fill it in by hand.

Should you require any additional information or assistance in completing this questionnaire, please contact me.

### Contact details:

Mohsin Begg

E-mail: [mbeggmail@yahoo.com](mailto:mbeggmail@yahoo.com)

Cell: 07 66 00 9841

Thank you for your time, your consideration and your valued input.

## APPENDIX B: QUESTIONNAIRE

Please answer each question by entering an (X) next to your answer in the appropriate box.

*Example:*

Your Gender? *If you are male, mark as follows*

1  Male

2  Female

### Section A: Background information

1) Your gender

1  Male

2  Female

2) Your age in years?

1  18 – 25

2  26 – 30

3  31 – 35

4  36 – 40

5  40 +

3) What is your highest educational qualification?

1  Less than Grade 12

2  Grade 12

3  Post school diploma or certificate

4  Bachelor's degree

5  Honours degree or other 4-year degree (BTech)

6  Masters Degree

7  Doctoral Degree

4) How long in complete years have you been employed in your organization?

1  Less than a year (i.e. 0 years)

2  1 – 2 years

3  3 – 4 years

4  5 years or more

5) Which ONE of the following best describes your position within the organization?

- 1  Board (CEO, CFO, COO) level
- 2  Executive committee member
- 3  Director
- 4  Manager/Business unit head level
- 5  Consultant
- 6  Other .....

**Section B: Competitive situation**

6) In your opinion, how well does your organization cope with changes in the business environment?

- 1  Above average (i.e. they cope very well)
- 2  Average (i.e. they cope)
- 3  Below average (i.e. they do not cope well)

7) How intense do you believe is competition in your business environment?

- 1  Very intense
- 2  Intense
- 3  Not intense



8) In order to gain information on competitors, how often do you monitor each of the following environments?

	Daily	Weekly	Monthly	Quarterly	Yearly	Never
Economic	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Political	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Technological	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Social	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Legal	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Other .....						

9) How important do you believe is research to gain an advantage over competitors in your organization?

- 1  Very important
- 2  Important
- 3  Of average importance
- 4  Not important

10) Does your organization have a strategy in place to manage competitors?

- 1  Yes
- 2  No
- 3  Don't know

11) How often do you communicate information relating to competitors to your supervisor, manager or CEO?

- 1  Daily
- 2  Weekly
- 3  Monthly
- 4  Quarterly
- 5  Never

### **Section C: Information activities**

12) Is there a formal **information function** within your organization?

- 1  Yes
- 2  No
- 3  Don't know

13) How often are information collection activities relating to competitor's conducted in your organization?

- 1  Daily
- 2  Weekly
- 3  Monthly
- 4  Once every 3 months
- 5  Once every 6 months
- 6  Once a year
- 7  Less than once a year
- 8  Never

14) To what extent does an environment of knowledge-sharing exist about competitive issues within your organization?

- 1  To a large extent
- 2  To a moderate extent
- 3  To a small extent
- 4  To no extent (not at all)

15) What influence does knowledge-sharing about competitive issues have on decision-making?

- 1  Very positive influence
- 2  Positive influence
- 3  Neither a positive nor negative influence
- 4  Very negative influence

**Section D: Sources of information**

16) Which of the following secondary sources of information do you use to assess the competitive environment? (Mark all applicable)

- 1  Industry analyst reports
- 2  Internet sources
- 3  Edited reports
- 4  Trade journals
- 5  Books
- 6  Survey summaries
- 7  Results and other publications
- 8  Market research reports
- 9  Company documents
- 10  Published media

17) Which of the following sources of primary information are used in your organization to gain competitive information? (Mark all applicable)

- 1  Sales staff
- 2  Staff joining from competitors
- 3  Members of professional, trade and industry associations
- 4  Staff attending conferences and seminars
- 5  Employees in competitor organizations
- 6  Customers
- 7  Suppliers
- 8  Brokers' analysts
- 9  Journalists

18) Where do you gain access to the above sources of information in your organization? (Mark all applicable)

- 1  Information department
- 2  Databases
- 3  WWW
- 4  Other .....

**Section E: Analysis**

19) Does your organization’s information department maintain a network of external industry contacts to help gather and interpret business information?

- 1  Yes
- 2  No
- 3  Don’t know

20) How often do you analyze each of the following (strengths, weaknesses, opportunities and threats) of your **organization**?

	Daily	Weekly	Monthly	Quarterly	Yearly	Never
Strengths	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Weaknesses	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Threats	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>

21) How often do you analyze each of the following (strengths, weaknesses, opportunities and threats) of your **competitors**?

	Daily	Weekly	Monthly	Quarterly	Yearly	Never
Strengths	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Weaknesses	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
Threats	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>

**Section F: Dissemination**

22) Are there any products that are disseminated in your organization which are competitive in nature such as competitive profiles etc.?

- 1  Yes
- 2  No
- 3  Don’t know

23) If you answered **YES** in the previous question, name the competitive products below. If answered **NO** please proceed to question 29.

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24) How would you rate the above disseminated products in terms of providing competitive insight?

- 1 [ ] Excellent
- 2 [ ] Good
- 3 [ ] Average
- 4 [ ] Poor
- 5 [ ] Very Poor

25) How often do you use the above named disseminated products?

- 1 [ ] Daily
- 2 [ ] Weekly
- 3 [ ] Monthly
- 4 [ ] Ad Hoc
- 5 [ ] Never

**Section G: Decision-making**

26) In your opinion in how many instances have products that are competitive in nature played a role in decision-making within the past month?

- 1 [ ] 0
- 2 [ ] 1 - 5
- 3 [ ] 6 - 10
- 4 [ ] 11 - 15
- 5 [ ] 16 +



-----END OF QUESTIONNAIRE-----

Thanking you  
Mohsin Begg