

# McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

## Industrial Manufacturing

### Competitive intelligence = Competitive advantage

Was it only yesterday that it was possible to be in manufacturing without having to slash through a thicket of bizspeak buzzwords? Total quality management, supply chain optimization, business process reengineering – the list seems endless.



“Competitive intelligence” might seem like another thorn bush in the briar patch, but it’s really just a new name for an old process that can be a key to success.

#### Learn about your competitors

Competitive intelligence is the systematic collection and analysis of data about your competitors from nonproprietary sources, gathered for the purpose of gaining competitive advantage by identifying quantifiable strengths and weaknesses.

Note the three key points in this characterization of competitive intelligence:

**1. The process is systematic.** Competitive intelligence isn’t a fishing expedition. To minimize the competition’s strengths and exploit its weaknesses, you need to identify what those strengths and weaknesses are and formulate specific research objectives.

Why have your competitors increased their market share at your expense?

Do they have new products? Lower production costs? Research and development breakthrough? Have they exploited strategic partnerships?

**Before beginning a competitive intelligence project, it’s a good idea to turn to your CPA.**

**2. Public information is used.** You’re not James Bond. You’re not even Mike Myers playing Austin Powers. We’re not talking about industrial espionage, appropriating the competition’s trade secrets or acting in any unethical way. Don’t even think about breaking into the factory instead of locking yourself in the library.

Most competitive intelligence – as all real spies know – is gleaned from publicly available sources.

**3. The research is quantifiable.** The goal is gaining information you can act upon. That means gathering enough data to make meaningful, quantitative comparisons. Impressionistic opinions aren’t enough.

Exactly how much is your competitor saving thanks to that new parts supplier? You won’t know what to do about your own supply chain unless you have that number.

#### Be sure you know yourself

Competitive intelligence begins at home.

## **A SWOT analysis – evaluating your strengths, weaknesses, opportunities and threats – is a good starting point.**

You can't know what research you need to do on your competitors if you don't know your own situation. A so-called SWOT analysis – evaluating your strengths, weaknesses, opportunities and threats – is a good starting point. And you already have all the material you need. It's just a question of pulling it all together.

So make a systematic appraisal of your business-critical operations – for example, your product offerings, manufacturing processes, marketing, budget, research and development and similar resources such as production costs, sales channels and targets.

What's working, and what isn't, with each of these factors? And why? Analyze yourself as if you were your competition, the better to root out your weak points. It's safe to assume that the competition is already doing just that.

### **Do your research**

Now that you know what questions to ask, it's time to hit the books.

Although the librarian will always be your friend, so will Google or any other search engine. In the age of the Internet, research is easier, faster and cheaper than ever. Nexis, Factiva and similar online archives aren't free, but they make news and general information easy to access.

If your competitor is a public company, its required SEC filings (e.g., quarterly 10-Q and annual 10-K) are a treasure trove of information about its finances. Access SEC filings online through the EDGAR system.

To keep tabs on a private company, use a service like Hoover's or Dun & Bradstreet.

And don't forget that any company distributes a vast amount of information about itself. A service such as PRNewswire can be invaluable for keeping tabs on your competitors' press releases, media alerts and the like.

### **Burn up some shoe leather**

Not all the information you need is available in writing.

The point will come at which, to fill in the gaps, you'll need to get out and talk to people. If you've always wanted to play investigative reporter, here's your chance.

There are many opportunities to talk to third parties who know your competition, such as people attending trade shows.

Don't lie about who you are. You can approach people ethically, yet without disclosing too much, by telling them you are conducting industry research. Be friendly, straightforward and conversational, and your sources will probably be happy to help.

### **Put all the pieces together**

When you have enough information to answer the questions you formulated in the first stage, it's time to analyze your data. If you framed the questions properly, they should guide you. But be prepared for considerable give and take. You may have to modify your assumptions in light of what you've learned.

In any case, remember that the result of the analysis should be quantitative measures that can serve as guides for action.

Before beginning a competitive intelligence project, it's a good idea to turn to your CPA. As a specialist in the research, analytical and quantitative skills required for competitive intelligence, he or she can be an ideal adviser. Give our firm a call.

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