

Business Intelligence —Why?

By James H. Thomas Jr.

The immortal LeRoy “Satchel” Paige, Baseball Hall of Fame pitcher, had it right when he said, “Never look back. Something may be gaining on you.” In the business world, something is always gaining on you. How soon it catches up is just a matter of timing.

Ben Gilad, an educator and author of *Business Blindspots*, states, “The question is not whether your company will lose touch with the competitive arena, but *when* it will lose touch.” In 1980, when Sears was the retail leader, they admit they had never heard of Sam Walton and Wal-Mart — they know them now. More than 200 companies that made up the 1979 *Fortune 500* are now out of business just 21 years later. Of the companies that made the 1955 list, 70 percent (350) no longer exist.



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Recently, executives of the nation's leading Internet network supplier said they had no need for a business intelligence system because they're the market leader and have no real competition. If they don't have competition now, they will. In 1997, the CEO of a Silicon Valley-based software company said he had all the information he needed about his competitors. Several years later, that same CEO used a private investigator to unethically pilfer through the trash of a major competitor. When that CEO needed competitive intelligence to learn about the future strategy and courses of action of that competitor (a large Seattle-based software company), he didn't have the capability.

Flying Blind

Imagine being a passenger on an airplane when the pilot suddenly announces that the airplane has lost all communications with air traffic control as well as on-board radar. In other words, the pilot has no way to understand the flight environment — including other airliners and potential hazardous weather. Would it make you feel better if the pilot assured you that there's nothing to worry about because he's an experienced pilot and has flown the same route many times? Would it make you feel better if his radar suddenly became operative? It shouldn't, yet many business leaders make decisions daily without an operational business radar — a reliable business intelligence system. It doesn't matter if the plane is large or small; the pilot must know the environment in which the plane is flying.

Likewise, large and small businesses must know their business environment. However, many companies believe they either know their competition or they're a monopoly and have none. e-Businesses are not exceptions. They have an increasing number of competitors and are constantly at risk because of new technology and increased merger and acquisition activity.

The Value of Business Intelligence

Business Intelligence (BI) offers value by developing a systematic process to collect and analyze the competitive environment, including:

- Competitors
- New technology

- Public policy
- Market forces.

Additionally, BI adds value by educating the company on protecting its intellectual capital. A knowledge database and internal communication system are invaluable tools.

The Business Intelligence System

BI acts as the eyes and ears of the corporation, but only if the intelligence is used. If effective, BI is preventive medicine that ensures senior management isn't blindsided. It's a systematic process that collects, analyzes, and organizes the flow of critical information, focusing it on important strategic and operational issues.

The primary goals of BI are:

- Avoid surprises
- Identify threats and opportunities
- Understand where your company is vulnerable
- Decrease reaction time
- Out-think the competition
- Protect intellectual capital.

Figure 1 shows that a BI system must be systematic and needs-driven. The BI cycle starts with planning based on corporate needs, then ethically collecting reliable information from valid sources, then analyzing the data to form intelligence in conjunction with strategic planning and market research. Finally, if the intelligence is to have value, it must be disseminated in a form that's clear and understandable. BI is a rigorous process where sources of information, including published information as well as human sources, play a vital role. The BI process was working long before the development of the computer and knowledge database software, but those tools have allowed BI to have much greater value in the decision-making process.

BI has other, less-visible benefits. It helps the sales force understand their customers' expectations as well as their competitor's message and current and future product offerings. As a result, the sales force can sharpen their message to customers. A sound BI system should include a knowledge database and communication distribution capability. However, the database must be current, timely, and accurate to have real value. Too many business leaders are under the

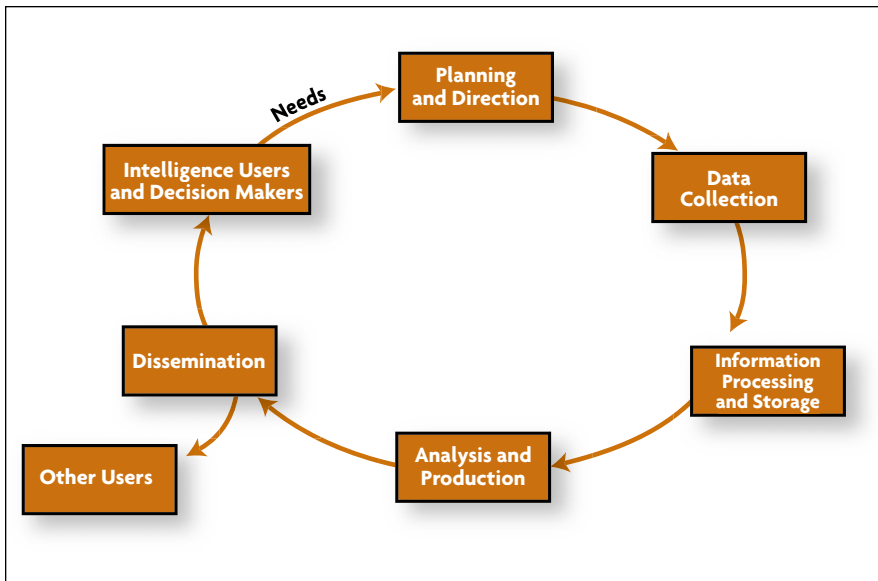


Figure 1 — The Business Intelligence Cycle

false impression that all the competitive information they need is available on the Internet or can be obtained through diligent market research. This is simply not true. Those are valuable tools, but does your company publish its sensitive strategic planning and marketing information on the Internet? Of course not! Then why expect your competitors to be so foolish? *Business Week* promotes itself as the BI magazine and IBM says they're the BI company. Can a magazine provide intelligence? By definition, a publication is dated the minute it's published. An outstanding e-business magazine such as *eAI Journal* can provide solid information, but not intelligence.

Knowledge Database

Some corporations believe that all they need to know about their competition is to download all available information onto a database. A solid knowledge database is a critical tool to store data but the challenge is to ensure that the information is valid, current, and actionable. The recent concern about the dangers of certain types of Firestone tires is a case in point. We now know that Ford, Firestone, and the National Highway Safety Administration databases contained detailed information about accidents as a result of defective tires. However, it took a State Farm Insurance analyst to identify the problem. Databases are important and necessary, and they're a critical component in a systematic BI process where ethical intelligence collection is coupled with sound analytical techniques.

Protect Intellectual Capital

BI is both an offensive and defensive system. It helps a company understand its competitive environment and protect its intellectual capital. The National Counterintelligence Center estimates that the loss of proprietary information and technology costs American businesses up to \$300 billion annually. Most intellectual capital is lost through word of mouth because senior decision-makers and other employees inadvertently discuss or release sensitive information. Unlike the highly important, necessary security department, which emphasizes locks, fences, and badges, counterintelligence is designed to educate all employees on how intellectual capital is lost. It gives them steps they can take to ensure intellectual capital is protected. This problem becomes even greater for companies involved in international trade and e-business for several reasons:

- Sensitive information is easily transported
- Employee turnover can be problematic
- Senior personnel can inadvertently release sensitive information at technical symposiums and conferences.

Conclusion

BI is a necessary decision-making tool designed to ensure that a company isn't blindsided by the competition. BI is a systematic process not found in a magazine or knowledge database that downloads information from the Internet. A company that doesn't have a viable BI capability is making decisions

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without key information on the competitive environment.

All professional sports teams use extensive scouting reports (intelligence) to better prepare for the game. Can you imagine a military commander entering the battlefield without using intelligence? Most businesses have a solid market research capability that helps them understand their customers' needs and expectations. But knowing customers isn't enough. Companies must also know their competitive environment. To paraphrase Satchel Paige, "Something in the competitive environment may be gaining on you." If your company doesn't have a process to prevent the loss of intellectual capital, something is gaining on you — and it could be a potential competitor. **CAI**

About the Author



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