

Why is competitive intelligence still a practice?

We hear from Patrick Reinmoeller from the Cranfield School of Management at Cranfield University, about the strategy behind why competitive intelligence is still a practice.

Despite being essential to strategy, competitive intelligence is often tainted by scandals that erupt because of excessive or illegal use of techniques associated with the practice, for example spying on competitors. The latest study I conducted at Rotterdam School of Management with Prof Shaz Ansari from Judge Business School questioned the practice of competitive intelligence. We tried to understand why businesses still engage in an opaque activity where there is no palpable evidence on the return on investment.

Our research led us to find that the reasons why companies protect their investments from competitors are not always rational. We looked at a practice that lies at the core of how companies develop strategy, competitive intelligence (CI).

We looked at large US companies, such as IBM, Intel, Motorola, and Procter and Gamble, and we were able to trace the development of CI in this market between the 1980s until the early 2010. Four observations were striking.

First, we found that firms who had suffered excesses like dumpster diving or corporate espionage were among those becoming thought leaders and an example of best practice. These cases often laid the foundation for rapid adoption and scaling up of CI organizations within companies and diffusion between companies.

Second, we found no clear cost-benefit analysis that went beyond anecdotes of damage suffered and benefits of CI. Emphasizing the perceived risk of not having CI seemed enough to justify even considerable investments. The benefits of the practice were seen as so obvious that they did not need detailed assessment.

Third, strong beliefs in the efficacy of CI did not only lead to adoption and diffusion. Beliefs also made it very difficult to abandon a practice. Once diffusion of CI had become more widespread, later becoming standard practice, it was risky to stop doing what everyone else was doing. Unilateral abandonment of what is seen as common sense is difficult.

Fourth, companies who embraced CI have learned how to provide CI related products and services. This economic logic of seeing CI as a business opportunity is an interesting turn in the development. Intelligence is no longer about protecting business interests, it has become the business interest that offers many opportunities.

In essence, we found more psychology and less economics that could explain the rise of a management practice and its resistance to scandals. It may be good to heed the lessons learned by predecessors, examine beliefs and check assumptions before plunging head first into an expensive arms race.

Feature



Patrick Reinmoeller from the
Cranfield School of Management
at Cranfield University