

# Chapter 11

## Competitive Intelligence Gathering

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### INTRODUCTION

Knowledge management (KM) is the process through which organizational performance is improved through better management of corporate knowledge. Its goal is to improve the management of internal knowledge processes so that all information required for corporate decisions can be made available and efficiently used. Competitive intelligence (CI) is a process for gathering usable knowledge about the external business environment and turning it into the intelligence required for tactical or strategic decisions. The two are strongly connected because gathered CI has no long-term value unless an effective KM process is in place to turn the information into something usable. Although most information collected during a CI investigation is used in immediate decision making, it must be integrated

into the internal knowledge systems to provide a long-term resource when companies attempt to detect trends or adapt to changes in their environments (Aware, 2004).

Both KM and CI systems are designed to enhance the information resources of an enterprise, but often target different information types and sources. While CI is concerned with gathering information from the external environment to enable the company to gain competitive advantage (Williams, 2002), most investigation into KM has focused on capturing the knowledge stored within the minds of individual employees (Nidumolu, Subramani, & Aldrich, 2001). Bagshaw (2000), Johnson (2000), Rubinfeld (2001), and Williams (2002) all focus on the use of KM for collecting, managing, and sharing internally generated knowledge.

Restricting the focus to internal data severely limits the potential of KM systems. The vast wealth of knowledge outside the traditional boundaries of the company may prove just as

useful to organizations seeking a competitive advantage (Gold, Malhotra, & Segars, 2001). Fortunately, some studies indicate an awareness of the value of external information. Abramson (1999) notes that KM enables companies to create and systematically use the very best internal and external knowledge that they can obtain. Grzanka (1999) notes that KM provides a methodology to leverage and manage all knowledge, whether external or internal. Other researchers take it a step further and recognize the synergies between KM and CI. Johnson (1999) states that KM and CI are two parts of the same whole because both are designed to apply enterprise knowledge of the internal and external environment for long-term competitive advantage. KM and CI “have similar goals and are natural extensions of one another (e.g., manage information overload and timely/targeted information delivery, provide tools for data analysis, identify subject matter experts, enable collaboration)” (Meta Group, 1998). Davenport (1999) even goes so far as to take the stance that CI can be viewed as a branch or subset of KM.

A major difference between KM and CI is the much broader scope of KM compared to the more clearly focused CI: rather than applying knowledge to the entire firm and its complete set of objectives, CI focuses on defending the firm from competitive threats, while at the same time proactively working to acquire market share from competitors (Johnson, 1999). Further, while KM often falls under the purview of the information technology department, more often than not CI activities are found within strategic planning, marketing, or sales (Fuld, 1998).

While it is difficult to simplify the relationship between CI and KM (Johnson, 1999), it is important to note that the two approaches complement each other. The goal of both disciplines is to evaluate current business decisions, locate and deliver appropriate knowledge from the environment, and ultimately help to give it meaning so that decision makers better understand the options available to them (Johnson, 1999). The synergies between KM

and CI indicate that greater convergence between the two approaches is inevitable.

## **BACKGROUND**

Each organization has associated with it a particular context pertaining to such issues as customer attitudes, competitors’ actions, regulatory patterns, and technological trends. Environmental scanning tools collect information from the environment to assist in developing strategies that help the organization formulate responses to that environment.

Environmental scanning was first defined by Aguilar (1967) as the process of gathering information about events and relationships in the organization’s environment, the knowledge of which assists in planning future courses of action. It entails perceiving and interpreting both the internal and external environment with the objective of making appropriate operational, tactical, and strategic decisions that help insure the success of the firm (Elofson & Konsynski, 1991). Any organization that fails to monitor its environment in order to determine the conditions under which it must operate courts disaster (Mitroff, 1985). Identification of key economic, social, and technological issues that affect the organization, its lifecycle stages, and their relevance to each other helps managers allocate attention and resources to them (McCann & Gomez-Mejia, 1992). Scanning is a fundamental, early step in the chain of perceptions and actions that permit an organization to adapt to its environment (Hambrick, 1981).

Aguilar (1967) stresses the close relationship between strategic planning and scanning, noting that scanning is the acquisition of external strategic information that is useful for making decisions about company strategy and long-term plans. The objectives of environmental scanning vary with the business strategy employed by an organization (Jennings & Lumpkin, 1992). Differentiation strategy is associated with a systematic scanning

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