

AN ASSESSMENT OF THE LEVEL OF MATURITY OF THE COMPETITIVE
INTELLIGENCE FUNCTION WITHIN A SOUTH AFRICAN RETAIL BANK

by

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ABSTRACT

This research is a study of the level of maturity of the Competitive Intelligence (CI) function within a South African retail bank. In particular it focussed on the level of maturity of the CI function as evidenced in the various elements of its CI function, namely the key information needs of CI users, CI deliverables and capabilities, analytical products, relationship with management, sources of information, personnel their skills and training as well as the period of time the CI function has been operational. The results indicated that the CI function as a whole was at a Mid-Level of maturity, with the underlying elements of the CI functions surveyed and the literature review being supportive of this finding.



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1 CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

Competitive Intelligence (CI) plays a key role in companies' strategic management toward sustaining competitive advantage. Thompson and Strickland (2003:148-149) state that winning business strategies are grounded in sustainable competitive advantage. Bateman and Snell (2002:120-121) state that successful strategic management depends on an accurate and thorough evaluation of the external environment.

In KPMG's (2004:13) analysis of the South African (SA) banking industry for the year ended December 2003, it's noted that since the beginning of the 1990s, the SA banking industry is going through substantial changes. Companies need CI now more than ever - Kahaner (1996:28-31) sights the following reasons for this:

- The pace of business is increasing rapidly.
- Information overload.
- Increased global competition from new customers.
- Existing competition is becoming more aggressive.
- Political changes affect us quickly and forcefully.
- Rapid technological change.

On CI in South Africa, Muller (2004:31), notes that CI is enjoying increased prominence but is not yet at a level of that in countries such as the USA, Australia, Japan, France and Canada. With the recognition that competitive challenges and risks will increase significantly in the future, there is an increasing need to continuously monitor the competitive landscape to remain competitive. Most companies recognise the need to improve the quality and integration of their CI, but may seem unsure of how to adopt more effective, integrated and systematic approaches to CI. To date only two comprehensive research studies have been conducted into the CI practices of South African companies. Muller (2004:35-37) notes that these research studies focussed on the pharmaceutical and import/export industries in South Africa.

The significant challenges posed by SA banking's external environment, establish a growing need for, and, understanding of CI in this environment, which is addressed by this research study.

1.2 RESEARCH OBJECTIVES

1.2.1 PRIMARY RESEARCH OBJECTIVE

The primary objective of this research is to establish the level of maturity of the CI function within a South African retail bank based on key characteristics for different levels of maturity.

1.2.2 SECONDARY RESEARCH OBJECTIVES

The secondary objectives of this research are to make recommendations to management of the organisation on how to extend its CI function. This will be achieved by addressing the following problems:

- Why is CI needed in the organisation?
- What are the origin, status and future of CI as discipline?
- What components are included in the CI process?
- How is CI applied in the South African context?
- What are the key elements in the South African retail banking environment which impact on CI?

1.3 RESEARCH METHODOLOGY

The research study will be conducted based on an extensive review of literature and application of the Grounded Theory research approach. Grounded Theory is more interested in theory building than theory testing, which makes it eminently suitable for areas of research that have had little attention and exploration (Yin, 1993: 61), or where theory is too remote or abstract to provide definitive guidance (MacPherson et al., 1993), as is the case with CI in South Africa. A survey will be conducted amongst a pre-selected group of respondents by means of a questionnaire and personal

interviews. Information gathered will be collated and analysed per key CI component of the CI process, with research results represented by descriptive statistics in the form of tables and figures. The interpretation, discussion and findings of the questionnaire and personal interviews, as well as recommendations to enhance the CI function, will be presented under each of the key CI components of the CI process.

1.4 DEFINITIONS

1.4.1 COMPETITIVE INTELLIGENCE (CI)

Over the last decade, various authors have sought to define CI.

Kahaner (1996:16) defines CI as a systematic programme for gathering and analysing information about your competitors' activities and general business trends to further your own company's goals.

Calof (1998:1) sights one of the best definitions of CI, being that of Gilad: "Information which tells us how competitive the firm is. It is understanding the competitive arena, being able to predict competitors' moves, customer moves, government moves and so forth." True CI is a process for predicting moves and blind spots of regulators, customers, competitors, suppliers, etc. It is used to identify opportunities and minimise surprises. It's proactive: the intent is to predict what is going to happen, not what did happen.

Prescot (1999:42-43) states that CI is defined as the process of developing actionable foresight regarding competitive dynamics and non-market factors that can be used to enhance competitive advantage. Competitive dynamics refers to the evolution of a firm's industry and the moves and countermoves of competitors, suppliers, customers, alliance partners and potential competitors. Non-market factors such as government regulation, tariffs and the culture of the country impact competitive dynamics but are not suppliers of products or services to the industry. CI is concerned with developing intelligence that has actionable implications. Only by

developing actionable implications does a CI program have the opportunity to create a competitive advantage and truly deliver value.

Bateman and Snell (2002:58) define CI as information that helps managers determine how to best manage in the competitive environment.

Fleisher and Bensoussan (2003:6) and Fleisher (2004:56) state that CI encompasses the potential effects (i.e. threats and opportunities) created by all external elements of the business environment that impact on the current competitiveness and future competitive ability of an organisation. It is a systematic process or cycle for collecting and analysing information about the competitors' activities, one's own business environment and future trends to further one's organisational goals. In summary, CI is an ethical and legal multistep process that ultimately can make an organisation a dominant player or break it.

Gilad (2001:1-3) states that CI is neither data collection, nor market research nor knowledge management. Instead, Gilad argues that CI is used to identify and manage risks – i.e. industry risk management, where such risks are generated by changes in the industry's landscape, eg. emerging customer trends, competitors' strategic moves, disruptive technologies or new government policies.

For purposes of this study, the essence of the above definitions suggests CI to be:

- A process
- to generate knowledge
- of the current and potential future
- competitive environment in which the business operates
- used to direct business strategy (seize opportunities and counter threats)
- to enhance the business' sustainable competitive advantage

1.5 OUTLINE OF THE STUDY

A written report of an academic nature will be prepared with the following chapter outline:

Chapter 2 – Need for CI

- CI, like the practice of any other business discipline, must address a business need thus adding value to the business. This chapter will introduce the importance of CI as key component of the strategic management process, as well as the benefits derived from the CI function.

Chapter 3 – Evolution of CI

- CI is a relatively new business discipline, evolving in complexity and importance, to maintain pace with rapid business development. This chapter will explore the evolution of CI from its inception to date and its likely future.

Chapter 4 – The CI Process

- This chapter will review the key components of the CI process, from obtaining CI requests through communication of information collected and analysed.

Chapter 5 – CI in South Africa

- With the increase of competitive challenges and risks, CI is enjoying increased prominence in South Africa. This chapter will review the application of CI in the South African context – its evolution, current status and future.

Chapter 6 – South African Retail Banking Environment

- The competitive environments of different industries within South Africa are unique. This chapter will explore the South African retail banking industry, the competitive environment in which it operates, and the effect of these on the application of CI.

Chapter 7 – Research Findings - Empirical Section

- This chapter will assess the level of maturity of the CI function within a South African retail bank, as evidenced in the various elements of the CI process.

Chapter 8 – Conclusion and Recommendations

- This chapter will summarise the findings of the research study and suggest areas for future research.

2 CHAPTER 2: NEED FOR CI

Without addressing a need, the practice of CI as discipline, adds little to no value. This chapter seeks to address the question: “What need is addressed by the practice of CI?” – it addresses CI as a key component of the strategic management process as well as the benefits derived from CI.

2.1 STRATEGIC MANAGEMENT

CI plays a key role in companies’ strategic management toward sustaining competitive advantage. CI contributes by providing analysis and understanding of the company’s external environment.

Thompson and Strickland (2003:3) state that the tasks of crafting, implementing and executing company strategies are the heart and soul of managing a business enterprise. The authors define strategy as the game plan management uses to stake out a market position, conduct its operations, attract and please customers, compete successfully and achieve organisational objectives.



Bateman and Snell (2002:115) define strategy as a pattern of actions and resource allocations designed to achieve the organisation’s objectives. The strategy an organisation implements is an attempt to match the skills and resources of the organisation to the opportunities found in the external environment.

Fleisher and Bensoussan (2003:2) state that a competitive advantage is a way the organisation is positioned in the market (external environment) for it to obtain an advantage over competitors. This advantage is evidenced by the organisation’s ability to generate and maintain sustained levels of profitability above the industry average.

Thompson and Strickland (2003:148-149) state that winning business strategies are grounded in sustainable competitive advantage. The authors argue that investing aggressively in creating sustainable competitive advantage is a company’s single most dependable contributor to above-average profitability. A company has

competitive advantage whenever it has an edge over its rivals in attracting customers and defending against competitive forces found in its external environment.

Fleisher and Bensoussan (2003:2-3) define strategic planning as the process that is primarily associated with helping an organisation to attain competitive advantage and which forms part of a larger process of strategic management. Figure 2.1 proposes a generic strategic planning process:

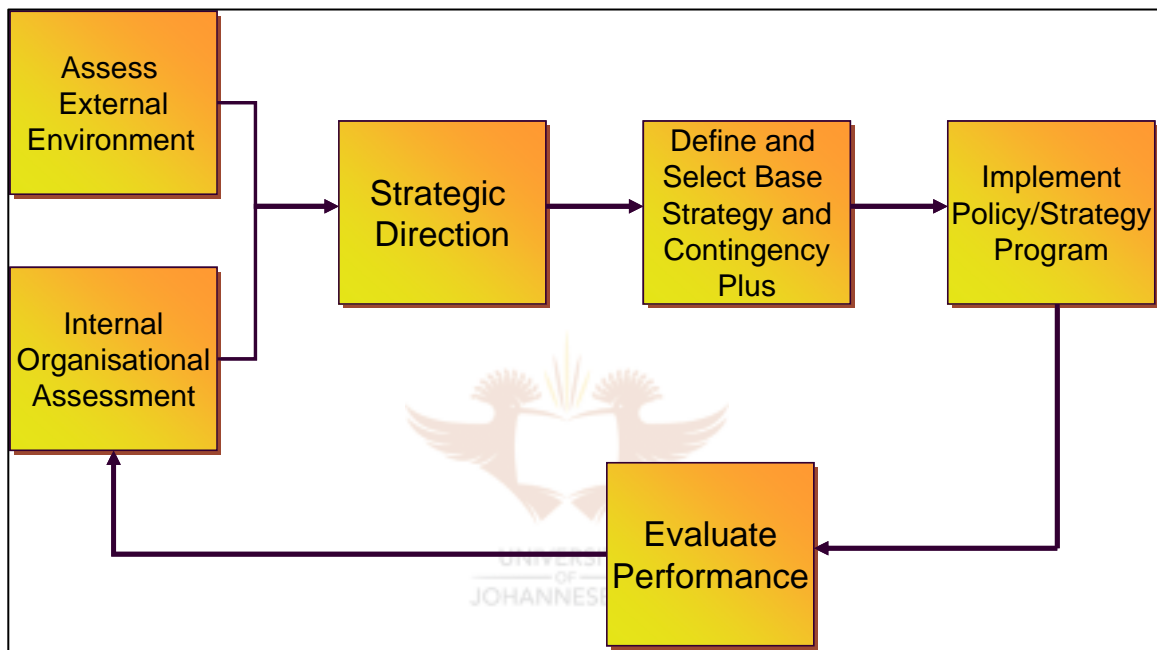


Figure 2.1: A generic strategic planning process (Fleisher and Bensoussan, 2003:3)

The proposed strategic planning process in Figure 2.1 identifies an assessment of the external and internal environment as starting point and key drivers to the company's strategic direction and resultant strategic decisions and implementation thereof. Bateman and Snell (2002:120-121) state that successful strategic management depends on an accurate and thorough evaluation of the external environment.

Bateman and Snell (2002:46-47) define the external environment as all relevant forces outside a firm. The firm exists in a competitive environment, composed of the firm and competitors, suppliers, customers, new entrants and substitutes. At a more general level the firm operates in the macro environment, which includes legal,

political, economic, technological, demographic and social and natural factors that generally affect all organisations.

An assessment of factors in the external environment is the outcome of CI. This is supported by various definitions of CI (refer also to Section 1.4.1) including:

- CI is a systematic programme for gathering and analysing information about your competitors' activities and general business trends to further your own company's goals (Kahaner, 1996:16).
- CI is a process for predicting moves and blind spots of regulators, customers, competitors and suppliers (Calof, 1998:1).
- CI is the process of developing actionable foresight regarding competitive dynamics and non-market factors that can be used to enhance competitive advantage. Competitive dynamics refers to the evolution of a firm's industry and the moves and countermoves of competitors, suppliers, customers, alliance partners and potential competitors. Non-market factors such as government regulation, tariffs and the culture of the country impact competitive dynamics but are not suppliers of products or services to the industry (Prescot, 1999:42-43).
- CI encompasses the potential effects (i.e. threats and opportunities) created by all external elements of the business environment (Fleisher and Bensoussan, 2003:6 and Fleisher, 2004:56).

2.2 BENEFITS DERIVED FROM CI

Calof (1998:1) argues that CI has significant performance advantages, with managers of major companies proclaiming the importance of and need for CI: Flynn, CEO of Nutrasweet, claims that CI is worth \$50 million a year to Nutrasweet; Samsung's executives state that the company's future success is dependent on its ability to collect and react to competitive intelligence; Vezmar, Vice President and General Manager, Xerox, USA states that "Xerox and other US firms that really want to stick around for a while will make competitive intelligence an absolutely integral part of their business every day".

Gilad (1989:29-35) states that organised CI is the coordinated-across-the-entire-organisation activity of keeping under surveillance whatever parts of the entire environment the organisation decides to monitor, in order to bring about a systematic collection and analysis of CI to serve the CI needs of the organisation as a whole. Not every company needs an organised approach to its CI problems. Informal CI that is collected and analysed by all executives may be extremely efficient, because of the informal, non bureaucratic nature of the activities. However, for many companies this informal process is no longer sufficient. The role of organised CI in strategy will depend on its ability to supplement, rather than replace, the informal CI activities. To gain influence on actual decisions, organised CI should use the principles underlying entrepreneurial activity: marketing, adding value and capitalising on economies of scope and scale.

Kahaner (1996:28-31) sights the following reasons as why companies need CI now more than ever:

- The pace of business is increasing rapidly. Businesses are required to handle more projects and make more decisions with more speed than before.
- Information overload. Technological development has developed the speed and availability of communication and information.
- Increased global competition from new customers. Increased access to resources eg. capital, skills and transportation increased the number of competitors and decreased the importance of close physical proximity.
- Existing competition is becoming more aggressive. Many market places are maturing resulting in companies increasing their market share at the expense of their competitors.
- Political changes affect us quickly and forcefully. Many countries have moved from communism or socialism to capitalism in the last decades.
- Rapid technological change. The last decades have seen the introduction of wireless communication, personal computers, the Internet and biotechnology.

Alampalli (2002:2) identifies some of the major benefits of using CI and market analysis as:

- Identifying new business opportunities and increasing market share.
- Developing/updating software with the latest technology.

- Identifying the market trends.
- Understanding competitors' strategies.
- Developing valuable competitive, sales and business intelligence.
- Maximising revenues and reducing costs.

Gilad (1989:33) identifies further benefits of using organised CI programmes:

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

Kahaner (1996:24-26) adds further benefits of using organised CI programmes:

- Discovering new or potential competitors.
- Learning from the successes and failures of others.
- Increasing the range and quality of acquisition targets.
- Learning about new technologies, products and processes that affect your business.
- Learning about political, legislative or regulatory changes that can affect your business.
- Aid in entering new businesses.

Gilad (2001:4) and Fuld (2003:20-21) suggest that the first step in identifying industry risks is building a strategic early warning system. The following steps are included in the process of setting up a strategic early warning system:

- Mapping high-risk areas. Using qualitative risk-profiling tools (such as war games or scenario development) or a more quantitative financial approach (an index of expected loss), the CI professional must classify the company's current areas of activities and industry segments into low, medium and high-risk categories, depending on a probability of "worst case scenario" and an estimate of damage to the company's competitive position.
- Building indicators. Areas with high-risk profiles are targeted for early warning with a series of indicators, both qualitative and quantitative.

- Monitoring indicators. A collection/monitoring plan is enforced, identifying sources that can provide input on the indicators in a timely manner.
- Issuing alerts. Alerts are issued when an indicator crosses a pre-determined threshold.

Updating of early warning targets is done continually, based on the information collected, or periodically based on new scenarios.

2.3 CONCLUSION

Chapter two established the need for and value added by CI. CI is concerned with developing intelligence that has actionable implications - only by developing actionable implications does a CI program have the opportunity to create a competitive advantage and truly deliver value.

Section 2.1 established the role CI plays in enhancing a company's competitive advantage, through a better understanding of the company's external (competitive) environment, leading to improved strategic management and resultant competitive advantage.

Section 2.2 elaborated on the important benefits realised through the application of CI; it also identified CI as a key component of an organisation's risk management process.

With the need for CI established, Chapter three will explore the evolution of CI as discipline, from its inception to date.

3 CHAPTER 3: EVOLUTION OF CI

3.1 INTRODUCTION

The prior chapters defined CI and the need therefore. While CI is a relatively new business discipline, it is evolving in complexity and importance, to maintain pace with rapid business development. This chapter explores CI's evolution from its inception to date and its likely future.

3.2 STAGES OF CI EVOLUTION

Alampalli (2002:5) notes the evolution of the CI function, from competitor comparative analysis to competitor trend and environmental-strategy correlation analysis. Before 1980 CI focused on the gathering of competitive data to be used for tactical decision making. Today top management regards CI as a core capability, which should be practiced as a formal function in an organisation, specifically to direct strategic decision making (see Table 3.1).

Time Period	Pre-1980	1980-1987	1988-Present	Future
Stages	Competitive data gathering	Industry and competitor analysis	Competitive intelligence	CI as core capability
Key defining event	Porter's 1980 book, <i>Competitive Strategy</i>	Founding of SCIP	Establishment of CI Review	CI courses taught in business schools
Attributes:				
Degree of formality	Informal	Emerging formal units	Formal	Integration of formal and informal
Orientation	Tactical	Tactical	Mixed	Strategic

Time Period	Pre-1980	1980-1987	1988-Present	Future
Analysis	Little or none	Limited quantitative	Both quantitative & qualitative	Qualitative emphasis
Top management attention	Low	Limited	Moderate	High
Link to decision making process	Little	Weak	Strong	Direct input
Location:				
Principle location of CI personnel	Library, next marketing	Planning, next marketing	Marketing, next planning, next CI unit	CI units, next marketing, next planning
Key Issues:				
	Development of skills in information acquisition	Building a business case for CI; Spy image; Analytical skill development	Demonstrating bottom-line input; demand versus supply driven CI; Counter intelligence; International CI; CI technology; Role of information technology	Managing the parallel process; Intelligence infrastructures for multinationals; CI as learning; Network analysis

Table 3.1: The evolution of CI (Prescot, 1999:39-44)

Gilad (2001:1-10) states the case for the next step in the evolution of CI. He starts by claiming that many corporate CI operations have been experiencing slow death by bureaucracy. Their main shortcoming is failing to provide strategic insights and getting stuck in providing standard information services. The result is a lack of any significant influence on the company's top decision-makers and the company's bottom-line performance and a resultant slow but clear downgrading of CI's status.

According to Gilad (2001:1-10) CI professionals are neither information professionals nor information service providers; CI professionals are not in the field of information at all. CI professionals do use information, preferring a balanced source infrastructure that feeds on primary expertise (human sources) and rely on internal and external networks. He concludes that collecting competitive data is also a means to an end for the CI professional.

Gilad states that CI professionals are taught from day one that their chief role is to satisfy the customers' intelligence needs, whoever these customers may be and what ever needs they may have. This service provider approach, by definition, leaves very little room for differentiation from other information professionals such as librarians, knowledge managers or market researchers.

Gilad states his argument simply: CI professionals use CI to identify and manage risks; specifically they are in the business of industry risk management (IRM). IRM refers to all risks a company faces as result of the industry-wide forces. IRM comes from many sources, generated by change in the industry's landscape, including customers' emerging trends, competitors' strategic moves, new acquisitions and alliances in industry and disruptive technologies. Managing these risks means making sure that the company's response to such changes is appropriate. It includes coordinating and orchestrating the company's mechanisms for response, across departments, markets, product teams and customer segments.

Surveys done in the 1990s showed that companies evolve through stages of development in their CI capabilities, from an informal to formal, full-scale position, as depicted in Figure 3.1. Unofficial sampling of Gilad's students, suggests that most US

Fortune-500 companies have moved beyond complete chaos into some form of formal CI “function” embodied in business unit level positions (Gilad, 2001:11). However, most companies are stuck quite low on the evolutionary totem pole, with little expertise and sophistication in their CI positions. Figure 3.1 suggests there is a qualitative difference between the new evolutionary step and existing phases of development of CI functions. At most companies, CI resides firmly in the information services domain and operates on the principle of reaction to clients’ requests for CI. A few advanced companies have elevated their CI people to the role of providing intelligence independently of demand as an early warning. However, even those companies have labelled their CI as an information service function and regard early warning as, at best, an ancillary role. The primary role remains local, uncoordinated, information projects.

The new role for CI – IRM – takes CI directors and their crew from a service provider’s niche up to a management position, responsible for the management of a business activity.





Figure 3.1: Stages of the evolution of CI (Gilad 2001, 11)

In its infancy, CI is ad-hoc and reactive in its style. Its activities are simple such as the reading of newspapers. It is resourced by the like of a librarian and it uses very basic analytical tools such as profiling. Whereas, in its mature state, CI is a centralised tracking system and its activities are fully integrated, including field research on competitors, customers and suppliers. It is resourced by a fully fledged CI department and it uses sophisticated analytical tools and supportive CI systems. Between these two extreme points of CI evolution there are myriad stages of CI development (see Table 3.2).

	Level of maturity	
	Infancy	Mature
Style	Ad hoc, reactive	Centralised tracking systems
Activities	Reading newspapers	Fully integrated, field research competitors, customers and suppliers
Resources	Librarian	CI department +
Tools	Profiles	CI systems, base lining

Table 3.2: CI evolution (Calof, 1998:4)

The typical evolution of a world-class CI capability typically spans three major stages (see Table 3.3), namely:

- Early stage CI, providing just the facts while creating CI awareness in the organisation.
- Mid-level CI capability, identifying trends and implications from gathered data, within an emerging partnership with CI users.
- World-class CI capability, regarded as a key component of company strategy.

	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
Deliverables and Capabilities	<p><i>“Just the Facts”</i></p> <ul style="list-style-type: none"> • More facts than analysis. • Limited early warning or environmental scanning – CI’s reactive in 	<p><i>“Identifying Trends & Implications”</i></p> <ul style="list-style-type: none"> • CI explores competitors’ strategic intentions and emerging industry trends. • Analytic alerts 	<p><i>“A key Component of Company Strategy”</i></p> <ul style="list-style-type: none"> • CI deliverables include more forward looking and strategic analysis that help anticipate future industry

	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
	<p>nature and focused on traditional competitors.</p> <ul style="list-style-type: none"> • Few in-person CI briefings. CI may publish periodic reports. 	<p>are predictive and focus on implications for the company.</p> <ul style="list-style-type: none"> • CI begins to develop specific indicators for early warning. • CI delivers occasional in-person briefings. 	<p>trends.</p> <ul style="list-style-type: none"> • CI has a well developed early warning capability that monitors both industry trends and broader technology and demographic issues.
<p>Typical Analytical Products</p> <p>(Examples are cumulative – a CI unit in stage 3 will have the capability to produce all deliverables listed in stages 1,2, & 3)</p>	<ul style="list-style-type: none"> • Competitor profiles. • Baseline industry assessments. • Basic analytic assessments – combination of facts and basic analysis written in response to a particular event or on a particular subject. 	<ul style="list-style-type: none"> • Map of industry landscape. • Five-force analysis. • SWOT analysis. • Personality profiles. • Financial forensics. • Value chain analysis. 	<ul style="list-style-type: none"> • Alternative scenario analysis. • Competitor response modelling. • “Red Team” win/loss analysis. • War gaming.
<p>Relationship with Management/Company</p>	<p><i>“Still Building Awareness”</i></p>	<p><i>“An Emerging Partnership with CI Users”</i></p>	<p><i>“A Key Component of Company Strategy”</i></p>

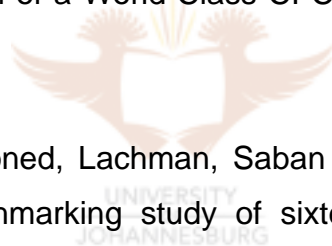
	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
	<ul style="list-style-type: none"> • CI frequently requires an executive champion to access senior level users. • CI relies primarily on company management and industry developments to determine issues for focus. • CI is viewed by the organisation as a source of facts about competitors. 	<ul style="list-style-type: none"> • CI is frequently invited to play a role in supporting key strategic decisions. • A CI manager or director begins to fill role of executive champion. • The CI team alerts management to issues not currently on its agenda. • CI is viewed by the organisation as a strategic partner. • The CI team uses well-developed measures of effectiveness to gauge and improve performance. 	<ul style="list-style-type: none"> • Management is uncomfortable making key decisions without input from the CI team. • CI and top management develop an ongoing dialogue. • The CI manager or director has access to key executives. • CI is viewed by the organisation as a strategic asset.
Typical	• Broad range,	• Established	• Established suite

	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
Components	<p>secondary-source news service.</p> <ul style="list-style-type: none"> • Limited number of internal primary sources and few, if any, external primary sources. • Heavy reliance on outside consultants for access to external primary resources. • Limited “self-serve” capability for the organisation to fulfil its own low-level tactical CI needs. 	<p>secondary-source news service and network of internal primary sources.</p> <ul style="list-style-type: none"> • Growing network of external primary sources. • Less frequent reliance on outside consultants for access to external primary sources. • Well developed “self-service” capability for the organisation to fulfil low-level, tactical needs. 	<p>of secondary-source news services and a network of internal and external primary sources.</p> <ul style="list-style-type: none"> • Targeted use of outside consultants for access to external primary sources.
Personnel	<ul style="list-style-type: none"> • 2 or more full time employees – duties divided between intelligence collection and analysis. 	<ul style="list-style-type: none"> • 3 or more full time employees plus a full-time manager or director. • The manager or director spends 	<ul style="list-style-type: none"> • 3 or more full time employees plus a full time manager or director. • Emphasis on analytical skills.

	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
	<ul style="list-style-type: none"> • Ideally led by a manager/director who can begin to develop close relationships with intelligence users. 	<p>the majority of their time interacting with senior management and exercising quality control over CI deliverables.</p>	<ul style="list-style-type: none"> • The manager or director spends all of their time interacting with senior management and developing new and innovative CI deliverables.
Required Skills/Training	<ul style="list-style-type: none"> • Ability to craft intelligence deliverables – short, succinct, and focused on decisions and implications. • Ability to form hypotheses and conclusions from limited information. • Solid working knowledge of topical industries. • Ability to begin building a network of internal and 	<ul style="list-style-type: none"> • Ability to apply sophisticated business and intelligence analysis techniques. • Ability to deliver new and/or unwelcome news to senior management. • Ability to deliver intelligence briefings one-on-one, or to an audience of senior executives. • Extensive industry 	<ul style="list-style-type: none"> • Ability to apply future-oriented analysis techniques, and to demonstrate the value of techniques to the organisation. • Accomplished in delivering intelligence briefings one-on-one and to audiences of senior executives. • Recognised expertise in strategic planning and

	Stage 1 Early Stage CI	Stage 2 Mid-Level CI Capability	Stage 3 World-Class CI Capability
	external primary sources.	expertise. • Ability to grow, maintain and motivate a network of internal and external primary sources.	analysis techniques.
Typical Timing	12 – 18 months from start.	1 ½ - 4 years from start.	3+ years from start.

Table 3.3: Typical Evolution of a World-Class CI Capability (Outward Insights, 2003: 1-2)



Supporting the aforementioned, Lachman, Saban and Lanasa (2000:21) found the following in their CI benchmarking study of sixteen US companies regarded as leading organisations in market intelligence:

- When CI personnel had both market intelligence and marketing research responsibilities, the marketing research responsibilities took precedence (90%) and the intelligence shifted to secondary function.
- Those organisations with a more established CI function had senior management playing a critical role (67%) in the assessment of intelligence needs.
- When a company emphasised active participation among all company personnel to gather intelligence, the CI function seemed to be more effective (40%). Many used some form of multidivisional teams (70%) to gather the intelligence. Training programmes, motivational programmes and other incentives were used to capture the word of mouth.
- The number of employees staffed in the intelligence function varied depending on the size of the organisation (the larger the organisation, the

larger the CI staff) and the length of time the intelligence function has been in place (the newer the CI function, the larger the staff).

In their study of 137 US Fortune-500 companies' executives, Vedder and Guynes (2002:49-51) found that the overwhelming majority of respondents believed that, in the next two to three years, the use of CI would increase (88%) and that the nature of CI activity would become ad hoc / project orientated or totally informal (86%).

3.3 MOVE FROM TACTICAL TO STRATEGIC CI

Fiora (2004:39) states that the majority of CI teams are either in the start-up mode or are looking for guidance on how to grow and provide greater value. Fiora (2003b:1-3) states that a frequent request from clients is for guidance on how to make their CI capability less tactical and more strategic. Implicit in this desire are two related goals: to serve more senior management and to escape the short deadlines and hectic pace that characterise a tactical CI program. The following are sighted as best practices for shifting the CI focus from tactical to strategic:

- Focus efforts. Set clear goals, tied into senior management's priority needs and directly supportive of key decisions.
- Find a champion. Find an executive, willing to assist in fine-tuning the CI deliverables and providing insights into management's priorities.
- Deliver something unique. Provide future orientated insights and analysis, tailored to senior management's needs which they can't find elsewhere.
- Be direct. Use a single page, executive summary, leading with key points and implications.
- Take chances. Initially senior management may not be receptive to strategic intelligence reports, not having seen such before.
- Work harder. In the short term tactical intelligence must be maintained; to lessen the work load coordinate the tactical and strategic work and use a series of tactical reports as building blocks for a strategic report.
- Set milestones and a deadline. Generate enough attention from management to approach them on cutting back on tactical work or getting additional resources to keep producing both tactical and strategic CI.

3.4 STRATEGIC EARLY WARNING

When top executives are asked about the benefits they expect from a CI function, the number one answer is early warning (Fiora, 2004:39). If a CI professional want to safely deliver bad news to management and identify potential opportunities, it is best to do this as early as possible – early warning of bad news almost always lessens the blow (Fiora, 2003a:37). In the future, CI is expected to increase its efforts in providing more forward looking and strategic analysis that help anticipate future industry trends. CI will have a well developed early warning capability that monitors both industry trends and broader technology and demographic issues. Wergeles (2005: 44) notes that in a business context, early warning intelligence provides executives with timely, valuable information about the market and competitors that enables them to make strategic and tactical decisions more quickly. Early warning signals are thus a key foundation within a CI system and are core to building a competitive advantage (Marrs & Coemergence, 2005:1). A strategic early warning system encompasses the tasks of mapping high-risk areas, building indicators, monitoring indicators and issuing alerts (Gilad, 2001:4).

3.5 ORGANISATIONAL FIT OF CI

Given the evolution in CI's role, its organisational fit requires consideration. In Gilad's (2001:7-11) opinion industry risk management (CI's new role) is based on industry and is therefore a business activity, which also requires a cross-functional perspective. Gilad presents his personal ranking of functional areas (see Table 3.4):

Rank by effectiveness	Functional location	Main weakness	Main benefit
1 (highest)	None – independent	Politics	Effect on company's overall risk level
2	Strategy group	Dying	Focus
3	Marketing	Focus	Tactical effect
4	Market research	Ignorance	Keep vendors happy
5 (lowest)	Knowledge management	Free software	None

Table 3.4: Ranking of CI's functional location (Gilad, 2001:7)

The benefits and drawbacks of locating the CI function in each of the various locations, per Table 3.4, are considered:

- Independent standing. As the new doctrine of risk management suggests, independent, top-level placement is the most commonsense reaction to the need to coordinate cross-functional response to structural changes at industry level. The biggest weakness is internal politics, with top executives potentially resenting the new officer's standing.
- Strategy departments. This allows CI professionals to deal with strategic issues. However, strategy positions are on the decline, their influence with line executives is dubious and they often limit the CI function to competitor analysis and in defence of the company's existing strategy.
- Marketing. CI supports marketing activities, focussed on tactical information and is 95% news reporting. Influence is limited to short term actions such as product launches.
- Market research. Often companies that locate CI here do so because they simply don't understand what CI is, confusing it with generic research. Market research and CI have distinctly different areas of focus: market research focuses on the consumer or customer, while CI focuses on the risks in the industry arena and beyond. Placing CI under market research is a kiss of death.

- Knowledge management. Knowledge management is dying a slow death. As a consultant-driven discipline, knowledge management has always been ambiguous, reinventing the wheel in many cases and complicating existing wheels in others. The only benefit CI may derive from this location is getting access to the company's intranet porthole.

The location of CI programs is important as it often influences reporting relationships, budgets and the types of projects undertaken. Studies indicated that there is no single organisational structure used by the majority of organisations. Studies do however show that the most common organisational location of the CI function is either in the marketing or planning departments (see Table 3.5).

Study	Marketing	Planning	Stand Alone	Research & Development	Other
Prescot & Bhardwaj, 1995	40%	32%	9%	8%	11%
Prescot & Smith, 1989	40%	50%	0%	0%	10%

Table 3.5: Organisational Location of the CI Function (Lackman, Saban & Lanasa, 2000:19)

3.6 CONCLUSION

Chapter three established the rapid evolution of CI in the last three decades, from a bureaucratic, systematic process rendering information for tactical decision making, to a dynamic, adaptive process forming a key component to strategic decision making. Going forward CI will continue expanding its strategic reach, through application of its early warning systems to industry risk management.

Chapter four will consider the key components of the CI process.

4 CHAPTER 4: THE CI PROCESS

4.1 INTRODUCTION

Stemming from the preceding chapters which discussed the need for and development of CI, this chapter seeks to address the question: “What is the CI process?”. This chapter thus explores the key components of the CI process.

Krizan (1999:9-10) states that the purpose of the intelligence process is for the intelligence function to provide decision makers with tools, or products that assist them in identifying key decision factors. Such intelligence products may be described both in terms of their subject content eg. economic, technical or communications and their intended use eg. research, operational or early warning.

Calof (1998:5) lists the key components of the CI process as:

- Obtaining CI requests.
- Collecting information.
- Analysing and synthesising information.
- Communicating intelligence.
- Managing the CI process.

This chapter discusses each of the components of the CI process.

4.2 OBTAINING CI REQUESTS

4.2.1 INTRODUCTION

Calof (1998:5) describes the competencies required in obtaining CI requests as identifying intelligence needs exactly, effective communication skills, knowledge of the organisational structure and environment, and knowledge of the CI capabilities.

4.2.2 UNDERSTANDING THE SCOPE OF THE CI NEED

Kahaner (1996:49-51) explains that the CI practitioner must understand what the intelligence will be used for, why it is needed and exactly which people or departments will use it. This is the part of the intelligence cycle when management must be involved. Simply supporting the ideas and concepts of CI isn't enough – management must be part of the process from the beginning. Although critical success factors (those tasks that have to be completed for the company to succeed) remain an important focal point for managers, its worth to modern CI is monumental, because it provides a method (interrogation about vital issues) to determine a company or managers' CI needs.

Krizan (1999:18) sights further distinctions among intelligence requirements as timeliness and scope, or level of intended use. Timeliness of requirements is established to meet standing (long-term) and ad hoc (short-term) needs. Krizan (1999:19-20) states that the scope or level of intended use of the intelligence may be characterised as strategic or tactical, interpretation of which turns a customer's need into a collection and production requirement that the intelligence function understands in the context of its own functions.

The following fundamental intelligence values or attributes underlie the core principles from which all the essential intelligence functions are derived:

- Accuracy. All sources and data must be evaluated for the possibility of technical error, misperception, and hostile efforts to mislead.
- Objectivity. All judgments must be evaluated for the possibility of deliberate distortions and manipulations due to self-interest.
- Usability. All intelligence communications must be in a form that facilitates ready comprehension and immediate application. Intelligence products must be compatible with a customer's capabilities for receiving, manipulating, protecting, and storing the product.
- Relevance. Information must be selected and organised for its applicability to a customer's requirements, with potential consequences and significance of the information made explicit to the customer's circumstances.

- Readiness. Intelligence systems must be responsive to the existing and contingent intelligence requirements of customers at all levels of management.
- Timeliness. Intelligence must be delivered while the content is still actionable under the customer's circumstances.

4.2.3 DEVELOPING THE CI NEED

Kahaner (1996:49-51) notes that many CI practitioners use written question-and-answer surveys to learn about managers' needs. However, the best way to learn about managers' needs, is by direct, interactive interviews. The more focussed the responses about the managers' needs, the more efficient the information-collection process and subsequent analysis can be.

Krizan (1999:13) notes that the articulation of the requirement is the most important part of the process and it seldom is as simple as it might seem. There should be a dialogue concerning the requirement, rather than a simple assertion of need.

Krizan (1999:13) states that customer demands, or needs, particularly if they are complex and time-sensitive, require interpretation or analysis by the intelligence function before being expressed as intelligence requirements that drive the production process. This dialog between intelligence producer and customer may begin with a simple set of questions, and if appropriate, progress to a more sophisticated analysis of the intelligence problem being addressed. The "Five Ws" - Who, What, When, Where, and Why — are a good starting point for translating intelligence needs into requirements. A sixth related question - How - may also be considered. These questions form the basic framework for decision makers and intelligence practitioners to follow in formulating intelligence requirements and devising a strategy to satisfy them.

4.2.4 GENERATING CI REQUIREMENTS

Kahaner (1996:51-52) notes the importance of keeping the end-user informed. Once the CI practitioner has a plan, he/she must confirm with the end-user that it fits their

needs. The CI practitioner must state what is possible and not, as well as the time frame and resources necessary to action the plan. This process will focus the CI practitioner's efforts even further - as the end-user studies the plan, they may have further needs, or may decide what they initially wanted isn't worth the effort. Most important, this process ensures that the CI practitioner will deliver to the end-user exactly what they need.

Krizan (1999:17) notes generating intelligence requirements as the next step. The intelligence requirement translates customer needs into an intelligence action plan. As a discipline, CI seeks to remain an independent, objective advisor to the decision maker. The realm of intelligence is that of fact, considered judgment, and probability, but not prescription. It does not tell the customer what to do to meet an agenda, but rather, identifies the factors at play, and how various actions may affect outcomes. Intelligence tends to be packaged in standard formats and, because of its methodological approach, may not be delivered within the user's ideal timeframe. For all these reasons, the customer may not see intelligence as a useful service. Yet, the intelligence producer and customer must reconcile their differing perspectives in order to agree on intelligence requirements and make the production process work. Understanding each other's views on intelligence is the first step toward improving the relationship between them. The next step is communication. Free interaction among the players will foster agreement on intelligence priorities and result in products that decision makers recognise as meaningful to their agendas, yet balanced by rigorous analysis. In addition, as discussed below, customer feedback on production quality will lead to better definition of future intelligence problems and requirements.

Krizan (1999:18) notes the intelligence function may proactively and continuously generate intelligence collection and production requirements to maintain customer-focused operations. Examples of such internally generated specifications include:

- Analyst-driven specifications. Based on knowledge of customer and issues.
- Events-driven specifications. In response to time-sensitive relevant events.
- Scheduled periodic activities to document and update target status.

4.3 COLLECTING INFORMATION

4.3.1 INTRODUCTION

Calof (1998:5) describes the competencies required in collecting information as the knowledge, assessment and management of primary and secondary information sources, formal research skills and ethics in data gathering.

Kahaner (1996:44) notes that this phase of the intelligence cycle involves the actual gathering of raw information from which intelligence will be produced; it also involves processing information so that it can be transmitted and manipulated for analysis, electronically.

According to Krizan (1999:21-28) the collection phase of the intelligence process thus involves several steps:

- Translating the intelligence need into a collection requirement.
- Defining a collection strategy.
- Selecting collection sources.
- Collecting information.
- Processing information for it to yield intelligence in the analysis stage.

4.3.2 DEFINING THE COLLECTION REQUIREMENT AND STRATEGY

Krizan (1999:21-22) states that the collection requirement specifies exactly how the intelligence function will go about acquiring the intelligence information the customer needs. The requirements management function requires analytic skill to evaluate how well the customer has expressed the intelligence need; whether, how and when the intelligence unit is able to obtain the required information through its available collection sources; and in what form to deliver the collected information to the intelligence analyst. One method for selecting a collection strategy is to first prepare a list of the expected target evidence. Successful analysis of the expected target evidence in light of the customer's needs can determine what collection source and method will permit detection and capture of that evidence. The collection must yield information in a format that is either usable in raw form by the intelligence analyst, or

that can be converted practicably into usable form. Upon defining the collection requirement and selecting a collection strategy, the intelligence unit should implement that strategy by tasking personnel and resources to exploit selected sources, perform the collection, re-format the results if necessary to make them usable in the next stages, and forward the information to the intelligence production unit.

4.3.3 SELECTING COLLECTION SOURCES

Different sources of intelligence offer distinct attributes in terms of their related collection disciplines and analytic use (Krizan, 2999:23-24).

- People, such as subject matter experts, professional researchers and eyewitnesses, provide information with analytical use in terms of transfer of first-hand knowledge and referral to other sources.
- Objects reveal intelligence about physical characteristics of equipment, materials or products, such information being used analytically as basis for emotive but objective reporting or composition, condition, origin or human purpose of such objects.
- Emanations are detectable phenomena given off by natural or man-made objects which may be used for scientific and technical analysis.
- Records include symbolic (eg. written reports) and non-symbolic (eg. images) information which may be used for research, background information, or conversion to another usable form.

To prepare collected information for further use, one must evaluate its relevance and value to the specific problem at hand. An examination of the information's source and applicability to the intelligence issue can determine whether that information will be further employed in the intelligence production process. Three aspects to consider in evaluating the relevance of information sources are reliability, proximity, and appropriateness.

- Reliability of a source is determined through an evaluation of its past performance. If the source proved accurate in the past, then a reasonable estimate of its likely accuracy in a given case can be made; if the source is

completely untested, then evaluation of the information must be done solely on its own merits, independent of its origin.

- Proximity refers to the source's closeness to the information. The direct observer or participant in an event may gather and present evidence directly, but in the absence of such firsthand information, the analyst must rely on sources with varying degrees of proximity to the situation; regression of source proximity may continue indefinitely, and naturally, the more numerous the steps between the information and the source, the greater the opportunity for error or distortion.
- Appropriateness of the source rests upon whether the source speaks from a position of authority on the specific issue in question.

Three aspects of the information itself have a bearing on its applicability to intelligence issues:

- Plausibility. Whether the information is true under any circumstances or only under certain conditions, either known or possible.
- Expectability. Assessed in the context of the analyst's prior knowledge of the subject.
- Support. When another piece of evidence corroborates information — either the same information from a different source, or different information that points to the same conclusion.

Kahaner (1996:53-94) discusses various types of information:

- Primary versus secondary. Primary sources are unadulterated facts directly from the source eg. a company CEO, president, government agency, or someone else who has access to absolute and correct information; it is information that has not been changed, altered, or otherwise tainted by opinion or selection. Secondary sources have been selectively paired from larger information sources or altered by an opinion eg. newspapers, books or analyst reports. This does not mean that secondary information sources are less important or accurate than primary sources; it does mean that the CI practitioner must give each piece of information a different weight based on where it comes from and what is

has been through. A good rule for using a secondary source is to check it against a primary source.

- Now versus later. Information may be gathered for a specific reason or in response to a request from management. Alternatively, information may be collected, saved and built into an ongoing data bank, to be consulted when necessary. Ideally both of these activities should be conducted at the same time.
- Easy versus difficult. There are basic methods to find information quickly eg. using brute force, but finding other information requires a broad knowledge of business, industry, government and sometimes a narrow knowledge of a specific industry or sector.
- Public-domain versus non-public-domain. Public-domain information is a vast sea of data that is open and available to anyone who seeks it. Some of it is generated by government, media, trade associations, databases, the Internet and companies. Non-public-domain information is information which is not publicly available; it doesn't mean that the information is necessarily private or confidential, it does mean greater effort in obtaining the information. Some examples of non-public-domain sources include: during times of massive change or upheaval there is increased attention to the companies concerned, with the media producing loads of stories, filing of paperwork and production of many public-domain documents; human intelligence, where someone shares information; simply asking for information; the sales force, who are out there, on the front lines, learning about their competitors and customer needs; getting out of the office and observing what is going on; attending trade shows where it's permissible to speak openly with competitors and where competitors typically boastfully bring forth details and intricacies of their products.

4.3.4 PROCESSING INFORMATION

Krizan (1999:25-27) notes that no matter what the setting or type of collection, gathered information must be packaged meaningfully before it can be used in the production of intelligence. Processing methods will vary depending on the form of the collected information and its intended use, but they include everything done to make

the results of collection efforts usable by intelligence producers. Interpreting and annotating open-source information for a CI function may include: marking locations of interest on a map or photograph, “translating” press releases or technical reports, transcribing the words of a speaker from video or audiotape into text, or drafting a detailed commentary from a personal interview.

Another term for processing, collation encompasses many of the different operations that must be performed on collected information or data before further analysis and intelligence production can occur. More than merely physically manipulating information, collation organises the information into a usable form, adding meaning where it was not evident in the original. Collation includes gathering, arranging, and annotating related information; drawing tentative conclusions about the relationship of facts to each other and their significance; evaluating the accuracy and reliability of each item; grouping items into logical categories; critically examining the information source; and assessing the meaning and usefulness of the content for further analysis. Collation reveals information. Regardless of its form or setting, an effective collation method will have the following attributes:

- Be impersonal. It should not depend on the memory of one analyst; another person knowledgeable in the subject should be able to carry out the operation.
- Not become the “master” of the analyst or an end in itself.
- Be free of bias in integrating the information.
- Be receptive to new data without extensive alteration of the collating criterion.

4.4 ANALYSING AND SYNTHESISING INFORMATION

4.4.1 INTRODUCTION

Calof (1998:5) describes the competencies required for the analysis and synthesis of information as creativity, inductive and deductive reasoning and the use of basic analytical methods.

According to Kahaner (1996:44) analysis is considered the most difficult part of the intelligence cycle, requiring great skills and guts because it requires the analyst to weigh information, look for patterns and formulate different scenarios based on what the analyst's learned.

Krizan (1999:29) defines analysis as the breaking down of a large problem into a number of smaller problems and performing mental operations on the data in order to arrive at a conclusion or a generalisation. It involves close examination of related items of information to determine the extent to which they confirm, supplement, or contradict each other and thus to establish probabilities and relationships.

The purpose of intelligence analysis is to reveal to a specific decision maker the underlying significance of selected target information. Krizan (1999:36) points out that customer needs and collected information and data are not the only factors that influence the analytic process; the analyst brings his or her own unique thought patterns as well. This personal approach to problem-solving is the distillation of the intelligence analyst's cumulative factual and conceptual knowledge into a framework for making estimative judgments on a complex subject. Mindset helps intelligence analysts to put a situation into context, providing a frame of reference for examining the subject.

4.4.2 ANALYSIS METHODS

Different levels of analysis result in corresponding levels of conclusions that may be traced along an intelligence value chain, namely:

- Facts. Verified information related to an intelligence issue, eg. events and measured characteristics.
- Findings. Expert knowledge based on organised information that indicates, for example, what is increasing, decreasing, changing, and taking on a pattern.
- Forecasts. Judgments based on facts and findings and defended by sound and clear arguments.
- Fortunetelling. Inadequately explained and defended judgments.

4.4.2.1 TYPES OF REASONING

Krizan (1999:30-32) explains four types of reasoning which apply in intelligence analysis, namely:

- Induction is the process of discovering relationships among the phenomena under study.
- Deduction is the process of reasoning from general rules to particular cases.
- Abduction is the process of generating a novel hypothesis to explain given evidence that does not readily suggest a familiar explanation.
- A scientific method combines deductive and inductive reasoning. Induction is used to develop the hypothesis, and deduction is used to test it.

4.4.2.2 ANALYSIS TECHNIQUES

Fleisher and Bensoussan (2003:v-vi) present various techniques of strategic and competitive analysis, including:

- Strategic analytical techniques are used to gain an understanding of a company's internal environment i.e. its strategic intent and fit. Such techniques include the Boston Consulting Group Growth/Share Portfolio Matrix, the GE Business Screen Matrix, Industry Analysis, Strategic Group Analysis, SWOT Analysis and Value Chain Analysis.
- Competitive and Customer Analysis Techniques are used to gain an understanding of the company's competitiveness and its customers. Such techniques include Blind Spot Analysis, Competitor Profiling, Customer Segmentation Analysis, Customer Value Analysis, Functional Capability and Resource Analysis and Management Personality Profiling.
- Environmental Analysis Techniques are used to gain an understanding of those factors at play in the company's external competitive environment. Such techniques include Issue Analysis, Scenario Analysis and Stakeholder Analysis.
- Evolutionary Analysis Techniques are used to gain an understanding of a company's growth path. Such techniques include Experience Curve

Analysis, Growth Vector Analysis, Patent Analysis and Product Life Cycle Analysis.

- Financial Analysis Techniques are used to gain an understanding of the company's financial performance and capabilities, and include Financial Ratio and Statement Analysis, Strategic Funds Programming and Sustainable Growth Rate Analysis.

Kahaner (1996:98-150) discusses additional methods of analysis, including:

- Crystal Ball - seeing the future by understanding the present.
- Soft Information, such as rumours, opens ended pieces, opinions, customer feedback and anecdotes.
- War-Gaming, where teams of people in a company take on the roles of their competitors and themselves; in the course of the "game", strategies and plans are proposed, acted out, and tested in as real a situation of business conditions as possible.
- Word-Pattern Analysis – searching documents for key words or phrases.
- Benchmarking is the process of continuously comparing and measuring an organisation against business leaders anywhere in the world to gain information to improve the organisation's performance.

Krizan (1999:33-35) adds the following methods of analysis:

- Opportunity Analysis identifies opportunities or vulnerabilities that the customer's organisation can exploit.
- Linchpin (Key Driver) Analysis is an anchoring tool that seeks to reduce the hazard of self-inflicted intelligence error and policymaker misinterpretation.
- Analogy based on the real or presumed similarities between two things.

Bateman and Snell (2002:52-57) as well as Thompson and Strickland (2003:79 93) introduce Porter's five forces model, as an excellent method for analysing the competitive environment in order to adapt to or influence the nature of competition.

This model considers:

- Competitors, being existing rivals within the same industry.
- Threat of new entrants into an industry.

- Threat of substitutes, being different solutions addressing the same end-user needs.
- Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
- Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration.

4.4.3 ANALYTICAL PITFALLS

Analysis is not an exact science, thus subject to error which detracts from the validity and application of the resultant information.

Krizan (1999:36-37) sights analytical pitfalls, which analysts can use to determine which, if any, they may be applying in their work, and whether the relevant ones are accounted for in their tasks. Some of the categories of misperception and bias include:

- Evoked-set reasoning, being the information and concerns which dominate one's thinking based on prior experience.
- Prematurely formed views.
- Presumption that support for one hypothesis disconfirms others.
- Superficial lessons from history.
- Group-think or stereotypical thinking.
- Excessive secrecy.
- Projection of one's own culture, ideological beliefs, doctrine, or expectations on others.
- Wilful disregard of new evidence.

4.5 COMMUNICATING INTELLIGENCE

4.5.1 INTRODUCTION

Calof (1998:5) describes the competencies required for the communication of information as persuasive presentation skills, appropriate format and media, as well as organised and summarised findings.

Kahaner (1996:45,133-137) states that dissemination involves distributing the intelligence product to those who requested it. This is the time when the analyst will suggest possible courses of action and is also the time when most CI projects fail.

Krizan (1999:39-47) refers to this as the production process, where production results in the creation of intelligence, that is, value-added actionable information tailored to a specific customer. In practical terms, production refers to the creation, in any medium, of either interim or finished briefings or reports for other analysts, or for decision makers or policy officials.

4.5.2 DIMENSIONS OF INTELLIGENCE COMMUNICATION

Successful presentation of analysis fulfils the following criteria:

- The analysis must be responsive to management's needs.
- The analysis must be focussed, not general.
- The analysis must be timely.
- High trust level.
- Results must be in the best form for management.

The intelligence report or presentation must focus on the results of the analysis and make evident their significance through sound arguments geared to the customer's interests. In short, intelligence producers must "BLUF" their way through the presentation — that is, they must keep the "Bottom Line Up Front." Producers should tailor both the content and delivery of the intelligence to the customer. In general terms, the product's function is to cover one or more subject areas, or to be used by the customer for a particular application.

Delivering analysis to the user brings the analyst back to the beginning phase of the intelligence cycle – planning and direction. Whatever action is taken as the result of the analysis presented will present the user (and company) with new requirements and needs. At this stage the user assesses how well their needs were met by the CI unit and the CI unit assesses how the users used the intelligence.

Krizan (1999:46) stresses the need for intelligence producers to receive end-user feedback. If producers do not learn what is useful and not useful to customers, they cannot create genuine intelligence. Internal review procedures that focus on the format and style of intelligence products are not sufficient for producers to judge their performance; they must hear from customers on the intelligence value of their work.

Krizan (1999:47) provides the following framework for intelligence product evaluation and customer feedback:

- Accuracy. Were all sources and data free of technical error, misperception, and hostile efforts to mislead?
- Objectivity. Were all judgments free of deliberate distortions and manipulations due to self-interest?
- Usability. Was all production issued in a form that facilitated ready comprehension and immediate application? Were products compatible with the customer's capabilities for receiving, manipulating, protecting, and storing the product?
- Relevance. Was information selected and organized for its applicability to a customer's requirements, with potential consequences and significance of the information made explicit to the customer's circumstances?
- Readiness. Are intelligence systems responsive to the existing and contingent intelligence requirements of customers at all levels of command?
- Timeliness. Was intelligence delivered while the content was still actionable under the customer's circumstances?

4.6 CONCLUSION

Chapter four addressed what the CI process is, by presenting an overview of its key components. The chapter reasoned that CI is a systematic, logical process, not unlike any other rational human decision making process of identifying problems and seeking information to resolve such.

The CI process provides a framework of the critical tasks CI should engage in, through its key components. The framework presented is neither static nor

exhaustive, thus may be refined to meet the unique requirements of specific applications.

Having presented the CI process, the following chapter will explore its application in the South African context.



5 CHAPTER 5: CI IN SOUTH AFRICA

5.1 INTRODUCTION

The preceding chapters elaborated on the evolution of CI and the key components of the CI process.

In South Africa, CI is enjoying increased prominence but is not yet at a level of that in countries such as the USA, Australia, Japan, France and Canada. With the recognition that competitive challenges and risks will increase significantly in the future, there is an increasing need to continuously monitor the competitive landscape to remain competitive. Most companies recognise the need to improve the quality and integration of their CI, but may seem unsure of how to adopt more effective, integrated and systematic approaches to CI (Muller, 2004:31).

A research study on CI and regional development within Indonesia concluded that even if organisations are well aware of the methodologies and tools of CI it is not possible to directly transpose them to a developing country – a careful analysis of the cultural context must be undertaken to understand the existing brakes and levers (Dou & Manullang, 2004: 114).

This chapter explores CI in the South African context – its evolution, current status and future.

5.2 PRE-1994

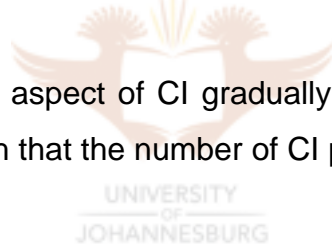
Before 1994, South Africa was, for decades, economically, politically and socially isolated from the rest of the world. A wide range of sanctions and exchange control regulations and a generally inward-looking culture were in place that inhibited the growth of international trade in South Africa. Coupled with this was the withdrawal from South Africa of a significant number of multinational companies as a means of protest or forced by political pressure. Local companies developed a warped sense of competition as there were many protectionist measures in place and the economy was highly regulated (Muller, 2004:32).

5.3 POST-1994

South Africa's first democratic election in April 1994 marked the end of Apartheid, and shortly after, the international market became more accessible for South African products. The full force of internationalisation and globalisation severely hit South African companies that were ill prepared for global competition (Muller, 2004:32).

By the mid 1990's, the first SCIP (Society for Competitive Intelligence Professionals) chapter was established in the Gauteng province, the economic hub of South Africa. SCIP is an international association based in the US, With the first visit by an international CI specialist, Professor Jonathan Calof, SCIP experienced a flare-up. In 1999 the Gauteng chapter underwent a reawakening driven by CI consultants, resulting in the emergence of a second association for CI practitioners, namely the South African Association of CI Professionals, SAACIP (Muller, 2004:33-34).

The business management aspect of CI gradually overtook the counter intelligence and security aspect and with that the number of CI practitioners increased.



5.4 RESEARCH AND TRAINING

CI in South Africa emerged from the business sector. Initially, academia was neither involved in research into CI nor was formal training programs developed (Muller, 2004:35).

To date only a few papers have been written on the subject. These include:

- The article of Du Toit titled "Marketing Intelligence: A Competitive Weapon" (Du Toit, 1990), which argues the strategic value CI adds as competitive weapon, enabling the company to react to external environmental factors.
- The second article by Du Toit titled "Managing Intelligence: A New Paradigm for South Africa" (Du Toit, 1995), which argues CI's importance in innovation and improvement, which in turn makes developing countries more competitive.
- The third article by Du Toit titled "Competitive intelligence in the knowledge economy: what is in it for South African manufacturing enterprises" (Du Toit,

2003) examined the role of competitive intelligence in South African manufacturing enterprises.

- The article of Muller titled “South Africa: An Emerging CI Player” (Muller, 1999), which argues that globalization brought about a need for better information and ability to translate such information into knowledge applicable to decision making and strategy.
- The research project of Viviers, Saayman, Calof and Muller (2002), titled “Competitive Intelligence practices: A South African study” – refer section 5.3.2.
- The research project of Viviers, Saayman and Muller (2002), titled “A Comparative Study of the CI Practices in South African and Flemish Exporters” – refer section 5.3.2.

Since 1999 some academics took note of the need for and application benefits of CI and the first steps toward formalised CI training were taken albeit in pre graduate courses and mostly in Information Science or related departments. Simultaneously, consultants developed training courses mostly on topics such as what CI is and how to collect information ethically and legally. Early training programs also contained elements of Defensive CI and the management of CI (Muller, 2004:37).

In his overview of the main education providers offering CI courses in South Africa, Kok (2005, 14-29) notes that the Universities of Johannesburg (UJ), Pretoria (UP), North West (NW), Cape Town (UCT), Tswane University of Technology (TUT) Stellenbosch (US) and Cape Town (UCT) as well as the US Business School (UBS), offer CI courses. The various courses have different areas of focus, though an overview of CI as well as the CI processes are included in most (see Table 5.1).

	UJ	UP	NW	US	USB	UCT	TUT
Overview	X	X	X	X		X	X
Planning & Direction	X	X	X	X	X		X
Collection & Research	X	X	X	X	X		X
Processing & Storage		X		X			
Analysis & production	X	X	X	X			X
Dissemination & delivery	X		X	X			X
Setting up a CIP	X	X	X	X			X
Counterintelligence	X		X	X			X
Ethical Issues				X			X
Risk management		X					

Table 5.1: Summary of Course Content (Kok, 2005:28).

With the growing market for CI came a growing number of CI, management and strategic management consultants. There were varying degrees of expertise, knowledge and standing. Consultants were mostly South Africans and in general initially had state intelligence backgrounds. Some of the earlier consulting companies in CI were established in the late 1990s of which IBIS Business and Information Services, Competitive Business Intelligence and Analysis, and the Zero Foundation were amongst the earliest (Muller, 2004: 38).

5.5 CURRENT STATUS

With CI's emergence as recognised management tool, a need developed to properly assess the way in which South African companies conducted CI. This led to the study by Viviers, Saayman, Calof and Muller to determine the CI practices of South

African companies, which commenced in 2001. The research was built around the six key areas which collectively form the intelligence model as identified by Calof and Breakspear. Research findings included the following:

- Overall, results suggested that South African companies showed a general lack of appropriate processes or structures for CI.
- Companies were particularly poor in the formal organisation and process for intelligence.
- There was little evidence that systems in companies assist the CI activities.
- There was also a lack of intelligence tools such as knowledge management and the intranet.
- Few companies had a central coordinating point for receiving competitive information.
- Few had dedicated CI units.
- Few companies could claim that CI was embedded in the whole company.
- The core CI activities resided mostly in the marketing function with either the marketing manager or the CEO taking ultimate accountability.
- Companies spent too much time collecting information and too little time on adding meaning to information and making it actionable intelligence.
- South African companies fared weak with a lack of appropriate skills and related to that, the lack of use of more advanced analysis tools.
- Little information sharing took place and people in the company in general did not know what the focus of the intelligence activity was.

The number of companies developing intelligence groups or units has risen noticeably and it is not uncommon to find the job title of Manager of CI in companies. Viviers, Saayman and Muller confirmed these trends in a second study into the CI practices of South African companies that commenced in 2002. This project researched the CI practices of South African exporters and was conducted in cooperation with two Flemish universities, the Free University of Brussels and the University of Antwerp. Findings included the following:

- Completed exploratory and confirmative factor analysis indicated five dimensions/constructs in the data: Information gathering (planning, focus and

collection), data analysis and quality control, process and structure, culture and awareness and skills development.

- Less than 50% (173) respondents indicated that they do not have any organised CI activity in their company.
- 6.7% said they had a dedicated CI unit.
- CI was mostly housed in the Sales and Marketing division of companies.
- Most of the CI time is spent collecting information rather than planning and analysing.
- A positive aspect was that people inside the companies were recognised and used primary sources of information.

The study also highlighted the following in respect of the South African company respondents (Cuyvers, Muller, De Pelsmacker, Viviers, Saayman and Jegers, 2005: 23-33):

- Time spent on different CI activities: planning 12.9%, collection 46.0%, analysis and interpretation 20.6%, evaluating results 11.0% and communicating results 11.1%.
- Importance of information types: opportunities in new markets 42.2%, potential partners or agents 29.7%, distribution channels 22.3% and trade fairs 22.3%.
- Information sources used: external distribution channels 64.4%, information from company staff 56.7% and internet and electronic databases 52.2%.

5.6 FUTURE PROSPECTS

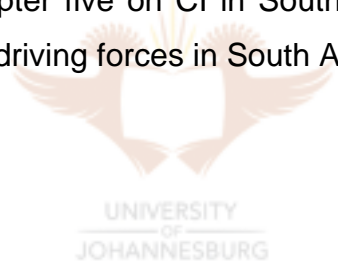
There is clear recognition that the world will become more competitive and will increasingly do so. How South African managers will meet these challenges is not clear and few have actual plans to improve their ability to keep track of competitors and to enhance their competitiveness. There appears to be a degree of complacency and self-deception that is inhibiting managers from instigating effective planning to improve CI and few conduct CI in a formal systematic manner. From the research it is encouraging to note that managers do recognise a need to better integrate CI in their companies' business processes (Muller 2004: 50).

Viviers and Muller (2005: 10) sight that CI as strategic management tool must form part of efforts to enhance competitive behavior of South African companies, the country and society. The authors conclude by noting research gaps in respect of CI in South Africa, including South African CI versus the rest of the world, identifying appropriate CI skills development for South Africa, CI for enhancing South African exports and the role of CI in work-wellness.

5.7 CONCLUSION

Chapter five established that while CI is in its infancy in South Africa, organisations recognise the need to better integrate CI into their business processes and to remain competitive in the global business environment.

This research study's scope is on CI within a South African retail bank. Given the overview presented in Chapter five on CI in South Africa, Chapter six will consider the key characteristics and driving forces in South African retail banking.



6 CHAPTER 6: SOUTH AFRICAN RETAIL BANKING ENVIRONMENT

6.1 INTRODUCTION

The prior chapter explored the application of CI in the South African competitive environment. The competitive environment of South Africa is unique versus other countries – likewise the competitive environments of different industries within South Africa are unique also. This chapter explores the South African retail banking industry, the competitive environment in which it operates, and the effect of these on the application of CI.

6.2 INDUSTRY OVERVIEW - 2003

KPMG (KPMG:2004) reported the following findings on their South African Banking Survey for the 2003 financial year ends of the participating banks.

John Louw, Managing Partner, KPMG Financial Services (KPMG, 2004:3) concluded that the banking industry in South Africa was stable in 2003, despite disappointing economic growth in South Africa and a global economy plagued by uncertainties. The dominant banks in South Africa experienced mixed fortunes during 2003, with the Big Five banks (ABSA, FirstRand Bank, Nedbank, Standard Bank and Investec), achieving an average return on equity of 17,12 percent. During 2003 banks were required to expend an inordinate amount of time and effort on inwardly focussed issues, such as implementing new policies and systems to cater for the Financial Intelligence Act, the Financial Advisory and Intermediary Services Act, the Financial Services Charter, the ongoing development of Basel II initiatives and complications in implementing AC133. The global resurgence and increased competition in the banking industry has necessitated exploring new strategies to expand activities.

Lean Claassen and Elizma Brooks' analysis of the South African banking industry for the year ended December 2003 (KPMG, 2004:13-18) revealed the following:

- Industry change: Since the beginning of the 1990s, the South African banking industry has gone through substantial changes. New bank legislation and regulatory requirements have been introduced, foreign banks have entered the domestic market, competition from non-bank entities has intensified, international scrutiny has increased and customers now demand more sophisticated products and quality of service. Comments by domestic banks on their customers included, “very demanding”, “increasingly electronic” and “very inspirational”. Many banks observed the significant emerging black middle class (Metcalf, 2005:14).
- Industry structure: Prudent regulatory and legal infrastructure coupled with strong accounting standards and disclosure practices are some of the attributes of the well-developed banking system in South Africa. Five major banking groups, Standard, Nedbank, ABSA, FirstRand Bank and Investec, control 89,4 percent of total banking assets in South Africa. The Big Four banks have 19.8 million retail customers in 2005 (2008 projection : 22.8 million) holding 31.2 million accounts (2008 projection : 35.4 million). Bank retail branches number approximately 2 500 in 2005 (2008 projection : 2 700) and ATMs approximately 12 488 in 2005 (2008 projection : 14 428). Two thirds of the Big Four banks have made significant or fundamental changes to their strategies in the last year (Metcalf, 2005:10-11). A peer review of 13 South African banks in 2005 placed ABSA first (72% rating), Standard Bank second (67% rating), FirstRand Bank third (28% rating) and Nedbank fourth (8% rating) (Metcalf, 2005:66).
- Asset quality: Total banking assets (lending) increased by 24,7 percent to R1 387 billion for the year to December 2003. The prime overdraft rate has been reduced significantly by the Reserve Bank from 17 percent in December 2002 to 11,5 percent in December 2003, due to lower consumer inflation, the strengthening in the value of the Rand and pressures to stimulate economic growth.
- Funding: The South African banking sector is funded by way of deposits, loans, purchase agreements, capital and reserves. The largest funding contribution is from unsecured deposits from diverse sources. Total deposits increased by 7,5 percent to R835,3 billion in 2003.

- Profitability: Difficult trading conditions, rapidly declining interest rates as well as the volatility of the value of the Rand had an adverse effect on the profitability of the banking sector in 2003. Declining interest rates forced banks to increase their sources of non-interest revenue (largely transactional fees) as well as to manage operating costs more stringently.
- Challenges facing South African banks: New legislation and the expected implementation of the Basel II Capital Accord in 2007 are some of the medium-term challenges facing South African banks – these implementations will have noticeable capital, cost and administration implications. The Financial Services Charter must be effectively implemented such that it is in the interests of all the stakeholders. Banks find it increasingly difficult to lengthen and grow their deposits. One of the characteristics of the South African banking sector is the high concentration of corporate credit exposures, due to the lack of diversification within the market. Interest margins remain under pressure, exacerbated by the role of competition, non-banking institutions and volatile interest rates. Banks continue to find it very difficult to grow assets – the main reasons are the increase in the availability of cash and higher disposable income of individuals as result of better economic conditions, as well as the increase in alternative funding sources available. The value of the Rand continues to be volatile against other major currencies.
- Opportunities facing South African banks: The implementation of the Financial Services Charter could have a positive effect on asset growth, as well as encouraging the emergence of a strong and potentially profitable middle market. Banks have significant scope to improve internal efficiencies, thereby improving their profitability. Large growth potential exists for banks in the rest of Africa by offering similar banking products and services – this market is usually not very attractive for first world banks due to the perception of high risks involved. South African banks have the capacity to use their assets through securitisation (selling of their loan books), thereby lengthening and diversifying their funding bases.

6.3 INDUSTRY CHALLENGES

The major drivers of change in the banking industry for 2005 are (Metcalf, 2005:19):

- Foreign entrants (6/10 rating), evidenced by the acquisition of ABSA by Barclays Bank and the possibility of further large scale incursions by other foreign players.
- Technology (5 ½ / 10 rating).
- Regulatory and other compliance requirements (4 / 10 rating), the primary being the Financial Services Charter.
- Economies of scale (3 ½ / 10 rating) with some banks citing globalisation and the emergence of offshore processing as cost drivers.
- Disintermediation (3/10 rating), included references to intruders such as pension funds, SA Home Loans and cell phone operators.

KPMG's research (KPMG, 2004:107-109) featured Black Economic Empowerment (BEE) requirements as a political challenge for the Big Five and locally controlled banks and the increase in regulatory and other compliance requirements, more specifically AC133, Financial Intelligence Centre Act of 2001 (FICA) Financial Advisory and Intermediary Services Act (FAIS), Basel II and the Financial Sector Charter as a concern for most.

Employment equity featured as a social demographical challenge for the Big Five banks and locally controlled banks and HIV/AIDS was raised as a specific concern for most. Most banks recorded that the BEE funding structures reflect a higher than normal level of risk (Metcalf, 2005:5).

The Financial Services Charter and a raft of new regulations and proposed new legislation will continue to place significant demands on senior management resources and will require significant financial resources in respect of human resource development and implementation (Metcalf, 2005:5).

The key challenges identified by participants are tabulated in Table 6.1 (see below) according to the type of challenges experienced by South African banks today.

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
Political	<ul style="list-style-type: none"> • Meeting BEE requirements 	<ul style="list-style-type: none"> • Meeting BEE requirements • Impact on tourism • Competing as a small bank with the Big Five especially regarding the National Payment System 	<ul style="list-style-type: none"> • Meeting BEE requirements 	<ul style="list-style-type: none"> • Anti-terrorism measures • Fiscal policies • Globalization • Stability in South Africa • Zimbabwe remains a concern
Regulatory	<ul style="list-style-type: none"> • Implementation of changing regulatory and accounting requirements such as • AC 133 • FAIS • FICA • Basel II and 	<ul style="list-style-type: none"> • Implementation of changing regulatory and accounting requirements such as • AC 133 an AC 105 • FAIS • FICA • Basel II and 	<ul style="list-style-type: none"> • Implementation of changing regulatory and accounting requirements such as • AC 133 • FICA • Basel II • FAIS and 	<ul style="list-style-type: none"> • Implementation of changing regulatory and accounting requirements such as • FAIS • FICA • Basel II and • Exchange-control

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
	<ul style="list-style-type: none"> • Financial Sector Charter • Increase corporate governance disclosure, including triple bottom line disclosure • Increased cost compliance • IAS conversion • Keeping abreast of a continuously evolving regulatory environment <p>Compliance with and repeated changes to international accounting standards</p>	<ul style="list-style-type: none"> • Financial Sector Charter • Code of banking practice • Regulatory requirements are burdensome specially for the smaller banks • Business falls within the scope of the Usury Act Exemption Notice. If the notice would be scrapped the bank would face significant difficulty 	<ul style="list-style-type: none"> • Financial Sector Charter 	<p>regulations</p>

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
Economic	<ul style="list-style-type: none"> • Increased competition from foreign players • Sudden and unexpected swings in interest and exchange rates • Rand volatility • Lower interest rates and the inflationary environment • Rand strength which impacts • Foreign net assets and earnings and • Exporter credit worthiness 	<ul style="list-style-type: none"> • Competitive activities • Increased difficulty in obtaining funding since the small bank crisis • Market consolidation • Monopolistic practices • Volatility of the Rand • Interest rate sensitivity • Poorer clients 	<ul style="list-style-type: none"> • Strong Rand 	<ul style="list-style-type: none"> • Strong Rand effects foreign currency income • Exchange volatility • Interest rate volatility
Social	<ul style="list-style-type: none"> • Implementation of 	<ul style="list-style-type: none"> • Implementation of 	<ul style="list-style-type: none"> • HIV/AIDS 	<ul style="list-style-type: none"> • Need for social

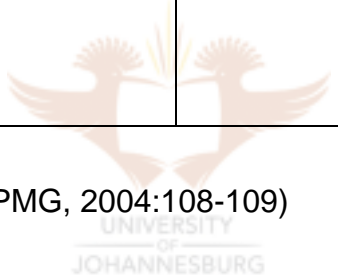
Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
(demographics /attitudes/ expectations)	<p>employment equity</p> <ul style="list-style-type: none"> • HIV/AIDS 	<p>employment equity</p> <ul style="list-style-type: none"> • HIV/AIDS • Declining mining industry mining industry leading to potential loss of consumers • National Bank Account leading to increased competition with regard to rural activities 		upliftment
Technological challenges	<ul style="list-style-type: none"> • Remaining abreast of technological innovation • Leveraging IT 	<ul style="list-style-type: none"> • Systems that can satisfy the needs and requirements of customers staff and 	<ul style="list-style-type: none"> • High costs associated with continuing technological upgrades and 	<ul style="list-style-type: none"> • New IT systems • Integration with Head Offices systems

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
	<p>infrastructure which includes optimal spending on systems matched against the value added in terms of automation</p> <ul style="list-style-type: none"> • Best utilization of latest technology 	<p>the regulator for many years to come</p> <ul style="list-style-type: none"> • High costs associated with continuing technological upgrades and changes • Rapid obsolescence of systems and equipment • Finding the right skills/systems 	<p>changes</p>	
Skills	<ul style="list-style-type: none"> • Attraction and retention of skilled staff • Performance and consequence 	<ul style="list-style-type: none"> • Training compliance risk • Identification of suitable people 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Education • Experience • Standards of skill • Continuous process of training and

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
	management <ul style="list-style-type: none"> • Leadership development • Shortage of skilled staff in terms of previously disadvantaged groups 			upgrading staff skills
Legal	<ul style="list-style-type: none"> • Rolling out a legal risk management framework which is compliant with Basel II 	<ul style="list-style-type: none"> • High legal costs • Delays in process • Unpredictability of outcome • Debt collection process 	<ul style="list-style-type: none"> • Compliance with legislation 	<ul style="list-style-type: none"> • Compliance with legislation • Labour • Money laundering
Other	<ul style="list-style-type: none"> • Continued growth into offshore niche areas • Operational risk e.g. 	<ul style="list-style-type: none"> • Growing complexity of regulatory lender • Too much emphasis on compliance not 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

Key Challenge	Big five South African banks	Locally controlled banks & mutual banks	Foreign controlled banks	Registered branches
	disaster recovery programmes fraud internal controls	enough on business <ul style="list-style-type: none"> • Increasing shareholders value whilst facing the high costs of building a bank and customer base 		

Table 6.1: Challenges faced in day-to-day operations (KPMG, 2004:108-109)



The most significant operational issues for South African banks in 2005 are (Metcalf, 2005:31):

1. Affirmative action and employment equity (number 3 in 2003).
2. BEE (number 4 in 2003).
3. Recruitment of good personnel (number 2 in 2003).
4. Capital management and allocation (number 1 in 2003).
5. Emerging markets rating (number 6 in 2003).

Money laundering and fraud moved from number 5 to 9 and 10 to 15, respectively, from 2003 to 2005, reflecting reduced levels of crime (Metcalf, 2005:31).

6.4 INDUSTRY CRITICAL SUCCESS FACTORS

KPMG's survey highlighted critical success factors used by South African banks to determine their success within the industry (KPMG, 2004:101). These included:

- The Big Five banks, locally controlled banks, mutual banks and foreign controlled banks regard return on equity was the most important measurement of profitability.
- Foreign controlled banks also regard other profitability measures such as cost to revenue ratio, interest income to non-interest income and bad debt ratio, as equally important to return on equity.
- The Big Five banks view profit growth as a fairly important profitability measure.
- Registered foreign branches active in South Africa focus primarily on profit and asset growth to determine their success.
- Innovation and customer satisfaction are the main benchmarks used by the Big Five banks to measure success, while locally controlled banks and mutual banks consider trust and transparency as critical with customer satisfaction also highly rated.
- Foreign controlled banks concentrate on customer satisfaction as a measurement of their success with public perception also ranking highly in their view.

- Registered foreign branches regard the breadth of product or service offering, market share, customer satisfaction and public perception as measurements of their success.

6.5 INDUSTRY FUTURE

Revenue growth is regarded as the most pressing issue in retail banking (Metcalf, 2005:5) – such growth will be achieved primarily through cost control and reduction. At the same time, the industry is poised to exploit more fully online opportunities to acquire, satisfy and therefore retain customers (ACI, 2002:1). Research indicates that future industry leaders will demonstrate success in two critical areas: excellence in cost control and removal of cost duplication, and the ability to cater for and capitalise on increasing online customers.

Automated methods of access are on the increase, and the Internet is undoubtedly the strongest growth story in the retail banking industry. Other emerging virtual banking solutions include cell phone banking, branch-based self-service multimedia banking and identification via smart card technology. Automated access to banking products and services provides customers with the benefits of greater efficiency, accuracy and speed (ACI, 2002:2).

Many of the new retail banking products will build on the back of existing mainstream investments, so their development costs will be relatively low and the return on investment is high. Typically the industry is seeing the replacement of broad-brushed generic products and services with solutions targeted at specific segments – the latter requiring large investments in strategies and technologies supporting improved customer relationship management (ACI, 2002:2).

ACI's research further indicates that it is extremely important for retail banks to present through these multiple channels a consistent brand message, a familiar environment and service, and functions tailored to the specific delivery platform.

Into the future there are two main ways to increase profitability – both made possible by new technology (ACI, 2002:4). Better risk management, means higher profits. By

finding out more about customer risks, banks can manage these risks more effectively, opening the door to more customers and greater profits. Higher electronic transaction volumes will also boost profits by exploiting unused technology capacity and thereby reducing the unit cost (ACI, 2002:4). To this end, it is expected that the Big Four banks will spend approximately \$533 million in 2005 (Metcalf, 2005:6).

Seventeen of twenty two South African banks surveyed, believed that their business models will change over the next three years (Metcalf, 2005:50). The most important reasons for change were increasing competition (10 banks), parent bank strategies specifically in respect of foreign owned banks (8 banks) and changes in the regulatory environment (7 banks). The state of the economy was considered relatively unimportant (3 banks).

6.6 CONCLUSION

Chapter six sketched a very dynamic and complex competitive environment in which South African retail banks operate. It's noteworthy that even within the South African retail banking industry there are distinct sub-sections with their own combinations of critical success factors and key elements of importance in their competitive environments.

In the medium term many opportunities and threats will be posed by increased consumerism, the roll out of new regulations and legislation, opening of the South African market to foreign and non-traditional banks and a like diversification of South African banks into foreign markets as well as new products and services.

Chapter seven will outline the empirical survey on the level of maturity of the CI function within a South African retail bank. This will be done by means of a questionnaire with information gathered from management.

7 CHAPTER 7: RESEARCH FINDINGS - EMPIRICAL SECTION

7.1 INTRODUCTION

The prior chapters reviewed the relevant literature on CI, its need, evolution, process and South African application, as well the South African retail banking environment. This empirical survey will serve to assess the level of maturity of the CI function within a South African retail bank. The level of maturity of a CI function is evidenced in the various elements of the CI process, which are explored in this chapter.

7.2 METHODOLOGY

Little research has been done on CI in South Africa, none of which focussed on the level of maturity of the CI function within an organisation (see section 5.4). It was therefore decided to follow the Grounded Theory approach to collect information on the level of maturity of the CI function within a South African retail bank. Grounded Theory is more interested in theory building than theory testing, which makes it eminently suitable for areas of research that have had little attention and exploration (Yin, 1993: 61), or where theory is too remote or abstract to provide definitive guidance (MacPherson et al., 1993). Grounded Theory procedures distinguish theoretical sampling and statistical sampling, and pursue the former. Theoretical sampling captures all the activities of theory development following Grounded Theory procedures, whereas statistical sampling depends on there already being an advanced level of theoretical and practical understanding of the phenomena, enabling researchers to assess levels of confidence in which inferences drawn from a sample to a population may be held (Finch, 2002: 217). Hence, theoretical sampling captures emerging theory, or “theory as a process ... an ever developing entity, not as a perfect product” (Glaser and Strauss, 1967:32).

A sample of twelve managers in Core Banking Solutions, FNB, was selected on the basis that they were the organisation’s primary CI users. A period of one month was allowed for response to the questionnaires, including personal interviews, before analysis was undertaken.

The questionnaire (see Appendix A) was self-constructed and was based on the elements of the CI processes per Table 3.3: Typical Evolution of a World-Class CI Capability (Outward Insights, 2003: 1-2) were used in the construction of the questionnaire with advice and input from the Statistical Consulting Services at the University of Johannesburg with respect to the construct validity of the instrument. In the construction of the questionnaire a number of issues had to be taken into account, inter alia, the amount of participant's time in an environment where managers are usually pressured for time, and the sensitive nature of the data. Therefore, the questionnaire was designed to take up between 9 – 12 minutes to complete and confidentiality was guaranteed. The questionnaire comprised fifty four questions and was divided into three main sections, namely a section containing general questions aimed at demographics information and creating a participant profile; a section containing questions aimed at establishing participants' information needs in terms of topics and frequencies; and a section containing statements relevant to various CI activities and stages of CI development, against which participants were required to indicate their evidenced and required experiences, the aggregated result of which would be indicative of a particular level of CI maturity. Questions were generally constructed with either fixed alternative items or a Likert scale in terms of items to characterise its features and performance. On receipt of the questionnaires, personal interviews were held with the participants, to discuss their responses – these interviews typically lasted a half hour during which participants were able to amend or add to their responses.

7.3 ANALYSIS OF RESULTS

The results of the study are represented with descriptive statistics in the form of tables and figures. Each of the questions in the third section were representative of one of the three stages of CI maturity, with responses weighted one for Early-Stage development questions, two for Mid-Level development questions and three for World-Class development questions (Outward Insights, 2003). In the figures presented, "As Is" represents the evidenced status of the CI function; "Growth Appetite" represents the difference between respondents' expected level of CI development and the evidenced status; and "Awareness and Growth" represents the difference between ultimate World-Class development and respondents' expected

level of CI development, i.e. work is required to stimulate awareness amongst respondents prior to further growth.

The interpretation, discussion and findings of the questionnaire and personal interviews, as well as recommendations to enhance the CI function, are presented under each of the key CI components of the CI process.

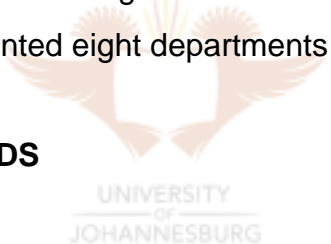
7.3.1 BACKGROUND INFORMATION

The background information sought to establish the demographics of the respondents. It revealed the following in respect of the respondents:

- Number of years employed in the business unit:
 - Less than 2 years: 50%;
 - Between 2 and 5 years: 50%.
- All respondents were at managerial level.
- Respondents represented eight departments in the business unit.

7.3.2 INFORMATION NEEDS

Respondents were requested to indicate the frequency in which they require information on key elements of the competitive environment in which banks operate (see section 6.3). The results are compiled in Table 7.1 and discussed below.



Information	More than once a week	Weekly	Monthly	Less than monthly	Never
BEE requirements	8%	0%	33%	33%	25%
Changing accounting/tax requirements	8%	0%	17%	58%	17%
Changing legal/regulatory requirements	8%	25%	50%	17%	0%
Local competitors	25%	58%	17%	0%	0%
Foreign competitors	8%	33%	50%	8%	0%
Interest rates	33%	8%	58%	0%	0%
Inflation	17%	0%	83%	0%	0%
HIV/Aids	0%	8%	33%	50%	8%
Technological innovation	17%	0%	50%	25%	8%
Leadership development	8%	0%	33%	58%	0%
Skills availability	8%	0%	17%	75%	0%
Operational risk eg industry fraud	18%	0%	64%	18%	0%

Table 7.1: Information needs

On average the results were as follows:

- Respondents required most classes of information less than once a month – these include:
 - Black Economic Empowerment requirements.
 - Accounting and tax requirements.
 - Leadership development.
 - Skills availability.
 - Operational risk and industry fraud.
- Classes of information required on a monthly basis:
 - Changing legal/regulatory requirements.
 - HIV/Aids.
 - Technological innovation.
- Classes of information required on a weekly basis:
 - Local competitors.
 - Foreign competitors.
 - Interest rates.
 - Inflation.

On average respondents required updates to all listed classes of information on a monthly basis. Classes of information for which updates were required less

frequently were those with a longer term implications for the organisation, while those classes of information for which updates were required more frequently were those which require response from the organisation as/when they occur.

7.3.3 DELIVERABLES AND CAPABILITIES

A set of eight questions sought to establish, at a high level, the deliverables and capabilities of the CI function, the results of which are contained in Table 7.2 below.

	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI provides "Just the Facts"	0.793	3.92	3.92	3.60	3.60
CI identifies trends and implications	1.508	3.45	6.91	4.36	8.73
CI is a "Key Component" of company strategy	1.695	3.91	11.73	4.64	13.91
CI is reactive in nature, focused on the Big 4 banks	0.985	3.92	3.92	3.20	3.20
CI's analytic alerts are predictive and focus on implications for the company	0.985	3.33	6.67	4.20	8.40
CI provides early warning signals as soon as they happen	0.985	3.00	9.00	4.36	13.09
CI delivers published reports	0.985	3.92	3.92	3.90	3.90
CI delivers in-person CI briefings	0.985	3.08	6.17	3.70	7.40

Table 7.2: Response and analysis iro Deliverables and Capabilities

Early stage elements of the CI function were evidenced most often – these included CI providing "Just the facts", CI being reactive in nature focussed on the

organisation's immediate competitors and CI's delivery in the form of published reports. Fiora (2004:39) states that the majority of CI teams are either in start-up mode (see section 3.3). Alampalli's (2005:5) notes that earliest stage of CI evolution involves competitive data gathering and little or no analysis (see table 3.1), thus providing "Just the facts". Calof (1998:4) notes a reactive style of CI to be indicative of CI in its infancy (see table 3.2). Prescott (1999:42-43) suggests that the World-Class CI function should focus on competitive dynamics and non-market factors, including competitors, suppliers, customers, alliance partners and potential competitors – where the organisation's focus is on immediate competitors only for the most part, this could be regarded as an early stage of evolution.

It is interesting to note that 64% of respondents indicated that CI was always or often a key-component of company strategy – this would be consistent with a World-Class CI function (see table 3.3). Further investigation revealed that CI is used as input to the organisation's annual strategic plan; CI doesn't, however, direct the organisation's strategy during the course of the year.

Respondents mostly required growth in elements of the Mid-Level (70%) and World-Class (61%) levels of maturity. Respondents further required 31% less of the elements evidenced in the Early-Stage CI function. Specifically respondents required 26% growth in CI's identification of trends and implications and 45% growth in CI's provision of early warning signals as they happen – the latter in keeping with Fiora's (2004:39) findings that early warning is the number one benefit top executives expect from a CI function (see section 3.4).

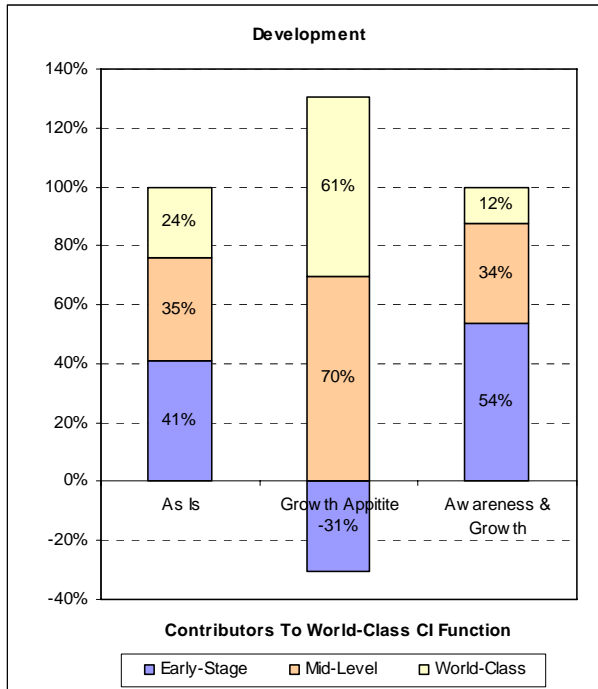


Figure 7.1: Response and analysis iro Deliverables and Capabilities

As indicated in Figure 7.1, respondents mostly evidenced elements of an Early-Stage of CI maturity (41%), with lesser evidence of Mid-Level (35%) and World-Class (24%) CI function.



7.3.4 ANALYTICAL PRODUCTS

A set of five questions sought to establish the level of analytical products delivered by the CI function, the results of which are contained in Table 7.3 below.

	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI provides competitor profiles	0.985	3.18	3.18	4.18	4.2
CI provides industry analysis	0.793	3.00	6.00	4.18	8.4
CI provides future scenario analysis i.e. what could happen & what the results could be	0.793	2.36	7.09	4.09	12.3
CI conducts basic analytic assessments – combination of facts and basic analysis written in response to a particular event or on a particular subject	0.793	3.36	3.36	4.10	4.1
CI conducts sophisticated analytical assessments such as SWOT, personality profiles or financial analysis of competitors annual results	0.793	2.18	4.36	3.91	7.8

Table 7.3: Response and analysis iro Analytical Products

82% of respondents indicated that the CI function occasionally or often conducted basic analytical assessments, while 73% of respondents indicated that the CI function seldom or never conducted sophisticated analytical assessments. According to Prescott (1999:39-44) the earliest stage of CI evolution includes little or no analysis, while the mature stage of CI evolution would include both quantitative and qualitative analysis (see section 3.2). Section 4.4.2 indicates different levels of intelligence traced along an intelligence value chain starting at the provision of facts, then findings and ultimately forecasts – the provision of competitor profiles and basic analytical assessments would best be described as findings, being expert knowledge based on organised information.

Respondents mostly required growth in elements of the Mid-Level (46%) CI function activities, including the provision of industry analysis (39% growth requirement) and sophisticated analytical assessments such as SWOT, personality profiles or financial analysis (79% growth requirement). Concerning is respondents requirement for growth in elements of the Early-Stage (27%) CI function activities, including provision of competitor profiles (31% growth requirement) and basic analytical assessments (22% growth requirement). Such ambiguity toward analytical product requirements would not be unfounded, for as Krizan (1999:36) explains, that customer needs and collected information and data are not the only factors that influence the analytical process as the analyst also brings his/her unique thought patterns (see section 4.4.1).

Overall, there appears to be a lack of, and great requirement for, the provision of Analytical Products, of all types and levels of complexity. This finding may not be unexpected – according to Kahaner (1996:44) analysis is considered the most difficult part of the intelligence cycle, requiring great skills and guts because it requires the analyst to weigh information, look for patterns and formulate different scenarios based on what the analyst’s learned (see section 4.4.1).

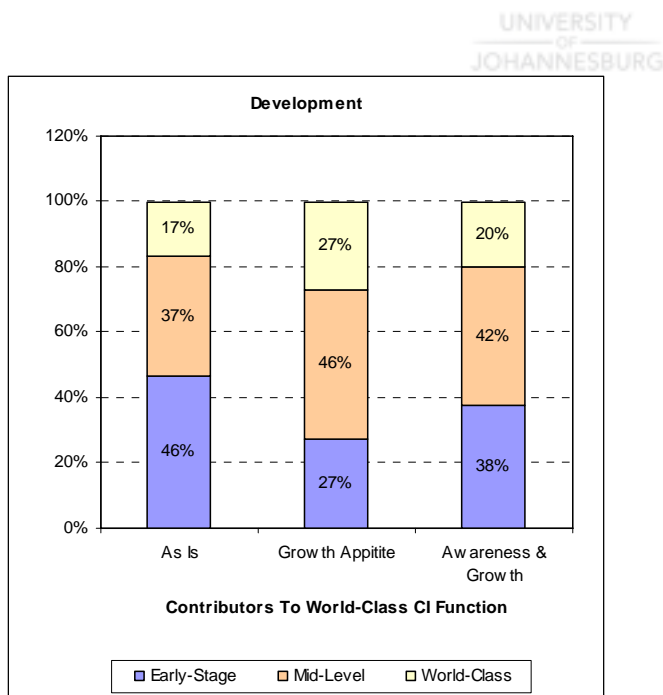


Figure 7.2: Response and analysis iro Analytical Products

As indicated in Figure 7.2, respondents mostly evidenced elements of an Early-Stage of CI maturity (46%), with some evidence of a Mid-Level CI function (37%) and little evidence of a World-Class (17%) CI function.

7.3.5 RELATIONSHIP WITH MANAGEMENT

A set of twelve questions sought to establish the CI function's relationship with management, the results of which are contained in Table 7.4 below.



	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI is "Still Building Awareness"	0.793	3.36	3.36	3.20	3.2
CI is in "An Emerging Partnership with CI Users"	0.793	3.45	6.91	3.40	6.8
CI is "A Key Component of Company Strategy"	0.793	3.22	9.67	4.64	13.9
CI requires intervention to access stratco members	1.054	2.89	2.89	3.27	3.3
CI has access to stratco members	0.422	3.80	7.60	4.40	8.8
CI has a champion at stratco level	1.508	3.45	10.36	4.78	14.3
CI relies on management and industry developments to determine issues for focus	0.778	3.67	3.67	4.00	4.0
CI alerts management to issues not currently on its agenda	1.03	3.17	6.33	4.00	8.0
CI alerts stratco to issues not currently on its agenda	1.168	3.18	9.55	4.22	12.7
CI is viewed by the organisation as a source of facts about competitors	0.467	4.27	4.27	4.30	4.3
CI is viewed by the organisation as a operational or tactical asset	0.866	3.67	7.33	4.40	8.8
CI is viewed by the organisation as a strategic asset	1	3.33	10.00	4.90	14.7

Table 7.4: Response and analysis iro Relationship with Management

A relatively consistent mean in respect of responses to evidenced CI activity, suggests that the CI Function is used in support of various levels of decision makers for various levels of decision making: 100% of respondents indicated "always or

often” for operational decision making, 89% of respondents indicated “often” for tactical decision making and 89% of respondents indicated “often or occasionally” for strategic decision making.

The CI function should be a key component of an organisation’s strategic management / planning process toward sustaining its competitive advantage (see figure 2.1). Fleisher and Bensoussan (2003:2-3) as well as Bateman and Snell (2002-120-121) state that successful strategic management depends (follows) on an accurate evaluation of the external environment, i.e. it depends on a suitable CI function (see section 2.1). Instead, respondents indicate that a mixed orientation toward the use of CI in the organisation, which according to Prescott (1999:39-44), is typical of the CI function in 1990s – Mid-Stage CI function; Outward Insights (2003:1-2) refers to this as “An Emerging Partnership With CI Users” (see section 3.2).

Required growth was strongly skewed to elements of the World-Class (66%) level of maturity. Specifically respondents required the CI Function to move toward being a key component of company strategy (44% to 47% growth requirement) and to alert strategic management to issues not currently on its agenda (33% growth requirement). This growth requirement is encouraging as it mitigates a significant risk posed by Gilad (2001:1-10), namely that organisations’ main shortcoming is failing to provide strategic insights and getting stuck in providing standard information services. The fact that 80%+ of respondents indicated that the CI function often has access to the organisation’s Strategic Committee (Stratco) and/or a champion at Stratco level, will bode well for shifting the CI focus from mixed to strategic – per Fiora (2004:39) and such a champion is an executive who is willing to assist in fine-tuning the CI deliverables and providing insights into management’s priorities (see section 3.3).

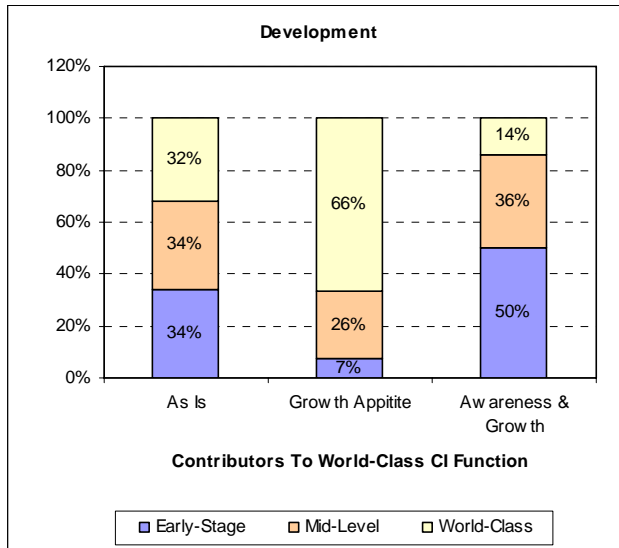
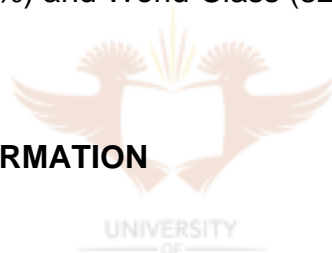


Figure 7.3: Response and analysis iro Relationship with Management

As indicated in Figure 7.3, respondents equally evidenced elements of an Early-Stage (34%), Mid-Level (34%) and World-Class (32%) CI function.



7.3.6 SOURCES OF INFORMATION

Two questions sought to establish what sources of information the CI Function uses, the results of which are contained in Table 7.5 below.

	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI uses a broad range of secondary sources of information - this information is not direct from the owner of the information, thus subject to interpretation eg. articles in newspapers	0.874	3.82	11.45	4.33	13.0
CI uses primary sources of information - this information is direct from its owner eg. in person discussion, or product owner product comparatives - these could be inside the company or outside	1.036	3.55	10.64	4.11	12.3

Table 7.5: Response and analysis iro Sources of Information

Respondents reported strong evidence of the use of primary and secondary networks of information – 74% of respondents indicated that such sources of information were often in evidence.

Respondents indicated little to no requirement for use of additional sources of information.

7.3.7 PERSONNEL

A set of five questions sought to establish the level of staffing of the CI function, the results of which are contained in Table 7.6 below.

	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI comprises 1 full time employee	1.135	4.20	4.20	3.67	3.7
CI comprises 2 or more full time employees	1.695	2.45	7.36	3.82	11.5
CI is led by a manager who can begin to develop close relationships with intelligence users	0.786	3.73	3.73	4.40	4.4
CI is led by a manager who spends the majority of his/her time interacting with senior management and exercising quality control over CI deliverables	1.136	2.91	5.82	4.10	8.2
CI is led by a manager spends all of his/her time interacting with senior management and developing new and innovative CI deliverables	1.165	2.92	8.75	4.20	12.6

Table 7.6: Response and analysis iro Personnel

In reality the CI function comprises one full time employee – respondents were however uncertain about this fact, with 60% reporting one full time employee and

40% reporting more than one full time employee. Outward Insights (2003: 1-2) notes that the minimum personnel requirement for a CI function is at least two or more full time employees, with duties divided between intelligence collection and analysis. The organisation's one full time CI employee, underscores it's Early-Stage of CI development on this front (see section 3.2).

The growth requirement was clear, with respondents indicating a need for two or more full time CI employees (56% growth requirement), headed by a full time CI manager (44% growth requirement).

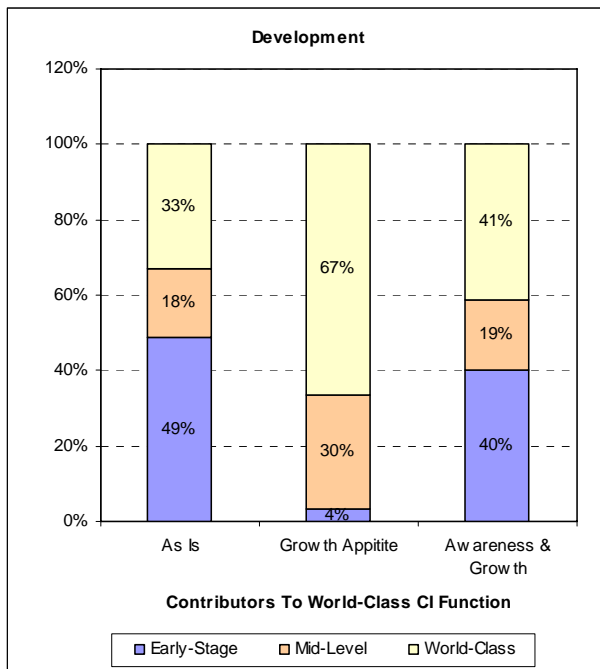


Figure 7.4: Response and analysis iro Personnel

As indicated in Figure 7.4, respondents mostly (49% of respondents) evidenced elements of an Early-Stage of CI Maturity.

7.3.8 SKILLS AND TRAINING

A set of five questions sought to establish the level of skills and training of the CI function, the results of which are contained in Table 7.7 below.

	Evidenced			Expected	
	Std Div	Mean	Weighted Mean	Mean	Weighted Mean
CI has the ability to craft intelligence deliverables – short, succinct, and focused on decisions and implications	0.905	3.50	3.50	4.30	4.3
CI has the ability to deliver new and/or unwelcome news to senior management	0.985	3.67	7.33	4.60	9.2
CI is accomplished in delivering intelligence briefings one-on-one and to an audience of senior management	1.027	3.36	10.09	4.50	13.5
CI has a solid working knowledge of your organisation's industry	1.138	3.75	3.75	4.60	4.6
CI has extensive industry expertise in your industry	0.985	3.33	10.00	4.50	13.5

Table 7.7: Response and analysis iro Skills and Training

Responses to this section of the survey were ambiguous.

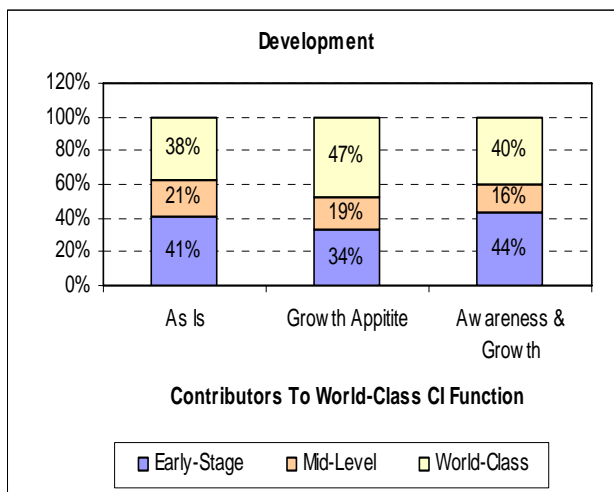


Figure 7.5: Response and analysis iro Skills and Training

Respondents evidenced elements from all levels of maturity, skewed toward Early-Stage (41%) and World-Class (38%). The same applied to growth requirements.

7.3.9 TYPICAL TIMING

The CI function's been operational for one and a half to three years, indicative of a Mid-Level level of maturity. Once operational for three or more years the CI function will enter a World-Class level.

7.3.10 CONCLUSION

The above mentioned sections sought overall to establish the level of maturity of the CI function within the business.

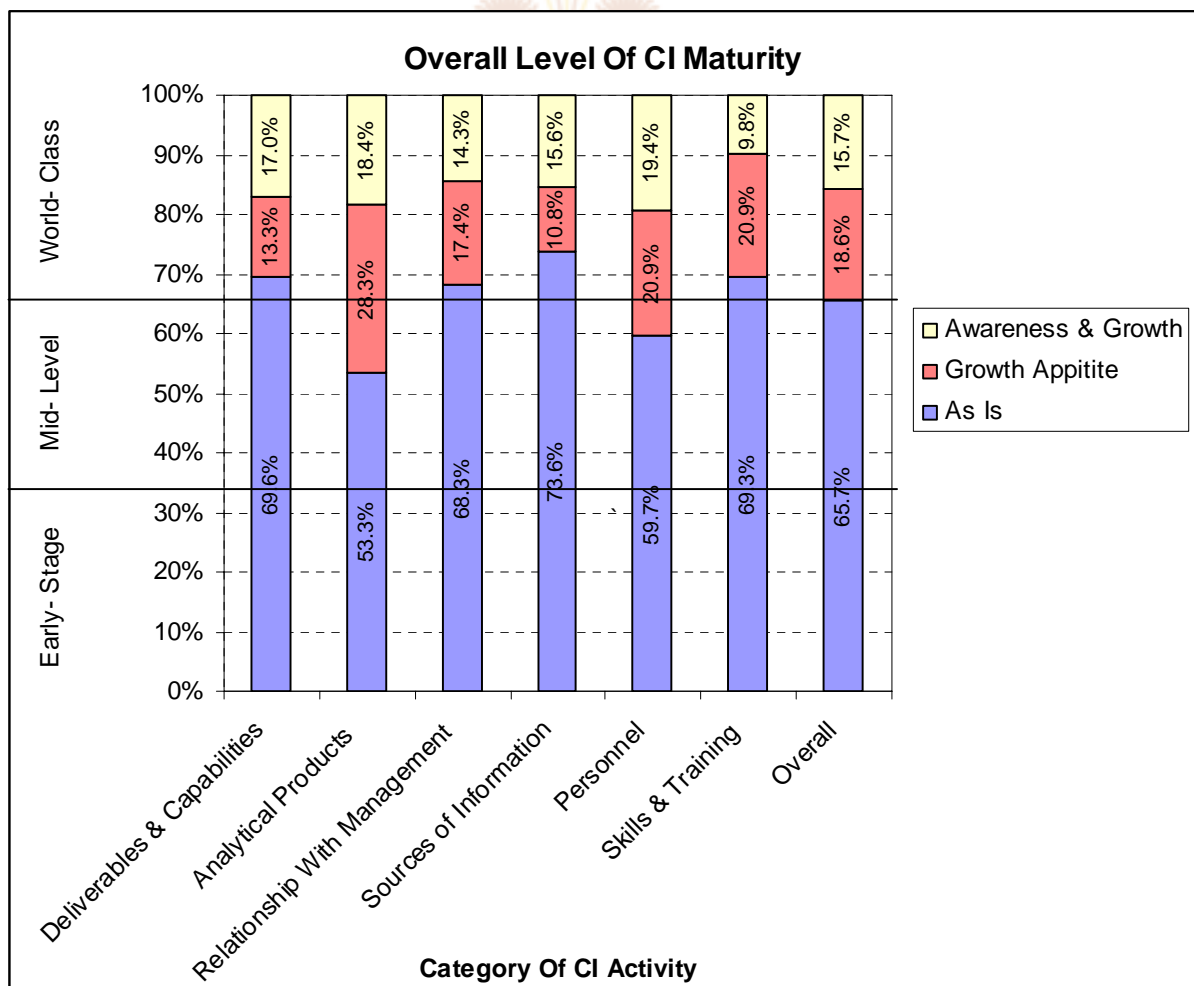


Figure 7.6: Overall Level of CI Maturity

As indicated in figure 7.6, overall the CI function finds itself in a Mid-Level of maturity (65.7%). Given 100% representing the maximum World-Class CI Function, the organisation has a growth opportunity of 34.3% - this however is limited to 18.6% by respondents current aptitude for growth, suggesting a 15,7% requirement for additional awareness amongst respondents prior to further growth.

The overall findings of this research study are supported by findings in similar studies conducted in the last years. These include:

- Muller (2004:31) sighting that in South Africa, CI is enjoying increased prominence but not yet as a level of that in economically advanced, first world countries such as the USA and France (see section 5.1). Evidenced Deliverables and Capabilities in this study included CI providing “Just the facts”, CI being reactive in nature focussed on the organisation’s immediate competitors and CI’s delivery in the form of published reports.
- The study by Viviers, Saayman, Calof and Muller in 2001, concluded that little information sharing took place in South African companies and that people in general did not know what the focus of the intelligence activity was (see section 5.5). In keeping, this study found that the CI function is used in support of various levels of decision makers for various levels of decision making.
- The largest variance evidenced in this study in respect of categories of CI activities is the delivery of Analytical Products (53%) versus use of varied Sources of Information (74%). The studies by Viviers, Saayman, Calof and Muller in 2001, and Viviers, Saayman and Muller in 2002, included similar findings (see section 5.5), namely a lack of use of advanced analysis tools and a mere 21% of CI time spent on analysis and interpretation versus use of varied information sources and 46% of CI time spent on collection of information.
- The studies by Viviers, Saayman, Calof and Muller in 2001, and Viviers, Saayman and Muller in 2002, indicated that less than 50% of respondents indicated that they do not have any organised CI activity in their company, but that these activities lacked appropriate structure, organisation or a dedicated CI unit (see section 5.5). This correlates to the findings of this study which

indicate uncertainty in respect of the number of full time CI employees and lack of activities required of a full time CI manager.

- On training, Muller (2004:37) notes that since 1999 some academics took note of the need for and application benefits of CI and the first steps toward formalised CI were taken albeit in pre graduate courses. Per Kok (2005:14-29) nine providers of higher education offer courses, with varied areas of focus, in South Africa (see section 5.4). The study by Viviers, Saayman, Calof and Muller in 2001, concluded that South African companies fared weak with a lack of appropriate skills (see section 5.5). Figure 7.7 indicates a growth requirement of 31% in respect of Skills and Training.

Respondents indicated that the CI function should move toward being a key component of company strategy (44% to 47% growth requirement) and to alert strategic management to issues not currently on its agenda (33% growth requirement). According to Metcalfe (2005:50) seventeen of twenty South African banks surveyed, believed that their business models will change in the next three years, the most important reasons being increasing competition (ten banks), entry of foreign banks (eight banks) and changes in regulatory environment (seven banks) (see section 6.5). The information needs of respondents to this study display a similar trend with information on local and foreign competitors required on a weekly basis and information on changing legal/regulatory requirements required on a monthly basis.

Chapter eight will provide a summary of the study and conclusions derived from the findings of the research as well as recommendations regarding possible implementation of the findings and their implications for further research.

8 CHAPTER 8: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

This chapter provides a summary of the study and conclusions derived from the findings of the research. The recommendations regarding possible implementation of the findings and their implications for further research are also presented.

8.2 SUMMARY

The objective of this study was to assess the level of maturity of the CI function within a South African retail bank.

Chapter one contextualised the study by providing the background factors to the problem, the purpose and importance of the study, the primary and secondary research objectives, research methodology, definitions of key concepts, as well as the planning of subsequent chapters.

Chapter two established the need for and value added by CI. It found that CI is concerned with developing intelligence that has actionable implications. The chapter established the role CI plays in enhancing a company's competitive advantage, through a better understanding of the company's external (competitive) environment, leading to improved strategic management and resultant competitive advantage. The chapter further elaborated on the numerous important benefits realised through the application of CI and established it as a key component of an organisations risk management process.

Chapter three established the rapid evolution of CI in the last three decades, from a bureaucratic, systematic process rendering information for tactical decision making, to a dynamic, adaptive process forming a key component to strategic decision making. Going forward CI will continue expanding its strategic reach, through application of its early warning systems to industry risk management.

Chapter four addressed what the CI process is, by presenting an overview of its key components, namely obtaining CI requests, collecting information, analysing and synthesising information and communicating intelligence. The chapter reasoned that CI is a systematic, logical process, not unlike any other rational human decision making process of identifying problems and seeking information to resolve such. The CI process provides a framework of the critical tasks CI should engage in, through its key components. The framework presented is neither static nor exhaustive, thus may be refined to meet the unique requirements of specific applications.

Chapter five established that while CI is in its infancy in South Africa, organisations recognise the need to better integrate CI into their business processes, to remain competitive in the global business environment.

Chapter six sketched a very dynamic and complex competitive environment in which South African retail banks operate. It was noted that even within the South African retail banking industry there are distinct sub-sections with their own combinations of critical success factors and key elements of importance in their competitive environments. In the medium term many opportunities and threats will be posed by increased consumerism, the roll out of new regulations and legislation, opening of the South African market to foreign and non-traditional banks and a like diversification of South African banks into foreign markets as well as new products and services

Chapter seven aimed to determine the level of maturity of the CI function in a South African retail bank as evidenced in the various elements of its CI function. This was achieved using the Grounded Theory research method in the form of a questionnaire compiled by the researcher and personal interviews with the respondents. The results of the findings from these questionnaires are outlined in this chapter.

8.3 FINDINGS AND RECOMMENDATIONS

The findings of this study have important implications for the management of the organisation surveyed as, like organisations with and organisations operating in the business of CI.

The CI function surveyed finds itself in a Mid-Level of maturity. While there is significant opportunity for the function to develop to a World-Class level, such growth is somewhat limited by respondents' requirements. The findings of this research study closely correlate to facts presented in the literature review as well as findings of similar studies conducted in the last years.

The recommendations which arise from the research findings are directed at development of the CI function surveyed from its current level of maturity to a World-Class level of maturity.

8.3.1 DELIVERABLES AND CAPABILITIES

The CI function should assist senior management in developing and reviewing a set of Key Intelligence Needs (KINs). Review should be ongoing, alerting senior management to issues not currently on its agenda and should include reprioritisation also. KINs are the strategic issues which management require information on to set and implement strategy; they are those critical information requirements that provide the direction for the CI function to ensure it focuses its efforts on collecting and analysing only information relevant to such KINs.

For the CI function to evolve from "Providing just the facts" (reactive) to being "A key component of company strategy" (proactive), the following steps are required:

- Firstly the CI function should be appropriately resourced. This includes the employ of at least one additional full time employee and CI software application to enable the required paradigm shift.
- Secondly the CI function should develop and deliver information on trends and implications in respect of the KINs through application of the aforementioned resources and analytical skills addressed in section 8.3.2.
- Thirdly the CI function should develop and deliver early warning signals, by mapping from the KINs high risk areas, building and monitoring indicators and issuing alerts as such risks unfold.

8.3.2 ANALYTICAL PRODUCTS

The CI function should deliver both quantitative and qualitative analysis. This may be achieved through:

- Development of the CI function's analytical resources including:
 - Implementation of a CI software application.
 - Development of analysts' competencies for the analysis and synthesis of information, being creativity, inductive and deductive reasoning and the use of analytical methods.
- Development of analysis from providing the facts to findings, forecasts and early warning.

8.3.3 HUMAN RESOURCES

Roles and responsibilities of key CI stakeholders should be defined and adhered to.

These should typically include:

- CI Champion, whose main responsibilities are to help institutionalise CI activities, render visible support for the CI function and serve as link between Stratco and the CI function.
- CI Manager, whose main responsibilities are to coordinate the CI process and to focus on certain elements of this process, namely interpretation of analysis, deliberation with management on the potential implications of findings and ongoing review of KINs.
- CI Analyst, who's main responsibilities are operational, namely to collect, collate and analyse information given the organisation's KINs.

CI personnel should be trained in and be afforded opportunity to gain experience in engaging with groups of senior management in debate / dialogue as opposed to delivering reports or engaging in one-on-one briefings.

8.4 AREAS OF FUTURE RESEARCH

CI is a key component of the strategic management process and provides significant benefits if applied appropriately.

This study was limited to South Africa and more specifically a retail bank. This study may thus be replicated to establish the level of maturity of organisations outside South Africa or outside the retail banking environment.

As this study assessed the level of maturity of the CI function, it provided a snapshot of at a specific space in time and stage of development. This study should thus be replicated at regular intervals within the organisation surveyed – this will provide further insights into the time scale involved in developing a CI function and will aid in validating and enhancing the measurement model.

The empirical section suggested that the results of the measurement model may be skewed, based on a lack of knowledge of the CI function, on the part of respondents – in earlier stages of maturity of the CI function, respondents are less likely to “know what they are missing”. Future research into the effect of early stages of maturity on the results of measurement models will benefit in the development of such models.



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APPENDIX A: QUESTIONNAIRE

Competitive Intelligence ("CI") Questionnaire - Core Banking Solutions ("CBS"), November 2005

Section A - Background Information To Your Role in CBS

Write down your answer in the space provided:

1 Number of years employed by CBS? _____

3 Current job level? _____

3 Current department? _____

Section B - Information Needs

Cross (X) the relevant block:

For your specific job, how frequently do you require information on the following issues:

	More Than Once a week	Weekly	Monthly	Less Than Monthly	Never
1 BEE requirements					
2 Changing accounting/tax requirements					
3 Changing legal/regulatory requirements					
4 Local competitors					
5 Foreign competitors					
6 Interest rates					
7 Inflation					
8 HIV/Aids					
9 Technological innovation					
10 Leadership development					
11 Skills availability					
12 Operational risk eg industry fraud					
13 Other (please state): - - -					

Section B - CI In CBS

Cross (X) the relevant block:

For CBS, how frequently are the following elements (1) evidenced / "as is" in your experience, and (2) required / "to be" in your opinion ?:

		(1) Evidenced / "as is"					(2) Required / "to be"				
		Always	Often	Occasionally	Seldom	Never	Always	Often	Occasionally	Seldom	Never
1	CI provides "Just the Facts"										
2	CI identifies trends and implications										
3	CI is a "Key Component" of company strategy										
4	CI is reactive in nature, focused on the Big 4 banks										
5	CI's analytic alerts are predictive and focus on implications for the company										
6	CI provides early warning signals as soon as they happen										
7	CI delivers published reports										
8	CI delivers in-person CI briefings										
9	CI provides competitor profiles										
10	CI provides industry analysis										
11	CI provides future scenario analysis i.e. what could happen & what the results could be										
12	CI conducts basic analytic assessments – combination of facts and basic analysis written in response to a particular event or on a										
13	CI conducts sophisticated analytical assessments such as SWOT, personality profiles or financial analysis of competitors annual										
14	CI is "Still Building Awareness"										
15	CI is in "An Emerging Partnership with CI Users"										
16	CI is "A Key Component of Company Strategy"										
17	CI requires intervention to access stratco members										
18	CI has access to stratco members										
19	CI has a champion at stratco level										
20	CI relies on management and industry developments to determine issues for focus										
21	CI alerts management to issues not currently on its agenda										
22	CI alerts stratco to issues not currently on its agenda										
23	CI is viewed by the organisation as a source of facts about competitors										
24	CI is viewed by the organisation as a operational or tactical asset										
25	CI is viewed by the organisation as a strategic asset										
26	CI uses a broad range of secondary sources of information - this information is not direct from the owner of the information, thus										
27	CI uses primary sources of information - this information is direct from its owner eg. in person discussion, or product owner product										
28	CI comprises 1 full time employee										
29	CI comprises 2 or more full time employees										
30	CI is led by a manager who can begin to develop close relationships with intelligence users										
31	CI is led by a manager who spends the majority of his/her time interacting with senior management and exercising quality control										
32	CI is led by a manager spends all of his/her time interacting with senior management and developing new and innovative CI										
33	CI has the ability to craft intelligence deliverables – short, succinct, and focused on decisions and implications										
34	CI has the ability to deliver new and/or unwelcome news to senior management										
35	CI is accomplished in delivering intelligence briefings one-on-one and to an audience of senior management										
36	CI has a solid working knowledge of your organisation's industry										
37	CI has extensive industry expertise in your industry										
		Less Than	1 ½ - 3 Years	More Than 3							
38	CI has been operational for										