The *Art of War* and Competitive Intelligence

in the Digital Age

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Abstract

This paper examines the connection between Sun-Tzu’s *Art of War* and the modern field of competitive intelligence. Included in this examination is an analysis of the impact of the Internet and internet technology on the practices of competitive intelligence. A discussion of counter-intelligence and ethics is included. The paper finds that the practice of competitive intelligence is justified by teachings in the *Art of War*. The application of internet technology has improved the efficiency of these intelligence operations, further increasing their strategic value to the corporation.
Acknowledgements

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Mom and Dad, for making the University of Michigan possible for me.
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**Introduction**

Sun-tzu’s *Art of War* has provided strategic advice for armies of the world for millennia. The power of his teachings have been successfully translated into business strategies.

Competitive intelligence provides executives with the critical information they need to effectively lead their company through the battlefield that is today’s marketplace.

The Internet has created a communications revolution that has had profound effects on business processes and strategies.

This paper examines the interplay of an age-old military doctrine with the field of competitive intelligence, and evaluates the impact of the Internet and internet technology on this interplay.

**Research Questions**

This paper strives to answer two key questions:

- Are the practices and processes of competitive intelligence justified by Sun-tzu’s military doctrine, outlined in the *Art of War*?
- What is or will be the effect of the Internet and internet technology on competitive intelligence?

**Methodology**

Research on Sun-Tzu’s *Art of War* provides key military concepts that can be translated to a business applications. These applications are then tested against the procedures of competitive intelligence to determine if they are justified by Sun-tzu. Research on current and
future internet technology uncovers the implications of this new electronic medium on the business practices of competitive intelligence.
The Art of War

The collected writings of the Chinese general Sun-tzu, comprise what is known today as the Art of War. Although there is still significant scholarly debate as to the time of its writing, the Art of War was likely written between 600 and 500 BC. (Sawyer, 1994, p. 79). Traditional Chinese historians usually credit the historical figure Sun Wu with the actual writing of the document. However, the true author is still a subject of debate, with some historians crediting the legendary general and the mentor of Sun Wu, Wu Tzu-hsü, with the writing of the Art of War. (Sawyer, 1994, p. 84) Regardless of the author, the writings are a compilation of the military tactics of the day.

The text outlines the ideal way to assemble, train, and lead an army in a strategic sense. It also includes extensive teachings on specific tactical engagements, common to the military arena in the 6th century BC. Despite its age, the teachings in the Art of War are so fundamental that they have been used by great generals throughout time, including Napoleon, Eisenhower, and Schwartzkopf. The main principles of the Art of War stress deception, decisive strikes, quality leadership, and intelligence gathering.

Deception:
“Warfare is the Way (Tao) of deception. Thus although [you are] capable, display incapability to them. When committed to employing your forces, feign inactivity. When [your objective] is nearby, make it appear as if distant; when far away, create the illusion of being nearby.” (Sawyer, 1994, p.168)

Decisive Strikes:
“Thus the victorious army is like a ton compared with an ounce, while the defeated army is like an ounce weighed against a ton! The combat of the victorious is like the sudden release of a pent-up torrent down a thousand-fathom gorge.” (Sawyer, 1994, p.184)
**Quality Leadership:**
“Thus [a general] who does not advance to seek favor, nor [fail to retreat] to avoid [being charged with the capital] offense of retreating, but seeks only to preserve the people and gain advantage for the ruler is the state’s treasure.” (Sawyer, 1994, p. 215)

**Intelligence Gathering:**
“The means by which enlightened rulers and sagacious generals moved and conquered others, that their achievements surpassed the masses, was advance knowledge.” (Sawyer, 1994, p.231)

Although it is used extensively in the Armed Forces, businesspeople have been “translating” the military principles into business practices for years. The teachings of the *Art of War* have served as the business backbones of many Asian companies, and may be partially responsible for the competitive success of these companies (Sawyer, 1994, p. 15). By using the *Art of War* as a cornerstone of a competitive strategy, these companies are likely to view the marketplace as a “battlefield” and their competitors as “enemies”. Viewing their existence in these terms allows the companies to apply almost directly the proven principles of the *Art of War*. The table below summarizes some of the “war as business” metaphors:

<table>
<thead>
<tr>
<th><em>Art of War</em> Term</th>
<th>Business Application</th>
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<tbody>
<tr>
<td>Terrain, battlefield</td>
<td>Marketplace</td>
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<tr>
<td>Guides, feudal lords</td>
<td>Industry contacts</td>
</tr>
<tr>
<td>General</td>
<td>Management</td>
</tr>
<tr>
<td>Rulers</td>
<td>Shareholders</td>
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</table>
The Internet

The Internet is the direct descendant of a Department of Defense project in the late 1960’s to construct a national communications network that could function in the aftermath of a nuclear strike. Until the early 1990’s, most users of the Internet were government researchers who used the network to communicate with their colleagues at the nation’s universities. With the introduction of the web “browser” by Netscape in 1994, the Internet began to see more commercial use.

Today, the Internet has affected nearly every business because of its vast information resources. Most companies have used internet technology and principles to build internal “intranets,” that behave similar to the Internet, but are private networks owned by the company and accessible only by employees. Future technology will allow this vast information base to be accessed wirelessly, promoting even faster dissemination of information. This paper will use the designation of Internet to refer to the public network, and internet technology to refer to technology that uses principles of the Internet’s design to operate.

The field of competitive intelligence has been revolutionized by the growth of online databases and search engines. In 1997, the Internet was a top information source for 24% of companies in a competitive intelligence survey. (The Futures Group, 1997) Internet-based professional groups such as the Society of Competitive Intelligence Professionals (SCIP) have seen web traffic increase drastically. The organization’s web site, which provides information on professional conferences and online versions of Competitive Intelligence Review, has seen its average weekly web traffic increase eight fold since the end of 1996. (SCIP.org, 2000) These changes, and future changes brought about by new technology, will be discussed in detail later in this paper.
Competitive Intelligence

Definition

Competitive intelligence has been performed by businesses ever since the inception of the concept of competition and marketplaces. However, the term “Competitive Intelligence” or “CI” is a fairly recent term—and one that is still in the process of being defined. Every CI author or society has a slightly different spin on the definition of competitive intelligence. The Society for Competitive Intelligence Professionals (SCIP) defines competitive intelligence as:

…the process of monitoring the competitive environment. CI enables senior managers in companies of all sizes to make informed decisions about everything from marketing, R&D, and investing tactics to long-term business strategies. (SCIP.org, 2000)

George Friedman, author of The Intelligence Edge has his own variation on this definition: “Knowledge is what you are after. Information is the raw material you use. Intelligence is what finds and processes information.” (Friedman, et al., 1997, p. 5)

It is important to stress the strategic importance of competitive intelligence. Without this information and analysis, the company could not possibly hope to understand the market in which it is operating. (Combs and Moorhead, 1992) A competent CI department supplies executives with the reports they need to use the tools of strategy (such as Porter’s Five Forces) that are necessary to help the company develop a competitive advantage. (Pitts and Lei, 2000)

Current Legal Environment

There is currently a good deal of misconception in the public’s mind regarding CI. Competitive intelligence is not economic espionage, which is outlawed by the government. The Economic Espionage Act (EEA), passed by Congress and signed by the President in October 1996, specifically outlawed the illegal procurement of trade secrets. The procurement was
deemed illegal if the information was obtained under fraudulent circumstances. (Horowitz, 1999, p. 1) However, this law had little effect on the CI industry as most professionals are bound by, and usually adhere to, ethical standards published by groups such as SCIP. These ethical standards specifically outlaw obtaining information by misrepresentation and theft. Richard Horowitz, president of SCIP states that “…CI practitioners who act consistently with SCIP’s code of ethics should not run afoul of the EEA.” (Horowitz, 1999, p. 2)

The Freedom of Information Act (FOIA) is a major resource for the CI professional (as discussed later), one which opens up the vast archives of government documents on a wide range of potentially useful subjects. The majority of CI information is collected from publicly available sources, the use of which is guaranteed by the Constitutional right to free speech. However, some methods of primary data collection are technically legal, but may or may not be ethical. A more detailed discussion of the ethics of competitive intelligence is included later in this paper.

**Historical Perspective and Current Developments**

The concept of intelligence gathering is heavily stressed in the *Art of War*. One passage in the text neatly sums up the major teachings of Sun-tzu in regard to intelligence:

Thus one who does not know the plans of the feudal lords cannot prepare alliances beforehand. Someone unfamiliar with the mountains and forests, gorges and defiles, the shape of marshes and wetlands cannot advance the army. One who does not employ local guides cannot gain advantages of terrain. (Sawyer, 1994, p. 197-8)

Competitive intelligence in years prior to the “Internet revolution” was a relatively uncoordinated activity that relied on rumors and informal personal networks. Research involved
lengthy library visits during which the CI professional would pour over old newspapers and magazines. (Personal interview with Michael Hennessey, Feb. 2000) The broad information base provided by the Internet made available to anyone the necessary tools to perform basic research on any company in the world, in a short amount of time.

Even in the modern age of computers, only 60% of companies surveyed by The Futures Group in 1997 had organized competitive intelligence systems. (The Futures Group, 1997) Based on the results of this survey, it is clear that companies are beginning to focus on “actionable intelligence”, which is intelligence that leads to a proactive action by the company. (Freidman, et al., 1997) Sixty-seven percent of respondents in the survey used the criteria of “actions taken” to evaluate the effectiveness of their competitive intelligence divisions. (The Futures Group, 1997)

The next section of this paper goes into detail regarding each step of the CI process and a specific link to a principle in the Art of War.
The Competitive Intelligence Process

The process for performing competitive intelligence is closely modeled after processes of the Central Intelligence Agency. It is a process that cannot be rigidly defined and strictly adhered to, since the nature of intelligence gathering is an ambiguous and complicated task. The commonly accepted intelligence cycle is as follows: requirement definition, information collection, information analysis, dissemination of intelligence, and feedback to intelligence organization. The added step of counter-intelligence follows the same basic steps, but is done to prevent outsiders from obtaining information from the company. Figure 2 shows the basic competitive intelligence cycle:

Figure 2

Requirement Definition

“Mastering intelligence is mastering time, in a world where time is money.” (Friedman, et al., 1997, p. 55) This quote gets to the heart of the problem in today’s competitive reality. Given enough time and money, an intelligence organization could discover the answer to any question of which it is asked. Thus the process must be efficient and only answer those questions which are most important to the company. By defining specific bounds for the intelligence query, the requestor must carefully examine his/her own intelligence needs—a
process that can help him/her think more strategically about competitive intelligence.

“Cultivating the intelligence user is just as important and demanding as eliciting information from the target….“ (Shaker and Gembicki, 1999, p.42)

The chairman of Procter & Gamble remarked on his company’s new commitment to CI:

“…[W]e are making an effort to get it right from the beginning by having the business intelligence activity embedded into strategy development…..” (Pepper, 1999, p. 6) Many of the so-called “best practice” companies are stressing the participation of senior management in the CI process. Not only does their involvement help the CI program get off the ground, it begins to engrain the importance of intelligence into the company’s culture. “…[A] pre-requisite to achieving world-class CI is a corporate culture that is conducive to information sharing.” (Marceau and Sawka, 1999, p. 3) The need for these executives to both define requirements and participate in the CI process is further justified by the research of Marceau and Sawka:

Successful programs involve working closely with executives to clearly define their intelligence needs right from the start to focus the effort and then keep them involved, not only with timely updates, but also as participants in the process.

(1999, p. 4)

Finally, in the restructuring of IBM’s CI program team members: “…learned that we needed to work closely with our executives to develop the questions worth answering if we intended to leverage competitive intelligence for strategic purposes.” (Behnke and Slayton, 1998, p. 4)

The process of defining requirements forces users to examine their own needs and capabilities, which is a key teaching in the Art of War: “Thus it is said that one who knows the enemy and knows himself will not be endangered in a hundred engagements.” (Sawyer, 1994, p.
Pre-planning and careful consideration are key conditions for a military victory, but also serve to make an intelligence operation more effective. Sun-tzu warns that those who do not have the patience to plan will be doomed to failure: “…[T]he victorious army first realizes the conditions for victory, and then seeks to engage in battle. The vanquished army fights first, and then seeks victory.” (Sawyer, 1994, p.184)

Finally, Sun-tzu teaches that an effective strategic plan is one that is tailored to the situation at hand: “Thus the strategic configuration of power of those that excel in warfare is sharply focused, their constraints are precise.” (Sawyer, 1994, p.187) Therefore, the principles outlined by Sun-tzu in the *Art of War* clearly support the first step of the CI process.

The Internet, as a communications medium, can simplify the job of gathering requestor requirements. By using electronic mail or electronic conferencing systems, many key executives or potential users can be contacted simultaneously. In addition, the asymmetric nature of communication that electronic mail provides gives participants a chance to respond with new suggestions as they further ponder the true requirements of the intelligence operation. (Radjou, 1999) Contrast this to a typical phone call, when the executive may feel pressured to make a quick judgement to satisfy the needs of the caller. Thus internet technology promotes efficiency and effectiveness in defining the requirements of an intelligence operation. However, it is absolutely necessary that executives are active in the requirement planning stage, and their buy-in is critical to the success of any intelligence operation. (Hennessey interview, Mar. 2000) As Sun-tzu said, “Hold intense strategic discussions in the upper hall of the temple in order to bring about the execution of affairs.” (Sawyer, 1994, p. 224)

Thus the introduction of internet technology provides convenience and efficiency improvements for the requirement planning segment of the intelligence operation, and its use can
enhance the effectiveness of traditional strategic planning sessions. The need for requirement
definition is clearly supported by the Sun-tzu’s teachings when applied to the modern business
world.

After obtaining the initial requirements, the CI professional then charts a course for
collection.
Information Collection

Sun-tzu said, “Stimulate them [the enemy] to know the patterns of their movement and stopping. Probe them to know where they have an excess, where an insufficiency.” (Sawyer, 1994, p. 192-3) Information is one of the critical elements to the CI processes; without it, the organization—like an unprepared army—is blind.

For the purposes of this paper, the arena of collection will be broken into two domains. Secondary data collection involves the study of publicly-available materials in print or electronic form. Primary data collection involves the CI professional obtaining her own data through interviews or other direct means. Since stealing and other grossly illegal methods of collection are not condoned by the CI community, I will mention them in the ethics portion of the paper only.

Secondary Data Collection—Public Domain

Collecting in the public domain entails searching for newspaper and magazine articles mentioning the target company, and specifically dealing with key requirements of management as set forth in the first step of the process. Thirty-seven percent of the companies surveyed by The Futures Group in 1997 said that the “…publications they read…” were the most valuable sources of competitive intelligence. (The Futures Group, 1997, p. 2)

Beyond the typical media searches, the good CI professional digs even deeper into harder-to-find public information. This includes using the Freedom of Information Act to retrieve court documents, incorporation documents, and government studies. These documents, while public information, are usually not easily accessible. However, they have the benefit of providing raw, unfiltered information to the CI researcher. This information is free of any
journalistic biases or mistakes, which gives the CI professional greater confidence in the accuracy of the information.

The two great benefits of searching the public domain are cost and stealth. The cost to search is relatively low, and the target company is completely unable to detect that it is under surveillance. Figure Three summarizes the principle sources of secondary intelligence information.

*Figure 3*

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<th>Sources of Secondary Intelligence Information</th>
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<tr>
<td>Newspapers and Trade Journals/Magazines</td>
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<tr>
<td>Court Documents</td>
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<tr>
<td>Government Reports</td>
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<tr>
<td>Local Government Filings (Building Permits, etc.)</td>
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</table>

The Internet has had a profound impact on the effectiveness on the public domain of information. Search engines allow a CI professional to scan entire databases containing years of newspaper and magazine articles in seconds. Intelligent agents alert the researcher when new information about a target has been posted on a database, or when the target’s web site has been updated. (Boureston, 2000)

Suddenly the newspaper morgue, where detectives and intelligence agents spent their youth pouring over old newspapers, was replaced by the computer terminal accessing a database of electronically formatted and preserved newspapers. What had taken days or weeks—if it could be done at all—now could be done in minutes. (Friedman, et al., 1997, p. 38)
A benefit of the Internet is the speed at which information is disseminated. A breaking event can be transmitted around the world in a matter of seconds. In the past, a CI researcher would have to wait until a newspaper picked up the story and published a hard copy. Now the researcher can have any news report in a near real-time setting, increasing the timeliness and potentially the significance of the information.

The expanding concentration on actionable intelligence gives added benefit to the searchable nature of Internet news dissemination. Filter programs allow the researcher to select only those articles which are of specific interest—reducing the amount of time reading worthless information. The researcher then has faster access to information that will lead to actionable recommendations. (Boureston, 2000)

The Internet only provides the benefits of speed and searchability if the information is available in a mass-media format, which currently prevents the electronic retrieval of some public documents such as court papers or EPA studies. Thus, old-fashioned library and archive searching are still absolutely necessary, as the Internet is not the complete solution to the CI puzzle. Other caveats exist when using the Internet as a source of competitive information. The reliance on information technology can be taken too far—and a company can neglect other equally important gathering techniques, as illustrated in this example provided by Deloitte and Touche researchers:

One European operator, for example, possesses an elaborate system that leverages text-mining and topical clustering techniques to exploit secondary data. …[T]hey claim to have access to 350,000 validated secondary sources, and are adding 5,000 per day. It is clear that from an informational standpoint this company is among the strongest we have seen. However, their overall intelligence process is
comparatively weak as it fails to include a rigorous human source network as well as strong analytic capabilities that can transform the wealth of data into direct, strategically relevant, and actionable intelligence. (Marceau and Sawka, 1999, p. 7)

Based on the opinion of an experienced CI professional, Michael Hennessey, a firm may actually build a competitive advantage due to the lack of CI diligence by its competitors—which stems from using the Internet as the sole research tool. A quick Internet search may turn up some information on a specific target, but further search attempts come up empty. If the CI researcher then gives up his search based on the lack of Internet available information, he is missing a huge amount of information that is not electronically available. By failing to explore non-electronic public information, the firm is at an information disadvantage compared to its rivals, who are more prepared to deal with the marketplace and the various competitors. (Hennessey interview, Feb. 2000) Thus a CI professional must be careful to use the Internet as a “jump-start” to public domain research, not as the beginning and the end.

*Primary Data Collection*

The collection of primary competitive intelligence data involves more than reading news articles and court documents about a competitor. This information should be considered proprietary since it would be disadvantageous for a rival to have access to this knowledge. The CI professional must carefully build up and protect a number of vital primary data sources.

The largest repository of primary source information is the firm’s own employees. Twenty-six percent of the respondents in The Futures Group 1997 survey said that information from their own employees was the most valuable for their competitive intelligence process. (The Futures Group 1997) As Sun-tzu said: “…that one who knows the enemy and knows himself
will not be endangered…” (Sawyer, 1994, p. 179) Employees typically have extensive contacts outside of the company, and can be valuable sources of competitive information. A salesperson may have heard “through the grapevine” that a competitor is preparing a new product for launch. This information should help to confirm data that the CI department has already obtained, and the salesperson can be asked to press for more details. However, the employees must be willing to share this type of information, so an extensive internal competitive intelligence marketing campaign is necessary. This campaign will educate all company employees about the critical nature of CI, and at a minimum will set up a telephone hotline for CI information. (Berger, 1997)

Once the internal knowledge base has been tapped and documented, the CI professional should reach out to external contacts. These activities range from asking for demonstration products or sales brochures to calling an employee of the target and asking about the company. The CI researcher also leverages contacts in the industry, such as consultants and academic researchers who are not affiliated with the target, but may have information about the company. In 1997, suppliers and customers were the most valuable source of data for companies surveyed, followed closely by industry experts and trade shows. (The Futures Group, 1997) Finally, academic contacts can provide detailed insights into a competitor’s behavior because of their line of research. This method of collection is a valuable source of competitive information: “Steal an idea from Microsoft and prepare to die. Steal an idea from a professor, and it’s called research.” (Friedman, et al., 1997, p. 71) Figure Four summaries the main sources of primary competitive data.
**Figure 4**

<table>
<thead>
<tr>
<th>Sources of Primary Intelligence Information</th>
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<tr>
<td>Internal Employees</td>
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<tr>
<td>Suppliers and Customers</td>
</tr>
<tr>
<td>Industry Experts/Consultants</td>
</tr>
<tr>
<td>Trade Shows and Demonstrations</td>
</tr>
<tr>
<td>Academic Contacts</td>
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Depending on the aggressiveness (and the effectiveness of the rival’s counter-intelligence), the competitive intelligence operation may lose the “stealth” it had earlier. “Push the passive to the limits. It’s not only cheaper, but it preserves the element of surprise until the last possible moment.” (Friedman, et al., 1997, p. 77) If the rival is alerted to a CI operation, it may be more difficult for the CI researcher to collect data from the competitor.

The Internet and internet technology have opened several new possibilities for enhancing primary source information collection.

First, an area of the Internet known as Usenet provides a place for people from around the globe to share their ideas in forums for any subject from a to z. These newsgroups can be a valuable source of both secondary and primary information. In the technical forums especially, scientists from academia and the private sectors can exchange ideas on how to solve difficult problems. Within these discussion, an experienced CI researcher can find valuable competitive data on processes or new projects a rival is pursuing. (Hennessey interview, Feb. 2000) This forum serves as another medium for the CI professional to contact or engage in a discussion with academic researchers to obtain possibly advantageous information. However, newsgroups
provide a dual-edged tool: they can provide valuable, probably confidential information—but provide a potentially major security breach.

Second, a concept that springs from the newsgroups’ global interaction is the use of an internal, proprietary newsgroup for the solicitation and dissemination of intelligence information. The collection portion of this application will allow company employees to post information to the system, in answer to requests by the CI staff. This information should be posted semi-anonymously, that is the CI staff will know the identity, but the rest of the company will not see the source of the information. The poster’s identity is necessary to verify the information and for follow-up purposes. The traditional emphasis on confidentiality can be overcome by a well designed system: “Our experience with CI projects has taught us that people will be more inclined to volunteer information if they are confident that it won’t fall into the wrong hands.” (Marceau and Sawka, 1999, p. 13) The implementation of such an open gathering system shows the company’s dedication to the competitive intelligence process and emphasizes that it is not just the CI department’s responsibility, but rather the entire company’s responsibility to collect intelligence.

Proctor & Gamble’s CI department is already implementing systems on its intranet that apply newsgroup technology and principles to collect and disseminate information: “We are now moving to what we’re calling a Global Knowledge Network, which will be available to all electronically. It’s providing a venue for collecting data, sharing opinions, and disseminating analysis.” (Pepper, 1999, p. 6)

The communication benefits of such a system will be explained in the discussion on CI dissemination.
Information collection has been impacted dramatically by the Internet and internet technology. The efficiency gains in initial research are extraordinarily valuable. By exploiting the information exchange on Internet newsgroups, CI professionals can access primary data while maintaining a level of secrecy in their operation. Finally, by applying newsgroup concepts to the design of their intranets, companies are beginning to leverage internet technology to benefit their internal collection efforts.

As information is collected, the CI profession must begin the most difficult but most value-adding step of the entire CI process—analysis.
Analysis
“Analyzing the enemy, taking control of victory, estimating ravines and defiles, the distant and near, is the Tao of the superior general.” (Sawyer, 1994, p. 214) Information without analysis is usually worthless: “Information is dead unless it means something.” (Combs and Moorhead, 1992, p. 53) The value of military analysis has been apparent from the days of Sun-tzu, and continues today with such organizations as the Central Intelligence Agency. Sun-tzu said, “Advance knowledge cannot be gained from ghosts and spirits, inferred from phenomena, or projected from the measures of Heaven, but must be gained from men for it is the knowledge of the enemy’s true situation.” (Sawyer, 1994, p. 231) Just as infantry must pound out a victory on the ground, so must the intelligence analyst strive to piece together seemingly insignificant bits of information to provide true knowledge to her superiors.

Information analysis is the “voodoo magic” of the entire CI process. It is a skill that is difficult to teach in a classroom, as it is an accumulation of real-world experiences that help the analyst make sense of the information gathered in the collection stage. The analysis stage of the CI process adds the most value to the final report.

Any executive can read today’s headlines, but an analyst immersed in the details of a target can make connections that the executive could never reach in his limited exposure to the subject material. Thus the analyst takes the volumes of information gathered in the collection stage, finds the critical linkages—then boils the material down to its true essence. “The best analysis technique is the simplest: collect relevant information, absorb it, and consider its implications until they make sense.” (Combs and Moorhead, 1992, p. 53)

The analysis process (and the competitive intelligence process in general) follows the law of diminishing returns. With unlimited time and money, you could eventually find every bit of
information about a given target. However, to gain maximum resource effectiveness, the art of analysis requires one to draw inferences from an incomplete set of data and using experience to make the connections. (Friedman, et al., 1997) Figure Five illustrates this phenomenon.

![Figure 5: Law of Diminishing Returns](image)


Unfortunately, the Internet does very little to directly aid the analyst in the puzzle-solving quest. At the present time, no computer program can replicate the intricacies of the human brain necessary to make connections and draw conclusions from a limited amount of material. The computer provides organization to the information previously collected, so that analysts can easily use data mining software to slice market or financial data in a manner that can help them draw a conclusion. The connectivity provided by the Internet allows analysts to communicate this data quickly to colleagues around the globe, aiding in brainstorming sessions. As with other applications of internet technology, this connectivity is typically provided through the company’s intranet.

Thus internet technology and computers in general merely serve as an aid in organizing the analysis process; the analyst still must provide the brain power to drive this most critical step of the CI process. After drawing his conclusions and writing the report, the dissemination process moves this information-turned-intelligence to the necessary recipients in the company.
Dissemination

Communication and dissemination have been key military concepts since before the time of Sun-tzu. Instead of satellite links and the Internet, ancient armies communicated in much more crude means: “…because they could not hear each other they made gongs and drums; because they could not see each other they made pennants and flags. Gongs, drums, pennants, and flags are the means to unify the men’s ears and eyes.” (Sawyer, 1994, p.198) By communicating his commands to his troops in an effective way, the general and his army are better prepared to tackle their objective.

In the competitive intelligence world, dissemination is a key step that gives executives the analyzed intelligence they need to make sound business decisions. It is crucial that any employees or executives who are responsible for departments that can take advantage of the intelligence be given access to it. “Information collected by the competitive intelligence unit—either by competitive intelligence personnel or anyone else in the company—must be available to everyone who needs it.” (Kahaner, 1997, p. 92) Thus, the analysis generated by the CI professional must spread through the organization—and not remain entrapped in the CI department.

Besides providing the product of the analysis, an effective communication process raises the value of the CI function in the eyes of the organization. In their book, The WarRoom Guide to Competitive Intelligence, authors Shaker and Gembicki state: “We have learned that the most important element to setting up a successful intelligence organization or enhancing the effectiveness of a current CI group is to captivate the interest and spirit of the participants.” (1999, p. 86)

Current dissemination practices range from the basic executive presentation using PowerPoint slides, to advanced intranet-based knowledge management systems. The most basic
presentation of the analysis would be a written report that provides the executive with a quick summary of the goals of the operation, the major findings/analyses, and a set of possible actions that could be undertaken by the executive. “Unless intelligence is delivered to those with both the authority and responsibility to act, no intelligence has been created.” (Marceau and Sawka, 1999, p. 7-8)

The Internet is an excellent dissemination medium with current avenues such as email and encrypted data transmissions. This allows the CI department to securely send their reports and analysis to the necessary executives anywhere in the world. Since much of the information is sensitive, access to the CI reports must be protected: “…the strategic nature of competitive intelligence calls for a stratification of user access.” (Marceau and Sawka, 1998, p. 13)

Proprietary company intranets now contain vast databases accessed by knowledge management software. Intelligence reports can safely be posted to these knowledge management systems for global access by all company executives. These knowledge databases allow executives to search the reports much faster than traditional type-written reports—using search engines similar to those found on the Internet. (Radjou, 1999)

IBM is a leader in using technology for CI purposes: “Lotus Notes-based systems provide teams with online discussion databases, and provide executives and analysts global access to various competitive intelligence databases and to competitive assessments as they are completed.” (Behnke and Slayton, 1998, p. 5) Future advances in wireless internet technology will allow similar data transfers to employees in the field who currently would not be able to have a constant connection to the Internet. Further, this wireless technology will allow key executives to receive the core essentials of an intelligence report almost immediately after the report is finalized. This “pushing” of information is already beginning to be used by some firms:
“Several operators claim to be investigating push technology (e.g., Pointcast) to customize the information flows to the users.” (Marceau and Sawka, 1999, p. 14) The availability of this technology makes dissemination easier, but CI professions must ensure that they do not “overload” their clients with reports and information: “…[T]he intelligence unit must make sure that users are not inundated with e-mails or databases that obscure the intelligence message.” (Marceau and Sawka, 1999, p. 8)

Therefore, much like the other steps in the CI process, the Internet and internet technology will allow the dissemination process to be more efficient and faster though its essence will remain the same—get the intelligence out. According to the authors of The Intelligence Edge, these efficiency increases are valuable: “In creating efficient intelligence, increases in internal retention and distribution increase efficiency geometrically.” (Friedman, et al., 1997, p. 91)
**Feedback**

The competitive intelligence process is typically an ongoing project that has been shown to follow the law of diminishing returns. Without frequent re-focusing and re-definition of requirements, the costs of an operation can skyrocket—while its effectiveness spirals downward. The feedback process is something not specifically mentioned in Sun-tzu’s *Art of War*. However, the importance of focus in operations—a key goal of the feedback process—that the “…power of those that excel in warfare is sharply focused, their constraints are precise.” (Sawyer, 1994, p. 187) Thus, many best-practice CI companies utilize an extensive feedback mechanism. These feedback sessions typically involve a review of the performance and the value of the intelligence provided by the operation. The feedback process allows management to give the CI department areas for improvement in future operations—or refinements to an ongoing operation.

The CI professional must continue to define and redefine the scope and requirements of the operation as new information is uncovered. Since surveillance of a particular competitor is typically ongoing, this feedback-to-requirement process is critical to maintain focus and to control costs. Therefore, the feedback and requirement definition steps are intertwined as the beginning and the end of the CI cycle. (Combs and Moorhead, 1992)

The use of internet technology in the feedback process is limited to the use of email and knowledge management software to communicate the necessary comments to the CI department. Again, a corporate knowledge management system provides a forum for employees and executives to discuss current operations and to provide suggestions for improvement—comments that are captured by the system and stored for future use. By providing time convenience and anonymity, users will be more inclined to provide candid feedback on the intelligence operation.
Since the system is always available for comments, the feedback process becomes almost real-time, allowing the CI professional to modify or expand their operation without having to wait for a scheduled review. (Radjou, 1999)

The feedback process is an integral focusing and cost-control procedure that is necessary to effectively manage a competitive intelligence operation. Internet technology incorporated into the company’s intranet can provide efficiency improvements that go beyond the typically performance review.

As the competitive intelligence cycle continues forward (collecting, analyzing, and disseminating actionable intelligence), a crucial process is following a parallel cycle that involves analyzing the company’s vulnerability to a rival’s competitive intelligence efforts.
Counter-Intelligence

The requirement of secrecy is stressed in the Art of War, although the concept of counter-intelligence is not specifically mentioned. Writing about a general’s movement and plans, Sun-tzu says: “He shifts his position and traverses indirect routes to keep other people from being able to anticipate him.” (Sawyer, 1994, p. 222) If the plans of the general are discovered, the enemy has time to launch a preemptive strike or to set up an ambush—both of which will be costly to the army. The connection between military secrecy and competitive intelligence is a direct one. An organization that does not protect its knowledge and information assets opens itself up to competitors who can use this information to gain a competitive edge in the marketplace.

Like many processes in the competitive intelligence world, much of business counter-intelligence draws from years of experience by military organizations. The counter-intelligence portion of a company’s CI program is more that just a one-step process—it is actually an independent function from the collect-analyze-disseminate cycle. It is a “…systematic process that: understands the threat, identifies the information that needs to be protected, and protects the information from exploitation.” (Shaker and Gembicki, 1999, p. 206) Similar to the classification system used by the government, the counter-competitive intelligence (CCI) process seeks to protect only the critical information that a competitor could use to gain a competitive advantage. Shaker and Gembicki point out that “…trying to protect everything results in not protecting anything really well.” (1999, p. 207-8) [best practices?]

The Internet plays a curious role in counter-intelligence. The benefits that the Internet provides to the company when performing the CI process are security threats that the company must address with its counter-intelligence program. Little can be done about reports in newspaper and journals, except for training the public relations department to be aware of
confidential information—and to ensure it is not given to the press. (Shaker and Gembicki, 1999) Thus, the information available to competitors by using the Internet search engines will be kept to a minimum.

However, it is the newsgroup that is potentially the greatest security threat. The sense of professional camaraderie present in these groups means that employees may inadvertently (or purposely) divulge confidential information in order to contribute to a discussion, or to prove their intelligence or technical prowess. Several factors, including anonymous or concealed posting names and the fact that these groups can be accessed while the employee is not at work, make them difficult to monitor. To solve this problem, many high-tech companies forbid their employees from participating in technical newsgroup activity as a condition of employment. (Hennessey interview, Feb. 2000)

The Internet aids counter-intelligence efforts by providing a quick spot-check of the company’s information security. By performing an Internet search of websites, journalistic databases, and newsgroups, a CI professional can quickly gauge how much information is available on the company and can also judge the sensitivity of that information.

Although not specifically under the realm of competitive intelligence, the Internet has made many companies vulnerable to hacker attacks and infiltration. (Borland, 2000) The company must ensure that its computer systems are adequately protected from this type of attack, as hackers may not be personally interested in the secret information they find, but can easily sell it to competitors (who would violate the ethical standards of SCIP) or can post the information publicly—erasing its proprietary value.

Counter-intelligence is the process that protects the work of the firm from unauthorized exploitation by competitors. Although even the government can not keep a secret forever, a
solid counter-intelligence program will ensure the security of the company’s competitive advantages.
Ethical Ramifications

This paper has argued that the existence of a CI program is justified on the basis that business is war. Despite the many similarities between business and war, there are some key ethical differences that must be addressed. The most obvious difference between the two is their purpose: war is waged for political reasons; and its objective to destroy and kill things and people. Business is “waged” for profits, market share, or for the customer’s dollar. This fundamental difference sets the ethical stage on which to judge the actions of an intelligence department.

During time of war, the CIA or its counterparts go to almost any extreme to obtain information that may turn the tides of war. This could include such activities such as satellite surveillance, wiretaps, outright theft, and sabotage. Of course, these activities are either impossible or illegal for a business to use in the course of its competitive intelligence activities.

Another ethical dilemma that is faced by the CI professional is the interview with a contact. Can the CI professional disguise his true identity when interviewing an employee of a target firm, in order to persuade the interviewee to divulge confidential information? The SCIP code of conduct would say no, but what really stops the CI professional from doing so? There is no specific law against this action, unless the interviewee is specifically defrauded. Thus this a so-called “gray area” where the legal and ethical standards are quite foggy and not explicitly defined. Contrast this to a government intelligence organization during war—any means necessary, including misrepresentation and bribes, is considered fair game in the quest for information.

This analysis can be extended to the Internet and computer information systems. The nations of the world are already taking steps to fortify their computer security—and one can predict that their intelligence agencies are devising ways of defeating these measures. The recent
hacker attacks on Internet giants such as Yahoo! show that companies are indeed vulnerable to computer attack. (Borland, 2000) Obviously, a blatant attempt by a competitor to hack into its rival’s computer systems would be a gross violation of the CI professional code. However, advances in computer technology can allow competitors to obtain pricing information from rivals by posing as a real consumer. (Fisher, 2000) This is another example of the “gray area” of the CI ethical world. While not technically stealing, it could be argued that these programs are obtaining the information in a fraudulent (or perhaps unethical) manner. Proponents can argue that this is just a high-tech version of the price comparisons and matching done for years by retailers—and refined by mega-retailers such as Wal-Mart. (Harvard Business School, 1994)

Thus while engaging in the competitive intelligence process, the CI professional should use the analogy of war as a guide in planning operations—but must ensure that this operation does not take the analogy so far as to break the ethical standards adopted by the industry.
Conclusion
The power of Sun-tzu’s *Art of War* has been proven by military campaigns throughout the centuries. Because of its military success, the text has been useful when crafting business strategies. The new field of competitive intelligence has its roots in teachings from the *Art of War*—as illustrated throughout this paper. The Internet phenomenon has provided significant efficiency boosts to many industries, including the competitive intelligence world.

The arguments made in this paper support the conclusion that the processes and procedures of the competitive intelligence industry are derived and supported by teachings in Sun-tzu’s manuscript.

The true impact of the Internet and its related technologies on the competitive intelligence industry will continue to evolve as new technologies are developed and used by practitioners of CI. My research shows that the most significant impact of internet technology to date is its efficiency. This efficiency is seen in all of the steps of the CI process. For security reasons, many of these improvements rely on the application of internet technology to the company’s internal intranet.

The Internet and internet technology also bring new challenges to the CI professional. From the threat of hacker attacks to the accidental leaking of proprietary information, the openness of the Internet provides new security risks to the company.

The ethics of competitive intelligence is a rich enough topic to warrant its own research paper, but my overview is critical when thinking about competitive intelligence and war. Although the *Art of War* supports the practice of competitive intelligence, there are crucial ethical differences between business practice and the waging of war.
By applying the rules of the *Art of War* to the practice of competitive intelligence and using internet technology to increase efficiency, a company can leverage its competitive data to gain an advantage in today’s digital battlefield.
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