

White Paper

Practicing Ethical CI

**When 95% of everything you need to know is in the public domain,
there's no need for cloak and dagger tactics.**

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Timely and relevant knowledge about competitors and other market players is necessary for making good strategic business decisions. Markets are becoming increasingly global, and the information revolution is slashing the time available for effective decision making. Competitive intelligence (CI) processes to distill and expedite the information are essential in managing this revolution. These processes allow decision makers to focus on the most relevant aspects of their company and industry.

Yet one problem has plagued the field of competitive intelligence from the beginning – the perception that CI professionals operate in the gray zone.

We in the competitive intelligence industry often quote World War II Navy Captain Ellis Zacharias, author of *Secret Mission: The Story of an Intelligence Officer*, “There is very little that confidential agents can tell that is not accessible to an alert analyst who knows what he is looking for and knows how to find it in open sources.” Zacharias suggested that 95% of intelligence is available for the asking and that questionable practices are not necessary. However, if this is the case, why do we continue to hear about ethics violations?

Most companies do not have ethical guidelines for CI. Many have developed at least generic guidelines or put CI ethics under the broader umbrella of antitrust guidelines. But a very small percentage of companies have developed comprehensive ethics guidelines for CI. Is it due to a strong desire to compete and win? It is no secret that that corporate and business unit managers want to win battles and wars in the marketplace; the “warrior” attitude trickles down the ranks until it permeates the entire company. This misguided win-at-any-cost viewpoint is unnecessary.

Remember That CI is a Strategic Game

Competitive intelligence is not a war but a strategic game. As such, it requires a completely different mindset. The process of gathering intelligence on your competitors is not a war that must be won at all costs; instead, it should be thought of as a game of strategy, and all games have rules.

Nobody likes cheaters. Sportsmanlike conduct means that you play by a set of rules. What are the rules for engaging in competitive intelligence? Unfortunately, they do not always involve cut-and-dried issues.

Companies often have different ideas about what behavior is acceptable and what is not. Some feel that visiting a competitor’s booth at a trade show is unethical. Others believe it is permissible as long as you identify yourself as an employee of a competitor. Some find the practices of using various business cards and planting employees on a competitor’s payroll perfectly appropriate. Obviously, others do not. Additionally, practices that may be acceptable in some countries (such as giving or receiving bribes) are definitely not in others.

Many universities and colleges offer business ethics courses that promote an extremely conservative view and are almost impossible to implement in global business activities. Most companies operating globally, try to hit a middle point by considering what is acceptable by the majority of countries in which they operate.

Unfortunately, ethics considerations are not black and white. But organizations that have developed ethical guidelines for competitive intelligence have a couple of consistent themes: 1. Laws related to espionage, theft, trespassing, etc. must not be broken, and 2. Misrepresentation is absolutely not an acceptable practice (posing as a student, journalist, headhunter, potential customer, employee, prospective employee, etc. is not professional, ethical, appropriate, or necessary.).

Potential Pitfalls

Understanding the competitive intelligence process will enable you to identify potential trouble spots for ethics abuse. With this knowledge, you can establish the proper safeguards to forestall abuse. In the event ethical standards are briefly breached, your preparedness will allow you to defuse the problem efficiently and effectively. Most ethical missteps can be avoided by focusing on the areas most vulnerable to ethics abuse.

Briefly, here are a few, but by no means all, of the possible pitfalls.

Borrowing/stealing published and database information

- Intelligence of this type includes everything from newspapers and books to online commercial databases. Gathering published information is usually the first stop in collecting competitive intelligence. The potential for ethics abuse is relatively small, but it does exist.
- Stolen books, magazines, and reference materials cost public libraries millions of dollars. Although it may seem like an insignificant problem, librarians point out that a surprising number of professionals are likely to be guilty of this crime.
- Illegal database searches may include circumventing commercial online database security to avoid paying for the service (think budget considerations) and invasion of proprietary databases of a direct competitor.
- Copyright laws are commonly violated. One copy of that industry article is usually acceptable - but 250 copies?

Allowing employees to engage in questionable activities

- Frequently, some of the best intelligence resides within your company. Much of what you want to know about your competitors is probably common knowledge to a person inside your own organization. In fact, it has often been said that up to 80% of the competitive intelligence you seek can be found internally. Sales, marketing, operations, human resources, R&D, and even finance departments can often reveal, in surprising detail and with uncanny accuracy, the intentions of your competitors. Although you can gain a great deal of information, this method is another area of concern regarding ethics. Here are a few potential problems:

- Whereas it is perfectly acceptable for your sales staff to quiz customers for a competitor's bargaining position (How else would you compete?), it is not acceptable to clandestinely remove information from a customer's premises. Soliciting proprietary material is equally unacceptable.
- Operations staff can forecast a competitor's production output from information on the type, amount, and configuration of the equipment the company uses. It would be unethical for your operations staff to sneak into the competitor's plant to have a look around. However, it is perfectly okay to participate in a public tour of your competitor's operation - unless you misrepresent yourself.
- Human resources personnel are perfectly situated to gather competitive intelligence. Your competitors' employees are constantly coming through your doors looking for employment - just as your employees are walking through your competitors' doors. Using the lure of a potential job with your company to elicit intelligence from a competitor's employee is a breach of ethics.

Using pretexting when talking to competitors or other outsiders

- Probably the best competitive intelligence is obtained from human sources outside your company. This intelligence surfaces through discussions with competitors, customers, suppliers, or other knowledgeable people in the industry. Information from external sources provides missing links. It substantiates or refutes previously obtained intelligence, published or unpublished, and is the largest area of concern when it comes to questions of ethics.

- Calling a competitor's marketing department and identifying yourself as a graduate student in order to quiz the representative about a rumored new product rollout is unethical.
- Your competitor's newsletter is a potential gold mine of intelligence. Some companies circulate theirs to both internal and external sources. They are terrific sources of information if you can get on mailing lists. However, if you must disguise who you represent, or evade inquiries as to why you want the publication, you are in a gray area of ethical standards at best.
- Telling a potential supplier that you wish to inspect his or her facility as part of the approval process for using it and then soliciting R&D information while you are there is a scenario ripe for ethics abuse. Do you truly expect to use this supplier, or are you there on a "fishing" expedition? Ethical guidelines and standards are needed to address this potential abuse.

Concealing the truth from company management

- Gathering competitive intelligence is an important step in the strategic decision-making process but not the only one. The analysis and reporting, or presentation, of competitive intelligence comprise two very important aspects of the process. They also are surprisingly prone to ethics abuse, more because of individuals' goals than an abuse in the company's name. Here are two typical scenarios:
 - The product manager of a slow growth product knows that senior management is debating whether to discontinue that product. Layoffs will result if the product is eliminated. The manager, traditionally charged with gathering competitive intelligence, unearths information that within the next year a very strong competitor will roll out a challenger to the manager's product.

The manager, rather than expediting the intelligence to senior management, conceals it. This is a breach of ethical standards.

- A plant manager discovers from his equipment supplier that a competitor is gearing up a new plant. To save costs, the competitor will buy reconditioned equipment. Although the equipment will function well, it will not produce as much volume as new equipment. The manager advises his superiors of the competitor's new plant but tells them that all the equipment will be new. To match the competitor's new capacity, management deviates from what had been a strictly enforced budget and installs new equipment in the manager's plant. The plant manager's capacity goes up to beat the competition, but margins fall. This is unethical.

To curb or eliminate breaches of ethical standards, you must establish guidelines or a code of ethics. Guidelines determine the parameters of acceptable behavior in conducting competitive intelligence. Help people focus on the ethically obtainable while steering clear of questionable activities that invite trouble and waste valuable time.

Develop Company CI Ethical Guidelines

Every company should establish a set of ethical guidelines, but this is only the beginning. The problem with ethics is not so much establishing a code but implementing it. To ensure compliance, a monitoring mechanism must be developed. In addition, training programs and a reaffirmation process must help employees to truly internalize the guidelines. The employees' personal philosophy should become the same as the firm's. Employees then can make common-sense decisions on a day-to-day basis about what is ethical and what is not.

We strongly recommend an eight step implementation plan:

1. **Develop guidelines.** All prospective employees should receive oral and written descriptions of the scope of work and the ethics involved. The myths of intelligence work should be pointedly dispelled very early on.
2. **Communicate guidelines in new-hire materials.** Our new employees receive many materials on their first day of work. However, one document clearly stands out amid all of these materials: our ethical guidelines. Each employee must sign a statement attesting that he or she received, read, understands, and is willing to abide by the ethical guidelines. This action immediately underscores the organization's commitment to high ethical standards. It is easier to imbue a new employee with the standards you require than it is to break established employees of questionable conduct.
3. **Publish guidelines in employee manual.** Attach a cover sheet to the employee manual indicating the location of the ethics discussion. Again, the employees should sign a statement attesting that he or she has read and understands the ethics section.
4. **Start by including guidelines in published job descriptions.** The job description for a competitive intelligence professional should include the job responsibilities and the ethical guidelines to be followed. More important, review and revise the job description at least semi-annually.
5. **Display guidelines in conspicuous locations.** Find a conspicuous place to post your ethical guidelines. We display them on our bulletin boards. Don't bury them in the middle of the OSHA regulations! Properly placed, they serve as a daily reminder of acceptable practices. Each employee office may also receive an abbreviated copy of the guidelines.
6. **Develop and present ethics modules in company training programs.** When training new employees, a segment on ethics is a must. Include an ethics segment in all subsequent training programs, too. As you conduct advanced training in interviewing techniques, strategic analysis, and report writing, reinforce the ethical guidelines. Regularly scheduled problem-solving meetings and an open-door policy encourage proper intelligence gathering techniques. Highlighting the ethical alternatives to an intelligence gathering puzzle fosters employee commitment to appropriate ethical conduct.
7. **Require sign-offs on key intelligence deliverables.** Have a project time reporting system with daily time reports showing number of hours by project. Require a signature on the time report confirming that the work was performed in compliance with ethical guidelines.
8. **Periodically monitor intelligence procedures.** Although it may spark thoughts of "big brother," the sensitive nature of competitive intelligence demands scrutiny. True competitive intelligence professionals accept periodical monitoring of their techniques as a small price to pay for establishing high ethical standards.

Strategic Games Have Rules

You want to win the game in the short term as well as in the long term. This goal can be achieved only when you play by the rules.

The first step should be to admit, honestly, that no employee is perfect and that ethical violations have occurred and could occur again if preventive measures are not taken. Strongly encourage candid employee discussion of the issues. An open forum helps identify problems and reinforces the notion that your firm is committed to a high ethical standard.

Next, develop and fine tune your guidelines. Implement them throughout your organization, monitor compliance on a continuous basis, and promptly report results.

For strong ethical standards to be established and maintained, you must wage a vigorous, constant campaign: vigorous, because the energy and commitment you exhibit are infectious, and these characteristics will motivate others; and constant, because the biggest threat to ethics is complacency, to think you have everything well in hand. That is precisely the point when things begin to get out of hand.

Will this approach, and its emphasis on implementation, eliminate ethics violations entirely? No process is foolproof, but short of round-the-clock policing, you should be able to attain a 99% compliance rate. Just as importantly, you will still be able to gather the intelligence that will make you a winner in your marketplace.

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