

# EN GARDE!

## — THE ART AND PRACTICE OF CI

By Jordan Frank, Traction Software

Sharpen your competitive sword and learn to wield it! It's time to learn aggressive tactics, to practice your stabs, and to move your body to enhance your ability to attack. It's also time to act ethically and follow the rules of the game.

We are living in an age of competitive pressures yet to be recognized. Now the internet, low costs of shipping, bigger markets, and more learned overseas workforces are blowing the barn doors off of many aspects of competitive advantage. Without the wisdom of learning the art of aggressive intelligence, our organizations are left vulnerable.

We are also living in an age of compliance. Failing to know the existence of and react to competitive events is a threat just like the threat or event itself. Foreknowledge of events can provide the agility to react, block and protect on a competitive and a compliance basis.

### THE SWORD AND SHIELD

The competitive intelligence function is aggressive in nature. Douglas Bernhardt lays out the key goals of the CI function in his "Sword and Shield" white paper [this magazine, v5 n5, September-October 2002]. He indicates that the competitive intelligence function exists to support decisions makers in their quest for advantage and to serve as a first line of defense in protecting assets and ambitions of the firm.

Bernhardt's paper does an excellent job of discussing the role of strategic intelligence and its importance in the decision-making process. However, to use the sword there must be an understanding of its features and how it must be wielded given a market (an arena) and a competitor (another

swordsman). The swordsman must be trained to find the right balance of source information and interpret that information into actionable intelligence.

### EARN INTELLIGENCE ADVANTAGE

The first good tip I learned from SCIP came out of a Boston chapter meeting where Arthur Hulnick gave a terrific speech. (He teaches intelligence at Boston University.) To the best of my memory, his quote was "If I give the same information and same assignment to a roomful of MBA students, I will receive the same reports and recommendations." In most cases, all MBA students would be correct. After all, we would hope a strategy problem could be as answerable as an engineering problem. However, in a competitive world, we can't all provide the same answer.

To succeed, we have to earn intelligence advantage to reach competitive advantage. We cannot rely on the same open sources of information. As a vendor in this industry, I see many customers and a good non-scientific survey tells me that most invest more time and money in news feeds than primary intelligence. As in the MBA course, this practice will lead to average assessments and average recommendations. These recommendations will be predictable by your competition and will be of little help.

At the federal level, the same issue appears to exist. (I am certainly not in a position to know). The US administration found plenty of information indicating that Saddam Hussein had and was building chemical or biological weapons. The intelligence failure is that an agent of the government did not (as far as we know) confirm this information. One could

argue the ethics of acting on this information if, in fact, there were no weapons.

## SHARPEN YOUR SWORD

The CI professional must wield a sharp sword and use it wisely. The sword represents the tactics used to gather primary intelligence that fills the intelligence void between anticipating competitor activity based on review of past activity and vague guesses about what the competitor may do.

Our SCIP literature and conference sessions go far to define ethics and remind us of the few cases where intelligence gathering activities pierced the legal boundary and resulted in major losses. We know not to misrepresent ourselves, while we presume it's OK to hire a consultant to ask questions or test products on our behalf. Most of us know that we should stay out of our competitor's dumpsters.

## ACTING ETHICALLY

What we do not know is how to navigate the gray zone of primary intelligence. This is a topic that is explored from time to time, such as in Arthur Weiss's 2001 article in this magazine 'How far can primary research go,' [Nov/Dec 01, 4/6, p18-21] but is not at the core of our curriculum. We don't know how the competition is playing the game and how we need to fight back. The rules of this game are hazy at best and it is the responsibility of SCIP and our peer group to map this industry and provide examples to support our ethical commandments.

Despite very clear ethical guidelines set forth by SCIP, it is difficult if not impossible to judge how to act ethically. CI professionals have wide ranging views on what practices are OK.

At an unnamed competitive intelligence conference in an unnumbered year I sat in a birds-of-a-feather discussion. It was the afternoon of a 2-day conference. The topic of trade-show intelligence gathering arose and it became very clear that among the 20 or so professionals in the room there were at least 14 different viewpoints. Some thought that one must wear their badge at all times while others believed it OK to remove the badge. Some thought that a consultant acting on behalf of another company should be upfront about their relationship, others disagreed. This was a 20-minute conversation with little consensus and no resolution.

The Bible includes 10 commandments and pages upon pages of stories which support those commandments. We need the same.

## OUR RULES ARE NOT THEIR RULES

We also have to realize that non-CI professionals engage in gathering intelligence without a basis in ethics. Or perhaps

they do not have a basis in our ethics. So, when we construct and practice with our shield, we must assume the competitor does not play by our rules.

A survey conducted by Fuld & Company and The Academy of Competitive Intelligence found differences between North American and European views on intelligence gathering. ['Intelligence gathering on gut instinct rather than on knowledge – survey on ethical and legal intelligence gathering shows US-Europe cultural bias,' The Academy of Competitive Intelligence, with assistance from Richard Horowitz Esq. May 15, 2001.]

One question asked whether removing a badge and entering a competitor's *Clients Only* suite was normal, aggressive, unethical or illegal. 44% of North Americans saw this as illegal as compared to only 6% of Europeans. In different regions we have very different views on what practices are ethical and what practices are legal.

## INDUSTRY DIFFERENCES

Deep study into aggressive tactics and best practices in select industries will provide a basis for instruction. As a (sort of) long time participant in the hardware and software food chain, I have witnessed a great deal of intelligence gathering in this space.

- Hard drive manufacturers purchase, test and tear apart one-another's products the day they become available, if not earlier.
- Software publishers hire consultants to audit and compare their products to their competitors.
- Computer resellers acquire pricing intelligence on a daily basis from their customers and their suppliers.

Are any of these practices ethical? Does it matter?

I once worked as part of an alliance. One of our partner's advisors, who was also an advisor to a competitor, handed our strategy paper to our competitor's CEO. The competitor's CEO called to notify us of the indiscretion, but that is not to say he didn't read the paper or act on his learnings. The hand-off was a clear and obviously unethical action that left us stunned, but only because we were immature and unlearned in the competitive intelligence process as it really occurs.

## DEFINING GOOD COMPETITIVE PRACTICES

We must know how our competitors may attack us so we can defend ourselves. This knowledge may come from reading case studies, discussion scenarios, or wargaming. Whatever the chosen vehicle, it is essential for SCIP to provide the material on competitive practices and for members to learn it.

We also must know good practice from bad. Richard J. De Lotto recently wrote an article titled 'Does your CI

ethics program meet the seven standards?' [SCIP:online, n61, October 14, 2004]. In it, he relates Sarbanes-Oxley and other regulations to CI ethics. He compels us to have clearly defined collection processes, to have a whistle blower mechanism for reporting unethical behavior, and to promote a competitive intelligence ethics program throughout the organization.

This call to action and concurrent call to ethics takes us back to the problem: what acts are ethical? You need to practice the art of aggressive sword play. You need to learn offensive and defensive moves which straddle both sides of the ethics fence. You need to seek competitive advantage by spending key resources on information advantage. And finally, as you do this, you need to communicate ethics and what they mean to your organization. This learning process is

a job that is inherently collective. It is all of our jobs at SCIP to come together to learn and practice.

En Garde!

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