Excerpts, Source: http://www.fuld.com/ciStrategiesBook.html, pdf

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Introduction: How This Book Will Help You Make Decisions

Everyone in business needs competitor intelligence. Sales managers, insurance brokers, manufacturers reps, market analysts and company presidents all need business and competitor intelligence to make decisions. They need to analyze a competitor's pricing strategy, production processes and overall strategies. This book gives you the information sources and analytical techniques to develop the intelligence you need for today's marketplace and for tomorrow's competitive environment.

This book also addresses the many types of intelligence needs that exist: the strategic and tactical; manufacturing and service; domestic and international. Among the questions this book will help you to answer are, *"How can I . . . :*

> *. . . analyze privately-held companies and subsidiaries?"*

> *. . . determine a competitor's a supplier's or a customer's operating costs, pricing strategies and financials?"*

> *. . . build a cost-effective intelligence system using existing resources?"*

> *. . . corroborate rumors and improve management decision-making?"*

> *. . . improve benchmarking success?"*

> *. . . anticipate competitors' R&D strategies?"*

> *. . . profile a competitor's management to understand how they will likely make decisions?"*

> *. . . identify key elements in a company's future strategy?"*

A Step-by-Step Guide:
The Means, Not Just The Sources
There is no such thing as an "intelligence cookbook," but there are right ways and wrong ways, efficient means and inefficient means, to begin a competitive assessment. I have written this book to help you understand intelligence, not as a forumula but as a process. of discovery. Sometimes the discovery may be as small as uncovering a new way to sort data in some unusual but informative way. The discovery may be a regulatory filing that contains operational details on a plant or facility. Or, the discovery may be new and better ways to analyze a competitor's costs or predict a new product roll-out.

In order to help you "discover" all these new sources and ideas, I have included dozens of War Stories that describe how to develop and apply intelligence. These stories range from the unusual such as the Rust on Rails annecdote, to the provocative such as the Know Thy Brothel story. The War Stories are meant to arrest your attention and help you think intelligence, not simply memorize sources.

Part 1 of this book opens up this intelligence tool kit by first defining the role of and the boundaries of competitor or business intelligence. It also presents the fundamental techniques that will get you started in this process.

Part 2 describes the thousands of basic and creative sources available to you around the globe. Because information flows differently in different industries and in different cultures, I have given you both the sources themselves and the means for you to locate other sources and techniques. This section brings together the experience of researchers in many industries and shows how corrugated boxes, box cars, technical manuals, help-wanted ads and even the Yellow Pages can reveal a great deal about your competitor. In Chapter 8, "International Intelligence," you will learn about how to create intelligence maps, an approach to conducting intelligence projects outside your native country.

Part 3 describes both the art and the discipline of analysis, and it does so by using actual (but disguised) cases. By reviewing the cases, you will learn how to address questions on a competitor's cost structure, future strategies and new product or service plans. Each case allows you to effectively look over the project manager's shoulders, seeing how the competitive issue was addressed, the analytical framework used and the recommendations the client received.

Part 4 discusses a critical -- but an often overlooked -- piece of the intelligence process, that of accepting and taking action on the intelligence. In this section, you will learn how to present your findings to that your colleagues or your management will make decisions. You will also learn how to establish an on-going intelligence system, an approach that has worked for companies around the world. Once again, you will see many illustrations of real-world systems -- and not a lot of theory. The final issue in this section (and in the book) covers intelligence security. It takes the flip side of the intelligence coin and outlines ways for you to avoid losing the vital information your business needs to survive and prosper.

The Key: The Strategic Intelligence Index
I expect that each reader will use this book a different way. That is why I have designed a unique index for the front of this book, The Strategic Intelligence Index. I have found over the years that clients from Japan, Germany, from manufacturing and from service industries often look for markedly different and divergent types of information. The Index reflects these many uses. If you are looking for ways to assess a service company, or ways to determine cost of operations, or examine a company's R&D activities, the Strategic Intelligence Index pulls together all the references in the book that touch on or explore your question. While I cannot hope to read everyone's mind, I believe you will find the Index versatile enough to help you locate at least a lead to your ultimate solution, if not the solution itself.

Advice From The Experts
I have recruited a group of internationally-known experts to comment on the far-reaching applications and benefits of competitor and business intelligence. Virtually all aspects of business operations have embraced the need for intelligence in recent years -- from total quality management to benchmarking, from the purchasing function to a company's international marketing efforts. I believe you will enjoy the many iconoclastic opinions expressed by these business gurus. Their comments will serve to help you think about the new and very practical ways to apply the intelligence process to your business and to your job.

A Note About The Sources
This book has many thousands of sources which I and my staff have spent countless hours verifying. Inevitably, you must expect that over time many of these addresses will change and some publishers will go out of business or merge. My intent for this book is to show you where a unique source exists

and where you can find others. So, when a particular source no longer exists or the company itself has gone out of business, you will have the tools and the techniques available to find others.

Whatever your job or business make intelligence a part of your workday. Fold it into every task, from trade show visits, to sales meetings to scientific conferences. Competitor intelligence is not just for market analysts; it is for everyone, for every decision maker.

Chapter 1: Understanding Intelligence

Are there corporate spies? Sure. Do corporate spies account for most corporate success stories -- or corporate failures? No. Most corporate victories result from well-designed products or services, hard-won marketing campaigns, and the strategic use of intelligence. Most failures come from a combination of bad timing, poor judgment and misuse or underuse of business intelligence. Certainly, protect your corporate secrets. But don't equate a competitor's market savvy with illegal activity. A competitor that knows its market, its competition and how to leverage what it has learned is one that will continue to legitimately win in the marketplace.

(By the way, do what I do to learn about the spy business. Pick up a LeCarre, Forsyth, or Ludlum novel. There is certainly fact behind their fiction. Just don't apply too much of their fiction to the facts of your business).

What Is Competitor Intelligence?
Sometimes it's almost easier to describe what intelligence is *not*, rather than what it *is*. It is not reams of data base printouts. It is not necessarily thick, densely written reports. And most certainly it is not spying, stealing or bugging. In its most basic description, intelligence is "analyzed information."

It is intelligence -- not information -- that helps a manager to respond with the right market tactic or long-term decision. For example, to say that "the competitor's plant is up to 90% of capacity," or "the bank is launching a new product promotion," is merely information. It becomes decision-producing intelligence when you can conclude that "the manufacturer has reached a cost position that will knock us out of the market, unless we can reduce our overheads," or "the bank's new product presents no immediate threat and is only a me-too introduction. We can wait and watch for six months..."

Your analysis may end up being a 30-page report or just a two-sentence statement. (Don't confuse volume with value!). Nevertheless, if the resulting intelligence helps you succeed or overcome a market barrier, then it has done its job.

Should you think competitor intelligence is just some more "business-babble" for the 1990s, consider the business success stories of the past -- J.P. Morgan, Nathan Rothschild, John Rockefeller-- and the present -- Bill Gates, Akio Morita. They all have used intelligence. They just never gave it a name. By giving it a label and learning how to use it, you can understand how to turn information into a powerful weapon, a competitive advantage.

Unfortunately, the power of the intelligence concept is often diluted because the term itself is ill-defined or misunderstood. Popular business magazines frequently use the labels "data," "information," and "intelligence" interchangeably. You will more readily recognize, and thus effectively use, intelligence if you understand how very different these terms are. As you will see,

companies often have a great deal of data, but do not develop it into intelligence. The example below shows how data and intelligence can lead you to two very different conclusions about a company.

Definition	Example
Data: Scattered bits and pieces of knowledge	1990: "The Dun & Bradstreet report told us that the competitor's plant had 100 employees" 1993: "One of our sales people just passed by the competitor's plant and spotted only 30 cars in the lot."
Information: A pooling of these bits of knowledge	"Based on the D&B and the sales report it appears the competitor has lost business."
Analysis: Distilled information	"After gathering more operational information and running it through a side-by-side profit and loss analysis (See Chapter 15), it appears the competitor has become highly efficient. It exceeds industry standards and has become a best-in-class facility."
Intelligence: The implication that will allow you to make a decision	"The competitor would make a good acquisition candidate. Its lean-and-mean structure would fit well with our current operations."

If you had stopped the process just short of analysis, acting only on the collected information, you likely would have drawn the wrong conclusion: Drop in employment equals poor financial condition. Instead of considering the competitor's operation for a possible acquisition, you would have dismissed it as unprofitable. Consider the consequence: one of your other competitors might have analyzed the very same information and saw a profitable operation, promptly snatching it from under you. They have now gained a potential competitive advantage -- an advantage you just missed.

The real lesson in all this is that all companies, large and small, in today's world have virtually the same access to information. It's the ones who convert that information into actionable intelligence that will end up winning the game. It will be intelligence that makes the difference between two competitors that sell similar products and have similar access to markets. It is intelligence that helped companies, such as Compaq Computer rise to the top. Sound business decisions are based on a combination of experience, gumption and intelligence. Without the last item, you may succeed in winning a battle or two, but probably not the war.

Expert Advice: On the defensive? Don't ignore the intelligence!

As you will see from the upcoming sources and analytical techniques presented in this book, whether you are a small grocery store or a large conglomerate, information is a relatively inexpensive and easily obtainable commodity. Electronic data bases, CD-ROMs and other new information vehicles allow anyone the freedom to ask most any question about the competition he or she wants. Just keep asking the right questions and remember to analyze the resulting answers.

A final point here: Like a container of milk, intelligence has a short shelf life. Use it, apply it, but don't ignore it. Once intelligence is allowed to sit around and not be used, its value declines rapidly.

The Cardinal Rule of Intelligence

"Wherever money is exchanged so is information"

We all imagine our competitors entrenched in medieval castles with 30-foot thick walls. Surrounding those castles are deep moats infested with crocodiles and man-eating piranha. On top of the castle's parapets are the competitor's managers, wearing helmets and holding vats of oil, ready to pour the oil down upon any approaching competition. You may feel the competitor is virtually impenetrable -- at least from an information standpoint.

In reality, quite the opposite is true. Each and every day, the competitor inadvertently throws down informational bridges over the moat, allowing outsiders to peek into its operations. These bridges are the result of the many business transactions companies conduct.

The world's mightiest multinationals hire and fire, open facilities, deal with suppliers, negotiate with national, state and local governments, attend scientific conferences and present papers. Each and every one of these activities generates information about that company.

The cardinal rule -- wherever money is exchanged, so is information -- explains a great deal about how much information is truly available in the marketplace. This rule applies to finding information on customers, suppliers, and distributors, -- not just competitors.

With a myriad number of transactions, how can you identify the important ones? As a start, look at your own operations and see how *you* do business. For example, if your question involves your competitor's information systems, speak to your director of information systems and find out what hardware and software suppliers the systems group uses and whom they talk to in the industry. Most likely, the competitor does business with the same or similar groups of suppliers. Start your research with this thought in mind: No matter how big and powerful (or small and supposedly secretive) the company, it must deal with the outside world. The minute it does, it has to pass along information. Use this immutable intelligence law as your guide, and you will likely find the information you need. Later chapters will discuss specific interviewing, research and analysis techniques.

Are There Truly Any Business Secrets?
The answer is yes. Within the bounds of ethical and legal research techniques, there are definite secrets. The Coca-Cola formula or the source codes for a computer program are trade secrets, and the only way to obtain them is through theft or subterfuge.

According to James Pooley in his 1982 book, *Trade Secrets* (McGraw-Hill), a trade secret is "...any formula, pattern, device or compilation of information used in a business that gives the owner an advantage over competitors who neither know of nor use it."

Practically speaking, a trade secret may represent only 5% of all the information you may need on a competitor. In many respects, it is the least important piece of that competitor's makeup.

Unearthing trade secrets is not what most companies need in order to compete. They need tactical and strategic intelligence they can develop from the information sources all around them. For instance, does Pepsi truly need to know Coke's secret formula? What it actually needs to know is the style of its rival's vending machines, its new pricing and advertising strategy or its distribution plans. These are

not trade secrets, but examples of intelligence that Pepsi can develop as it strives toward long-term success.

Your needs are very much like those of Pepsi. You too can determine your competitor's, customer's or distributor's tactics and strategy. The information is out there -- if you know where to look.

The Pointillist Painting . . . An Intelligence Metaphor

If you understand how impressionist paintings are created, you understand the fundamentals of intelligence.

Stand six inches from a Seurate or Monet pointillist painting, or a newspaper photograph. Up close all you will see is an assembly of dots in various shades. There is no pattern, no sense of the complete image at this close range. Take a few steps back and you see an entire picture. You see forms, images, shadow and light.

The same process can be applied to the development of intelligence. As you are collecting the bits and pieces of data, you often do not know how they will all fit into the larger picture. It is only when you see all the "data dots" lined up next to one another that you see the entire image. Intelligence is exactly this: a combination of dots made whole by comparison.

This artistic metaphor teaches the intelligence-gatherer many lessons:

1. You Must Find Information; It Does Not Find You: Eleventh-hour research assignments are almost sure to miss critical points because the information you seek is not there when you want it.

2. Intelligence is Constant: You must track your competition (or your customers, distributors, and suppliers) constantly, otherwise you may misinterpret what you find. You need the entire picture, or at least the most complete picture you can assemble in a given time period.

3. Competitive Assessment Is a 3-D Picture: Information floats in time. Just as competitors change, so does their competitive environment. You must find a way to capture competitive snapshot, continuously, historically -- not just during strategic planning time. .

Ethics and Legalities

Most of the information you will need is in the public domain and will not infringe upon any laws or personal ethics. That point aside, most lawyers will also tell you that what is legal is not necessarily ethical. Laws may vary from state to state, and from country to country, but they exist and their boundaries are clear.

In the world of ethics, boundaries can become dangerously fuzzy. That is why it is often easier to discuss and set legal limits on what kind of information you can gather and how to collect that information. Personal ethics vary widely and often involve individual, rather than group decisions.

For a more complete discussion on the subject of intelligence and ethics, I refer you to Ethical and Legal Guidelines (Chapter 9) of *Monitoring The Competition* (Fuld, John Wiley & Sons, 1988).

The Legal Issues

News articles worldwide frequently offer stories of patent infringement, outright theft, and all sorts of illegal acts. Some of these illegalities are easy to understand and require little discussion. Other information-related legislation, such as antitrust, enter the realm of the arcane and are little understood by the average business person. At the same time, every intelligence analyst needs to realize what those legal limits are and how to comply with them.

The first rule: Contact your company's legal department for details on laws affecting your industry or business activity. Surprisingly, you might discover very few instances where Legal will tie your hands. In any case, as the axiom goes, ignorance is no excuse in the eyes of the law.

Antitrust and Sharing Information

Antitrust laws in the United States explicitly prohibit companies from fixing prices or exchanging price information. The legislation's primary goal is to stop companies from conspiring to monopolize markets. One way an analyst could contribute (at least on the surface) to monopolizing these markets would be to swap prices with an employee at a competing company. The Justice Department might see this act as an attempt to control a market.

For more information on antitrust laws and their impact on overall business activities, I recommend reading the *Antitrust Compliance Manual: A Guide for Counsel, Management and Public Relations*, Walker B. Comegys, Practicing Law Institute, NY, April 1986).

Ethical Considerations . . . What Are Your Personal Limits?

Make no mistake: A person collecting information can be as aggressive as any sales person trying to win an account or a purchasing manager who tries to win the best deal with a supplier. Your goal is to gather and use information properly to help your company. It is a legitimate job and a necessary one. But just as a sales person or a purchasing manager can step over the ethical line, so can the intelligence analyst. Because this is a dilemma that potentially must be addressed on a daily basis, it's important that you consider the following questions early on in the process:

- *How should I represent myself?*

- *Do I identify my sources in a report?*

- *Did I "trick" the individual into giving me the information?*

There are no simple answers to these questions. Many times the answer lies with the particular circumstance, and to establish general rules could be dangerous. Yet, nearly everyone feels there is that moment when they may be stepping over some sort of line. The quickest way to find that line is through the Harm Rule. Michael Sandman, Senior Vice President at Fuld & Company, was asked, in his former position as Chief Operating Officer for a division of Dexter Corporation, to sign an agreement that went as follows:

The Harm Rule

"I will not do anything that may now or in the future harm or embarrass the corporation."

The rule drives home the point that unethical behavior can quickly translate into lost dollars. Most information-gatherers who keep the Harm Rule in mind will find themselves stopping at the same point, often a conservative point. They will ask themselves if they are possibly causing harm to their company by going one step further. If the answer is yes, they will stop.

Do's and Don'ts For Your Company

I have saved this section for last, because formal codes of ethics are only useful if they are read. If a code is vague or difficult to memorize, it becomes an unused fixture. Nevertheless, organizations need

to establish some sort of code if for no other reason than to declare a position.

The Society of Competitive Intelligence Professionals, based out of Alexandria, Virginia, has published the following ethical guidelines:

- *To continually strive to increase respect and recognition for the profession at local, state, national and international levels.*

- *To pursue his or her duties with zeal and diligence while maintaining the highest degree of professionalism and avoiding all unethical practices.*

- *To faithfully adhere to and abide by his or her own company's practices, objectives, and guidelines.*

- *To comply with all applicable laws.*

- *To accurately disclose all relevant information, including the identity of the professional and his or her organization, prior to all interviews.*

- *To fully respect all requests for confidentiality of information.*

- *To promote and encourage full compliance with these ethical standards within his or her company, with third party contractors, and within the entire profession.*

Fuld & Company has also published its guidelines, known as
The Ten Commandments of Legal and Ethical Intelligence Gathering

1. Thou shalt not lie when representing thyself.

2. Thou shalt observe thy company's legal guidelines as set forth by the legal department.

3. Thou shalt not tape-record a conversation.

4. Thou shalt not bribe.

5. Thou shalt not plant eavesdropping devices.

6. Thou shalt not deliberately mislead anyone in an interview.

7. Thou shalt neither obtain from nor give price information to thy competitor.

8. Thou shalt not swap misinformation.

9. Thou shalt not steal a trade secret (or steal employees away in hopes of learning a trade secret).

10. Thou shalt not knowingly press someone for information if it may jeopardize that person's job or reputation.

Some Simple Precautions
Again, all the rules and guidelines in the world may not prevent careless -- and potentially expensive --

mistakes. From my clients' experiences, I offer the following precautions:

"Just the Facts M'am" . . . Do Not Editorialize

Report the facts with few adjectives. Avoid hyperbole altogether. One analyst for a large manufacturing company decided to play Ian Flemming and punctuate his text with phrases such as "surreptitious," "surveillance," and "dominate." The first two imply illegal activities. In truth, the report backed up all the findings and the intelligence was developed in the open and above board. Unfortunately, the phrasing told another story. The word "dominate" can set off all kinds of antitrust alarm bells --and did.

As it usually turns out in cases such as this one, the report found its way to the competitor who was the subject of the study. The competitor chose to sue. The law suit was costly in two respects: first, the client spent almost three years in court accumulating legal fees; second, the client also had to disclose some trade secret information in order to defend its case. In the end, the client successfully defended its case, but gave away a great deal of information in the process (Remember the rule: Wherever money is exchanged, so is information!).

The lessons learned here include:

- State the facts with little or no dramatization, no "purple prose."

- Support all statements with sources (either printed documents or interview transcripts)

- Avoid flashpoint words, such as dominate, that could set off an antitrust law suit.

Public Does Not Always Mean Published

We are all taught, from grade school on through our university training, that whatever is in print is true and whatever is not in print does not exist. Of course this sounds absurd, but notice how people truly react. If the news is in *The Wall Street Journal* it's credible. If you simply heard the same piece of news, it's deemed a rumor.

In stark contrast to this notion, you will find that most competitor and market information is out there and available, just not in printed form. Based on the thousands of research projects my firm has completed, I would guess that the vast majority, arguably less than 1% of all business information will ever find its way to print.

This brings to mind another perplexing question. If so small an amount of information is in print, why use published sources at all? The answer is that published sources (data bases, government filings, news articles, etc.) can lead you to the people who know the information you need. That is why it is so critical to know where and how to find the vital published information. Without it, you will have a hard time finding the experts or other primary sources.

The Right Stuff: Traits to Watch For

Expert corporate intelligence analysts are often hard-nosed perfectionists --at least when it comes to finding and analyzing information. They can smell out a source. They doggedly pursue answers to particularly tough questions. Most important of all, good researchers are not born, they are molded and shaped.

Something else to note: educational degrees can be almost meaningless when it comes to succeeding as an interviewer or analyst. Education certainly can help here, but experience and talent are far more important. A business or engineering degree, for example, teaches a general body of knowledge; it

does not teach you how to pursue a line of questioning, or how to read the "rust on the rails." I have found talented intelligence analysts packing a raft load of diplomas and others with little more than a high school education. Do not ignore a prospective analyst's education, but also concentrate on the following specific traits:

1. *A Good Listener:* I have formally interviewed scores of intelligence managers and asked them what trait they considered most important. Almost universally, they cited "listening." Your best listeners may fall far outside your own market research or intelligence group. The best sales people are terrific listeners. Your "listener" may come from R&D, Customer Service, Field Engineering, or any number of groups within the corporation.

2. *Creativity*: The successful analyst spots the "rust on rails," the oddball or quirky information that may indeed be the smoke trail left behind by a competitor.

3. *Persistence*: Rock climbing is the image that comes to mind when I think of the high-performance analyst. Not giving up, until he or she latches on to some sort of an answer -- or onto another solid lead. The persistent analyst will not give up just because a contact firmly states: "If I don't know it, it just doesn't exist." Nine times of ten, I have managed to prove such a source wrong. If I couldn't find the exact answer I wanted, I found a proxy. You can, too.

4. *Strategy*: In order to save precious time -- especially with an eleventh-hour deadline -- the astute researcher will devise a plan of attack, an efficient means to find the vital intelligence. Random research means wasted time, lost dollars, and failure to meet deadline.

5. *Experience*: Think *Fat Rolodexes*. Companies need to identify or hire analysts with 5, 10 or 20 years of industry experience. These are individuals with the long list of contacts and industry experience. They can quickly qualify an answer, add value to the information and find someone else to confirm or disprove a so-called rumor. The young M.B.A., fresh out of school, generally cannot accomplish the same feat. So take heart, if you are an engineer, sales person or other manager with years of industry experience, you may be a far better analyst than you ever thought you were. Knowing whom to contact and what questions to ask is critical. That takes experience.

[Expert Advice: Rust, Chicks and Jade...The Tale of Intelligence](#)

In all this discussion of traits and experience, also be aware that the analyst needs some basic information-related skills. These skills include:

Understanding data bases: You need to become a good consumer of intelligence, but not necessarily an information technician. Have your librarians, or a company such as Dialog, train you in the structure and use of on-line data bases. Just knowing what they are and can do for you will help you ask better questions on your next literature search.

Know your library: Too many executives know where their library is but not what it contains. Take a detailed tour of its collection, particularly of the files and unique internal data bases its staff has built.

Train on software packages: You will find that a spreadsheet package or a statistical analysis package may save you a great deal of analytical time in the long run.

Writing and Interviewing: Find ways to improve your communications skills, writing and interviewing in particular. Good analysts know how to state a fact convincingly and quickly. They also know how to make people listen and respond to their questions.

Assembling Your Research Team or Cluster

We have already discussed what characteristics make a good researcher or intelligence analyst. Taking that thought a step further, you also have to ask yourself, "What individuals and roles does a well-oiled intelligence team consist of?"

The ideal team consists of an analyst, a project manager and a librarian. For purposes of this discussion, each position is defined as follows:

1. Librarian/Data base searcher: This person will gather all published data and organize that data.

2. Analyst: The individual who conducts the interviews and gathers other unpublished data, and then adds value to the resulting information by analyzing it.

3. Manager: A manager will coordinate the research team and possibly settle any political issues with clients.

What if you could not afford a formal three-person team, such as the one described above? Understanding that one person may wear all three of the above hats, which job is most critical? Which job adds the most value to the ultimate product -- the intelligence?

Certainly the librarian serves a critical role, as does the manager. But analysis is the watchword here. Without it you do not develop an accurate picture on the competition. So, next time you need intelligence and must hire someone to meet that need, think analysis and think analyst first. The analyst remains the cornerstone for any intelligence effort.

Chapter 5: Using Databases for Corporate Intelligence

Electronic data bases are wonderful intelligence tools -- just realize their limitations. In particular, you must understand that instant information, doesn't necessarily mean current information. Just because you can receive immediate feedback after pressing the Return key, only tells you that data base has something to offer. What the computer does not tell you is that most information is not yet in electronic form -- nor will it likely be within your lifetime. What the lightning-fast response also fails to tell you is the information you are "instantly" receiving may be months or years old. What data bases can do is save you time and give you a breadth of knowledge about an issue or a competitor. They give you information, not intelligence. Intelligence requires analysis and the gathering of primary, first hand information. Can you do without data bases? No, not in today's fast-paced, international market. Use them. They are an important means to an end, not the end itself.

Until the mid-1980's, the ever-expanding electronic information industry still heavily favored the vendor, not the user. The seller of on-line data base time held the lion's share of computing power and the user very little. Now, a decade later, it's clear that technology's relatively high cost and limited capacity have given way to affordable access, powerful but inexpensive personal computers, and friendlier search tools. This availability and ease-of-use has in many ways turned the information -- and intelligence -- worlds upside down. For instance, the analyst can now carry and control entire archives, tens of thousands of records long.

Here are several specific ways technology has evolved and how that evolution has improved your ability to develop more accurate, more timely intelligence on your marketplace.

CD-ROMs: These miniature disks contain whole libraries of books and records. They give the individual researcher the power that once resided in mainframe computers and whose data could only be accessed through long-distance phone intelligence is concerned. CD-ROMs give you full freedom to roam through gobs of historical data instantly. Therefore, today's timesharing data base providers (such as those offered on Dialog) now have to maintain more timely data on their system. In the near future, nearly every data base producer will be publishing its historical data on CD-ROMs. The reason this technology has not trickled down to a larger segment of the corporate population is partly because of the relatively high costs of the disks and the still incompatible software interfaces needed to gain access to the data on the CD-ROM. This will all change with time, as the costs drop and software publishers adopt a de facto search and retrieval standard.

Electronic Bulletin Boards: These high-tech communication forums have given the intelligence analyst one of the most powerful weapons imaginable. You no longer need to know who the critical expert is or where he or she is located. Just type in your request into such low-cost systems, available through such vendors *Prodigy, America On-line, Compuserve* or the *Internet*, and the electronically-savvy expert might just find you.

Acknowledgment of Low-Tech Delivery: A number of data base publishers have long understood that there is a greater need for their information than is being realized. Ironically, the barrier to greater usage is the computer terminal itself. Not everyone finds the keyboard easy or natural to use. Many managers still prefer to hold a piece of paper in their hands rather than stare into a cathode ray tube. In recognition of this fact, companies such as WestLaw, a publisher of legal texts and data bases, also offer a service to deliver the same data to the client by fax. WestLaw calls its product Westfax. Individual, Inc., a Cambridge, Massachusetts company whose service is searching and organizing electronically-published news on certain markets, offers to fax client customized newsletters. Individual can also transmit its reports directly to more technologically sophisticated clients via their E-Mail system.

Storage and Retrieval of Images: With computing power increasing and the cost of storing data decreasing, publishers now can technically store and deliver images as well as text. It is copyright law that has held the information industry from delivering more images, along with the traditional text. Over the next few years, individual court cases and the various legislatures should resolve the many legal bottlenecks that still exist. But one way or another, I believe that economics of the marketplace and consumer demand will require more electronic transmission, not less. You will soon see images and text widely distributed. When that happens, not only will the corporate researcher be able to examine the corporate statistics, but also review publicly available photos, floor plans, and product illustrations.

Virtual Libraries: The library of tomorrow may be electronic. Since the early 1980's libraries have built numerous networks, linking their catalogs with one another. The next big step, which has already begun, will take the actual texts themselves and place them on-line. How might this help the competitive analyst? For instance, you may want to know about a new technology or process and can simply sit down at your computer terminal and pull up an arcane Ph.D. dissertation or a conference paper -- in full. By going straight to the original source documents, you will see the information unfiltered and unedited.

Data Bases: A Definition
What is a data base? A data base is simply a collection or pool of information that is recorded,

indexed, and stored on a computer. In other words, it is nothing more than a computerized reference book.

Through a computerized index, you, the researcher, have an almost unlimited ability to find the information you are looking for -- if you know and understand how a data base works. A decade ago, the majority of my audience had not worked directly with electronic data bases. Today, even grade schoolers can walk into small community libraries and use CD-ROM indexes of news articles and their library's own card catalog. In fact, once the researcher starts roaming through the electronic card catalog, he begins to see he is no longer limited by hard copy index cards with fixed terms. An electronic data base permits the researchers to try whatever terms he or she wants, letting the computer program search throughout the data base's records -- from title, to author, to abstract, to index terms - to find the words that the researcher requested.

How a Data Base System Works
This section is directed to the data base searcher, the person who directly conducts the electronic searches. Nevertheless, the manager should understand how and why the searcher has access to so many data bases and how those data bases need to be used. I want to close the "expectation gap" between the searcher and the manager, requesting the information. The manager may have high expectations for the searcher. Yet the searcher, not knowing what the client wants or needs, may be unable to deliver the goods. This section, therefore, deals with the reality of data bases, how they are built and what they can -- and cannot -- do.

A Brief Explanation
A data base supplier is no more than a publisher. But instead of printing the work on paper, the supplier places it on an electronic medium (a disk or a tape). From there the tape is sent or electronically transmitted to the distributor or vendor who is in turn linked into a telecommunications network. The vendor, such as Dialog, Nexis or Compuserve, has created a common search language so that a librarian can search more than one data bases from any number of suppliers.

Data base vendors charge the user by the time spent on the system. Some services will require an additional subscription fee, and others allow users to pay as they go. In other words, a user pays only for the time spent on the system.

Many services, such as Dialog or Nexis, strongly urge or require the user to attend one of their system training sessions before using the system. The sessions cost approximately $100-200, but usually pay for themselves with the free search time given by the service to attendees. By all means sign up. The time you will inevitably waste on the computer system will translate in to lost dollars -- dollars that could have been better spent attending the service's training seminar.

To find an appropriate data base, first contact the various vendors listed on the following pages to request information on their respective systems. Next, call your local library or library school. Speak to the person in the reference section who does the searching. Ask him or her for the pros and cons of each data base system or vendor, and then which is the best system for you based on your needs and budget.

SDI: An Executive Reminder Service . . . At Bargain Basement Prices
Librarians and information professionals first coined the term Selective Dissemination of Information, SDI. An arcane term but a powerful service. [Most managers, when they first heard the term, would say Star Wars, thinking I was talking about Strategic Defense Initiative, the high-tech military umbrella designed during President Reagan's years in office.] Since that time the data base services have begun calling the service, simply Current Awareness -- a much more friendly title.

SDI is simple to use: You or your librarian enter a search strategy you wish to pursue on a regular basis. Let's say, each month you wanted to track GM's plans for its mini-van's and the marketing strategy for those vans. You would select the appropriate data base (such as PTS PROMT) and send that search strategy to the Dialog system computer for storage in the SDI section. Every time Dialog downloads new data onto the PTS PROMT data base, Dialog would first pass the data by your search. Any time your search matches information contained in one of PTS PROMT's records, the system copies the record onto your personal electronic file. Depending on the PTS PROMT weekly update cycle, Dialog would send you the results of the SDI search. Most systems allow you to receive either the printout in paper form via the regular mail, or electronically by depositing the report in your electronic mail box. If you opt for the later choice, you need only sign onto to your account and download the information onto your desktop computer.

Current Awareness is wonderful tool because it reminds you automatically. As your workday becomes overrun with one to-do job after another, it becomes too easy to push off -- and eventually forget - old tasks in favor of new ones. The thought of going to your library or computer terminal to conduct a laborious search can become yet another overwhelming task. Yet, you must monitor your competition meticulously and frequently. With that mandate in mind, SDI represents due diligence. After all, Murphy's Law would state that "A competitor will take advantage of a market opportunity just when you do not expect him to do so."

A final point: SDI's can actually save you money. Because many vendors run their customers' SDI searches in the middle of the night in batch mode, when the system has low usage, you receive the savings.

Which Data Base System to Choose
Today's data base vendors offer a vast array of data bases at highly competitive rates. Gone are the high subscription fees and much of the exclusivity that used to mark the data base world. Systems, such as Dialog, Nexis and Orbit, carry many similar -- if not the same -- data bases. Yet, there are differences. Some professional searchers prefer one system's search language over another. Also, certain systems specialize. Some may encompass only technical sources; others may contain data bases that cover certain geographic regions. Newsnet, for example, only contains newsletters in full text. Dow Jones stresses its daily news feeds.

Despite the numerous vendors that have risen and fallen over the years, Dialog remains the leader in overall user friendliness and technical depth. Its selection of data bases is among the largest under one system umbrella.

The following list of data base vendors is divided into three sections. The first describes the traditional data base vendors, such as Dialog and Nexis; the second lists vendors that also offer E-Mail options, a critical new pathway for the high-tech analyst who needs to find an expert or expertise; the third provides a list of international (non-U.S.) systems and data bases.

Data Base Vendors
1) BRS Information Technologies, 8000 Westpark Dr., McLean, VA 22102, (703) 442-0900; (800) 289-4277; Fax: (703) 893-0906. BRS has always favored the education and general library market, and as such contains a wide array of healthcare, science, social science and medical data bases. At last count, it listed over 120 data bases on its system. It offers a low-price subset of its larger system, designed to run off hours and is appropriately called BRS/After Dark.

2) DataTimes Corporation (Parkway Plaza, Suite 450, 1400 Quail Springs Pkwy., Oklahoma City, OK 73134, (4050 751-6400; (800) 642-2525. Data Times is one of the two systems specializing in

offering local news sources -- critical to any competitive analysis. Do you want information on a Boston-area high-tech company? If so, go to the *Boston Globe*, not *The Wall Street Journal*. Not only will you likely receive more information from a local source, but you will read it from a different perspective and probably in greater depth. DataTimes offers over 80 news sources on-line, most in fulltext. Remember what Tip O'Neil, former Speaker of the U.S. House of Representatives, used to say: "All politics is local." Keep in mind that so too is intelligence. For local intelligence, look for local sources.

3) Dialog Information Services (3460 Hillview Avenue, Palo Alto, CA 94304, (415) 858-3785; (800) 334-2564; Fax: (415) 858-7069. Because of its 400+ assortment of technical and business data bases, our librarian will often first choose Dialog to understand a market or a competitor. Features, such as the Dialindex, make it relatively easy for the searcher to determine if the system contains information on certain subject and which of the data bases contain the information. Dialog provides a wide variety of telecommunications networks which truly give it a global reach. Its own Dialnet allows researchers to transmit and receive data at 9600 baud. *Dialog* has also become a stiff competitor to other vendors. For example, it recently acquired *VuText*, a set of data bases offering local news coverage, similar to *DataTimes*. *Data-Star*, a European vendor of data bases (often referred to as the *Dialog* of Europe), has also been acquired by *Dialog*. On another front, *Dialog*'s newsletter data base competes with the *Newsnet* system. Its documentation is clear and thorough. The "Blue Sheets," as the data base descriptions are called, offer sample printout of typical records, as well as laying out the characteristics of each data base. *Dialog* is a very aggressive and customer-oriented company. Since its founding over 20 years ago, it has remained the pace-setter among the vendors.

4) Dow Jones News Retrieval (Dow Jones & Company, Inc.), P.O. Box 300, Princeton, NJ 08543-0300.: Dow Jones has geared its service towards providing current world and national news with a special focus on the business world. Aside from carrying *The Wall Street Journal*, its company-owned newspaper, it also lists stock quotes. Unlike *DataTimes* or the regional business data bases of *Dialog, Dow Jones* principally covers national and international news.

5) DRI/McGraw-Hill 24 Hartwell Avenue, Lexington, MA 02173, (617) 863-5100. Aside from listing stock and commodity price data, DRI is known for its packaging and massaging of government-generated data on a global scale. This is a system that is respected and long-used by corporate economists to help them plan their company's strategic direction. In addition, DRI owns and distributes the Dodge series of construction data bases. This is a key source of data on new plant construction.

6) GE Information Services, 401 N. Washington Street, Rockville, MD 20850, (3010 340-4572, (80) 638-9636, Fax: (301) 294-5501. This system specializes in delivering currency, gross national product and overall economic data. Like DRI, this source offers strategists a long-term planning tool.

7) Mead Data Central, Inc. (Nexis, Lexis), 943 Springboro Pike, P.O. Box 933, Dayton, OH 45401-9964, (513) 865-6800, (800) 227-4908. When it first appeared, the Nexis system was the only system offering fulltext articles. Today, Nexis has competition, but still remains a sweeping system that has become, along with Dialog, one of the leading data base vendors. Its covers general news, as well as specialty trade magazines. Over the years, it has also added a number of local business news sources, such as Crain's Detroit Business and The Courier-Journal of Louisville, Kentucky. Its *Lexis* system is, along with *WESTLAW*, one of the two systems providing the legal community with on-line access to the latest legal and legislative changes.

8) NewsNet, Inc., 945 Haverford Road, Bryn Mawr, PA 19010, (215) 527-8030, (800) 345-1301, Fax: (215) 527-0338: Since its inception, NewsNet has built its reputation upon offering fulltext newsletters on-line. In many instances, the searcher can find the newsletter on-line faster than he

would by mail as a subscriber. The system has a strong collection of newsletters in Financial Services, Healthcare, Computers and Technology, Defense, Environment and a number of other areas. As do many of the other systems, NewsNet offers an SDI/Current Awareness service that will allow automatic scanning of the latest news.

9) ORBIT Search Service, 8000 Westpark Drive, McLean, VA 22102, (703) 442-0900, (800) 456-7248, Fax: (893-4632. Over the years, this vendor has maintained a strong set of data bases serving the scientific and engineering communities. ORBIT offers such data bases as Chemical Abstracts, U.S. Patents Abstracts, RINGDOC and World Patents Index.

10) QL Systems Limited (901 St. Andrew's Tower, 275 Sparks Street, Ottawa, ON, Canada K1R 7X9, (613) 238-3499, Fax: (613) 548-4260. This system heavily covers Canadian business and maritime law and offers important data for any non-Canadian company needing to understand the Canadian market.

11) Quotron Systems, Inc., 12731 W. Jefferson Blvd. P.O. Box 66914, Los Angeles, CA 90066, (213) 827-4600. The Quotron system is a name that has become synonymous with stock quote data. This system contains data bases that include: Australian Sharewatch, CurrencyWatch, Markets Charts, Munifacts, and S&P MarketScope.

12) West Publishing Company- WESTLAW, 610 Operman Drive, P.O. Box 64526, St. Paul, MN 55164-0526, (612) 228-2500. West Publishing has long been a specialty publisher in the legal marketplace and some years ago began to create an on-line data base system devoted to serving the legal community. WESTLAW has since become one of the two providers of on-line legal data to lawyers, corporations and legal libraries. Its innovative WestFax service, cited above, is testimony to the creative approaches this company has taken to delivering its data to its broad audience.

Electronic Bulletin Board Systems

Each of the following electronic networks can expand the knowledge and information reach of the analyst many fold. These networks allow you to find the experts, or those who can find the experts. Using an electronic mail system, however, is not a sure-fired way of locating your information. They can be quirky and indirect. Many times, you may come up empty: no one happens to read your message or the importance of it goes unrealized. On the other hand, there are a group of people out there, "Techno-hobbiests," who may have the answer you seek. The systems run by these folks tend to be expensive. In general, though, the cost for seeking information is relatively low. Give it a try. At the least, you will be rewarded with some interesting electronic chatter. At the most, you may find your intelligence gem.

1) America On-line, Inc., 8619 Westwood Center Dr., Vienna, VA 22182, (703) 448-8700, (80) 227-6364: One of the original and still most popular systems, America On-line offers exchanges on such bulletin boards as the Independent Investors Forum.

2) Compuserve Information Service, 5000 Arlington Centre Blvd., P.O. Box 20212, Columbus, OH 43220, (614) 457-8600, (800) 848-8990: Aside from carrying a wide variety of popular data bases, Compuserve, one of the most popular electronic mail systems with millions of subscribers, offers a wide variety of forums, including: AI Expert Forum, Astronomy Forum, Aviation Forum, Broadcast Professionals Forum, Computer Club Forum, Consumer Electronics Forum, Digital Research Forum, Florida Forum, Foreign Language Forum, Graphics Support Forum, Investors Forum, Military Forum, Photography Forum, Space Forum, Sports Forum, Students Forum, Travel Forum, and others.

3) The Internet: Unlike the others in this list, Internet is not one centralized E-Mail system. Instead, it is a collection of computer networks with shared software standards. This network allows the analyst to roam globally from one electronic mail or data base system to another -- provided that system is part of the network and provided the user has the appropriate password for that end of the system. Scientists use the Internet to exchange information globally, or to send out queries to their colleagues, not knowing who might have the answer. In order to understand the power and reach of the Internet system, I recommend you review *The Internet Companion: A Beginner's Guide to Global Networking,* Trady LaQuey and Jeanne C. Ryer (Addison-Wesley). To start searching the system, you need to sign onto one of many Internet access providers, such as Delphi (800-365-4636), World (Software Tool & Die 617-739-0202). Other services, such as Compuserve, will also allow you access to the Internet system.

4) Prodigy Services Company - PRODIGY, 445 Hamilton Ave., White Plains, NY 10601, (914) 993-8000: A Sears-IBM joint venture, this is a popularly marketed electronic mail and information services system. Its value to the competitive analyst is the many millions of subscribers that may read your question. Remember, specialists don't always walk around with clearly defined labels. Remember, specialists don't always walk around with clearly defined labels. Who knows -- the "expert" you seek may spend his or her time surfing through the Prodigy System, rather than lecturing at Oxford.

Chapter 6: International Intelligence

Why do so many business people and journalists still think "foreign" when talking about overseas competitors? Nothing in business is truly foreign anymore. It's "international". Foreign means apart from, separate. Foreign means Us versus Them. If you think "foreign" then you create information barriers, barriers that will make it nearly impossible to track international competition. Do you want to develop intelligence on your competition? Then think about one big market and not another solar system.

International Intelligence

Here is a scary piece of trivia.

Did you know that as late as the mid-1980's only an estimated 7% of the 10,000 technical titles published each year in Japan were ever translated, abstracted or indexed by Western nations?[1] This means that although much of critical intelligence is being made available through the Japanese themselves, most European and American companies are just not taking advantage of the 10,000 or so intelligence opportunities that present themselves each year.

Contrast this fact to conversations I have had with managers at Japanese firms who attest to the fact that they have staff in their home offices who translate virtually all significant English-language business and technical documents for management.

It would be misleading to simply state that just translating documents is all you need do to develop the necessary intelligence on your overseas markets and competition. It is not. But it is a necessary step. There are many first steps you need to take. This chapter will introduce you to both the basic and the more advanced approaches -- such as Intelligence Maps -- to developing intelligence on your

international competition. These techniques are based on the ones we have used around the globe for my firm's client.

The moment you step outside your country to conduct research on another company, you will find many unforeseen language, cultural and information barriers. In order to conserve both your time and your budget, you need to follow a common-sense set of information-gathering steps. I have laid out this chapter to reflect these steps. They are as follows:

1) Tapping Into U.S. - Based Resources

- In-House Resources
- Track Target's Operations Through U.S. Locations
- U.S. Government
- Securities Analysts and Banks
- Trade Shows and Conferences
- Business and Trade Groups
- Embassies and Consulates
- Universities
- Accounting Firms
- Libraries

2) Overcoming Cultural and Language Barriers

3) Intelligence Maps: Country-Specific Research Strategies and Sources

Please note: Inevitably, addresses and telephone numbers for sources listed in this chapter will change over the years. Contact your local consulate or embassy for the country in question and ask for the commercial attaché or information officer. That individual should be able to help you to track down most of the government offices, as well as many of the publishers listed. You will also find many of the magazines listed in *Ulrich's International Periodical Directory* (R.R. Bowker.

Tapping Into U.S.-Based Resources

In-House Listening Posts

The cardinal rule of international corporate intelligence is:

The best international intelligence resource is still your own organization.

The vast majority of the intelligence you need is probably available from within your own company. And, even if your firm does not have offices outside the United States (or, wherever your home office may be), you may still have contacts worldwide through your trade representatives, affiliates and suppliers. Consider all these groups as extensions of your organization.

Let's take an inventory of some of these home-grown listening posts:

- Acquisitions & Mergers
- Advertising

- Credit
- Customer Service
- Distribution
- Engineering
- Finance
- Human Resources
- Information Systems
- Legal
- Library
- Marketing
- Purchasing
- R&D
- Real Estate
- Sales

You must consider these departments in three-dimensional, not two-dimensional terms. For example, a sales person may know a great deal about a particular competitor or a specific technology. But that same sales person also knows about that competitor by region or by country. You need to appreciate that your organization -- particularly if it is a globally based company -- has all three informational dimensions: Competitor-specific; Product- or technology-specific; and specific by region or by country.

Conduct The International Intelligence Audit
In order for you to truly understand the international intelligence resources your company possesses, you need to conduct an Intelligence Audit. An Intelligence Audit is an inventory of your company experts and their information resources, resources not cataloged in your company library. In a sense, the Audit takes your corporate telephone directory and re-indexes it by expertise and knowledge rather than by department. The auditing process is described in greater detail in Chapter 17 and in, *Monitoring The Competition: Find Out What's Really Going On Over There* (Leonard M. Fuld, Wiley, 1988).

Auditing is a relatively simple process, and you do not have do it all at once. Take on one department or one regional office at a time. Enter the information onto a simple data base management program, such as Dbase,, or Paradox,, or any number of similar programs.

Track Target's Operations Through U.S. Locations
When an overseas, multi-national company conducts business in the United States it leaves information trails. By just following the prime intelligence rule, "Wherever money is exchanged so is information" you can follow your target's informational bread crumbs if it:

- **Enters the U.S.** and begins promoting its products or services in the business press;

- **Researches the U.S. market** and begins to contact trade associations, advertising agencies and market research houses;

- **Needs to hire personnel**, through placement of notices in help wanted ads, with head hunters, and university recruitment offices;

- **Establishes supplier and distributor relationships;**

- **Exports or Imports products** to or from the United States and the shipping manifests are

reported on by firms, such as PIERS.

U.S. Government

As you have seen in other chapters, the federal government has a number of agencies whose job it is to monitor international companies. Government reports and the analysts that produce them, can offer you worldwide industry commodity and country-specific information, as well as some critical analysis. They can also provide valuable background information on international markets, culture and governments.

U.S. Securities and Exchange Commission (SEC)-- Public Reference Room: The SEC maintains company filings, annual reports, and other communications with stockholders of non-U.S. corporations doing business in the U.S. If companies trade stock, they must file documents with the SEC.

International Trade Administration (ITA) : The ITA researches and investigates the impact of imports on U.S. commerce. Although the Commission does not investigate individual companies per se, it does look at a wide variety of industries, commodities and countries. You can write for a list of reports or call the ITA analyst assigned to your industry to find out what studies have been done. If your industry has been investigated, there might be information on your target company, but you will have to go in person to the ITA in Washington to review the investigation reports.

The ITA also carries out competitive investigations for particular industries to see how competitive U.S. companies are in a particular industry; these cases are called "#332" cases. The Unfair Import Investigations Division hears and investigates cases that involve patent infringement and unfair trade practices. These cases are called "#337" cases.

The ITA publishes *The Pros and Cons of Entering into Negotiation on Free Trade Area Agreements with Taiwan, the Republic of Korea, and ASEAN, or the Pacific Rim Region in General.*

International Trade Administration (U.S. Dept. of Commerce): The focus of reports at the ITA is on industry and country, not company-specific information. The ITQA, through their U.S. and Foreign Commercial Service (US&FCS), provides a worldwide network of services and publications on international market trade. These trade specialists, located throughout the world, maintain market-related information.

Domestic offices provide assistance to exporters with everything from trade exhibitions and free legal counseling to finding an international banker and freight forwarder. District Export Councils, comprised of experienced American exporters, conduct seminars and counsel exporters on international trade. *ITA Country Desks include:*

ASEAN Desk	202-482-3875
China	202-482-3583
Hong Kong	202-482-2462
Indonesia	202-482-3875
Japan	202-482-4527
Korea	202-482-4958
Malaysia	202-482-3875
Singapore	202-482-3875
Taiwan	202-482-4957
Thailand	202-482-3875
European	202-482-5638
Belgium Luxembourg	202-482-5401
Denmark	202-482-3254
France	202-482-8008
Germany	202-482-2434/2435
Greece	202-482-3945
Ireland	202-482-4104
Italy	202-482-2177
Netherlands	202-482-5401
Portugal	202-482-3945
Spain	202-482-4508
United Kingdom	202-482-3748

ITA Fee-Based Export Marketing Services
Custom Import and Export Statistics: The ITA will customize reports based on U.S. Department of
Commerce Export/Import data and will do so by commodity-by-country or by
country-by-commodity.

Comparison Shopping Service: The agency will answer some basic market and competitive questions
on an overseas' market, its distributors, agents and sales channels. The fee for this service starts at
$500.

*World Traders Data Repor*t (WTDR): These are ITA versions of D&B reports and are confidential,
custom prepared on non-U.S. companies. The reports contain information on the company's
reputation, credit references, operations, payment history, trade information, product lines, number of
employees, capitalization, sales volume, key officers. Each reports costs $100. Call your local ITA
office (see list) to order the report. Reports may take up to 90 days to reach you after ordering.

Department of State
The State Department collects information on companies and industries worldwide in its development
of foreign policy. You may find the Country Desks to be of the greatest value:

China	202-647-6300/6796
Hong Kong	202-647-9141
Indonesia	202-647-3276
Japan	202-647-2912
Korea	202-647-7717
Malaysia	202-647-3276/9
Singapore	202-647-3276/8
Taiwan	202-647-7711
Thailand	202-647-7108

Overseas Private Investment Corporation (OPIC):
This is a matchmaking organization whose job is to promote U.S. investment overseas, particularly in developing countries. It sponsors investment missions, a perfect opportunity for U.S. business people to develop overseas contacts in specific industries. OPIC can be reached at 202-336--8400.

Securities Analysts and Banks

Securities Analysts
Securities analysts produce rafts of reports on thousands of companies. Be aware, however, that the quality of these reports will vary. Also, their focus is on finances and stock price and they may not use much ink writing about the inner workings of a plant, or the technology of a new product. This is where securities analysts reports usually end and your own research begins. There is an excellent reference book, *Nelson's Directory of Investment Research* (Nelson Publications), that indexes the analysts who cover U.S. and non-U.S. companies. The directory contains the names of nearly 5,000 analysts, covering 60 industry groups. The leading European and Japanese securities firms are well-represented in this book.

Banks
Most major international banks have U.S. offices in New York City, the financial hub for worldwide business activity. These banks have libraries, housing collections of annual reports and other corporate information not available elsewhere.

Some overseas banks serve dual roles -- that of stockbroker as well as financier. German banks, for example, serve in this capacity.

Trade Shows and Conferences
Only a select number of the international trade shows are held in the United States. But there are many others, serving specific regional markets. Participants at these shows may never enter the U.S. markets -- yet, they are your competitors overseas.

You need to alert your overseas offices to plan for such shows. Among the most popular cites for the international shows are: New York, Chicago, Tokyo, Frankfort, Hanover, Milan, Paris.

Business and Trade Groups
There are numerous trade groups throughout the world, who promote their own economic interests. For that very reason, they are more than happy to provide you with useful information about their markets and the companies in those markets.

The first place to turn to for information on these groups is the *Encyclopedia of Associations* (Gale Research, Inc.). It will cross-index the trade group by subject, as well as by region.

The following groups may also help you assess your overseas markets and competitors:
European-American Chamber of Commerce

Small Business Foundation of America, Inc.

International Money Fund (IMF)

World Trade Centers Association (WTCA)
There are over 100 world trade centers around the globe in over 40 countries. Their job is to promote trade by helping users locate other companies overseas. It has established an electronic mail bulletin board, known as NETWORK, that allows queries to be answered by any of the other world trade centers worldwide.

Chambers of Commerce
Some international chambers of commerce are nothing more than a post office box, while others are large organizations with significant information resources. The Italian American Chamber of Commerce, for instance, distributes the CERVED data bases to the U.S. market. CERVED offers highly specific company data on millions of Italian-based corporations. For addresses and telephone numbers refer to World *Chamber of Commerce Directory.*

Embassies and Consulates
Embassies and consulates may be the official representatives of their respective countries, but don't always expect them to be knowledgeable on specific markets or companies. All this aside, embassies and consulates should always be one of your first stops, no matter how little information may be provided. Even if the official you speak to does not have the answer, he or she may be able to refer to you to another, more valuable source.

Here are some basic tips on the use of these agencies for obtaining information on overseas markets or competitors:

Try to speak with a native from the country in question, rather than an American employee of the consulate.

Middle- and lower-level staff are usually more responsive to inquiries and don't mind fishing around for your information.

Consular officials may come and go, but their staffs often stay behind. They can provide a valuable historical perspective and have probably developed an extensive network of contacts and referrals.

If you are having difficulty getting information from your local consulate, try a consulate at a different location.

Ask for the commercial or trade division. Ask this group if they have an export board or an export service or trade development authority within the consulate. Each country works differently; some have separate industrial development divisions.

Universities

Universities have become the hub for much of the cultural and informational interchange between the U.S., European and Pacific Rim countries. They have formed conferences; received grants for commercial and technical research; their professors travel abroad and study at corporate research institutes and think tanks; and some have formed translation centers. Some of the better known of these programs are listed below:

Minda de Gunzberg Center for European Studies Harvard University

Academics across the country have actually formed an organization dealing specifically with the European Community. Five years old, and 600 members strong, this association publishes a newsletter and presents conferences. Contact: **Center for European Community Studies,** George Mason University.

Michigan
Center for Japanese Studies & East Asian Business Program
University of Michigan

Provides a range of services and training regarding Japan and China, and is involved in informing the American business community about available information. The East Asia Business Program was established in 1985 as a joint venture of the Center for Japanese Studies and the Center for Chinese Studies and the School of Business Administration. Its objective is to strengthen the capacity of American business to compete and collaborate with and in East Asia. It offers programs for management and labor to promote better understanding of East Asia and offers the specific knowledge needed to cope with current business problems and opportunities.

New York
The Center for Japan-US Business and Economic Studies

The center is one of the first university-based organizations to focus on understanding the entire spectrum of business and economic relationships between Japan and the US. It conducts research as well as offering courses, lectures, conferences, seminars and publications.

Rhode Island
University of Rhode Island-Pacific

The PACAP Research Center serves the securities industry and academia through three major programs: PACAP Databases Program, which creates, maintains, and distributes capital market databases for 11 nations in the Pacific Rim; PACAP Finance Conference Program, which provides an international forum among global communities of business, government, and academia to exchange research ideas and findings; PACAP Research, Education, and Training Program, which promotes academic research and teaching programs.

Virginia
George Mason University

4400 University Dr., Fairfax, VA 22030
Tel: 703-425-3946; Fax: 703-323-3849
Programs that focus on changing the current infrastructure for acquiring and disseminating information so that more effective communication and utilization of Japanese technical information can be achieved.

Wisconsin
Japan Engineering Leadership Program
The College of Engineering University of Wisconsin - Madison

Offers courses in technical Japanese in both the classroom setting and via audiographic

teleconferencing. The audiographic course can provide training and education in technical Japanese and a variety of engineering courses right at your worksite. To receive a taped demonstration contact:
Thomas W. Smith, Director

Accounting Firms

The large, U.S.-based accounting firms have extensive networks of offices literally around the globe. And, if they do not have an office, they will have some corresponding relationship with another firm in that country. Even if yours is not a large firm, you can still benefit from the vast pool of information these accounting firms have.

Price Waterhouse has for years published a series of soft cover books, called *Doing Business In (France, Jamaica or dozens of other countries).* These impressive works report on the business conditions in the country under discussion. A typical table of contents includes: a profile of the country; a description of the business climate; public/private sector cooperation; investment policies; regulatory environment; discussion of the banking system; description of the different types of business entities and how they report their financials (useful as an analytical tool when examining an overseas competitor's profit and loss statement, for example).

Libraries

Aside from libraries located in consulates and embassies, there are international trade associations, some of which are cited elsewhere in this chapter. You will also find a number of libraries and library systems discussed within each country section. But the Library of Congress is the best first-stop for international secondary information such as industry statistics and relatively rare trade journals and newsletters, is the Library of Congress. It has very deep collections covering most areas of the world. While most of these collections are not strictly business, they are still likely to have a book or periodical you will not be able to find anywhere else but in the country of origin. The address and phone number is:
U.S. Library of Congress
Washington, DC 20540
202-707-5000

Overcoming Cultural and Language Barriers

The First Steps

Just as beauty is in the eye of the beholder, so is intelligence -- from a cultural perspective that is. Intelligence is a product resulting from interpretation. I have seen American, Japanese and European managers view the same case or business situation and come up with different conclusions. They all had the same information. The only major difference was how they applied their culturally-ladened experience to the case.

Once you have defined your intelligence needs and determined what information you already have, what you need to know, and why you need to know it, you are ready to take your next steps. Each step of the process requires acknowledgment and an understanding of the cultural contexts that affect competitive advantage.

1. Gathering information: The business, economic and social culture of the particular Asian, Latin American or European company, industry and country you are investigating will affect your strategy for gathering data.

2. Analyzing information in context: Each piece of data gathered must be analyzed through a

cultural filter in order to create **accurate intelligence.** The facts alone - out of context - are of little value.

3. Applying intelligence to plot a strategy for competitive advantage: Developing a successful competitive strategy based on intelligence requires extensive knowledge of the culture that is shaping the competitor's "personality." A good competitive strategy takes into account the actions and counteractions of all the players involved, not just one's own activities. In order then for you to recognize and predict what your competitors can do, you must develop insight into how their culture shapes their approach to business negotiations.

[Expert Advice: Negotiate in a Vortex: The Japanese Approach](#)

Cultural Filters: Vital for Success

> *Corporate and regional cultures overlay the entire process of business intelligence. In order to gather, analyze and plan strategy effectively, you must see your competitor in the correct cultural light. In a sense, you need to don glasses fitted with special cultural filters. To assess the components that create your competitor's competitive advantage -- either domestically or globally -- familiarize yourself with the cultures within and surrounding the target. Cultural intelligence is essential for the delivery of accurate business intelligence.*

> Look at:

> - the national culture
> - the location of the facility
> - regional differences
> - the overall economic climate
> - the national government's culture
> - the industry's culture
> - company's corporate culture
> - department's culture within a company

The ease with which you move through the three steps of gathering, analyzing and applying intelligence depends on your understanding each of these cultural differences and how they can affect competitive advantage. Conversely, by being unfamiliar with a region's or a company's culture, you may misunderstand and misinterpret the signals sent out by your overseas competitor or customer.

Language: A Major Barrier
Language can be a barrier in your search for foreign competitor intelligence, but it is NOT an insurmountable barrier.

Suggestions for overcoming language barriers:

- **Use your competitor's own weak spot** - Follow the rule *"Wherever money is exchanged, so is information."* Your suppliers and distributors come in contact with your competitor's people every day. Retrieve your competitor's literature, attend conferences they attend, and speak to their customers -- who are also likely to be your customers.

- **Use local universities** - Business school professors often act as global consultants. They may

have a great deal of information on your global competitor. Hire international students to translate for you on specific projects.

- **Use your own employees** - Look for employees who speak another language, have lived abroad, or who may even have worked for your competitor.

- **Use ethnic clubs** - Local groups usually will have members who speak their native language.

- **Use translation services** - The American Translation Association offers a series of publications, including a newsletter with translation service advertisements and a list of U.S. translators categorized by area of interest. The Federation of Translators, the American Translation Association's international affiliate, can refer you to translators based abroad.

Cross-Cultural Information

Publications and training tools are useful starting points to prepare for dealing more effectively with international projects. Here is an alphabetical list of cultural information sources.

American Graduate School of International Management

This graduate school is dedicated to international business training and offers a Master of International Management degree. It also provides research services and in-house training for business executives.

American Society for Personnel Administration ASPA/International

The special chapter of this professional association of human resource professionals, devoted to human resource management, exists for those interested, or involved in multinational organizations. It sponsors meetings and seminars on global human resource topics and publishes *Resource*, a monthly newsletter.

Copeland Griggs Productions

This firm offers cross-cultural films and training tools. They publish: *Going International: How to Make Friends and Deal Effectively in the Global Market Place,* an in-depth guide to negotiating, communicating, marketing, and managing abroad.

David M. Kennedy International Center

The center offers programs on intercultural understanding and publishes *Culturegrams*, describing the customs of 81 countries.

Economist Group, The

The Economist Business Traveller's Guides, a series of comprehensive handbooks, offer information to business executives traveling in major countries around the globe.

Intercultural Business Center, Inc.

This organization offers a wide variety of business training programs on the Asia-Pacific region. The trainers are all experts and have practiced or have lived in these regions. The courses are presented both publicly, and in-house. Training program titles include: *Relocation courses for various countries; Technology Transfer; Legal and Tax Systems; How To Merge Japanese and American Style Management.*

Intercultural Communication Institute

This institute offers seminars and workshops designed to meet the needs of professionals in the area of intercultural and multicultural education, training, business, counseling, and consulting.

International Cultural Enterprises, Inc.
Produces audio tape guides for doing business in Indonesia, Japan, Korea, Malaysia, Singapore and Thailand.

Reuters Information Services Inc.
Reuters Country Reports
Contact the "Help Desk." Their Country Reports data base provides detailed reports on the business, economy, and local customs of 50 countries.

SIETAR International
The International Society for Intercultural Education, Training and Research offers publications on cross-cultural relations and intercultural communications, including a bimonthly newsletter and a quarterly, *The International Journal of Intercultural Relations.*

SRI International
Business Customs and Protocol Series
SRI publishes a collection of business protocol guides for 16 countries.

Facts on File Publications
The Global Guide to International Business, ed. David Hoopes
This guide lists 3,000 service organizations and agencies that provide different types of international business information.

The Institute of International Education
This institute assists with exchange programs and scholarships. It has a large information center and publishes books on international topics and guides for U.S. students wishing to study abroad.

The Intercultural Press
This organization offers publications on international and cross-cultural subjects. *Interacts* and *Updates* are two series which provide practical country-specific business and cultural information.

US Department of State
Foreign Service Institute
The State Department prepares personnel for foreign service and can share information on how to establish cross-cultural training in your firm. The Department also publishes in-depth country *Area Studies* and concise *Post Reports* on countries where there is a US Embassy.

Cross-Cultural Communication Tips
You will never find the perfect cultural road map for every negotiation, every business dealing or contact. But if you follow some of the advice, gleaned from our consultant's experiences in the international arena, you will markedly improve your chances of finding the information you are looking for.

- **Rehearse:** You'll never get a second chance to make a first impression even by phone, so develop an interview strategy for that first contact. Rehearse your introduction so it is culturally acceptable. Solicit feedback on your performance from cultural sources. For instance, learn to pronounce names and countries properly.

- **Pace Your Speech:** Learn to speak English (or whatever the language of business might be) at the right pitch for each person. Don't speak too slowly or in a condescending tone, but don't speak too fast either.

- **Avoid Idioms:** Don't use idioms, slang or obscure industry-specific terms.

- **Be Polite, Be Patient:** Be extremely polite and considerate. Ask if this is a good time for them to talk, if not make an appointment to call back

- **Use Tact:** Never get too personal too fast. Use tact and diplomacy at all times.

- **Respect Age and Position:** Try to determine the age of the person you are addressing; generally the older they are (regardless of rank), the more formal and respectful you should be.

- **Know the Job Responsibility:** Make sure you are addressing your requests and questions to the right person. Job titles are not the same as in the States. You will have to ferret out their actual job responsibilities to be certain that they have access to the information you need.

- **Do Not Appear Over-Eager:** If you want your contact to be forthcoming, be prepared to do so yourself, but avoid appearing over-eager, anxious or pushy.

- **Be Culturally Tolerant:** Be aware of differing cultural tolerances for small talk, hypocrisy, corruption, etc.

- **Read Between the Lines.** Your contact may be communicating messages through body language or behavior, rather than simply through conversation.
- **Restate Questions:** Check and double-check to see that the messages you are sending out are the ones they are receiving by restating questions. All communication is subject to distortion. Keep checking your own cultural biases and the effects that long-distance communications will have on your ability to understand your counterpart's reactions.

- **Appreciate Class Distinctions:** Remember the importance of the class system. Critical information is generally exchanged only between equals, so try to describe yourself as a peer.

- **Act Humble:** Be self-deprecating if necessary to encourage your contact to further explain things, even if it might mean you pretend not to understand.

- **Use Open-Ended Questions:** Use open-ended questions that do not reveal your predisposition; otherwise, your contact may tell you what he or she thinks you wan to hear instead of the truth.

- **Ask for Referrals:** Encourage them to recommend other sources and ask if you should use their name or not when calling those sources. Ask if they'd like just to pass your number or name on to "so-and-so" first. It is always better to be introduced via a mutual contact.

- **Offer Translations:** If they are going to give you information in writing, offer to have the translation done on your end. This allows them the comfort of communicating in their own language and generally more information will be supplied.

- **Account for Time Zones:** Take time zones into account when dialing overseas.

- **Prime Your Contact:** Try to establish contact without needing something from them. Write an introductory letter, sending information on your company to prime them for the call at a later date.

- **Arrange a Meeting:** Try to arrange a meeting, either on a trip they might be making to the U.S. in the future, or on a trip you have planned to their country.

Expert Advice: Latin America: An Information Openness

Intelligence Maps:

Developing International Research Strategies
Like the immutable laws of gravity, there are also the laws guiding the flow of information across countries and continents. By recognizing these laws, you can begin to find ways to overcome -- or even use -- these laws to your advantage. They are:

Law #1... The Ripple Effect: *Information is most available at its source and becomes less available the farther out it travels away from that source.* Every business transaction generates an information ripple, spilling out to the public at large. The effect is similar to that of a stone thrown into a pond, creating ripples that emanate outward. Like the water-based ripple, the information ripple will tend to weaken as it moves outward, breaking up, scattering and eventually coming to a stop. And, as the information runs into various barriers and holes, it becomes trapped and loses direction. So too, news of business transactions taking place overseas will be lost unless you can find a way to capture them in time.

Law #2...Intelligence Antennas: *Each country or region has a set of Intelligence Antennas that act as information magnets, and are better than others at picking up and absorbing information in that country or region.* These antennas will vary from country to country and culture to culture. They vary because of the form of government, government regulations, cultural leanings, technology, and other factors.

There are thousands of potential Intelligence Antennas. You will likely only need to use five or six to home in on a particular competitor in any one country. Consider Antennas as starting points that will lead you to the next step, the next contact and, ultimately, to the information.

There are seven basic categories of Intelligence Antennas. They are:

1. **Publications:** Newspapers, magazines, newsletters, data bases, books

2. **Government:** Federal, state, regional or provincial offices

3. **Banks:** Commercial or merchant banks, investment bankers, independent financiers

4. **Analysts:** Stock and industry analysts

5. **Associations:** Trade and professional associations

6. **Internal Traders:** General business people located and operating inside the country being examined. This category can include competitors, suppliers, distributors, unions, employees, importers, exporters, etc.

7. **External Traders:** Business people located outside of the country being examined. This category may include industry representatives, suppliers, or distributors, who come into contact with the target company in that country, or the target company's competitors in that country.

[War Story: The Pen May Be Mightier In France](#)

What Is An Intelligence Map?
An intelligence map is a country's information picture, a road map for building your research strategy. It uses the intelligence principles of The Ripple Effect and Intelligence Antennas to help shape your international research strategy. It contains the selection of the best sources from the above seven categories and lays them out for the researcher in order of importance or usability. The intelligence maps depicted in the following pages are drawn on actual maps. This is purely for illustrative purposes. In reality, an intelligence map is nothing more than a list, but a list built based on the informational reality of that country or region.

In Germany, for example, you will find the commercial courts as the identified intelligence antennas. They have their pulse on German business and require companies to file disclosure documents with them. In France, publications -- in particular, its Minitel data base and communications system -- is an intelligence antenna. In Japan, the industrial ministry, MITI, and its subsidiary agencies are fonts of business and technology information and are strong intelligence antennas. In the United States, the U.S. government, represented by agencies such as the EPA, SEC, and the FCC are rich with information about business activity

There is no one right way to draw an intelligence map. Two people may draw two different maps based on their experiences and the markets they serve in those countries. For example, I may have drawn a general intelligence map of Germany for one project and then find that when we conduct a research assignment looking at a German company for a pharmaceutical client, we must redraw the map to account for the "scientific intelligence antennas." These scientific antennas are different because we are focusing on a highly narrow marketplace. The German pharmaceuticals intelligence map in effect is a subset of the larger one.

How To Create The Intelligence Map In order to draw an accurate intelligence map, you must discover where the intelligence antennas are located. Take the following steps:

- Identify a business event or a company

- Call sources (securities analysts, Department of Commerce analysts, news reporters, banks, consulates), who follow business events for that country.

- Ask them:

  1. "If you had to go to Country X to find information on private company Y, what sources would you go to first?

  2. "Which sources -- local newspaper, stock analyst, bank, data base, or government filing -- would give you the most accurate, timely information on a private company?

  3. "Which of the sources are most likely to have the information and which are least

likely? Could you rank them?"

- Based on the answers, determine which of the sources prove to be stronger antennas and which are weaker. The stronger ones will define your intelligence map. Keep this map in mind, and you will be able to gather intelligence quicker and more accurately.

Country-specific Research Strategies
In the following pages, you will review a set of intelligence maps that identify the key antennas for each country. Along with the map, you will find the sources, addresses and telephone numbers for each antenna. Wherever possible, each section will contain special instructions for gaining access to the various sources or agencies cited.
The countries covered in this section are:

Western Europe

> United Kingdom
> France
> Germany
> Italy

Asia-Pacific

> China
> Japan

Chapter 9: Building a Financial Statement

"It's amazing," a new analyst would say to me. "How can you possibly divine out the profit and loss statement or balance sheet from a privately-held company, or from a small subsidiary of a large conglomerate?"

What the beginner does not realize is that (1) the estimate comes from a combination of good data and a knowledge of the manufacturing or service process under examination; and (2) most of these financials are "best guesses." These best-guess financials often accurately interpret the critical financial factors and the impact they have on the corporation, but they would not pass an accountant's audit. That is not their purpose. Their purpose is to provide enough insight in order to make an informed decision.

Analyzing With Ratios . . . What To Watch Out For
Anyone can play with the numbers, but only the astute analyst can turn those numbers into insights. The intelligence analyst must use the ratios for yet another perspective on the competitor. Analysts should compare what they learn from the numbers with the information supplied from interviews and other sources. What are some of the questions the experienced analyst will ask during the analytical process? How can ratios help place everything he or she may have learned in perspective? These are

some of the analytical guideposts to watch for:

Ability to Pay Current Obligations: A banker who needs to determine a client's ability to handle debt is in a very similar position to the competitive analyst. Both must grasp the financial reality with the company. Both need to take into account other industry factors and norms not measured by pure ratios. There are three traditional measures used here.

Current Ratio
The current ratio is the result of Current Assets divided by Current Liabilities. Bankers and analysts use this ratio to understand a company's ability to pay short-term obligations -- it liquidity. A company is generally judged "liquid" if its current ratio is 2-to-1 (though there are differences by industry).

Example: Current Ratio = Current Assets = $250,000 = 2.0
Current Liabilities $125,000

This 2-to-1 ratio is a fairly conservative number and may not reflect the particular industry you are examining where the ratio may be closer to 1.5 -to-1. Just using the 2-to-1 relationship, a banker would say that this company is a safe bet. What the banker is saying to him or herself is that at least 50% of the current assets can be converted into cash reasonably fast.

Advice: The intelligence analyst, however, needs to go beyond these numbers and identify the specific assets. Using such sources as UCC filings , credit reports, and interviews with suppliers (to determine payment history and overall reliability) you will soon discover if a state of liquidity exists or if the numbers are below industry norms, indicating limits in the competitor's ability to pay or take chances with aggressive pricing, hiring or marketing campaigns.

Acid Test Ratio (Quick Ratio): The Current Ratio becomes the Acid Test Ratio by eliminating any non-cash assets, such as inventory. The Acid Test assumes that since inventory is not cash and could take weeks or months to be converted the inventory into cash, it is not truly a liquid asset.

Acid Test Ratio = Cash + Accounts Receivable = $125,000 = 1.0
Total Current Liabilities $125, 000

The typical ratio is 1-to-1. Anything below 1.0 may be considered financially precarious.

Advice:
The intelligence analyst can draw several inferences from the quick ratio.

- For example, a high quick ratio could indicate a very conservative , risk-averse competitor that is unwilling to leverage cash resources.

- On the other hand, a high quick ratio could signal that the competitor is poised to mount a competitive challenge -- perhaps one that is already rumored in the industry.

Once again, you need to combine experts' comments with the quick ratios you have compiled in order to draw any final conclusions. You need to gather other evidence of activity or inactivity before allowing the ratios themselves to lead you a decision.

Debt-to-Equity Ratio: This ratio compares Total Liabilities to Stockholders' Equity. In effect it

measures indebtedness and solvency.

Debt/Equity Ratio = Total Liabilities = $400,000 = 1.23
Total Stockholder's Equity $325,000

Advice:
The analyst may be able to determine Stockholders' Equity from annual reports, regulatory filings, such as the United State's Security and Exchange Commission filings, credit reports and some state or provincial government filings (See Chapter 3), but the level of indebtedness is not an absolute. The "normal" Debt-to-Equity Ratio is somewhere around 1.0. The above example shows 1.23 and would indicate a company with slightly more leverage than a banker might feel comfortable with. But the questions you the analyst must ask are: What is a standard industry level of debt? Is this resulting number a normal outcome, or does it indicate a company in trouble? One way to find out is to consult the *Robert Morris Associates Annual Statement Studies,* which lists ratios for actual companies in hundreds of industries.

Profitability/ Return on Investment: The two basic measures here are Return on Equity (ROE) and Return on Assets (ROA). These would become critical measures if your company were to acquire another firm, or begin its due diligence work for a joint venture or alliance. As a potential investor or acquirer, you definitely want to know the relative return to expect from your investment.

Return on Equity = Net Income = $200,000 =20%
Total Stockholders' Equity $1,000,000

A 20% return is typically considered a healthy return on equity for most companies. In any case, you always need to compare your findings with industry averages in order to draw a conclusion about your target company's standings.

[Expert Advice: What Ratios Can't Tell You: Biotech Example](#)

Return on Assets: This ratio helps determine how much profit a company is able to generate from each dollar of assets on its balance sheet. The before-tax ROA ratio is calculated as follows:

ROA (Before Taxes)=	Operating Earns Before Interest/Taxes=	$350,000 = 17.5%
	Total Assets	$2,000,000

If you think of the ratio in terms of dollars and cents, this company earned 17.5 cents for every dollar of assets. One way to make use of this ratio is to compare it to your own ROA; another way to use it would be in an acquisition analysis to compare it to members of an industry peer group. Let's take ROA analysis a step further: If the same company can earn 17.5 cents on each dollar of assets, it can earn 17.5 cents on assets supported by borrowed funds. If the borrowed funds only cost the company 8% on average (taking into account zero-interest trade payables, equipment loans, lines of credit, mortgages, etc.), then it has the ability to generate healthy 9.5% returns on leveraged assets. In other words, the amount the company earns on borrowed funds is greater than the amount it pays in interest expense. This is called financial leverage, and is very important to prospective investors, acquirers or shareholders in a company.

Bear in mind that extraordinary gains or losses, heavily depreciated fixed assets, or a high level of intangible assets (for example, goodwill) can distort the ROA figure. Always remember to analyze the

ratio in the proper context, taking into account the company's unique business dynamics and those of the industry in general.

Appreciating Depreciation
Depreciation is an accounting approach to spreading the cost of a fixed asset, such as plant or office machinery, over an estimated useful life. For the analyst, understanding and interpreting a company's depreciation numbers can explain a great deal about its manufacturing process or approach to business. A great deal of the client's cost difference lay in its penchant for buying bigger and more expensive machines. Hence, they had a far larger depreciation number. The competitor, producing nearly the same amount of product, was able to sell its product at a far lower cost. Analyzing the competitor's depreciation numbers also shed light on its overall spending and investment philosophy -- a vastly different one, it turned out, than that of the client's. The competitor was thrifty in every way; the client, on the other hand, wanted only the best, and shiniest equipment -- and paid for it.

Understanding depreciation, therefore, offers insight on a company's operations, not the entire answer.

All companies must make three decisions when deciding to depreciate assets. They are:

The depreciation method to use:

(1) Straight-line depreciation: This approach assumes that the asset steadily declines in value, and at the same rate each year. An asset -- let's say a photocopier -- worth $10,000 with a 10-year life span, depreciates at 10% per year. Each year it declines in value by $1,000. After 10 years it is worth $0 and is taken off the books.

(2) Double declining balance depreciation: This is an accelerated means of depreciating assets. For example, if an asset has a 10-year life and would have been depreciated at 10% per year for 10 years in a straight-line depreciation, the double declining approach would apply a rate of 20%. After five years, the assets are effectively worth nothing.

(3) Sum-of-the-year's digits method: The approach here is more complicated than the double declining approach, but offers similar results. It, too, accelerates depreciation.

Always consult with an accountant before applying any depreciation figures to your analysis. The accountant who knows accounting rules and regulations will be able to tell you what depreciation standards your target company has been using.

Chapter 12: A Practical Approach to Analysis

I wish I could find another word to use instead of analysis. Analysis seems to make many business people break out in hives. Why, the very thought of it conjures up an intimidating array of equations, regression analyses and other statistical goodies. Analysis is really the application of common sense and experience to raw information. You need analysis in order to develop competitor and market intelligence, but you don't necessarily need a Ph.D. to develop it. Some of the greatest entrepreneurs in modern business -- Bill Gates of Microsoft, Ray Kroc of McDonald's -- analyzed their competition constantly (and successfully) without ever taking a course in business analysis. What they could do well is pick out the most valuable insights and act upon them.

Information is the manager's main 'capital,' and it is he who must decide what information he needs and how to use it, according to Peter Drucker.1 For this capital to produce healthy returns, the manager must convert it into intelligence. Analysis is the means to do so. The analysis need not be complicated, only complete and accurate.

There is no single way or model to analyze a company or a competitive environment. Most of the time analysis is simply the process of winnowing the good from the useless information and finding a framework in which to add value to that information. Ultimately, analysis is only "good" if you can make use of it and act upon it.

This chapter takes a practical, real-world approach to analysis. It will assume that most managers do not have a great deal of time or resources and that these same managers possess the ability to analyze without necessarily remembering the intricacies of their college statistics courses. Using this rationale, the chapter is divided into the following sections:

- Section 1: Learn To Read The Tea Leaves
    - Intelligence is a Process of Focus
    - The Tools Around Us
    - "Time Warner's New Leadership Trims Business Connections From Ross Era"
    - "Microsoft Loses Bid for a Trademark on the Word 'Windows' for PC Software"

- Section 2: Know When To Analyze . . . The Moment of Change
    - Looking for "The Moment of Change" -- an Analytical Philosophy
    - Intelligence Case 2: Timelining: Forecasting New Product Introduction
    - What is Timelining?
    - . . . Back to the Case

Each section is illustrated with actual (disguised) cases from a variety of industries worldwide.

Section 1: Learn To Read The Tea Leaves

Intelligence is a Process of Focus
Intelligence is a process of focus. In order to make solid business decisions, you need to (1) focus in on your market (sometimes easier said than done); (2) identify which of the many market forces is most important so you can concentrate your time and efforts; and (3) you need to understand which strategy your target company is pursuing and bring all your information-gathering and analysis efforts to bear on that strategy.

Once again, it is time that is most critical here, and you need to spend it wisely. You cannot afford to waste it exploring the wrong market, the wrong competitor or the wrong strategy. To do so is to pursue the wrong market path and potential failure. This chapter will give you the ability, and the tools to focus your intelligence efforts.

The Tools Around Us
The tools for competitive analysis are all around us. The raw analytical material starts with the intelligence resources that exist at our fingertips, including news articles, broadcast news, trade

shows, industry gossip and internal reports from Sales or R&D. The problem is that we spot a piece of the intelligence picture, here and there, but do not see the entire panorama.

Sometimes by carefully reviewing the news and applying your industry experience, you can read between the lines. For instance, instead of reading each article in isolation as it appears in your daily newspaper or trade journal, you should make it a habit of clipping out articles of interest on your market and your competition and saving them in a file. Then, every week or so, pull out the most recent clippings and read them together. This process of simply comparing and contrasting the information you read can point out new competitive initiatives. This contrast and compare activity is a form of analysis.

Let's examine elements of the big picture and see if we can determine aspects of competitive analysis and, ultimately, competitive strategy. Below are two *Wall Street Journal* articles. The articles themselves spawn questions and even suggest some answers. I have highlighted words or phrases within the articles that begin to hint at analytical concepts and "hot" buttons.

Analytical Tidbit #1
"Time Warner's New Leadership Trims Business Connections From Ross Era"

[Text in bold is that of the author's]

"Time Warner Inc.'s chairman and chief executive, Gerald M. Levin, has quietly begun to dismantle some controversial business ties that marked the **freewheeling corporate culture** of his predecessor, the late Steven J. Ross."

"Barely two months after Mr. Ross died . . . Mr. Levin is sharply paring back Time Warner's business relationship with Oded 'Ed' Aboodi, who was among the late executive's most trusted advisers as well as a personal friend."

". . . they say Mr. Levin is also attempting to **remodel the sprawling entertainment and media company's culture to reflect his own more disciplined and conventional corporate style.**"

"In addition to revising such arrangements, Mr. Levin has also overseen a restructuring of the Time Warner board . . . "

Source: *Wall Street Journal,* **February 25, 1993, page A3**

Questions

1. What is the predominant issue that seems to be gripping Time Warner?
2. How many changes are being made here both of a short-term and long-term nature?

Possible Analysis:

- Time Warner will become more focused on particular markets and move away from being "all things to all people" in the entertainment business. This new focus may result in a series of divestitures.
- Second, management structure and decision-making will change and will be a reflection of the new CEO, Gerald Levin. It is likely that more financial controls will be in place and that decisions will be made in a more fiscally conservative manner.

Analytical Tidbit #2
"Microsoft Loses Bid for a Trademark On the Word 'Windows' for PC Software"

[Text in bold is that of the author's]

"The U.S. Patent & Trademark Office has rejected a bid by Microsoft Corp. to gain a **trademark on the word "Window"** when used to describe personal-computer software products."

"Microsoft's efforts to win control over the term Windows has raised hackles among some software and computer companies, who see the campaign as part of a pattern of Microsoft attempts to overpower smaller rivals."

" **'It hurts our ability to compete if Microsoft owns the name of Windows,'** said Heidi Sinclair, Vice President , Corporate Strategy, at Borland International . . . "

" 'It's hard to prevail against a company the size of Microsoft,' said Ed Anson, a software developer in Andover, Mass., who sold his trademarked HyperWindows name to Microsoft last year for less than $10,000."

Source: *Wall Street Journal,* **February 25, 1993, page B8**

Questions

1. Can you think of other industries where trademarks and/or patents become barriers against competition?
2. How would you position Microsoft in its industry? Is it a customer, supplier, competitor? How many roles is it playing? In which of these roles is it the strongest?
3. Is there an overall weakness in Microsoft's overall strategy? How would you begin to find that out?

Possible Analysis:

- By identifying other industries where trademarks or patents are barriers, we might be able to determine how long Microsoft can maintain a competitive edge, either in pricing or in profits it could generate from product line extensions.
- Microsoft seems to be both competitor and supplier. However, it appears to be strengthening its role as a critical sole-source supplier, since everyone has to write their software to the Microsoft Windows specifications. Even though it may have lost exclusive rights to the Windows trademark, it has achieved a competitive advantage other operating system competitors will be hard pressed to beat.
- Since even Microsoft cannot be everything to everybody, where is it weakest? In which software categories does it fall short? Utility software? Data base software? Industry-specialized categories? It cannot have differentiated itself in each of the many customer niches.

The above articles all generate questions, and identify some of the competitive forces players in those markets must face. Once you understand the competitive forces, but still have questions, what you

need next is an analytical model, a way of thinking about your competition and the industry. The analytical model serves as a framework from which to develop intelligence on your competitors, suppliers, customers or any other players in your market.

Section 2: Know When To Analyze . . . The Moment of Change

Looking for "The Moment of Change": An Analytical Philosophy

When and not *what* to analyze is often the single most frustrating problem facing managers.

With thousands of potential sources and dozens of techniques available, the analyst needs to reach for the intelligence jugular. He or she must find and analyze the most critical information in a timely fashion. The Moment of Change can help analysts home in on key analytical opportunities. The definition is as follows:

> The Moment of Change is that time when a major event takes place. That event could come from within the company or from without, such as the hiring of many new employees or a change in environmental rules or . Any such event will generate a great deal of information on your target company and often on other affected subsidiary or affiliate operations.. The analyst does not have to witness the Moment, just be able to recognize it at a later date.

The Moment of Change is based on the most basic of intelligence rules, cited earlier in the book.-- "Wherever money is exchanged, so is information." The rule itself implies that you have to be there at every business transaction or find some way to locate that transaction in order to find the information. The Moment of Change gives you greater opportunity to find the information you need, even after the fact. Because the Moment is a major, sometimes traumatic shift, it will generate not a mere trickle, but rather a shower of information sparks. Corporate divestiture, acquisition, and bankruptcy are all examples of upheavals of the *status quo* that literally will generate thousands of bits and pieces of important competitive information. It is during these specific Moments of Change that you need to begin your analysis.

Looking at Real World Analysis . . . The Next Step
The following section presents six disguised cases, based on a wide-range of competitive issues. Each case first presents the major questions the client had and offers an industry and competitive background discussion. The second part of each case describes the type of analytical framework we used and why we used it. The final section describes the findings and the analysis as it was presented to the client.

Intelligence Case 2: Timelining: Forecasting New Product Introduction

The Problem:
A Fuld & Company pharmaceutical client had just learned that a competitor received Federal Drug Administration (FDA) approval for the potential marketing of an over-the-counter (OTC) drug that directly competes with one of its own consumer OTC products. This FDA go-ahead only permits the competitor to prepare its manufacturing facilities for FDA production quality inspection, in anticipation of receiving the final FDA approval for marketing the drug, which is expected within the next year. The client needed to know exactly when and in what quantity the competitor was going to launch its product. Knowing this would give the client the ability to precisely plan a preemptive marketing strike, using pricing and advertising tactics. The danger: If they missed the roll-out window, they stood to lose millions of dollars in market share.

Time: The Intelligence Problem

As with the first case, the problem usually dictates the analytical solution. In this instance, the client's concern centered around "time." "How long," the client wanted to know, "will it take for the competitor to introduce its product?" FDA approval only signaled a warning, not the actual product launch date.

We needed to find a way to link the element of time with the release of information about the competitor. The analytical tool we used is called Timelining.

What is Timelining?
The Timelining Principle
Like history, business processes repeat themselves.

Timelining is a way to chart the order of how companies do things, tag the information spun off from these activities, and place that information into an analytical framework..

Almost every business process follows a certain pattern, which may differ from company to company. For a company to recreate or reinvent the way it does something each and every time, would be very costly . As a result, business is a process of repetition.

Timelining forces the analyst to examine data in a chronological context. Instead of just seeing "4,7,1,3,2,6,5," Timelining is telling you to look out for a pattern -- 1,2,3,4,5,6,7. In the real world, you gather information about competition haphazardly. You may have a competitive goal in mind, but you pick up the information where and when it's available. By doing so, you can see if you have a pattern, or just a wild assortment of information pieces. So, even if you are missing some of the information, _, 2, 3, _,5, _,7, you can still see the pattern and where the information is leading you.

A company has decided to release a new product. Between the moment of product release and the first decision, many events had to take place, such as the filing of engineering reports with the town and environmental authorities, plant inspections by utilities and equipment manufacturers installing new equipment, and so on. As the chart indicates, the information volume grows and becomes more available as we approach the date of the plant opening. "Wherever money is exchanged, so is information" once again makes clear that the more business transactions, the more information.

More important to note: In order to build a plant, you need to undertake certain steps, in a specific order. Altogether, these steps create a chronological pattern. In this illustration the steps were as follows:

Steps In The Pattern . . . 1,2,3

1. Decision to build
2. Site selection
3. Environmental Impact statement
4. Design work by an architectural engineering firm
5. Site work and construction
6. Equipment purchases
7. Equipment installation
8. Hiring

Even if you only captured information relating to steps 1, 3, 4, 5, you can determine approximately when the plant would come on line. This is the beauty of timelining. You do not have to have every

single piece of information in hand, only a few critical pieces. Once you have discovered the pattern, you have your answer.

...Back to the Case
How We Developed The Timeline

Identify each process taking place:
If this were a study to examine how a banking competitor was streamlining its check processing operations, we would have met with the Information Systems staff at the client's bank, and anyone else who was involved in check processing -- both from the technology and personnel side of the bank. These folks intimately know each and every process step, the sequence and the length of time it takes to complete each piece. They can also describe how long it would likely take to improve or completely re-engineer such a process. They know the suppliers, the equipment and the costs.

In the pharmaceutical case, we needed to understand each piece of equipment and how it worked, along with the expertise and personnel required at each stage. The client took the project manager on a tour of one of its plants. This allowed us to visually and mentally tag each piece of equipment and its purpose. [Note: This is a useful exercise, no matter what the intelligence assignment. If your analysts or interviewers can firmly picture the manufacturing or service process in their minds, they will have far more complete and accurate interviews.]

The client also introduced us to its engineering, marketing and production staff who helped answer many of our more technical questions. The manufacturing details we received during these internal client interviews are what later helped us project the competitor's production volume up to one year into the future. Remember, the competitor's plant had not even opened yet.

Some of the process details described below:

Process Details	Description
Chemical mixing	Granulator is used to mix the raw chemical with additives. Granulators come in different sizes. A moderate size granulator can produce 400-600 kilograms in several hours.
Pill Press	The resulting mixture enters a pill press that can produce anywhere from 1,000 to 3,000 pills per minute. Our client told us to expect this type of press to produce roughly 2,000 pills per minute.
Coating Machine	The pills may then go to a drum-like machine that applies the outer coating.
Packaging	This phase actually consists of a series of machine steps, including printing the ID code, filling the bottle, inserting the cotton , sealing, capping, labeling, and printing of the expiration date.

Knowing the above details was necessary in order for us to probe for details on the timing of the expected product launch. Because the FDA must certify all production equipment for quality control, it was important to understand the machinery being used.

The Data Came In Randomly
All the data sources, including interviews, FDA documents, news articles came in as we found them, in no particular order. Examples of what we discovered were:

- The client estimated the level of inventory a manufacturer must have in order to prepare for this

kind of product roll-out.
- The number of pills expected to be packaged per bottle and how many different size bottles there would be -- 24 pills, 50 pills, 100 pills.
- The plant had begun hiring for its first shift.
- Equipment manufacturers and, through interviews, an identification of likely key equipment to be used
- The product's chosen brand name (learned through contacting a supplier).
- The estimated dosage, learned from a packaging company known in the industry.
- The capacity of the granulator.
- A firm estimate of the expected production yield over the course of the start-up period before roll out.

While in the process of gathering the data, we began to piece together the pattern that was to become the final timeline. We did so by combining the incoming data with the client's own view of the likely production process.

Organizing Data By Time
With the process understood, we had to map the sequence of events involving this process. Which event came first, second, third, and so on. The following describes the timelining sequence for the prospective roll-out.

Step	Event	Reasoning
One	Refitting manufacturing plant	The manufacturer needed enough time to produce and accumulate 6 months worth of pills, the amount needed in order to meet their roll-out plans. The client's own marketing department had determined, based on other similar roll outs, how many pills the competitor needed to distribute in order to successfully penetrate the market.
Two	FDA Approval	The FDA has to approve the equipment directly involved in the drug's manufacture. We had learned through various equipment suppliers that the FDA had come in and certified the necessary equipment.
Three	Plant visit by packaging supplier	A purchasing person representing the client had visited a packaging supplier's plant and recalled seeing labels with the drug's name and even its dosage--an important number that allowed us to estimate the amount of raw chemical that had to be processed- and therefore, the length of time it would take to build the necessary inventory.
Four	Hiring	A training consultant, who worked with the client and many other pharmaceutical companies, was able to tell us that the competitor was hiring personnel for the first shift. Our client estimated that it would take 10 weeks for the first shift to produce up to 80% yield from each batch -- a necessary level to achieve production efficiency. It would take another 7 weeks to train the second and third shifts. Without these additional shifts the competitor would be unable to achieve the quantity needed to launch the product.

Before we could draw any conclusions, we had to support our pieced-together timeline with more corroborating data. We interviewed dozens of other contacts in the industry, including: packaging materials suppliers, graphic designers, corrugated box manufacturers, trucking/shipping companies, and retail buyers. As always, our interviewing approach was straightforward. The information we received was, by and large, available in small pieces. The information only became intelligence when we were able to assemble it, in this case using a timeline.

Combining our knowledge of the plant's actual FDA certification date and hiring information with the time it would take for the new employees to produce products at a certain yield rate, we were able to project how long it would take for the competitor to stockpile enough pills to launch the product. The estimated 6-7 week product launch window we supplied in our analysis helped the client successfully plan a preemptive strategy by flooding the market with price-cutting coupons, special institutional promotions, and so on.

The analytical framework was a timeline. The resulting intelligence was the launch date.

[1] *The Changing World of the Executive*, Peter Drucker, Times Books, 1985, page 37.

Chapter 13: How to Build Your Own Intelligence System

Nathan Rothschild, the famous British Merchant banker, received early warning of Napoleon's defeat at Waterloo through a message sent by carrier pigeon from one of his correspondents on the Continent. Making it appear as if he had heard Britain would lose the war, he quickly dumped all his British-backed government securities on the market. Other investors, following Rothschild's lead, did likewise. However, as soon as Rothschild saw the market bottom out, he bought back every piece of paper at fire sale prices and made a killing. If Nathan Rothschild could receive early warning of Napoleon's defeat at Waterloo in 1815 by using nothing more than his carrier pigeon network, then the modern corporation -- large or small -- with lightning-fast technology at its disposal, can do the same in today's corporate battlefield. There is no excuse for competitive surprises. All any company needs is an organized network of people.

This chapter offers a step-by-step approach for building a simple, efficient intelligence system.[1] The guidelines I am proposing are based not on fiction, but on actual cases and experiences with various clients. In most instances, the framework of a successful intelligence system is built on and around the culture of each organization. In other words, intelligence systems -- despite the all the potential computer-based applications this concept conjures up -- are very much a human issue. Note how the five stories below seem to reflect this perspective.

Corning . . . Look, See and Learn
"A pallet of the competitor's ceramic product sat on the shop floor, displayed for everyone at Corning's Erwin, New York plant to see. Until that moment, most in the facility were satisfied with Corning's equivalent product. Yet, after reviewing the competitor's sample and its characteristics, Corning realized it had to improve Corning's product to compete successfully . . . "[2]

Banc One . . . Turning Bankers into Shoppers
"Banc One has begun to regularly collect the direct-mail solicitations sent by its competitors to the bank's own employees. The program to date has yielded invaluable information on competitors' pricing, new products, and target markets."[3]

Xerox . . . Hands On

"Evaluation begins as soon as the engineers lay eyes on a machine . . . The engineers never try to fix a broken machine and, when available buy a service contract. Servicemen from Kodak, for instance, will install the Kodak 150 copier at Xerox, while Xerox engineers stand by, watching every move, even photographing the process to see what's involved."[4]

Canon . . . Reading and Reporting

"At Canon Corporation we have analysts, who have been trained in British schools, to translate and interpret technical articles published in the United States and in Europe."[5]

Kraft/General Foods . . . Finding the Pack Rats

"The Kraft CMIC group has created an in-house database called RECAP (Research Capsules) that has fully indexed millions of dollars worth of research purchased or produced for the Kraft organization. RECAP is extremely flexible and allows the user to search for a report by analyst, code word, title, date, or even the purpose of the research. For the first time Kraft has a handle on the market research that was becoming buried in its organization."[6]

The best-run intelligence systems highly leverage their people resources. Some do so by incorporating a giant web of computer-based, client-servers; some through low-tech means of intelligence storage and delivery. Whatever path these successful programs have taken, they all have done do so by following three basic steps. They are:

- **Step #1: Prepare the organization**
    - Observation #1: You're Bigger than CNN
    - Observation #2: Intelligence Never Travels in a Straight Line
    - Adopting the Three Part Philosophy
    - Create a Ringmaster
- **Step #2: Motivate the troops**
- **Step #3: Store and deliver the intelligence**

Step #1: Prepare The Organization

Intelligence systems succeed because of people, not machines, not computers. If you had to place the topic of intelligence systems in a business school curriculum, you would place it under the category of Organizational Behavior -- not under Marketing, Control, or Systems. The successful intelligence system works because all employees are primed to share, communicate and use their own hard-won market information. Companies that place barriers to this information flow, or think that a high-tech electronic mail network will substitute for good employee communications, are mistaken.

You cannot just take a software package out of its shrink-wrapping and hope that it will organize all your information. First you must find ways to share and communicate vital information. Storing that information comes later. If the organization does not share information, no technology will help. On the other hand, if the organization has begun to share and use its own vital intelligence, then a computer-based system may be the next step in the process.

Observation #1: You're Bigger Than CNN

CNN may have hundreds of affiliate stations and scores of reporters. Yet, this cannot compare to multinational conglomerates of the world with their hundreds of thousands of employees. Such large corporations -- General Electric, Fujitsu and Siemens, among them -- have armies of well-trained individuals who are immersed in a market. These intelligence/news-gathering experts include scientists, networks of independent brokers, sales people, purchasing managers and many others. You

need to harness this capability both for the quantity and the quality of the industry news these internal experts can offer.

In contrast, think about the intelligence potential represented even in the smallest of companies. A 20-person firm spends each business day dealing with customers, suppliers and competitors. *Business Week* or *The Economist* may devote one article a year to your industry and its competition. Who do you think will delve more deeply -- and in a more timely manner -- into your market, you or the news magazines for whom this is but one small item?

The reason many companies have problems establishing successful intelligence programs is not a lack of internal knowledge, but the fact that they have not yet figured out how to harness that knowledge to analyze the competition.

The Prime Philosophy: Your Are Your Own Best Consultancy

Observation #2: Intelligence Never Travels In a Straight Line
Chances are that a vital piece of intelligence will have entered your company many different ways and take many different directions as it travels through the organization. A piece of news is seldom known by only one individual. Noting this fact, you need only try to capture that piece of intelligence once. You can do so by building a broad network of communications vehicles that can capture and speed along the critical intelligence. Like a fisherman who is generally far more successful throwing a wide net into the ocean than casting 20 individual fishing lines, each with its own hook, you too need to spread your corporate information net wide. Remember, you only need to capture the intelligence once. Lay down a wide enough net and you will be able to do so. Later in this chapter I will describe the types of electronic and manual nets you want to consider.

Adopting The Three-Part Philosophy
In a two-year study my firm conducted in the mid-1980's and in subsequent consultations, three immutable principles guide any successful intelligence system or program. They are:

- **Constancy:** You must gather information constantly, day-in, day-out, and not just during the traditional strategic planning cycle. Most corporations will spend a great deal of time and money for three months of ever year trying to understand their competitive environment. The purpose of this effort is to develop the yearly corporate plans. Yet, your competitors are not so polite as to wait till next year at the same time to once again compete. They compete every day and their intelligence-savvy management urge employees to look for and gather critical information every day. Companies such as Corning, Canon and Banc One recognize the importance of alerting employees to critical news, all the time.

- **Longevity:** You must invest in the intelligence program for the long term. Six months, one year, or even two years may not be enough to prove the worth of a program. The most successful intelligence systems have taken three to five years to mature. As a result, cost becomes a major issue. The more expensive, more costly the system, the more difficult it will be to maintain over the long run. From my experience, the longest-running, most successful programs have been allowed to grow and mature over many years just because started out as relatively low cost and low maintenance endeavors.

- **Involvement:** One way to control intelligence system costs and at the same time create a broad-based system is to spread the responsibility for collection and analysis of information across the entire organization-- from sales people, purchasing agents, market research to senior management. The more people see the development and use of intelligence as part of their jobs, the more readily available the intelligence will be and the more it will be used.

Create a Ringmaster

Should the system be centralized, or decentralized? This is probably the most frequently asked question I hear from clients interested in establishing an intelligence system. It is also the most misunderstood.

If this were thirty years ago, when information had to be controlled from a central location, I would advise a client to adopt a centralized system, where all files -- electronic and manual -- would be kept in one place. I say this because of the way information was maintained. Mainframes controlled the data flow, there were few terminals available, electronic mail was in its infancy and the few photocopiers that existed were tightly controlled by the print shop or copy manager. In short, information had to be kept in one place in order for it to be managed and ultimately found.

Today, the information flow has reversed itself. The individual now controls the flow and --to a large extent -- the storage of information. Personal computers (stand-alone or networked through client-servers), personal copiers, electronic mail, voice mail and other personalized technologies allow anyone to manage his or her own information base. The corporate intelligence system must recognize this fact of life and build a system that leverages the dynamics of this new information age.

Because your company's experts are literally everywhere your company is -- in the field, the R&D labs, the shop floor, the customer service desk -- you need to coordinate the information flow, not create a bottleneck by centralizing it.

The intelligence system manager needs to take on the role of a circus ringmaster, recognizing the system's goal as that of an information traffic cop. The intelligence system needs to provide the company with a means to find the information already located within its own walls.

Examine the two charts below: The organization chart and the intelligence chart. The organization chart describes a typical, vertical company structure, where employees report to superiors or speak to subordinates. The intelligence chart describes the same organization that removes the strict vertical barriers and creates an atmosphere of information exchange.

The great irony of many large corporations, is that by encouraging individual business unit profitability, management often ends up building information barriers. As a consequence of employees wanting their own business unit to succeed, they will often withhold information from another business unit. In such instances, good business practice can work against good intelligence practice.

The intelligence system manager, or Ringmaster, can break down these barriers and foster healthy information exchange by:

- Creating and distributing an "Intelligence Directory" of all files and experts within the company, cross-indexing them by expertise.
- Using the company's voice mail or e-mail to distribute important information, or information requests
- Bringing together internal experts to hash out critical competitive issues
- Encouraging senior management to recognize intelligence contributions of subordinates -- particularly if those contributions directly benefited the company.

For a more detailed review, I refer you to:

1 *Monitoring The Competition: Find Out What's Really Going On Over There* (Leonard M. Fuld, John Wiley & Sons, New York, 1988).

2 "Achieving Total Quality through Intelligence," Leonard M. Fuld, *Long Range Planning,* Vol.25, No. 1, pp. 109-115.

3 *Monitoring The Competition: Find Out What's Really Going On Over There*, Fuld, John Wiley & Sons, 1988, page 28.

4 *Rochester NY(USA), Democrat & Chronicle*, January 29, 1984

5 Fuld & Company "*Intelligence Sources, Techniques & Systems*" Seminar

6 *Monitoring The Competition: Find Out What's Really Going On Over There*, Fuld, John Wiley & Sons, 1988, page 131.

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