Chapter 1
Blurred Lines between Competitive Intelligence and Corporate Espionage

Harish C. Chandan
Argosy University, USA

ABSTRACT

In today's globalized world, gathering Competitive Intelligence (CI) and using it strategically to gain a competitive edge has become a necessity. Integrating knowledge management and CI helps firms to respond quickly to changing business conditions. Organizational culture, ethics, and emotional intelligence influence knowledge sharing which enhances CI scanning. Employees, knowingly or unknowingly, can become the weakest link in a firm's efforts to protect business intelligence. There is reluctance in the organizations to address the issues of ethical and legal means to gather CI. Corporate espionage is a silent, enigmatic threat to the competitive position of firms and nations. Annual losses to corporate espionage are estimated to be US$300 Billion. A 3-step strategy of prevention, detection, and remediation helps to combat corporate espionage.

INTRODUCTION

Competitive intelligence (CI) involves collecting, developing, analyzing, and disseminating actionable information regarding competitors, suppliers, customers, the organization itself, and the business environment. CI is both a process and a product involving legal and ethical methods to gather information from public and private sources to learn about competitors, suppliers, customers, technologies, acquisitions, markets, products and services (Vedder & Guyens, 2001, 2002). In today's global business environment, all firms must conduct environmental scanning outside the organization and gather CI as a strategic management tool (Calof & Wright, 2008). CI is the process of legally and ethically gathering and analyzing information about competitors and the industries in which they operate in order for an organization to make better decisions and reach its goals (SCIP, 2015).

Corporate espionage implies illegal activities, such as bribing or hiring employees to divulge confidential information. Corporate espionage (also known as industrial or economic espionage) is the covert, *unethical* and sometimes *illegal* practice of gathering information from competitors to gain a business advantage. This includes proprietary information about cutting-edge technology, trade secrets, business plans, new products/services on the horizon, details of the proprietary manufacturing process, manufacturing cost, operational details, customer base, marketing strategy and suppliers (Dodge, 2014).

The globalized nature of businesses, the differences in legal systems across nations, and varying ethical and cultural norms among organizations and individuals blur the boundaries between CI and corporate espionage. In a global setting, the boundary between legal and illegal means of gathering CI is blurred since the laws and business ethics vary from one country to another. Within a country, corporations often push the envelope of the legal interpretation of open source for gathering information (Hemphill, 2002).

This chapter discusses the need for corporations to gather CI legally and ethically from open sources to maintain a competitive edge. A conceptual framework for CI and Business Intelligence (BI) is presented. The various techniques of gathering CI legally from websites, trade shows, and social engineering will be discussed. The role of corporate leaders and human resources to avoid corporate espionage will also be discussed as well as education, business ethics, and legal training to sensitize employees to prevent corporate espionage.

COMPETITIVE INTELLIGENCE (CI) CONCEPTUAL FRAMEWORK

CI gathering helps a firm conduct benchmarking, manage marketing risk, and promote knowledge and innovation management (Carlton, 1992). There are ethical and legal issues regarding gathering CI (Attaway, 1998). The benefits of CI include identifying problems in the existing business, providing better customer assessment, uncovering new business opportunities, provide a basis for continuous improvement, increasing business volume, and improving speed to market and competitive survival. There are multiple roles of CI including supporting strategic decision-making, providing an early warning system of competitive threats and opportunities, benchmarking competition, supporting strategic planning and implementation, and supporting competitor tracking (Olszak, 2014).

The CI concept is well-grounded in the extended approach to resource-based view theory of strategy which includes intangible resources such as CI (Ahn & York, 2011). The concepts of CI and environmental scanning are related although CI is more specific than the broader environmental scanning. CI is different from BI which deals with analyzing mostly internal business processes for improvement. BI has the most impact on operational and tactical decisions. CI refers to the monitoring and analyzing external environment including competitors, customers, and suppliers, and also refers to the actionable knowledge gathered legally and ethically by an organization from publically available information and open sources for economic and strategic purpose (Olszak, 2014). CI represents the information about the present and future behavior of competitors, suppliers, customers, technologies, government, acquisitions, market, and general business environment (Vedder & Guynes, 2001, 2002). Competitor intelligence gathering involves the aggregation of competitive information to facilitate strategic development and a competitive advantage.

Gathering CI is comprised of the following processes:

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