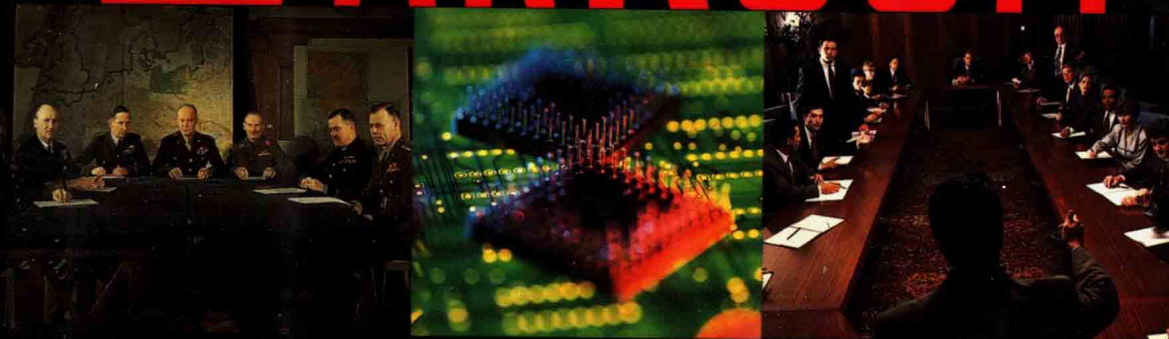


THE WAR ROOM



GUIDE TO

COMPETITIVE INTELLIGENCE

- *Outsmart Your Competitors*
- *Gain the Strategic Edge*
- *Protect Your Company's Secrets*

STEVEN M. SHAKER • MARK P. GEMBICKI

The WarRoom Guide to Competitive Intelligence

Steven M. Shaker

Mark P. Gembicki

McGraw-Hill

New York San Francisco Washington, D.C. Auckland Bogotá
Caracas Lisbon London Madrid Mexico City Milan
Montreal New Delhi San Juan Singapore
Sydney Tokyo Toronto

Library of Congress Cataloging-in-Publication Data

Shaker, Steven M.

The WarRoom guide to competitive intelligence / Steven M. Shaker,
Mark P. Gembicki.

p. cm.

Includes index.

ISBN 0-07-058057-X

1. Business intelligence. 2. Competition. I. Gembicki, Mark P.

II. Title.

HD38.7.S48 1998

658.47—dc21

98-49540

CIP

McGraw-Hill

A Division of The McGraw-Hill Companies



Copyright © 1999 by Steven M. Shaker and Mark P. Gembicki. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

1 2 3 4 5 6 7 8 9 0 AGM/AGM 9 0 3 2 1 0 9 8

ISBN 0-07-058057-X

The editing supervisor for this book was Jane Palmieri, and the production supervisor was Tina Cameron. It was set in Garamond by Renee Lipton of McGraw-Hill's Professional Book Group composition unit.

Printed and bound by Quebecor/Martinsburg.

McGraw-Hill books are available at special quantity discounts to use as premiums and sales promotions, or for use in corporate training programs. For more information, please write to the Director of Special Sales, McGraw-Hill, 11 West 19th Street, New York, NY 10011. Or contact your local bookstore.

Introduction

Maximizing the “flow and control” of information is key to competitiveness, whether it is on the battlefield, the campaign trail, or in the marketplace. An organization’s ability to compete will in large part be determined on how well it collects, analyzes, disseminates, and safeguards information. Most corporations treat and organize the functions of competitive intelligence, decision-making, and security as separate and distinct activities. It is our philosophy and management approach at WarRoom to integrate these areas. One cannot be done well without performing the others effectively. Figure I-1 displays the weblike integration of these areas.

During the cold war, the strategic triad of manned bombers, intercontinental ballistic missiles, and submarine-launched ballistic missiles were synergistic and supportive. One element helped to protect and reinforce the other two. The overall strength and defense of the country was far greater than just the sum total of the strategic arms. Likewise, the competitiveness of today’s organization can be enhanced by the integration of competitive intelligence, security safeguards, and decision-support within a war room framework. This book is devoted to achieving this totality and synergy. It introduces innovative yet “real-world” techniques for collecting, processing, and managing vital information.

We the authors are engaged in making the transformation for corporations from “seat-of-the-pants” to knowledge-based comprehension and decision-making. In part, this is achieved from our conversion of board rooms into war rooms, a technique and process which we have pioneered, and one with which you the readers will become fully acquainted in this book. *The WarRoom Guide to Competitive Intelligence* is designed for senior executives, managers, and people with future aspirations for corporate leadership positions, who are also conscious of the need to be more competitive and secure.

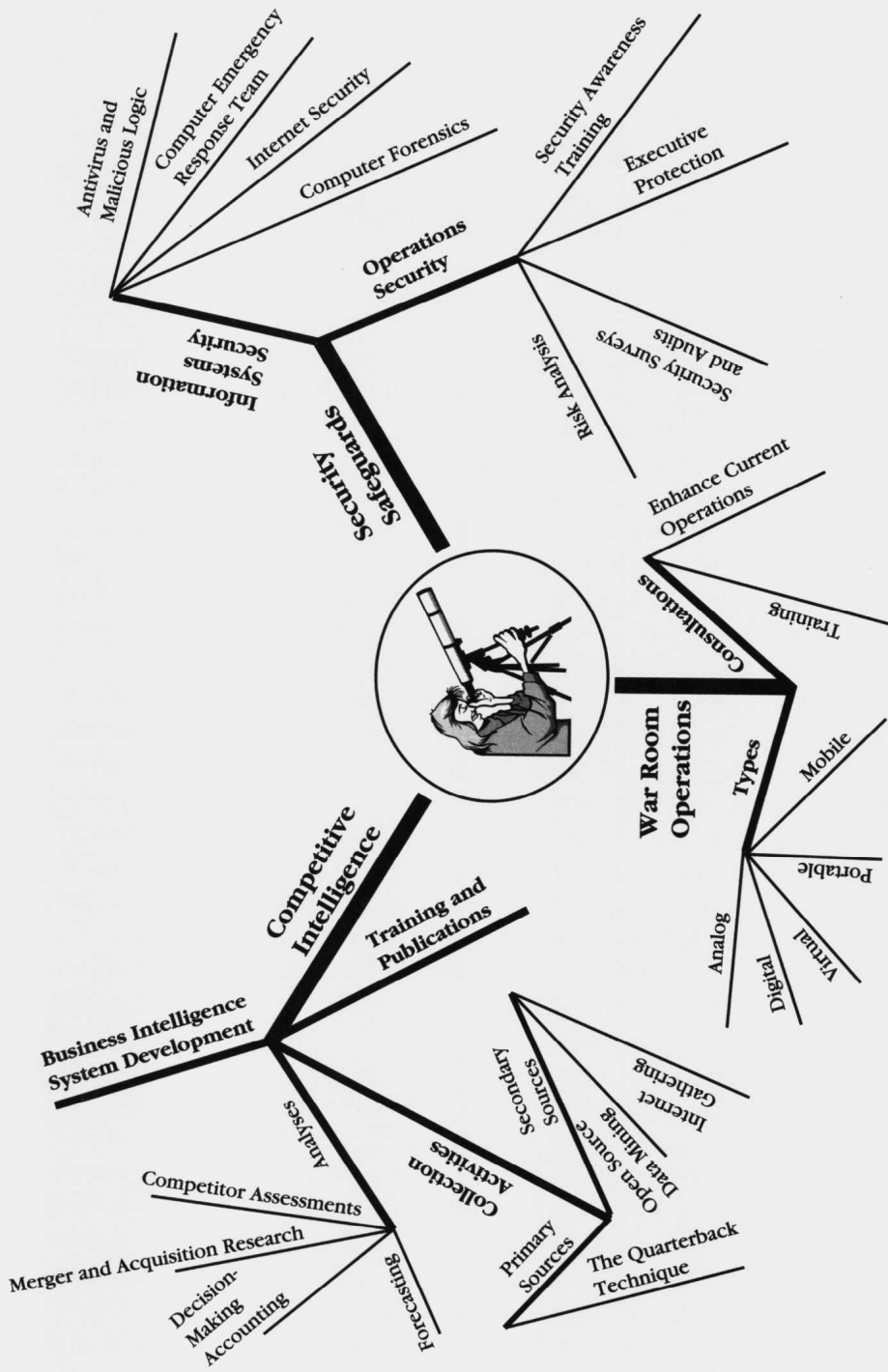


Figure I-1. The competitive intelligence, decision-making, security “web” calls for an integrated war room approach.

Upon reading this book, you will become “armed and fused” to set up your own competitive intelligence organization. You will understand the fundamentals of intelligence and the importance of identifying the requirements (what you need to know) which impact your key decision-making. You will learn how to institute a real-world system which is built around the conduct of an intelligence-gathering operation. You will be prepared for the dramatically changing information age business world by setting into motion some state-of-the-art competitive intelligence techniques and processes. You will also know what steps you need to take to protect the “keys to the kingdom” by safeguarding your information.

Steven M. Shaker

Mark P. Gembicki

Acknowledgments

A number of individuals have been instrumental in the development of this book from its embryonic concept to its evolution into a polished work. We owe a special thanks to our literary agents Laura Belt and Lisa Swayne from Adler & Robin who found us an exceptional publisher. The staff at McGraw-Hill have been wonderful, including Mary Glenn, who not only greatly enhanced the book's organization, but also "cracked the whip" when necessary to move it along, and Jane Palmieri, for making the editing process quite painless for us and for tolerating our last-minute changes. We especially want to thank our families for their understanding and support.

Contents

Introduction	ix
Acknowledgments	xiii

Part 1 What Is Competitive Intelligence?

1. The Intelligent Organization	3
What Is Competitive Intelligence?	4
CI Today	10
2. Information Warfare	15
Issues Management	20
The Media Management Tool: An Example of Issues Management	22
3. From Battlefield to Board Room	25
Military War Rooms	27
Political and Governmental War Rooms	29
From Board Room to War Room	31
Why the War Room	34
The Opportunity	35
Visualized Intelligence	37

Part 2 How to Build a Competitive Intelligence Organization

4. The Competitive Intelligence Process	41
Collection, Analysis, and Dissemination	41
The Competitive Intelligence Collection Planning Process	47
Collection Plan Guidance	47
The Benefits of the Environmental Scan	53
Information Source Targeting and Acquisition	54
Use of Intelligence to Support Other Management Reporting	54

5. The Quarterback Technique	85
Quarterback Overview	87
Key Players	90
Conference Selection and Preparation	91
Conference Implementation	93
The Quarterback War Room	100
Quarterback Limitations	102
Conclusion	103
6. Cyber Collection	105
Searching and Mining for the Gold Nuggets	105
Parallel and Meta Search Engines	109
Search Strategy	109
Information Brokering	119
Using Web Sites to Collect Intelligence	120
Intranets	121
Data Mining	121
Robots, Spiders, and Intelligent Agents	122
Competitive Intelligence/Opposition Research Toolbox	123
E-mail Elicitation	124
E-Quarterbacking	125
State-of-the-Art Web Site for Intelligence Collection, Dissemination, and Issues Management	125
7. Visualization Intelligence Techniques	129
Example of Visualizations Used in Intelligence Analytical Products	140
Summary	154
8. War Room Design	157
War Room Case Study 1: Competitive Intelligence Program War Room	161
War Room Case Study 2: Quarterback Operation War Room	168
War Room Case Study 3: Strategy Planning War Room	173
War Room Case Study 4: Capture Plan War Room	179
War Room Case Study 5: Research and Development Investment Planning War Room	185
War Room Case Study 6: Media Planning War Room	188
War Room Case Study 7: Advocacy Campaign War Room	189
War Room Case Study 8: Merger & Acquisition War Room	193
Lessons Learned from These Case Studies	196

Part 3 How to Protect Your Company

9. Safeguarding the Keys to the Kingdom—Protecting Your Intellectual Assets	201
Operations Security	202
Red Team	209
Competitive Counterintelligence, Deception, and Misinformation	212
Deception, and Misinformation: Case Study 1	215
Deception, and Misinformation: Case Study 2	216
The Economic Espionage Act of 1996	217
Espionage Is Not CI	221
10. Protection from Cyber Espionage	223
The 1996 Information Systems Security Survey	223
The Manhattan Cyber Project	224
Corporate America’s Competitive Edge	225
Notes	229
Glossary	235
Bibliography	241
Index	249

PART

1

What Is Competitive Intelligence?

1

The Intelligent Organization

One day a decade and a half ago, a young man sat in the plush offices of a Fortune 100 corporation located in the Midwest. He had become accustomed to talking with individuals with considerable seniority over him, who were making salaries ten times his. Yet these executives treated him with great respect and often entrusted him with some of their company's most sensitive information. The reason is that through this young man, just a few years out of graduate school, they were fulfilling what they perceived was their patriotic duty. They were informing senior decision-makers in Washington of foreign developments and activities they learned about through their business transactions, things which also impacted the interests of the nation.

What the young man heard that day astounded him. It wasn't of real interest to the intelligence community analysts he served, but he was shocked that the information he learned from one senior executive in one office was the very same material sought by another key executive located a floor away. Soon he learned that this was common. There was no real mechanism or system to facilitate the collection of information for business decision-making. Piles of information of obvious strategic and tactical value were being obtained by these individuals every day, but no one was assembling it, pulling it together, and getting it to others who could use it.

Moreover, this young intelligence officer soon found that the lack of a systematic and focused approach to handling key information

was not unique to this corporation. The other companies he dealt with—be they giants, midsized, or “mom and pop” operations—all lacked a coherent means for collecting, analyzing, and disseminating information. A fundamental flaw seemed to exist in corporate America: The culture at large and MBA programs in particular were neglecting an essential ingredient to effective management. This shortcoming existed at the same time the information technology revolution was taking off and people were just beginning to grapple with how to harness its power. It also became clear that some of the same intelligence processes and techniques used by government, although often implemented in a very unique and secretive fashion, could be of immense benefit to businesses.

The young man enjoyed his work and believed he was making a positive contribution to his country, but now he knew he could also make a difference in the business world. The kernel of thought had been planted, which led to a professional transformation. With others who had come to similar conclusions, he embarked on a mission to cultivate and transform the way businesses handle information.

What Is Competitive Intelligence?

Intelligence is often called the second oldest profession. It has existed since the dawn of civilization. Sun Tzu and many other ancient warriors realized it was a fundamental part of generalship and essential to the art of war. Sun Tzu wrote

...what enables the wise commander to strike and conquer, and achieve things beyond the reach of ordinary men, is foreknowledge. Now this foreknowledge cannot be elicited from spirits; it cannot be obtained inductively from experience, nor by any deductive calculation. Knowledge of the enemy's dispositions can only be obtained from other men.¹

Intelligence, however, also has been an integral part of commercial and nonmilitary institutions. It was, and remains today, an important element in the activities of the Catholic Church.² It was also critical to the success experienced by the British East India Company and other early commercial ventures. Only recently, however, in the past decade, has intelligence become an organized, systematic activity

worthy of its own recognized unit or organization within the corporation.

Generally speaking, *intelligence* is a compilation and analysis of data and information provided by any and every source, human or otherwise, that has foresight and can render an insightful picture of intentions, capabilities, or activities, as well as their possible implications and consequences. *Competitive intelligence (CI)* is intelligence specifically adapted to the commercial world. It is a systematic, ongoing business process to ethically and legally gather intelligence on targets such as customers, competitors, adversaries, personnel, technologies, and the total business environment. It is provided by any and all sources. Once acquired, the objective is to disseminate tactical and strategic CI to decision-makers at all levels in a visually effective, timely, and secure manner. CI differs from government intelligence for several reasons. The foremost is that CI adheres to certain business standards and ethics that are not practiced by national intelligence organizations. In part, CI cannot be gathered under the guise of diplomatic immunity or enjoy the patriotic impunity that enables one to ignore the laws and regulations of others. More to the point, in many cases illegal and unethical conduct is just bad business. The negative ramifications and public relations of getting caught doing something bad far outweigh any of the benefits derived. The Society of Competitive Intelligence Professionals (SCIP), the leading association of competitive intelligence practitioners, promotes an exemplary code of ethics well worth adhering to.³ It is as follows:

- To continually strive to increase respect and recognition for the profession.
- To pursue one's duties with zeal and diligence while maintaining the highest degree of professionalism and avoiding all unethical practices.
- To faithfully adhere to and abide by one's company's policies, objectives, and guidelines.
- To comply with all applicable laws.
- To accurately disclose all relevant information, including one's identity and 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 one's company, with third-party contractors, and within the entire profession.

Our experience in the areas of business, government, technology, intelligence, and security has enabled us to enhance the CI process so it can be used by amateurs and professionals alike, with the same relative degree of success and effectiveness. It is the smart and legal way to conduct business and increase organizational security. Over the years, we have extracted and fine-tuned some of the more intriguing government intelligence processing and visualization techniques and adapted these to the competitive commercial environment. The result is an array of techniques that involve not only the attention naturally to be focused on competitors or adversaries but also gathering intelligence on customers, emerging technologies, and other factors in the overall business environment.

In the United States much of the impetus for competitive intelligence occurred in the mid-1980s when U.S. businesses were being clobbered in the marketplace by the Japanese. As the head of the Japanese Ministry of International Trade and Industry (MITI) so aptly posed it in a 1985 press conference:

Japan was defeated in World War II partly due to the superior intelligence network and strategy developed by the American government....Why can't American businessmen develop the same kind of superior intelligence and strategy to cope with Japan today and be victorious? Most Japanese don't understand why American businessmen cannot win this war.

Stepping up to the need to counter the Japanese, a number of American executives began to assemble experts from government intelligence to assist them in their commercial engagements. One such pioneer was Robert Galvin, the former CEO of Motorola and now Chairman of the Executive Committee of Motorola. In the early 1980s, in addition to his corporate responsibilities, Galvin served as an adviser to the President's Foreign Intelligence Advisory Board (PFIAB). PFIAB, started in 1956 by President Eisenhower, provides advice to the President concerning the quality and adequacy of intelligence collection, analysis, estimates, and operations. The

PFIAB serves as an independent source of advice on the effectiveness of the intelligence community in meeting the needs of the nation, and how well it is preparing for the future. The Advisory Board consists of senior officials in government, industry and academia.⁴ Galvin was impressed with the systematic process by which information was obtained, assessed, and disseminated. He began to ponder how such a system could function within a corporate model, so he decided to set up an intelligence process within Motorola. Realizing that such concepts and approaches would be foreign to most MBAs and business executives, he hired senior government intelligence officer Jan Herring, the National Intelligence Officer (NIO) for Science and Technology. Herring brought in some other agency talent, including a former CIA operations officer specializing in collection from domestic business and academic sources. Together they helped to set in place an intelligence organization patterned after the U.S. government model but fine-tuned for the business world. As in any such undertaking, there were trials and tribulations, but in general the organization proved extremely beneficial to Motorola and helped the company to reassert its competitive position with the Japanese. Herring went on to become a vice president with The Futures Group and introduced his business intelligence model and approach to numerous companies, including NutraSweet, General Dynamics, Phillips Petroleum, Amoco, and Southwestern Bell.

Herring and others like him made this transition from the governmental arena, and working with people from such traditional business disciplines as market research, strategic planning, marketing, financial analysis, and security, began to evolve competitive intelligence into its own profession and discipline. CI does not replace these other areas, but it reinforces and supports the ongoing decision-making required in these functions and that needed by CEOs, CFOs, CIOs, and other key managers.

Most executives make their decisions the same way everyone else does. They use some knowledge and a great deal of "gut instinct." Intuition is not bad; in fact, in many cases it has been a determining factor for success. Leaders in many fields have achieved their status in part through their innate intuitive abilities. Figure 1-1 illustrates this decision-making paradigm and the role intuition and knowledge play in decisions. Both intuition and knowledge are influenced by past experiences, although intuition occurs more at the subconscious