Spying or Surviving?

Do companies on the Shanghai market use Competitive Intelligence today in order to stay competitive?

Authors: Julia Kronlund
          Veronica Claeson

Tutor: Sikander Khan
ABSTRACT

Since 1979 China has gone through a powerful reform which has turned it from being a poor and underdeveloped country to becoming a relatively modern economy. Chinese companies, which are known for copying and producing have, because of this development become more interested in producing their own products, from first thought to final product. Shanghai, the most developed industrial city in China with an economical growth that has reached two number digits twelve years in a row, has been a big part of the development. This development in Shanghai has led to an increasing interest for the Shanghai market among both Chinese and international companies.

With increased competition a company needs something extra to survive and to stay strong in relation to the competitors. However, since many organisations are state-owned they automatically get protected against competition. One result of this is that there is a total lack of Competitive Intelligence in the organisations on the Shanghai market except for library and translation services, which only represent a small part of the tools available. The fact that it is hard to get hold of reliable information and also that gathering information sometimes is seen as spying in China makes it even harder to stay updated for a company.

We have with a hermeneutical view interpreted theories about Competitive Intelligence and used an empirical study that is based on 10 interviews with companies represented on the Shanghai market in order to answer our research question; Do companies on the Shanghai market, use Competitive Intelligence today in order to stay competitive?

It turns out that the companies’ CI processes are randomly completed. CI is not used, among companies on the Shanghai market, in a structured way. There is no doubt that a company today needs a great Guanxi, personal network, or otherwise it would be difficult for it to stay in business. This fact makes it difficult for CI to grow in a healthy way. Since the businesspeople in Shanghai know the importance of Guanxi they choose not to gather information in other ways and continue to rely on their contacts. This only provides them with a limited amount of information that isn’t questioned as much as necessary. As long as the Guanxi remains as important as it is today and the government still has the power to regulate many of the industries, the proper CI-work will probably be absent.
# Table of content

1 INTRODUCTION ...............................................................................................................4
   1.1 Background ...............................................................................................................4
       1.1.1 Development in China.........................................................................................4
       1.1.2 Chinese Culture .................................................................................................5
   1.2 Discussion of Problem Area .....................................................................................6
   1.3 Research Question .....................................................................................................7
   1.4 Purpose .......................................................................................................................8
   1.5 Delimitations .............................................................................................................8
   1.6 Key Terminology ......................................................................................................8
2 METHODOLOGY ............................................................................................................10
   2.1 Scientific Method .....................................................................................................10
   2.2 Quantitative or Qualitative .....................................................................................11
   2.3 Research Methodology ............................................................................................12
       2.3.1 Case Study .........................................................................................................12
       2.3.2 Pre-knowledge ..................................................................................................13
       2.3.3 Literature study ...............................................................................................13
       2.3.4 Empiric study .................................................................................................13
       2.3.5 Interview method ............................................................................................15
       2.3.6 Analysis method .............................................................................................16
3 THEORETICAL REFERENCE ......................................................................................17
   3.1 Introduction to Competitive Intelligence .................................................................17
   3.2 Organising Competitive Intelligence .......................................................................18
   3.3 Focus ........................................................................................................................20
       3.3.1 Exploitation .......................................................................................................21
       3.3.2 Exploration .....................................................................................................22
   3.4 Gathering ..................................................................................................................22
       3.4.1 Gathering processes .......................................................................................23
       3.4.2 Who Should Gather the Information ..................................................................24
       3.4.3 Trade Information .........................................................................................25
   3.5 Analysis ....................................................................................................................25
   3.6 Presentation ..............................................................................................................27
4. EMPIRICAL STUDY ......................................................................................................29
   4.1 Organising Competitive Intelligence .......................................................................29
   4.2 Focus ........................................................................................................................30
   4.3 Gathering ..................................................................................................................31
   4.4 Analysis ....................................................................................................................33
   4.5 Presentation ..............................................................................................................34
   4.6 The Future ...............................................................................................................34
5 ANALYSIS .....................................................................................................................36
   5.1 Organizing Competitive Intelligence .......................................................................36
   5.2 Focus ........................................................................................................................39
   5.3 Gathering ..................................................................................................................40
       5.3.1 Gathering process ............................................................................................40
       5.3.2 Who Should Gather the Information ..................................................................42
       5.3.3 Trade Information .........................................................................................42
   5.4 Analysis ....................................................................................................................43
   5.5 Presentation ..............................................................................................................44
1 INTRODUCTION

In our introduction we want to explain, and make the reader interested in, the research question that we have chosen to examine. We discuss the problems concerning this area in order to clarify the purpose of this thesis. To simplify the reading we have delimitated the area for our research, and defined some of the words used.

1.1 Background

1.1.1 Development in China
Since 1979 China has gone through a radical and powerful reform. This has turned China from being a poor and underdeveloped country to becoming a relatively modern economy. The economical growth has been enormous and has exceeded most of the other countries with the same starting point.

Shanghai, the most developed industrial city in China with an economical growth that has reached two number digits twelve years in a row, has been a big part of this development. The region Yangtze River Delta, which Shanghai belongs to, is developing at high speed. Shanghais surface is only 2.2 percent of the total China surface and its inhabitants are only 10.4 percent of Chinas total inhabitants. Despite this, it stands for 22 percent of the country’s GNP and 28 percent of the foreign trading.\(^1\) Shanghai’s amazing progress has attracted many foreign companies and investors to the region. In 2003, foreign investors in Shanghai almost reached USD 6 billons, which is a tenth of Chinas total foreign investors.\(^2\) This development of the Shanghai market and the increasing number of companies makes the competition tough. This means that it takes more for a company to survive and to stay strong in relation to the competitors.

Another factor that increases Shanghais development is that Shanghai won its bid to host the 2010 World Expo. China will be the first developing country to host the event, first held 153 years ago. Shanghai will host the World Expo from May 1 through October 31, 2010. To support the event, the Shanghai government is investing over US $10 billion in infrastructure; harbor, airport, city transportation, and cultural facilities. The Shanghai World Expo 2010, with its theme of “Better City, Better Life,” will host national and business pavilion

---

\(^1\) http://www.swedenabroad.com
\(^2\) http://www.swedenabroad.com
exhibitions from 200 countries and regions. Some 70 million visitors are expected to attend the event.3

1.1.2 Chinese Culture

The Chinese cultural tradition is a strange mix. The reason for this is that it’s influenced by basic Chinese culture values but has also been affected by thoughts from the Marxism-Leninism decade. In recent years it has also been influenced by the uncertainty about the reforms.4

Confucianism is a philosophy which has had a large impact on the Chinese culture, which can be characterized by two themes. The first is a hierarchal structure for the political system. Relationships such as between a father and son, leader and subordinates, wife and husband are seen as creating stability in the society. However, in order for the society to function efficiently these relations have to follow certain principles. The second theme is personal ethics that reflect values such as hard work, patience and thrift. To be able to reach these values one has to have a good education and follow the hierarchal relations. These themes influence factors such as; interpersonal relationships (Guanxi), the respect for hierarchy and age, avoidance of conflict and need for harmony.5

Interpersonal relationships, in Chinese called Guanxi, are a very important factor in the Chinese society because of the lack of institutions in the economic activities and in the society as a whole. Guanxi can be translated as “contact” and concerns the family members’ obligations to help one another. The concept is also extended to a broader context; classmates, colleagues, neighbours etc. that can get included in the Guanxi network. Through Guanxi people connect with each other with expected obligations.6

In the Chinese society hierarchy is traditionally closely connected with age; authority is gained as one becomes older. Age represents knowledge, experience and expertise. Young people in China are not considered experienced enough to be capable of doing good business.7

The need to avoid conflicts and keep a harmonized society also comes from Confucianism. Direct confrontation would make people lose face and would lead to interpersonal relationships becoming damaged. This leads to a society where people learn to constrain their feelings in public or in front of strangers. Thus, when expressing feelings it should be done in

3 http://www.buyusa.gov/china/en/expo0507.html#1
4 Fang (1999)
5 De Mente (1994)
6 De Mente (1994)
7 De Mente (1994)
a more implicit or suggestive way. The concept “losing face” is a delicate matter within the Chinese culture. To begin with it’s strongly connected with moral characteristics and honour. Furthermore, it’s also associated with reputation and prestige in a social context. Gaining face is to gain honour and prestige, which brings out positive feelings such as satisfaction and pride. Whereas loosing face leads to the opposite but the feelings are just as strong.

One idea that affects all these factors is trust, which is essential in Confucianism. This is something that takes time to build for outsiders, which also is a reason why Chinese business deals take time. The Chinese morality is based on a give-and-take foundation. It’s important to achieve the ultimate state of harmony in interpersonal relationships and nothing is taken for granted but instead well thought through.

1.2 Discussion of Problem Area

Chinese companies, which are known for copying and producing, are becoming more interested in producing their own products, from first thought to final product. Even the Chinese government is pointing out the importance of innovation and development among Chinese companies. This became clear in the meeting that was held from the 8th until the 11th of October 2005 among the central committee members in China, where this issue was one of the main subjects.

The fact that the largest design conference ever is being held in Hong Kong November 2005 proves that Chinese companies are starting to understand the importance of creating a strong brand and design. This development makes the competition stronger on the Shanghai market, both for Chinese companies and international companies.

The Chinese economy has suffered from central planning and government management of growth. Since many organisations are state-owned they automatically get protected from competition. The result is that there is a total lack of Competitive Intelligence in the Chinese organisations except for library and translation services, which only represents a small part of the tools available. However, during the -90s decentralization increased which opened the way for a more advanced intelligence work. Study programmes and academic institutions specialising in this area started to attract more people. Even though there was a desire to work

8 De Mente (1994)
9 Bjerke (1999)
10 Fang (1999)
11 Fang (1999)
12 Fang (1999)
13 Svenska Dagbladet, 11th of October 2005, Hu Jintao kopplar greppet om makten
14 Innovation & Design Expo, 21 - 23 November 2005, Hong Kong
within these areas, the sudden interest created a shortage of Competitive Intelligence professionals. This shortage, together with the regulations from the government, made it more common for foreign firms, international joint-ventures and partnerships in China, than for completely Chinese-owned companies, to take advantage of this new view of Competitive Intelligence. But the government created trouble for foreign firms as well when they demanded that they seek approval for any project that would involve Competitive Intelligence. By doing this they sent out clear signals that Competitive Intelligence is not accepted as a legitimate business effort, but considered as espionage.\textsuperscript{15} Despite this Mr. Hamrefors, Professor at Stockholm School of Business believes that an effective Competitive Intelligence work in China will be possible in the future, but he states that it will take some time. One reason for this stiffness is that the Chinese people will have trouble to create the whole value chain by themselves, and for Competitive Intelligence to prosper you have to have good macroeconomic knowledge to evaluate your next step. One circumstance for this to happen is for people to be tied together and put their small enterprises into one piece.\textsuperscript{16}

The need for Competitive Intelligence has never been greater. Today, it has become increasingly important that decision makers get the information that they need, at the right time, in the right format. At the same time the information technology revolution is shortening the time available for effective decision making. Timely and relevant information about markets and competitors is necessary for making good strategic business decisions. In order to become successful, companies have to build a knowledge base about their competitive environment and a continuous strategy process to keep it continuously updated.\textsuperscript{17}

A problem for companies in China, which is also the biggest difference between conducting Competitive Intelligence in China and other countries, is the lack of credible published material. In Europe and the United States companies can rely on 80 percent desk research and 20 percent primary research or interviews. In China it’s the other way around, credible research is usually over 80 percent from primary research.\textsuperscript{18} These problems make it hard for companies, on the Shanghai market to gather relevant and correct information to be able to make important decisions.

1.3 Research Question

Do companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive?

\textsuperscript{15} Cook & Cook (2000)
\textsuperscript{16} Interview with Mr. Hamrefors, Appendix C
\textsuperscript{17} http://www.perpetualstrategist.com/past_articles.html
\textsuperscript{18} www.imakenews.com/scip2/e_article000171562.cfm
1.4 Purpose

Our purpose with this thesis is to find out if companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive. We have also created two supporting purposes that will help us, in a more thorough way, to express our goal with this thesis. These supporting purposes are;

- To map various attitudes towards Competitive Intelligence that different companies on the Shanghai market have.
- To identify methods and processes these companies use to gather, analyse and distribute information today.

1.5 Delimitations

A delimitation that has been made is that we only focus our research on the Shanghai market and not the entire Chinese market. This delimitation is partly made to narrow the research field in order to adjust our research to the time and resources available, and partly because of our personal interest in a city that is developing, in many different areas, at an impressive speed.

Another delimitation made is that we have chosen to only study the Chinese market and not the international market. The reason for this is partly because we had scarce time resources and had to focus on a smaller area. Another reason is that our interest for the Chinese market is greater than it is for the international market because of China’s past history as a communist country and the earlier lack of reliable and official information within the Chinese society.

1.6 Key Terminology

**CI** = Competitive Intelligence

**Competitive Intelligence** = Competitive Intelligence is the gathering and analysis of information from human and published sources about market trends and industry developments that allow for advanced identification of risks and opportunities in the competitive arena.\(^{19}\)

\(^{19}\) http://www.bengillad.com
**Arena** = Consists of players within the same industry such as; suppliers, competitors, partners and customers. These are factors that the company itself can affect.

**Context** = Consists of factors that affect players in a certain industry but can’t seldom be changed by a specific company. These factors are; demographics, politics, technology, laws and regulations.
2 METHODOLOGY

In the first part of this chapter 2.1 we present the scientific view that characterise this thesis. Under headline 2.2 we explain the difference between a qualitative and quantitative approach and present the approach used in this thesis. Finally, under headline 2.3 we describe how we have conducted our research.

2.1 Scientific Method

There are two main methodological approaches in research within the social sciences; the positivistic science and hermeneutical view. The positivistic approach aims at drawing general and universally applicable conclusions, whereas the hermeneutic approach aims at gaining a deeper understanding and seek the meaning of action.20

Research based on positivistic science can be seen as logic, analytical and objective. This since the researcher has an external relationship with the research object and attempts to explain the causes behind actions from an external perspective. This method tests observations as the means of testing hypotheses against reality.21

The hermeneutic philosophy is to understand and to give explanation to phenomena, which is reached by interpretation of meaningful phenomena.22 The word meaning is used within the hermeneutic philosophy to explain human activities and the results of them. The word is also often used concerning the condition for activities, for example norms, routines and rules. Interpretation is based on the interpreter’s pre-understanding; we understand something about certain fundamentals, influenced by what we already know.23

The ideal choice of methodology should be based on the nature of the research question.24 That is why we are of the opinion that the hermeneutical view is the more suitable approach for our research. Our choice of methodology is based on our main purpose to find out if companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive. We look at Competitive Intelligence among companies on the Shanghai market as phenomena that can only be understood in a certain situation and certain context. To be

20 Hollis (1994)
21 Hollis (1994)
22 Wallen, (1996)
23 Wallen, (1996)
able to understand our chosen phenomena we have chose a scientific scholarly method based on hermeneutic philosophy.

The hermeneutic scholarly method is based on four elements; interpretation, explanation, understanding and pre-understanding. Interpretation becomes like a synthesis between the explanation and understanding, something that we need to be able to integrate with other social actors. Generally, in everyday life, this is not a problem since we often share the same culture and social conditions. However, in the context of research one should be aware of the traditions that exist within the culture and the use of language and their influence on the researcher.25

Researchers interpret a world that has already been interpreted by others and have built their research on people’s description of it, because it’s their own impressions that give their actions meaning. Within the hermeneutic philosophy there are several ways of describing how to move from pre-understanding to new knowledge, through learning and understanding. Two of these ways are called the hermeneutic state and the hermeneutic spiral. The hermeneutic state can be compared to a circle with one movement whereas the hermeneutic spiral develops the circle with an outgoing movement towards a change of position.26 We believe that we can’t understand our choice of research phenomena, Competitive Intelligence, without constantly comparing parts of the situation with the whole and the other way around. Therefore we have chosen to use the hermeneutic spiral as an instrument for our interpretation. We think that this will give us more space for consideration and reflection.

2.2 Quantitative or Qualitative

Research can be done in a quantitative or a qualitative way. In a quantitative approach the author should convert information to numbers and figures. A qualitative approach, on the other hand, is related to what, who, where and when, using verbal analysis methods and is based on the researcher’s individual interpretation.27 The purpose of a qualitative study is to provide an illustration in order to gain a deeper understanding of a studied area, as well as provide a comprehensive picture of the situation.28

We have chosen a qualitative method since it allows the researcher to collect, analyse and interpret data that is not possible to measure with numbers.29 A qualitative method will be

---

25 Gilje & Grimen (2002)
26 Gustavsson (2004)
27 Guba & Lincon (1994)
28 Wallen (1996)
29 Kvale (1997)
used because the object of the study is to reach a deeper understanding of whether companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive.

2.3 Research Methodology

The thesis will be written from an understandable perspective. This means that we will try to enhance our own understanding as well as others about our purpose; whether companies on the Shanghai market use Competitive Intelligence today to stay competitive. To do this we will interpret and explain all the information gathered in a comprehensible way.

Throughout the whole process with this thesis we have discovered that there hasn’t been much research within this area, Competitive Intelligence in China, before. Therefore this thesis will be done in an explorative way, which means that we explore a relatively new, unknown area.30

2.3.1 Case Study

This thesis is a so-called case study. This means that we have used cases from real life for research purposes. This type of method fits all kinds of research; exploratory, descriptive, explanatory, theory-generating and theory-testing. In business studies a case study can be made in different ways, either as a study of the whole company’s activities or as a part of the company’s activities. It can also be used in situations such as certain types of life situations. A case study provides data for analysis and conclusion of a research. It’s mainly to look at a complex reality. This kind of study can be of both a quantitative and qualitative nature, but is mainly designed for qualitative research.31

There are several ways to carry out a case study; Gummesson (2000) presents one of them, a five-step model which will show the requirements to succeed with a case study.

1) Plan the case study research
2) Get access to the “real world”; connecting and generating case study data
3) Analyze and interpret data, to create a link between the empirical part, the theories and the conclusions.
4) Assure the quality of the case study
5) Present the research

30 http://home.swipnet.se/ollevejde/statistikord/explorativundersoking.htm
31 Gummesson (2000)
This is partly a stepwise process and partly a simultaneous occurrence.32

2.3.2 Pre-knowledge

When writing a scientific report there are certain demands, concerning presentation of the research process, that have to be met in order to make it possible for the reader to review the report.33 We are using a hermeneutic method when doing interpretations of primary data and secondary data. This makes it even more important to from the beginning to present our pre-understandings and their influence on the research process. To clarify and to be able to better control our interpretations, we will now present our pre-understanding.

We are both Swedish women in the aged 24-26 studying Business at Stockholm University. One of us has studied for one year in Shanghai and both of us have studied in Macau for one semester, which has given us some pre-understanding concerning the Chinese culture. We have also taken courses within the subject Competitive Intelligence that has led to pre-understanding in the main subject of this thesis. The facts that we both are business majors make us look upon problems through a business perspective and will probably affect our way of thinking.

2.3.3 Literature study

This thesis is based on a deductive aspiration where much of the discussion will be built on opinions from known scientists such as; Gilad, March and Cook. In the start up phase we also contacted Mr. Hamrefors, a professor at the Stockholm School of Economics. Mr. Hamrefors is an expert in CI and therefore we thought he could give us advice to find the most relevant and modern theories available.

The following step in our thesis process was to look for relevant, established theories and articles from well known authors that would help us to understand the concept “Competitive Intelligence” and how companies use it. The literature was mainly found through databases that cover all the libraries in Sweden and we have also used literature that we have had in previous Competitive Intelligence courses that we have attended at Stockholm University.

2.3.4 Empiric study

Since our purpose is to examine if companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive, we contacted several people in Shanghai and hoped to interview them about this matter. To make this process easier we visited Shanghai

33 Nyström (2002)
for eighteen days. We believed that this would help us to get a good picture about the attitudes towards CI and gain first-hand experience of Chinese culture. Together these interviews create the empiric part of the essay. The amount of cases used differs from one paper to another. However, there are some criteria that can help to determine how many that is needed. The first is the test criterion concerning whether or not the last case added any new information to the research. Secondly the trade-off criterion which says that the fewer cases the bigger the chance is to go deep into the research. Thirdly, is the question of how much time and money that can be put into the research? Since our goal was to reach a point of empiric saturation, the first criterion, where the last interview only confirms earlier interviews and does not bring new information to the empirics, we stayed alert during the last interviews to see if any new information was added. After ten interviews, only new information concerning the special conditions in the companies’ specific industry was added, and not so much about the general views of CI. In other words this saturation was fulfilled. With only ten interviews we were also able to conduct the information thoroughly and give every interview as much time as was needed to get as good information as possible, which is the second criterion. Already from the beginning we knew that 10-15 companies would fit our time and money limitations, the third criterion.

We have also interviewed a Swedish export organisation in Shanghai, the Swedish trade council, which has a good overview of the situation among companies acting on the Shanghai market today. In this interview we didn’t ask questions concerning their CI processes in their organisation, but what they think about the general CI situation among companies in Shanghai. Therefore, the same questioner, as when interviewing companies, was used but the person interviewed was asked to maintain a general perspective when answering.

Since it is hard to get in contact with companies acting on the Shanghai market we were only able to book interviews through different contacts. These interviews led to new contacts that enabled new interviews. Therefore the interviewed companies were not pursued in a random way but through contacts and access.

We wanted to get a general overview of the companies in Shanghai and have therefore not focused on any specific industry. Since it’s hard to get in touch with companies in Shanghai, the accesses we have had have decided which companies we have interviewed. The companies chose themselves which of their employees was the most relevant for us to interview concerning our thesis purpose.

34 Gummesson (2000)
2.3.5 Interview method

The main goal with interviews is to collect objective data in order to try to explain the objective reality. Objective mean that the information collected is not influenced by individual or subjective factors. Interview is a commonly used tool for collection of data. It can enable one to get in-depth information. There are many ways of doing interviews efficient and the outline depends on what information that is needed. Our interviews are a mixture of two methods; general interview guide approach and standardized open-end interview. The general interview guide approach guarantees that the same general areas of information are collected from each interviewee. It enables more focus than a conversation but allows a degree of freedom and adaptability in getting information from the interviewee. When using the standardized open-end interview the same open-end questions are asked to all interviewees. This approach makes it possible to do faster interviews that are easier to analyze and compare.

The interview with Sven Hamrefors was made in a general interview guide approach, where we started by presenting our research question and then we asked for Mr. Hamrefors’ spontaneous reflections. After that the interview was based on three questions.

In order to create the questions for the interviews with the various companies we met with Bobo af Ekenstam who is the CEO of a Competitive Intelligence company in Stockholm, called Docere Intelligence. Based on the conducted theories and the information we got from Mr. af Ekenstam, we created our own questions that easily could be linked to the used theories when doing our analysis.

When doing our interviews with the companies we have used the same questions for each interviewee in order to gather information as objectively as possible. However, these questions have been adapted to the interviewee to fit their knowledge within CI. We sometimes had to take a step back from our questioner and instead try to gather the same general information. We started by explaining and defining our view of CI because very few had heard about the term before. After making sure that they understood what we were researching we asked the same questions to all companies.

Both of the authors were present during the interviews. We had specific roles during the interviews where one of us acted as the interviewer and the other one wrote down all the information presented. We changed roles from one interview to another. Hopefully the fact of

36 Patton (1990)
37 Presented under Appendix B
38 Presented under Appendix A
having one interviewer, instead of two, asking all the questions would give a more continuous and structured impression. This would also enable the interviewer to go into details on areas that seemed more interesting and to adjust or change the questions when necessary. We discussed and wrote down the interviews together directly after an interview, in order to avoid misinterpretation or forgetting parts of what had been said.

2.3.6 Analysis method

In the analysis we interpreted the answers from the interviews and tied them together with the chosen theories. This is done in order to be able to find out if companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive. We read through the empiric part several times and searched for keywords and opinion that were frequently used, in order to reach our conclusions.
3 THEORETICAL REFERENCE

In this part the chosen theories will be presented. First we will present CI which is followed by a theory that explains how CI can be organised in an organisation. The next parts of the theories are about CI actions and will be presented in the same order as the so-called Competitive Intelligence Cycle.

The CI-cycle

3.1 Introduction to Competitive Intelligence

More and more companies are becoming aware of the importance of CI, that it is a requirement in order to survive.\textsuperscript{39} Understood in the simplest way you could describe it as an organized, structured information gathering followed up by analysis and processing to enhance the strategic decision-making.\textsuperscript{40} The main areas that CI helps companies with are to,\textsuperscript{41}

- understand the business environment better
- understand your industry better
- learn about your competitors’ corporation and business strategies
- forecast opportunities and threats
- anticipate competitors’ research and develop strategies
- reconstruct a competitor’s suppliers or customers financial, marketing and operation information

\textsuperscript{39} McGonagle & Vella (1996)
\textsuperscript{40} Cook & Cook (2000)
\textsuperscript{41} Cook & Cook (2000) p. 14
• validate or invalidate industry rumours
• create a company information library
• plug information leaks within your organization
• make effective decisions
• act rather then react

Before implementing CI strategy, the company has to become an intelligent organization.42 Making an organization intelligent is not an easy task. Organizational intelligence is complicated in the sense that it’s always changing; desires, actions and outcomes are all perceived differently depending on time, individuals and space. What is considered intelligent among one group over one time period may be unintelligent from the perspective of another time and with another set of desires.43

However, March begins his book “The Pursuit of Organizational Intelligence” with explaining how a company can be turned into an intelligent organization in order to survive. He says; “An intelligent organization is one that adopts procedures that consistently do well in the face of constraints imposed by such things as scarce resources and competition.” 44

3.2 Organising Competitive Intelligence45

Generally you could say that there is no right way of organizing CI in an organisation. Instead it depends on various factors such as; company size, organisation culture, the size of the CI function and if you wish CI to be a separate unit or not. Another thing that matters is the industry that a company is active in. A stable environment makes it easier to stay updated in than in a dynamic environment and the need for CI is therefore not as strong. Depending on these factors a company can choose different ways to organize their CI function.46

Mr. af Ekenstam discusses what he calls three-dimensional intelligence. This theory is based on viewing CI from three different levels; strategic intelligence, tactical intelligence and operational intelligence. It’s helpful to know which level your company uses since they need different amounts of employees involved, amount of resources and time spent.47 By determining where in the company the responsibility for the strategic development takes place you could establish on which level CI should be implemented.48
Strategic Intelligence is mainly about the future. Often this work is done in a centralized position in the company with close contact to the management. Since this work is limited only one to two people is enough on this CI position.\textsuperscript{49} A company that is structured around business units has several management groups in charge for every business unit. These groups are often responsible for the growth of a specific product or function. In these companies the top management is still in charge to monitor the overall success by observing the company’s strategic development and examine the macro environment. The CI knowledge is not very important among the various business units since they focus on the operative part, while the top management instead has a great need to learn about CI changes in their industry. Therefore a Strategic Intelligence level is suitable for these types of companies.\textsuperscript{50}

In more decentralised companies where different divisions have responsibility for their own future development and success the need for a decentralized CI is necessary. In these organizations the top management is not involved in the strategic decisions and therefore doesn’t need as much information about CI.\textsuperscript{51} Therefore a Tactical Intelligence level is more suitable for these types of organisation. People working with this type of CI should analyze prices, competition, customers and suppliers, everything that will help the company to understand how they can improve their own product and increase sales. This work is mostly done in teams of more than five people.\textsuperscript{52}

Even though smaller companies aren’t as structured, with established divisions or business units, as larger companies are, they do have the same variations of responsibility delegation. Therefore they can also choose to organize in a Strategic or Tactical level depending on their structure.\textsuperscript{53}

However, one problem that many companies have that makes it difficult to organize CI is the lack of distinguished work roles. One example is when a CEO gives business units responsibility to cover the gathering about their macro environment. This often leads to a short-term perspective where mostly operative decisions are prioritized. In a company like this the management could be delightful about constantly gaining market share for a product that is about to disappear from the market.\textsuperscript{54}

The most individualized level of CI there is the Operational Intelligence level. At this level the management should implement the understanding of CI to every single employee in the

\textsuperscript{49} Appendix D, Interview Mr. af Ekenstam
\textsuperscript{50} Pagels-Fick (2000)
\textsuperscript{51} Pagels-Fick (2000)
\textsuperscript{52} Appendix D, Interview Mr. af Ekenstam
\textsuperscript{53} Pagels-Fick (2000)
\textsuperscript{54} Pagels-Fick (2000)
organisation. They have to know how to gather, understand the meaning and analyze information that they get in their daily work. This knowledge could be created through different seminars or courses as long as every employee can relate to the importance of the work.\textsuperscript{55}

It’s difficult to determine who the right monitor for a specific field is. However, a good monitor should have access, ease and expertise. Access can come from expertise, position, education etc. Ease means that the monitor should be able to access the information as part of their daily work routine. Expertise is important in order for the monitor to be able to comprehend the data they collect. Without these three characteristics an effective monitoring work can hardly be done.\textsuperscript{56}

There is as stated above no “right” way when organizing CI. However, one important thing to remember is to always motivate and develop the knowledge of the employees working with CI. This is done when a person working with CI gets the opportunity to meet with people that work within the same field. This is how they learn and increases the quality of their work. It’s not always fun to be responsible for CI since much of the work is to map threats and come up with ways how to improve already established processes in the company. Through interactions with people in the same situations you understand your work is important.\textsuperscript{57}

Another thing for the management to establish when organising intelligence is to make sure that the external network between other CI-workers in the industry and your own CI-workers always is good. Since the CI work is all about understanding the external environment good connections with the players in this environment could mean a lot to the company.\textsuperscript{58}

3.3 Focus\textsuperscript{59}

Before starting the gathering process in the company it’s important to consider what they will focus their CI-work on. This is necessary in order to create a smooth and effective continuing process. What are the necessary processes and monitoring that needs to be under control? Which are the most dangerous players in the arena? These are questions that should be asked and answered. To be able to determine what the company should focus on the company could view itself from two different perspectives. It could be described as the relation between the exploration of new possibilities and the exploitation of old certainties.\textsuperscript{60}

\textsuperscript{55} Appendix D, Interview with Mr. af Ekenstam
\textsuperscript{56} Gilad (2004)
\textsuperscript{57} Pagels-Fick (2000)
\textsuperscript{58} Pagels-Fick (2000)
\textsuperscript{59} Appendix A, questions 3 & 4 is based on this theory
\textsuperscript{60} Appendix D, Interview with Mr. af Ekenstam
3.3.1 Exploitation

In other words, the exploitation part involves the current business and markets. The CI should here help the employees to be entrepreneurs to will discover the blind spots that surround the organisation. The blind spots are fields that the company doesn’t acknowledge today but will have to take into consideration in the future to survive. Gilad explains that there are three types of blind spots that organisations can be exposed to; unchallenged assumptions, corporate myths and corporate taboos. In the worst case a company can suffer from all three of them but it’s more common to have one or two. The three categories will be further explained below.

As a manager you have a set of assumptions that you base your decision making upon such as assumptions about yourself, the strength and weaknesses of the competitors, the barriers of entry into the industry etc. Many of these assumptions are based on the so-called “success factors” in the company. If for example a smaller competitor, who a manager thinks of as too small to interfere with the manager’s business results, presents a new product or solution, the manager will probably assume that this product is not to be considered as a threat. This is then an unchallenged assumption. Gilad points out that this is a universal blind spot. Large companies pay attention to large companies because they believe that small competitors are not considered professional. What comes out of this is that development that comes from a smaller competitor systematically is being ignored.

Corporate myths can be explained as assumptions an organisation has about itself. A corporate myth is often created from a successful tradition, like a “the way we do things” argument. A successful tradition doesn’t have to be harmful as long as it takes the changing competitive reality into account. However, it’s hard for managers to realize that a philosophy that in the past worked so well doesn’t work anymore, which could make it a dangerous blindspot.

The last blindspot that Gilad presents is the corporate taboos. Corporate taboos only survive because they have a strong support from the top and therefore considered not to be touched. This could for example be a mainframe such as spending money on developing an operative system despite customer resistance or not standardizing your products even though the market clearly prefers that, etc. These corporate taboos can often be traced back to a manager’s past. If a strategy has been successfully used earlier in the manager’s career he will probably use it

---

61 March (1999)
63 Gilad (1996)
64 Gilad (1996)
again without accepting any confrontation. Gilad says that breaking a corporate taboo can be a profitable enterprise and is often done when the management team is exchanged.\textsuperscript{65}

In an industry with slow development and slow change, blindspots are more likely to interfere with the business. In these industries behaviour patterns and roots have had decades to be implemented and established and are therefore considered untouchable. On the other hand, Gilad questions who has time to question wrong assumptions and corporate myths in a fast changing market. A conclusion is that blindspots are a danger to all kinds of organisations, whether fast or slow changing.\textsuperscript{66}

3.3.2 Exploration

Exploration on the other hand is the part which considers the company’s development towards unexplored areas. These are factors that today are considered as threats and therefore ignored. The CI should help the employees to evaluate these threats and turn them into opportunities.\textsuperscript{67}

One difficulty with these two issues is to manage them both in an efficient way. If a company focuses too much on exploration it will suffer the costs from experiment and not the benefits. If it, on the other hand, focuses too much on exploitation it will end up in a non sufficient, unwavering balance. Since the results from the two monitoring processes vary in variability, time and distribution within the organisation, it’s hard to determine how to allocate the resources between them in the most proficient way. Exploration, however, gives the most uncertain outcome. A company can never be sure if the new ideas, markets or relations will be needed in the future and how they will affect the company. Because of this these processes improve exploitation quicker than exploration. This trend tends to increase exploitation and decrease exploration which results in a self-destructive behaviour.\textsuperscript{68}

If the company succeeds in creating a balance between the exploration of new possibilities and the exploitation of old certainties it will be easier for them to determine what to focus on and what to monitor. This will also enable a more thought through gathering process.\textsuperscript{69}

3.4 Gathering\textsuperscript{70}

The second step in the CI-cycle is gathering the information. Gilad explains that learning is the only weapon against blindspots. It’s like a puzzle where small pieces of data has to be put

\textsuperscript{65}Gilad (1996)  
\textsuperscript{66}Gilad (1996)  
\textsuperscript{67}Appendix C, Interview with Mr. Hamrefors  
\textsuperscript{68}March (1999)  
\textsuperscript{69}Appendix D, Interview with Mr. af Ekenstam  
\textsuperscript{70}Appendix A, questions 5 & 7 is based on this theory
together with other types of data to be able to get the whole picture. However, it’s important to understand that the necessary data is out there to be collected which requires patience and discipline.  

3.4.1 Gathering processes

The gathering process is not about trying to lay hands on the competitors’ five-year strategic plan or dining with the competitors’ secretaries to find out about secret expansions. It’s all about understanding where your company stands in the market relative to its competitors.

When you have mapped your own position on the market and found out more about your competitors you have to be cautious about other sources as well. Gilad points out that you have to have knowledge about other players in the industry such as suppliers, buyers, regulatory bodies and partners. Otherwise you risk starting conduct competitor intelligence, instead of CI, where you follow and imitate the competitors’ moves.

There are different sources that a company could use to get the hold of the right information. First is the use of public sources to develop data, raw facts, on competition, competitors, and the market environment. It’s important not to forget that a lot of information is already within the company. More information that could affect your competitors could be collected from your own accounting department which has the latest financial news. Another source is the labour union that always is up to date with various labour issues in the industry. But useful information can also exist outside the company. Colleges, universities, government departments, venture capitalists and media are examples of external sources where you could find various types of information.

One method that can be used in the process of identify certain risks is to distinguish between forces that will affect the company in one way or another. These forces are called change drivers and consist of different factors that have an effect on the underlying industry structure. There are many different change drivers that organisations will have to take in to consideration depending on the industry. However, there are four classes of drivers that create most of the changes; technology or science, new regulation or other governmental/political action, new social/demographic trends and new competitive behaviour. If an organisation constantly watches these drivers and tries to have them under control, it will rapidly help them in the process of identifying the necessary risks that could threaten the company in the future.

---

71 Gilad (1996)
72 Gilad (1996)
73 Gilad (1996)
74 Cook & Cook (2000)
75 Gilad (2004)
After the procedure of identifying change drivers one still needs to identify risks. When doing so, one must have in mind that the risk of industry dissonance appears when there is dissonance between the market conditions and the company’s strategies. Therefore, it’s important to identify a company’s major policies and initiatives before comparing the to the market conditions.\footnote{Gilad (1996)}

3.4.2 Who Should Gather the Information\footnote{Appendix A, question 2 is based on this theory}

One challenge, that will help the company to get more intelligence, is to move the current CI operations from ad hoc operations to continuous analysis. Instead of using CI as a random analysis service, it should be rooted into the business and various strategies. The information gathering process should be replaced by an information supervision, who will manage the intelligent community, the organisation, where the main task would be to simplify the daily work for every member, individually.\footnote{Lecture notes, Gabriel Anderbjörk, 2005, Stockholm University}

An effective monitoring system provides the management with 24/7 monitoring of important risks and opportunities which require careful planning and maintenance.\footnote{Gilad (2004)} The monitoring of early warnings should be planned to prevent catastrophic surprises. The planning of the monitoring of strategic risks comes from the fact that the issues, industry uncertainties and their associated strategic risks have been identified and prioritized in the previous step of the early warning cycle. It is therefore possible to assign responsibility to different individuals who have more knowledge within the different topics or questions.\footnote{Gilad (2004)}

Many of the co-workers have information about the competitors based on personal experience. Perhaps they have worked for one of the competitors earlier in their career, or have heard things from suppliers, customers or other sources. It’s important that this knowledge is not being ignored.\footnote{McGonagle & Vella (1996)} Mr. Hamrefors explains in his interview that this knowledge could be enhanced when the CI is used by every single person in the organisation and in their daily work.\footnote{Appendix C, Interview with Mr. Hamrefors}

It’s difficult to determine who the right monitor for a specific field is. However, a good monitor should have access, ease and expertise. Access can come from expertise, position, education etc. Ease means that the monitor should be able to access the information as part of \footnote{Appendix A, question 2 is based on this theory}
their daily work routine. Expertise is important in order for the monitor to be able to comprehend the data they collect. Without these three characteristics an effective monitoring work can hardly be done.\textsuperscript{83}

\subsection*{3.4.3 Trade Information}\textsuperscript{84}

CI can be used as a way of benchmarking, a process for measuring performance against those companies that are best within certain areas.\textsuperscript{85} To reach the most successful result the various players in an industry should be involved. This is of course hard when a competitive environment exists and one organisation could gain competitive advantage over another firm based on the results.\textsuperscript{86} But one solution can be to look for a strategic partner instead of conducting “business as war”.\textsuperscript{87}

The foundation in competitive benchmarking is based on partnership and communication among players. Instead of conducting secret collection of factors and examining the information available, both partners gain in a collaboration if they share information with each other and discuss practices.\textsuperscript{88} This fact is supported by Mr. Hamrefors who explains that today everybody leaks information to each other and depend on each other despite the fact that you are competitors. If a company today keeps to itself and doesn’t listen to other companies and the information they give you, they will fall behind.\textsuperscript{89}

\subsection*{3.5 Analysis}\textsuperscript{90}

When you have gathered information that could be useful for the company it’s of great importance to determine what it could mean to the company and in what way it could affect the company. Therefore the analytical part is as important as the gathering part. To start with the company has to figure out if any of the information could be transformed into a blindspot.\textsuperscript{91} When you have tracked and mapped all this information it’s easier to see in what areas gaps exists. Then you can decide in which areas you need more monitoring and where you have sufficient information.\textsuperscript{92} Are your earlier assumptions about the industry still correct or is there for example an upcoming competitor that should be taken in to account? Is the industry moving on with technology and solutions that over performs yours? Is “the way you

\begin{itemize}
\item\textsuperscript{83} Gilad (2004)
\item\textsuperscript{84} Appendix A, question 6 is based on this theory
\item\textsuperscript{85} McGonagle & Vella (1996)
\item\textsuperscript{86} Cook & Cook (2000)
\item\textsuperscript{87} Cook & Cook (2000) p. 151
\item\textsuperscript{88} Cook & Cook (2000)
\item\textsuperscript{89} Appendix C, Interview with Mr. Hamrefors
\item\textsuperscript{90} Appendix A, questions 8 & 9 is based on this theory
\item\textsuperscript{91} Gilad (1996)
\item\textsuperscript{92} Cook & Cook (2000)
\end{itemize}
do things” still accurate or do you live in the past? These are questions that the management has to answer to be able to detect some of the blindspots. After the analytical part a “clear-cut organisational process” has to be established between the CEO, on a corporate level, to the president, on the business-unit level. This is necessary when the effects of discovering a blindspot are to be implemented.  

One method to use when analysing the information gathered demands that the employees in charge of the CI processes create a continuous flow of information about external environment changes in order to always have access to the latest information. After establishing this they start to analyze the information. The information gathered should be analysed in such a way that four different groups of suggestions can be mapped. These are:

- Suggestions for new activities in the market
- Suggestion for new strategies
- Suggestions for deeper research areas
- Suggestions for new measurements

When these suggestions are made the employees involved can easily determine if the company should move in any specific direction or focus on a specific strategy.  

Another method that can be used in the analysing process is to use the tool scenarios. With the most accurate changes as help, analysts and managers can hypothesize about possible directions or scenarios that the company could face in the future. Since it can be difficult to determine long-term trends in an industry from simple news happenings, various scenarios created could instead be supported with the news flow that gathered. In other words, the daily news collected is analysed to support various scenarios that the company has about the future. This method is especially useful when an organisation has to deal with great uncertainty, because working with scenarios helps you to analyze different possible future outcomes, and prepare for each one of them. The benefits of making analysis through scenarios are that both “likely” and “not so likely” alternatives are explored. Even though something unexpected takes place in the future the company will have some preparation of how to handle this. This makes the companies become aware of a range of potential risks and opportunities. Scenarios are best constructed by a cross-functional team of experts, which can be done only through internal resources or with external input.

---

93 Gilad (1996)
94 Pagels-Fick (2000)
95 Gilad (2004)
96 Pagels-Fick (2000)
97 Gilad (2004)
A more thorough way to analyse the gathered information is to use monthly analysis reports. One employee in charge of the reports collect all the information gathered during one month and summarizes it by using headlines and reviews. The analysers choose the most relevant reviews and tie it to the company’s situation today. They also summarize what external experts have said about these areas. The articles should end by suggesting how the company should act concerning this question or if this will affect the company in a long-term perspective. All the articles are gathered by the employee in charge for the monthly reports who writes it up in one document. As a final step all the writers meet to discuss each others inputs and how important the conclusions are. Then actions can be taken if necessary.\textsuperscript{98}

However, since the top management often is those who must make the ultimate decisions concerning CI, it’s impossible, at this stage, not to have them involved in this process. This can create problems since it’s known to be a very hard and delicate issue to get management to act on decisions that have not been taken on a managerial level. However, important decisions concerning the company’s future can seldom be completed unless it produces actionable intelligence. If the management doesn’t do anything about the risks and opportunities that become clear during the analysis process, it’s all in vain. This indicates that CI work cannot be done without the full support and interest from the management.\textsuperscript{99}

Because of this it’s of great importance for the employees responsible for the CI processes to make it easier for the management to take part in the CI work. The goal is not to yield an immediate management action but to force management’s awareness. Management’s awareness instigates a whole set of actions – debates, discussions, deliberations, further studying, and finally, at management’s discretion, planning and visible initiatives.\textsuperscript{100}

3.6 Presentation\textsuperscript{101}

It’s important that everyone in the organisation has the opportunity to take part in the CI-work result. How this exactly should be structured varies depending on the company’s size, infrastructure and culture. It’s much easier for a small company to share the information since all the employees interact with each other in their daily work. To simply talk and have discussions about the CI work could also be a good solution in the bigger companies even though it could be difficult to keep track of who has been involved in the discussions and not. With the increasing size of the company the amount of employees increases that have to be

\textsuperscript{98} Pagels-Fick (2000)
\textsuperscript{99} Gilad (2004)
\textsuperscript{100} Gilad (2004)
\textsuperscript{101} Appendix A, questions 10-13 is based on this theory
informed and influenced. When the amount of employees increases the need for structured presentation processes evolves.\textsuperscript{102}

It is of great importance that the monitors feel that their work is appreciated and used. Otherwise there is a chance that they will stop producing.\textsuperscript{103}

\textsuperscript{102} Pagels-Fick (2000)
\textsuperscript{103} Gilad (2004)
4. EMPIRICAL STUDY

In order to give our thesis an empiric picture, we have interviewed ten companies who are operating on the Shanghai market today. These are:

- PG Design & Brand Consulting
- Carrefour China
- Jademia
- BONTAZ
- IKEA
- Dragonfly Group
- Shanghai Baosteel Engineering and Construction Cooperation (BSCC)
- Shanghai Zhangjiang Micro-electronics Port Co.
- Genesis Investment Management
- Swedish Trade Council

Based on our theory we have created a questionnaire which all the interviews have followed. The seven questions will be presented in numerical order with answers from all the interviews gathered under each specific question. Despite the fact that the companies operate on different markets and they vary in size, many of the answers were alike. Therefore we will present the general opinion of every specific question. All the interviews are presented as Appendix 8.5 to make it possible for the reader to examine a specific interview if there is an interest for that.

4.1 Organising Competitive Intelligence

Three of the companies; Jademia, Dragonfly Group and Genesis Investment Management are using the Operational Intelligence level. The three companies require that their employees should know these kinds of CI-processes when entering the company which is why they don’t educate their employees in these matters.104

PG Design & Brand Consulting say that they use a Tactical level today but in the future they hope to switch to a Strategic level to be able to be long-term successful. The goal for PG Design and Brand Consulting is to have two to three core-persons responsible for the process. Mr. Ge believes that today even though CI is held on a Strategic Intelligence level he says that every single person has to be alert. Furthermore, he says that there are not only strategies that

104 Appendix E, Interview with Sara Wang, Eric Tarchoune and Frank Wu
are important, short term figures are also needed. In order to survive you need a local knowledge but need to meet an international standard. 105

At Shanghai Zhangjiang Micro-electronics Port Co. the CI takes place on a Tactical and Operational Intelligence level within Shanghai Zhangjiang Micro-electronics Port Co. Shanghai Zhangjiang Micro-electronics Port Co. is state-owned and therefore they explain that they have difficulties to use a Strategic level. Today they have no options to switch to a Strategic level they will stay on the Tactical and Operational level in the future. 106 Mr. Zhang explained that within the real estate industry employees’ work in teams to collect information. The members in these teams change with new projects which mean that every employee, sooner or later, collects information. This makes the information gathering processes within real estate companies different from other industries. 107

Carrefour China and BONTAZ use the Strategic level today and aim to do so in the future. 108 Mr. Dupeux at Carrefour China says that this level is the only solution for large companies; otherwise the CI work would be too time-consuming. 109 At BONTAZ the management takes care of the information because it would be too dangerous to share it with everyone in the company. 110

The last two companies are IKEA and BSCC that are working on all three levels of Intelligence. At BSCC the employees are encouraged to gather information on their own, which could lead to a reward if it’s valuable for the company. Second, they have two departments whose work is to gather and evaluate information. Finally the management gathers information and makes decisions based upon it. 111 IKEA works almost in the same way, where the employees in the stores are asked to keep track of the costumers’ needs. One can also see that they work on a tactical level since different divisions in IKEA do their own information gathering in their specific areas. Finally the management creates the strategies that are presented through out the whole company. 112

4.2 Focus

All the companies explain that they do collect information within these areas today. However, the ways of doing it differ whether or not the company is state-owned or private. For example

105 Appendix E, Interview with Parson Ge
106 Appendix E, Interview with Zhang Liangqi
107 Appendix E, Interview with Zhang Liangqi
108 Appendix E, Interview with Cedric Rexovice and Liu Yanchang
109 Appendix E, Interview with Yann Dupeux
110 Appendix E, Interview with Cedric Rexovice and Liu Yanchang
111 Appendix E, Interview with Doctor Yu Feng
112 Appendix E, Interview with Magnus Omstedt
companies like Jademia, BSCC and Shanghai Zhangjiang Micro-electronics Port Co. are all state-owned or are acting on a, by the government, extremely regulated industry. All of them explain that they don’t have to gather information about their competitors, partly because the government supplies them with the information necessary and partly because the regulations make it almost impossible for new companies to enter their industries. Ms. Wang at Jademia says that since their industry is regulated by the government and it changes laws and regulations fast, their main effort has to be to monitor these changes. Instead these companies focus on gathering information about new business opportunities, suppliers and customer’s requests, etc.  

The other companies that are not as connected to the Chinese government gather information about their competitors as well as about their suppliers, customers and clients. PG Design & Brand Consulting and Carrefour China are conducting information both internally and externally, which they explain helps them to stay updated.

### 4.3 Gathering

Roughly you could say that there are three different ways that all the companies are using to gather information. The first, and most important one, is through their personal networks. All the interviewed companies explained that without a great personal network, or Guanxi as it’s called in Chinese, it will be difficult to get hold of the necessary information. This is so important that many of the interviewed start their working day to calling up members of their Guanxi to make sure that nothing new has happen in their industry overnight. Ms. Nilsson at the Swedish Trade Council explains that during recruitment processes companies do evaluate the Guanxi of people applying for the job, where people with a great Guanxi are more valuable to the company than those without it. Mr. Yanchang at BONTAZ explains that if a close contact is not held to members of their Guanxi, they will ignore BONTAZ and stop doing business with them. However, both Jademia and Shanghai Zhangjiang Micro-electronics Port Co. express a desire that the business environment should be more organized and professional, where a relationship can be based on a written contract and not on a personal relationship that constantly has to be nurtured. Mr. Omstedt at IKEA and Mr. Wu at Genesis Investment Management explain that they are using less and less Guanxi in their daily work and that the importance of a great Guanxi is decreasing. Ms. Nilsson at the Swedish Trade Nilsson summarizes by saying that Guanxi is very established in China but Chinese companies are becoming more professional with time.

113 Appendix E, Interview with Sarah Wang, Doctor Yu Feng and Zhang Liangqi
114 Appendix E, Interview with Parson Ge, Yann Dupeux, Cedric Rexovice, Liu Yanchang, Magnus Omstedt, Eric Tarchoune and Frank Wu
115 Appendix E, Interview with Sarah Wang and Eric Tarchoune
116 Appendix E, Interview with Sarah Wang and Zhang Liangqi
The second way to gather information is through the internet and newspapers. For example BSCC explains that they have subscriptions to industry newspapers which are available for the employees to read. The companies tied to the Government can get all the information about new laws and regulations in their industry from the government website.117

Finally companies can get information about their industry from various industry associations and trade divisions. However, Ms. Nilsson at the Swedish Trade Council explains that these sources could be untrustworthy since the lists of various association members are seldom updated and these lists are difficult to get hold of.

Almost all the companies say that they hardly ever exchange information with companies in the same industry or market. The reason for this is partly because the trust that has to be created between the two parties often doesn’t exist and partly because of the strong competition which forces companies to be careful that they don’t get copied. However, between actors not aspiring on the same market or industry it’s much more common to trade information. Mr. Dupeux at Carrefour China says that many international companies have joint ventures and partnerships with Chinese companies which make it natural for them to exchange information. Another way to exchange information is to work together with suppliers towards the end customer, which also is common according to BSCC.118 The only two companies that say that they do trade information with their competitors are IKEA and Jademedia. However, Mr. Omstedt at IKEA explains that this is done in a very general way and Ms. Wang at Jademedia says that they have to be careful when doing that.

According to almost all of the companies interviewed the main problem about information gathering in Shanghai is that it’s difficult to get access to reliable and official information.119 As Mr. Wu from Genesis Investment Management points out, it’s not just about gathering information, it’s about gathering the right information. Because of this situation the business people in Shanghai have to rely on their Guanxi even though they don’t want to, since it’s the only way to find dependable information. Mr. Tarchoune at Dragonfly Group explains that this problem is one reason why CI never will be as wide and open in China as it is in Europe.

Only Shanghai Zhangjiang Micro-electronics Port Co. expresses that this is not a problem since they get almost all information they need from the government.120 However, Ms. Nilsson at the Swedish Trade Council says that the government could be supportive in some

117 Appendix E, Interview with Doctor Yu Feng
118 Appendix E, Interview with Parson Ge, Yann Dupeux, Cedric Rexovice, Liu Yanchang, Eric Tarchoune, Doctor Yu Feng, Zhang Liangqi and Frank Wu
119 Appendix E, Interview with Parson Ge, Yann Dupeux, Sarah Wang, Cedric Rexovice, Liu Yanchang, Magnus Omstedt, Eric Tarchoune, Doctor Yu Feng and Frank Wu
120 Appendix E, Interview with Zhang Liangqi
matters but when it comes to gathering information in other areas, like for example tax regulations, it gets harder.

Mr. Tarchoune at Dragonfly Group explains that the Chinese people are masters in collecting information in an indirect and unsophisticated way. Without knowing these unorganized processes it could be difficult for international companies to survive. Mr. Yanchang at BONTAZ also explains that there is an “under the table” information gathering in Shanghai which companies have to learn. One of the key-words in this procedure is Guanxi and to treat your contacts with respect.

Sofie Nilsson at the Swedish Trade Council explains that another problem when gathering information is to find the right person in the right position and with the right information. This is hard because the Chinese employees have very specific and narrow responsibility areas and if you don’t get hold of the right person in charge of the specific matter you will be transferred. Mr. Dupeux at Carrefour China explains that only 10 percent of the CI-work is brought down to staff level and the staff is also not expected to gather information. On head management level on the other hand, everybody is asked to stay close to the market and pay attention to their surroundings.

4.4 Analysis

None of the companies interviewed analyze the information gathered in a specific way or put it in a database. Jademia, Dragonfly Group and Genesis Investment Management explain that instead most of the information stays in their heads. However, Mr. Wu at Genesis Investment Management explains that if the information is extremely important to the company they will dig in to it more thoroughly. Yann Dupeux at Carrefour China explains that they don’t collect and analyze information in all areas. Because of their size they believe that small and middle sized companies aren’t interesting to monitor.

One thing that has to be considered is the trustworthiness of the information gathered. Mr. Yu at BSCC says that it’s important to evaluate information about players in the industry since many of them are not serious. Both Dragonfly Group and Jademia say that all the information gathered is discussed with members of their personal network in order to determine what should be considered as valuable and trustworthy information and not.

121 Appendix E, Interview with Sarah Wang, Eric Tarchoune and Frank Wu
122 Appendix E, Interview with Sarah Wang and Eric Tarchoune
4.5 Presentation

The relatively small companies Jademia and Genesis Investment Management that has few employees explain that they don’t have to present the information in a specific way since it’s easily shared. The other companies keep most of the information gathered within the management level. Mr. Rexovice at BONTAZ says that employees in China today are salary-oriented which make it difficult for them to see the company in a long-term perspective. If they get too much inside information about the company they could easily switch to a competitor and reveal important information if more money is offered. Mr. Ge at PG Design & Brand Consulting says that it’s impossible to implement CI information throughout the whole company since employees at lower levels aren’t that loyal and dedicated to the company. Because of this many of the companies only let the employees have access to information and decisions that affect them.

However, also in some of the bigger companies parts of the information are shared with the employees. At PG Design & Brand Consulting they do work with workshops that are held yearly where issues such as vision and mission are presented to the employees. This in order to make sure that everybody has the same values. Mr. Dupeux at Carrefour says that every store manager is in charge of spreading new information to his or her employees, which is done during morning meetings. There is also a bulletin board in every store where information and alerts are posted. To maximize the information exchange, regular seminars are held where successful ideas are presented.

At BSCC the results based on the information gathered are only presented to the people involved. However, if a big change is going to take place everybody in the company gets to know about it. This is done through big meetings where all the employees are involved.

4.6 The Future

Only IKEA and Jademia believe that their CI processes need to be improved, the rest of the companies say that the way they do things today suits the company and it’s enough. Mr. Dupeux at Carrefour China explains that since CI is not the core activity in many companies today and since it has been considered as spying, many companies think twice before using it and therefore there’s no need to improve it.

123 Appendix E, Interview with Sarah Wang and Frank Wu
124 Appendix E, Interview with Parson Ge, Yann Dupeux, Cedric Rexovice, Liu Yanchang, Magnus Omstedt, Eric Tarchoune and Doctor Yu Feng,
125 Appendix E, Interview with Parson Ge, Yann Dupeux, Cedric Rexovice, Magnus Omstedt and Zhang Liangqi
126 Appendix E, Interview with Doctor Yu Feng
127 Appendix E, Interview with Parson Ge, Yann Dupeux, Sarah Wang, Cedric Rexovice, Liu Yanchang, Magnus Omstedt, Eric Tarchoune, Doctor Yu Feng, Zhang Liangqi and Frank Wu
Furthermore the interviewed companies don’t believe that educating their employees concerning these matters is necessary. One reason for this, Mr. Ge at PG Design & Brand Consulting explains, is that the employees don’t have to be educated in these matters since they never have to deal with them. Another reason is that the companies think that their employees should already have these skills since they believe it’s something you learn automatically when doing business.128

128 Appendix E, Interview with Parson Ge, Yann Dupeux, Sarah Wang, Cedric Rexovice, Liu Yanchang, Magnus Omstedt, Eric Tarchoune, Doctor Yu Feng, Zhang Liangqi and Frank Wu
5 ANALYSIS

In this chapter the empiric research will be linked together with the chosen theories in order to interpret it.

5.1 Organizing Competitive Intelligence

When summarizing the theories concerning how a company should organize its CI function factors such as company’s size and organisation culture, the size of the CI function appears to be of importance. Another thing that matters is the industry that a company is active in. A stable environment makes it easier to stay updated in than in a dynamic environment and the need for CI is therefore not as strong.\(^{129}\)

The interviewed companies differ in many different ways but, as we see it, some of the most differing factors are; how many employees a company has, if it’s state-owned or private, if it’s international or domestic and on which industries they are active. In the table below we have compared the companies’ structures with the choice of intelligence level, in order to highlight possible relations.\(^{130}\)

<table>
<thead>
<tr>
<th>Company</th>
<th>Strategic Int. Level</th>
<th>Tactical Int. Level</th>
<th>Operational Int. Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSCC</td>
<td>• 30 000 employees</td>
<td>• 30 000 employees</td>
<td>• 30 000 employees</td>
</tr>
<tr>
<td></td>
<td>• Chinese state-owned</td>
<td>• Chinese state-owned</td>
<td>• Chinese state-owned</td>
</tr>
<tr>
<td></td>
<td>• Construction</td>
<td>• Construction</td>
<td>• Construction</td>
</tr>
<tr>
<td>BONTAZ</td>
<td>• 40 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• French private-owned</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Automobile.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrefour</td>
<td>• 35 000 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• French private-owned</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dragonfly Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Genesis Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{129}\) Theoretical part p. 20  
\(^{130}\) Facts found in Appendix E
When analysing the table there are not many direct correlations between any factors and the choice of intelligence level.

One clear connection that can be seen is that all the small companies; Jademedia, Dragonfly Group and Genesis Investment Management that have ten or less employees, are working on an operational level. As they state themselves, it’s natural for them to decentralize the information gathering to extend to all of their employees since they are so few. The theory states that on this level the management should implement the understanding of CI to every single employee and to teach how to gather and understand the meaning and analyze information that they get in their daily work. However, we can’t see that any of these companies are teaching their employees how to do these processes. Instead it’s something that they demand that their employees already know when joining the company. This makes one question the quality of the information gathering, for example factors might be overlooked or employees might not gather information at all. Furthermore the theory says, organizational intelligence is always changing, what is considered intelligent among one group over one time period may be unintelligent from the perspective of another time and with another set of desires. We think that this shows the importance that the employees always are learning new ways of conducting information and what kind of information to look for in order for the company not to stagnate. Since these companies aren’t doing so it could mean that they are in the risk zone of falling behind compared to other companies doing this correctly.

Also, the theory makes it clear that even though small companies might not be as structured, with spoken out divisions or business units, as larger companies are, they do have the same variations of responsibility delegation. Therefore they can also choose to organize in a Strategic or Tactical level depending on their structure. The small companies that we have interviewed don’t appear to see the two other levels, Strategic and Tactical, as an alternative.
It seems as if they think that the Operational level doesn’t mean that too many strategies or structures have to be implemented and that is why an operational intelligence level fits their companies. However, also the operational intelligence level demands strategies and development just as the other levels and it is not unlikely that another CI level could fit these companies better.

The company working on a tactical level is PG Design & Brand Consulting. However, Mr. Ge at PG Design & Brand Consulting hopes that they in the future could switch to a Strategic level to be able to be long-term successful. The theory states that a tactical level fit companies that work in a more decentralised way, where different divisions have responsibility for their own future development and success. There is nothing in the theory that says that this Intelligence level isn’t future oriented. Quite the opposite the theory says that the employee’s analyses of prices, competition, customers and suppliers will help the company to understand how they can improve their own product and increase sales.

Besides this PG Design and Brand Consulting gives the impression of understanding the importance of CI and how it can be structured. This we base on their goal to have two to three core-persons responsible for the CI process but that every single person has to be alert. They also want to work with CI on a short term and a long term basis. However, these are their plans for the future and not something that they are doing today. So it is not certain whether or not they will implement these strategies in the future.

Zhangjiang Micro-electronics Port Co works with CI on both a Tactical and Operational level. Mr. Zhang at Zhangjiang Micro-electronics Port Co stated that they can’t work on a strategic level because they are state-owned and therefore will keep on working on a tactical level. According to the theory, whether a company is working in a stable environment or not influences the ease to stay updated. In this case, Shanghai Zhangjiang Micro-electronics Port Co, since it’s state-owned, is protected by the government and gets most of the information that it needs from the government. The market is also regulated by the government which means that no new competitors will be established unless the government wants that. This means that they are working in a stable environment. We understand this to be the reason why Zhangjiang Micro-electronics Port Co doesn’t think they have to work on a strategic level.

The two companies that are working with their CI on a strategic level are Carrefour China and BONTAZ. Reasons for having CI on a Strategic Level that are brought up in the theory are; planning for the future or a different division is in charge of the operations and the management takes care of the monitoring of the industry. These reasons are not mentioned in the interviews with these two companies. Instead both of the companies’ reason for choosing their intelligence level is because they don’t feel like they have any other choice; Mr. Dupeux
at Carrefour China says that it’s because anything else would be too time consuming and Mr. Rexovice at BONTAZ says that the management takes care of the information because it would be too dangerous to share it with everyone in the company.

BSCC and IKEA are working on all three levels of Intelligence. These two companies create the impression of having understood the importance of CI and seem to be working with it in an active way. The reason for this, we believe, is because they are big, have the resources and knowledge necessary to organize and understand the importance of such a process.

5.2 Focus

Before starting the gathering process in a company it’s important, according to the theory, to consider what they will focus their CI-work on. This is necessary in order to create a smooth and effective continuing process. To be able to determine what the company should focus on the company could view itself from two different perspectives. It could be described as the relation between the exploration of new possibilities and the exploitation of old certainties.

The companies that are owned by the government or acting within industries that are strongly regulated by the government, Jademia, BSCC and Shanghai Zhangjiang Micro-electronics Port Co., are not focusing on gathering information about their competitors. This is partly because the government supplies them with the information necessary and partly because the regulations make it almost impossible for new companies to enter their industries today. Because of this these companies focus on gathering information about new business opportunities, suppliers and customers requests, etc. Compared with the theories this indicates that these companies are more focusing on exploration, which means that their information gathering pays more attention towards unexplored areas. This could lead to the companies ignoring today’s threats. By ignoring today’s threats a company could create the blindspot called unchallenged assumptions. This means that the management has certain assumptions that they base their decision making upon. These assumptions can lead to that factors aren’t seen as threats. In this case the companies might think that they will be protected by high entry barriers which could lead to them not staying updated enough regarding governmental changes that might change for example the competition situation. However, because of the stable environment these companies are working in on, this doesn’t seem to be a problem today. Nevertheless, this is something that might change if the regulation should diminish in the future.

Furthermore, as Ms. Wang at Jademia, also operating on a regulated market, said because of the governmental power in their industry, their main effort has to be to monitor the government thoroughly and its changes in regulations. However, what these companies have to monitor is not just the government but other factors that could change the situation on their
market that would force them to start conducting more CI about their competitors, for example international entries or joint ventures. This might be easier said than done, but is still very important.

Another blindspot that could affect the state-owned companies is the corporate myths. In a company with strong traditions and a “the way we do things” mentality, the corporate myths could evolve. In this case the companies might think that the government has provided them with information successfully for a long time and will do so in the future. This mentality isn’t harmful as long as the company takes the probable changing competitive reality into account and make sure that the government knows what’s best for them.

The other companies that are not as connected to the Chinese government gather information about their competitors as well as they do about their suppliers, customers and clients. This indicates a will to want to stay up-dated on what is going on in their environment and avoid blindspots. However, many of the interviewed companies gathering processes seem to be randomly completed. There is no logical explanation to why they focus on different areas more than others etc. The result is unstructured processes without giving employees any specific focusing areas. Therefore if a new area comes up, that the company would benefit to focus on, the opportunity would probably slip through their hands because of their unawareness.

Finally, the theory explains that a mixture between exploitation and exploration would help the company to figure out what to focus on. But while the state-owned companies mostly are focusing on exploration and undeveloped areas the privately-owned companies seems to live too much in the present. Only IKEA and Jademia believe that their CI processes need to be improved, the rest of the companies say that the way they do things today suits the company and it’s enough. Along with these attitudes unawareness about new possibilities is created. This indicates that the state-owned company could risk supporting too many uncertain outcomes which could lead to them suffering the costs from experiment without any benefits. The private-owned companies on the other hand could end up in a non sufficient, unwavering balance.

5.3 Gathering

5.3.1 Gathering process
As the theory explains the gathering process is all about understanding where your company stands in the market relative to its competitors. However, this doesn’t mean that you only have to gather information about your competitors. Other players in the industry such as suppliers, buyers, regulatory bodies and partners also have to be monitored. When you look at
the situation among the interviewed companies much of their gathering is based upon the
information they get from their Guanxi. This means that it’s impossible for the company to
make sure that it gathers information about various players and not just competitors. The same
type of information will be conducted over and over again since the Guanxi network would
have knowledge within specific areas and about specific players. Only if the Guanxi network
is constantly enlarged and the management makes sure that information from the Guanxi
consists of information about all the players necessary to monitor, the Guanxi could be seen
as a sufficient source in the gathering process. However, this is not the situation today.

Other sources that according to the theory could help you to find the right type and mixture of
information is through public sources such as newspapers, employees and external institutions
such as colleges and venture capitalists. First of all you could determine that the only public
sources mentioned by the companies are internet and newspapers. The state-owned companies
get all the information they need from the government through their website. Because of this
situation the state-owned companies says they don’t need to use CI in a wider range. Instead
they believe that the information they need is provided to them, at least the information about
competitors. This indicates that the government has total control of what kind of information
these companies get. Furthermore the government could decide how many players an industry
should have by helping certain companies to stay competitive by providing the right kind of
information and monetary support. In addition it can monitor all the services and products that
are going out from these companies which mean that they know what variety the Chinese
people have to choose from.

Private companies however, express a use of newspapers as a source of information. The
reason for this is for management as well as regularly employees to read and keep updated.
However, there is only one company, BSCC, who actively encourages their employees to by
themselves gather information and pass it forward. Instead, information that the employees
gather from the newspapers is not being evaluated in any specific way. Since the theory
explains that feedback is necessary for the employees to keep them motivated, the newspapers
are useless.

The companies explain that they get information from various industry associations and trade
divisions. But since these lists are seldom updated and difficult to obtain it’s likely that only a
small amount of important information can be gathered in this way.

Based upon this you could determine that the gathering process is a randomly performed
process among companies on the Shanghai market. The importance of collecting information
from various players is being ignored since the Guanxi decides what kind of information that
is available and the Guanxi is not as structured for the information gathering to benefit from
it. The opportunity to take the employees as help in the gathering process is also not used in an effective way since any feedback is given back to them. Because of this it doesn’t matter how much the employees are encouraged to read newspapers or gather information from the internet. Without appreciation for what they have done their motivation will disappear and consequently the results. Finally, the stiffness in the society about updating official information creates a difficulty to get reliable information from official and external institutions. This problem is bigger in China than in many other countries and gives the companies on the Shanghai market a handicap. In theory various change drivers are presented that should be monitored. But since information about these change drivers; new technology, new regulations or other governmental/political actions and new social/demographic trends are mostly gathered from official sources, it’s difficult for companies to stay updated with these change drivers even though they have a desire to do so.

5.3.2 Who Should Gather the Information

According to the theory an effective monitoring system provides the management with 24/7 monitoring of important risks and opportunities which requires careful planning and maintenance. It’s important not to ignore that the co-workers could have information about the competitors based on personal experience and therefore be a suitable monitor. Furthermore, the theory express that the people in charge of monitoring should have access, ease and expertise or otherwise they can’t evaluate what information is important or not.

According to the companies interviewed most of the gathering is done on a managerial level in the company, it’s only IKEA, Dragonfly Group and BSCC that encourage their employees, on all levels, to gather information. The reason for this is partly because the management doesn’t believe that the employees are loyal enough to distribute important information up to the management, and partly because the employees don’t have as strong commitment to the company, as perhaps employees in Europe, since their work should not fulfil a purpose or fulfil their dreams. Furthermore, the employees have very specific and narrow responsibility areas and because of these they have little knowledge outside their own territory. Therefore it could be difficult to find employees that at the same time have the right education, access to the right information and the knowledge to comprehend data, which are the three characteristics that a successful monitor should have.

5.3.3 Trade Information

According to the theory CI can be used as a way of benchmarking, a process for measuring performance against those companies that are best within certain areas. The foundation in competitive benchmarking is based on partnership and communication among players. A
company should get a strategic partner where both partners gain on the collaboration if they share information with each other and discuss practices. However, when interviewing the companies it turns out that they seldom exchange information between players operating on the same market. The competitive environments in many industries are so hard that a company has to be careful when sharing information so that they don’t get copied. Despite the habit to use Guanxi in their business work many of the interviewed explains that the trust that has to be created when having a partner is difficult to establish between companies in the same industry. This indicates that competitive benchmarking would be hard to implement within Shanghai companies acting in the same industry. It seems like the only reason why these companies still can stay competitive on the market without sharing information with each other is because no one takes advantage of the opportunity.

5.4 Analysis

A company should determine if any of the information gathered could be transferred into a blindspot. Then they can decide in which areas they need more monitoring and where they have sufficient information. The theory then expresses three different ways to move on with the analysing part. These are; analyze the information in such a way that four different groups of suggestions can be mapped, working with scenarios and finally, use monthly analysis reports.

It could be determined that none of the companies interviewed are doing this in a structured or even in an unstructured way. Not even some part of the three ways of analysing information could be discovered within the companies. Most of the information is said to stay in their heads if it’s not extremely relevant, then they could dig into it further. However, there are no clear processes internally on how to decide which of the information that could be considered as more important than the other. Instead some companies explain that the information is shared with various contacts from their Guanxi who help them to determine what should be considered as valuable and trustworthy information and not. But since these are the same people helping them to gather the information it’s likely that they support the information they delivered in the first place and that they don’t understand the importance of the other information.

Nevertheless, one thing that the companies do consider is the trustworthiness in the information gathered. Once again it’s determined that it’s a problem among companies on the Shanghai market to get the hold of reliable information.

Mr. Dupeux at Carrefour China says that if they analyze the information, they only analyze information from big competitors, since the small aren’t considered as a threat. This is a
typical blindspot which easily could develop into an unchallenged assumption. This indicates that the company thinks of themselves as too big to have to care about their surroundings. This attitude is devastating for a company in a long-term perspective.

5.5 Presentation

The main thing that the theory says about the presentation part in the CI-cycle is that everyone in the company should have the opportunity to take part in the CI-work result. There is no exact way how this should be organized since it varies with the company’s size, infrastructure and culture. With the increasing size of the company the amount of employees increases that have to be informed and influenced. This could also be seen in the presentation structures of the interviewed companies. The smallest companies with less than ten employees simply use discussions in their daily work to enlighten each other. This indicates that these companies are based on a decentralised and equal work situation. However, even though the theory says that discussions can be used in larger companies as well, in a more structured form, this is not the situation among the larger companies interviewed. In these companies the employees’ attitudes and loyalty are strongly questioned and therefore only the employees directly influenced by a decision will have access to the information. A belief that the employees would take the information and give it to a competitor in exchange for money is another fear. This view could on the other hand be questioned with the often quoted sentence; you become what people think of you. If the management signals to its employees that they believe their employees are salary-oriented and not loyal enough to take part in the new decisions, they will likely turn into such employees. But it’s naive to believe that employees should feel strongly for a company that doesn’t trust them. This situation turns into a vicious cycle. The theory also expresses the importance that the monitors feel that their work is appreciated and used. According to the situation today none of the employees will know if the information they gathered was of any help unless the decision affect them directly, since many of the companies only share information with the employees affected by the decision.

However, the bigger companies do also spread some of the results from the information gathered even though it’s not done in a spontaneous way as it’s done within the smaller companies. The theory states that when the amount of employees increases the need for structured presentation processes evolves. They fact that most of the bigger companies create works shops, post the information on bullet boards, morning meetings etc. in order to spread information shows that they do try to find a more structured way of spreading the information. The down side is that this is mainly done to parts of the employees and not to everyone as the theory points out to be of great importance.
6. CONCLUSION

In this part we will try to answer our research question and try to establish if our purpose has been obtained. To do this we will conclude the various discussions and findings from the analysis part

Our purpose with this thesis was to find out if companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive. For us, in the easiest way, to try to find this out we created two support purposes;

- To map various attitudes towards Competitive Intelligence that different companies on the Shanghai market, have.
- To identify methods and processes these companies use to gather, analyse and distribute information today.

To be able to answer our research question we will first determine if our purpose, together with the support purposes has been established.

The attitudes towards CI are mixed among the companies. Some of them believe that it’s all about watching competitors and their moves; others treat it more as a monitoring tool of various players’. Some of the companies think that CI is an unstructured process while others have more outlined procedures. It varies a lot. However, even though they are not very familiar with the term most of the companies have positive attitudes towards CI and realize the help it could bring to the managers in a company. Furthermore, even though many of the interviewed had never heard about the term before almost all of them believed that these processes were sufficient today and did not need to be improved. Finally you could say that even though CI is not classified as spying anymore and the interviewed people look upon it as something positive, they are sometimes afraid to use it since there still are a lot of prejudices left towards it within the Chinese society.

One interesting observation that could be made is that despite the fact that almost all of the companies had positive attitudes towards CI and its purpose, the processes and methods used to establish a good CI work was much unorganised, almost unprofessional. The reason for the unorganised processes and methods is that they don’t need to be organised since the employees only refer back to their Guanxi when they face problems. Since the Guanxi relations works like other personal relations, established through favours, you have to treat it as such and can’t turn it into a business relation.
With this thesis we also wanted to find out if the companies were using CI in order to stay competitive. This is something that differs whether the company is state-owned or not, or if they are acting on a, by the government, controlled market. Obviously the private-owned companies have to be more thorough with the information gathering since a lousy job would benefit their competitors. To use some actions to stay competitive is inevitable in all competitive environments; however, CI is not used in a traditional and effective way among the companies in Shanghai. Instead the most effective way to stay competitive in, in an unstructured and fast growing economy as China, is to have a great Guanxi and that’s also how the private-owned companies use CI today in order to stay competitive. The state-owned companies get more information for free from the government and don’t have to worry about new competitors since the government is regulating their industry. However, they have to use CI in another way in order to stay competitive. Since the government changes the laws and regulations almost on a day-to-day basis the state-owned companies have to keep updated about all these changes and try to find out what will happen in the future. Because of this they are also using their Guanxi in order to stay updated and therefore become as competitive as possible. The conclusion that could be drawn is that the reason why the companies use their Guanxi is to become more competitive. This indicates that they have understood that something has to be done in order to survive on the market; however they only use Guanxi so far and not a proper CI-work. One reason for this could be that they don’t put any extra resources into these areas. They use only the assets that are already in the company such as employees and Guanxi. This shows us that CI is not a priority question within the Chinese companies when it comes to staying competitive. They haven’t understood in what extent it could help them to become more competitive.

Furthermore we could establish that the larger companies are using more structured processes on different levels than the smaller ones. It’s of course more difficult for the smaller companies to put as much time and resources into CI as larger companies do, however, in the smaller organisations the employees gets more responsibility concerning gather information and staying updated. In the larger organisations it’s more common that the employees are looked upon as disloyal or only meant to carry out their job, while they in the smaller companies constantly are involved in discussions about the company’s decisions. This is strange since the larger companies have more international experience and therefore should be more influenced by international work standards that are much more decentralized.

Based on this we could answer our research question; Do companies, on the Shanghai market use Competitive Intelligence today in order to stay competitive?

First of all we could determine that none of the companies really knows what Competitive Intelligence is, nothing you could expect from companies which don’t have it as its core
business. However, as stated above many of their processes seem randomly completed. For example, there is no logical explanation to why they focus on different areas more than others. In other words, CI is not used, among companies on the Shanghai market, in a structured way. We believe that to be able to take advantage of the CI-processes in the most efficient way you have to be aware why you do it, how you do it and what the result it helps to bring out, which is not the case today.

In addition, we could determine, also mentioned above, that the most important factor among companies on the Shanghai market is their Guanxi. Even though some of the companies say that the importance of Gaunxi is decreasing there is no doubt that a company still needs a great Guanxi or otherwise it would be difficult for it to stay alive. This fact makes it difficult for CI to grow in a healthy way. Since the businesspeople in Shanghai know the importance of Guanxi they choose not to gather information in other ways and continue to rely on their contacts. As we have stated in our analysis this only provides them with a limited amount of information that isn’t questioned as much as necessary. Even though the companies have understood that they have to do something in order to stay competitive they don’t take advantage of CI in a specific and structured way but instead only use their Guanxi.

Finally we believe that even though many of the interviewed companies expressed a desire to have more organised and professional business relationships it’s difficult to determine if these will be developed in the future. As long as the Guanxi remains as important for companies as it does today and the government still has the power to regulate many of the industries, the proper CI-work will probably be absent. However, the increasing quote of international companies entering the Shanghai market could change the conditions faster than imagined. Furthermore, the desire that many Chinese companies have to produce their own products and not just copy others, could encourage them to use the more “western” way of doing business, a way that uses CI in a more thorough way to stay competitive.
7 SUGGESTIONS TO FUTURE STUDIES

Since our study is general in a way that companies within all industries and sizes have been taking into account it could be interesting, in a future study, to narrow the research down and specialize on a specific area. This would not only give the author a clearer view on that particular industry or on companies in a certain size, it would also give the author an opportunity to examine the different attitudes over time and determine how much the attitudes and actions have changed. Other companies that could be interesting to investigate together with the CI questions are the larger consulting bureaus that are entering the Chinese market. Do they apply the laws and behaviours of the Chinese society or do they carry out their work as in other continents? Will their establishment help Chinese firms to learn how to use CI and help them to become competitive internationally?

Another area that would be interesting to explore deeper is the influence from the government. Even though China has become a more open economy they still have a lot of censure. How have these censure procedures changed over the recent decade and how do they affect the companies acting on the Chinese market? The technology and patent is in some extent controlled by the government but in what way does it decrease or increase China’s development? Today the importance of conferences and exhibitions are increasing in China because of the lack of official and reliable information. However, some companies avoid these exhibitions because they are afraid of being copied. What actions does the government take against this? Will China be able to change their behaviour from being a country of copying to become a country of innovation?
8 CRITICAL EVALUATIONS

*In this part we take a thorough look at our thesis, according to the methodological criteria. It’s important to evaluate the objectivity, reliability and validity.*

8.1 Objectivity

Objectivity is about the view that the truth of things is independent from the observer, in this case us authors. We are aware of the fact that we have some pre-understanding that might have influenced our objectivity. By talking about our pre-understandings and discussing their possible impact on our thesis, we believe that we have minimized the subjectivity. There is always a risk when conducting interviews as a base for a thesis that the author’s ask specific questions to get specific answers. In our case we have tried to keep the questions on the questionnaire as much as possible. It’s also a risk when you don’t record the interviews but instead are writing down the answers, that you forget some of the answers. To minimize this problem we have as soon as possible after the interview wrote it down.

8.2 Validity

Validity means accuracy of measurement, to which extent do the instrument used actually measure what they are supposed to measure. There have been problems with definitions of words and expression. People have their own definitions and they interpret the interview questions in different ways. Since neither we nor the people interviewed have English as our mother tongue, a language barrier problem also existed. This might have had an impact on the validity of our thesis. However, in order to increase the validity, both of us were always present at the interview and both of us have read all the theories. In this way we have been able to discuss and analyse the answers and theories together, to avoid too many misinterpretations. We can’t be sure that no misunderstandings have occurred, but by having discussions about this, we feel the chances might decrease.

8.3 Reliability

Reliability means that the same result is reached when doing the same research several times. It’s a way of measuring to which degree the result is credible. The degree of reliability of our thesis would have been higher if we could have had the possibility to interview more companies and go through more data. This can have led to the fact that we have failed to see some factors. Data such as newspaper articles and material from the Internet cannot be fully trusted because it is not always clear who has written the texts. Another factor that might have
had an impact on the reliability of our thesis is the fact that the companies weren’t chosen in a random way. Instead it was all up to the access that we had to companies. This might have led to some bias. The companies also varied in size and industry which made it difficult to draw general conclusions. To avoid this we could have choose companies within the same industry or size from the beginning but because of the difficulties to get access we decided not to.
9 LIST OF REFERENCE

**Literature**


**Gilad, B. (1996)** *Business Blindspots*, Infonortics, Calne

**Gilad, B. (2004)** *Early Warning*, AMACOM, New York

**Gilje, N. & Grimen, H (2002)** *Samhällsvetenskapernas föreutsättningar*, Daidaols, Gothenburg

**Guba, E.G, Lincon, Y.S (1994)** *Handbook of Qualitative Research, Competing paradigms in qualitative research*, Sage, Thousands Oaks


**Gustavsson, B. (2004)** *Kunskapande metoder inom samhällsvetenskapen*, Studentlitteratur, Lund


Pagels-Fick (2000) *Business Intelligence – Om organisation, metoder och tillämpning*, Industrilitteratur, Katrineholm,

Patton, M.Q (1990) *Qualitative evaluation and research methods*, Sage, Newbury Park CA


**Internet sources**

www.bengilad.com


http://home.swipnet.se/ollevejde/statistikord/explorativundersokning.htm

**Interviews**

af Ekenstam, B, General Manager of Docere Intelligence, *1 of November 2005*

BONTAZ, Cedric Rexovice, General Director and Liu Yanchang, Business Manager, *11th of November 2005*

Carrefour China, Yann Dupeux, former Division Manager, *10th of November 2005*

Dragonfly Group, Eric Tarchoune, Managing Director, *14th of November 2005*

Hamrefors, S. Professor at Stockholm School of Business, *28th of September 2005*

IKEA, Magnus Omstedt, Marketing Researcher, *11th of November 2005*

Jademedia, Sarah Wang, CEO *11th of November 2005*

PG Design and Brand Consulting, Parson Ge, President and Creative Director, *9th of November 2005*
Shanghai Baosteel Engineering and Construction Cooperation (BSCC), Doctor Yu Feng, Vice General Manager, 14th of November 2005

Shanghai Zhangjiang Micro-electronics Port Co., Zhang Liangqi, Manager of Operation, 16th of November 2005

Genesis Investment Management (Shanghai) Co., Ltd., Frank Wu, Managing Director, 20th of November 2005

Articles

Svenska Dagbladet, 11th of October 2005, *Hu Jintao kopplar greppet om makten*
10 APPENDICES

A. Questionnaire for Interview with Companies

Organising Competitive Intelligence

1. On which Intelligence level do you use CI? Why?

2. Who collects information?

Focus

3. Do you collect any information within the Arena or the Context today?

4. Do you focus on these specific areas and not the others?

Gather

5. How do you collect the information? Do you have specific routines or do you develop them?

6. Do you trade information with other companies or other actors on the market?

7. What do you think that the general information gathering in Shanghai looks like?

Analysis

8. How do you handle the information that you have collected?

9. Who are handling the analysing processes of the collected information?

Presentation

10. Do you present the information?
11. To whom do you present it?

12. Why to those people?

13. How do you present it?

The Future

14. Do you think that there is a need to improve these processes in your company?
   - If yes, how are you going to organize it? Who will be involved? How big resources will be used? How will you ensure development of competence?

15. Do you educate the personal in these matter, if so whom and how?

16. If no, how do you keep yourselves up to date in order to compete?
B. Questionnaire for Interview with Mr. Hamrefors

1. What is your definition of Competitive Intelligence?

2. Why should a company use Competitive Intelligence?

3. What are the current trends within Competitive Intelligence research?
C. Presentation of Mr. Hamrefors

Mr. Hamrefors is a professor at the Department of Management and Organisation at the Stockholm School of Economics. Together with the Swedish Public Relations Association, SPRA, and The Stockholm School of Economics, he is running a scientific project that should examine how information and communication is handled within organisations. The purpose of this project is to provide PR-people in various organisations with even better opportunities to carry out business and organisational development. Mr. Hamrefors is also guest professor at Mälardalens Högskola in Sweden at the Institution for innovation, design and product development, IDP.

Interview with Mr. Hamrefors

Japan vs. China

Mr. Hamrefors starts the interview by telling us why Japan has developed a culture that is preferred when dealing with CI and China hasn’t. The Japanese society is built on the view of “lifelong relationships”. The ancient order keepers were placed in the society to guard the inhabitants and watch over the country. This created a stable society where everybody trusted each other and information was easily spread because no one was afraid that the information would end up in the wrong hands. In China however, the order keepers had a different function - they should ensure a high production for their country, no matter the consequences. In this society human lives were valued second after production and as long as the country grew every method to ensure this was authorized. Lives were sacrificed for the right information and if you didn’t cooperate you would be punished. The result was that the inhabitants couldn’t trust anyone but their family. Among the family you could share information but outsiders you mistrusted.

These two antique situations have shaped the cultures that exist today in Japan and China. In Japan CI is already implemented and wide known because of the sensitiveness and cooperation qualities. In China information gathering is seen as espionage and since the culture gives the people incitement to take care of their selves a climate of small enterprises is shaped.

Despite this Mr. Hamrefors believes that it is possible to implement CI in China sometime in the future. However it will be more difficult than in for example Japan. One reason for this stiffness is that the Chinese people will have trouble to create the whole value chain by their own and for CI to prosper you have to have good macroeconomic knowledge to evaluate your next step. One circumstance for this to happen is that people have to be connected together and put their small enterprises together in one piece. Because of the genuine disbelief in others Mr. Hamrefors means that this will take a long time. Another reason for the stiffness
towards CI is that everybody has to be involved and in some way controlled and monitored. The big share of international companies in China will make this tough because many non-Chinese cultures believe Chinese people to be dishonest and selfish because of the “take for yourself”-culture and therefore will not let the Chinese society control them.

Mr. Hamrefors believes that China can go on without implementing CI for a couple of years but only because they have an inhuman way of treating their people and let production become the main goal. However to be competitive in the long-run they have to change their view and try to adapt a more CI friendly culture. The Chinese companies that succeed with CI today often have supervisors that have an international degree and taught to think in a new way.

Why CI?
CI has to support two parts of the organisation. The first part is the Exploitation part which involves the current business and markets. The CI should help the employees to be entrepreneurs to discover the blind spots that surround the organisation. The blind spots are fields that the company doesn’t acknowledge today but will have to take into consideration in the future to survive. The other part that CI should support is the Exploration part which considers the companies’ development towards unexplored areas. These are factors that today are considered as threats and therefore ignored. The CI should help the employee to evaluate these threats and turn them into opportunities.

Overall the CI should be used by every single person in the organisation and be used in their daily work. Mr. Hamrefors points out that this would be difficult in China because of the hierarchy structures and strict approach. Chinese people are good at memorising orders and numbers but have difficulties to think for themselves.

Research and trends
Mr. Hamrefors tells us that there is no specific research in this subject. However two trends can be distinguished. The first one involves the software solutions of BI. These are systems that can help companies to collect and sort huge files of data. Because of the belief in IT and data solutions this field has been widely explored. Even though employees have the perfect information today there is no concrete evidence that this give more effective companies.

The second trend is the importance of lobbying and to be well informed about the political society. When big political organisations such as the EU are created companies realize how much they can lose when they are on the wrong side. CI has therefore played an important role in this game and PR-bureaus try to create and distribute information to their clients.
The situation today
The traditional way of doing CI is to examine the competitors, find out what is wrong inside the company and try to solve it, based on the information gathered. However Mr. Hamrefors explains that today everybody has to leak information to each other and depend on each other despite the fact that you are competitors. If a company today keeps to itself and doesn’t listen to other companies and the information they give you, they will fall behind.

Today many organisations take CI for granted and this has according to Mr. Hamrefors led to bad will. First people take care of their need for CI by themselves. Macro analyses are only carried out in the daily job and not as a big project to help the companies find blind spots and threats. Another reason for the bad will is the idea that macro analyses don’t work. Mr. Hamrefors says that people believe that it only is a technical function. They take care of information for each other when the person who best can evaluate it should collect it. When it comes to lobbying only people who understand the term and are familiar with the political game should assess it. That’s why right people at the right place are important when it comes to CI.
D. Presentation of Mr. af Ekenstam

Bobo af Ekenstam is a highly experienced macro analyser who in 1988 started and headed the company Docere Intelligence. Docere is a consultant and analysis company within the fields; macro environment, future and strategies. They examine external influencing factors to be able to draw conclusions how these factors will influence their clients companies in the future. Docere Intelligence goal is to become the most successful Intelligence Company in Scandinavia. Bobo af Ekenstam is also engaged in Business Intelligence work outside the company. He has for example been a lecturer for many years at Stockholm University where he teaches about various fields in the subject.

Interview with Bobo af Ekenstam

To be able to understand what CI is all about Mr. af Ekenstam have created a figure with three circles. The CI work could be viewed from above where the connection between the three areas organisation, arena and context can be seen.

![Figure 4.1](image)

The first circle should represent the own organisation. When talking about CI it’s not of great importance to discuss what’s happening inside the organisation. However, we have to know what external influencing factors that our organisation will be influenced by and why the management has to consider these factors. This picture can therefore be good to have, to point out that the organisation is the centre and the external environment surrounds it. What ever happens in the external environment it will affect our company. That’s when we move one step out from the organisation and focus on the arena. This area consists of customers, suppliers, partners and competitors etc. Mr. af Ekenstam says that it’s essential for a company to know what these various players are up to. To be able to act for their own best in the future a company has to consider all these players moves and strategies, before implementing their own. Even though a company believe that they have full control of all the players in their arena they could still face some unexpected barriers and challenges if they don’t consider the next circle, the context. Inside this circle there are factors that are difficult for a single company to change. Instead it’s important to take them into consideration when making plans for the future. These factors are for example; politics, laws and regulations, technology, demographics and society values.
Another tool that Mr. af Ekenstam suggest that a company can use to establish a necessary CI work is, what he calls, the CI-cycle. First the company should consider what they will focus their CI on. What are the necessary processes and monitoring that needs to be under control? Which are the most dangerous players in the arena? After establish this, the company have to decide how to gather this important information. What tools would fit these specific areas and who should collect it? When the right information has been brought in to the company it has to be analyzed. What are the consequences that could be drawn from the information presented?

Can the company move as planned or do they have to change their strategy? Finally the management has to consider the right way to present the final results to the employees. Should it be done to everybody at the same time or should just the affected people be informed?

Mr. af Ekenstam explains that by using this cycle a company will learn how to handle the important external influencing factors. He also says that it in the beginning could be easier to work after specific models and as time goes by develop an individual model that best suits the CI practices in your specific organisation.

Finally Mr. af Ekenstam discusses what he calls three-dimensional intelligence. This theory is based on viewing CI from three different levels; strategic intelligence, tactical intelligence and operative intelligence. It is helpful to know which level that your company uses since they need different amount employees involved, amount of resources and time spent.

Strategic Intelligence is mainly about the future. Often this work is done in a centralized position in the company with close contact to the management. Since this work is limited only one to two people is enough on this CI position.
Tactical Intelligence on the other hand is used to give the company a correct picture of the existing market. The people working with this type of CI should analyze prices, competition, customers and suppliers, everything that will help the company to understand how they can improve their own product and increase the sales. This work is mostly done in teams of more than five people.

The last and also the most individualized type of CI is the Operative Intelligence. The management should implement the understanding of CI to every single employee in the organisation. They have to know how to gather, understand the meaning and analyze information that they get in their daily work. This knowledge could be created through different seminars or courses as long as every employee can relate to the importance of the work.
E. Interviews with Companies

The interviews are presented in a chronological order.

Presentation of PG Design and Brand Consulting

The company started five and a half years ago as a graphic and creative developer. Their services are mainly to help their clients on different stages such as doing research, visual identity, developing sophisticated brand and campaigns. Today they have 15-16 employees and are focusing on brand and strategic design. PG Design and Brand Consulting is Chinese owned.

Interview with Parson Ge, President and Creative Director

The goal for PG Design and Brand Consulting is to have CI on a Strategic Intelligence level in the company because they believe that to be able to have a successful CI a company should have two to three core-persons responsible for the process. Mr. Ge believes that today they are on a Tactical Intelligence level. Even though CI is held on a Strategic Intelligence level he says that every single person has to be alert. Furthermore, he says that there are not only strategies that are important, short term figures are also needed. In order to survive you need a local knowledge but need to meet an international standard.

Mr. Ge says that it’s essential to collect information within the arena and context for a company in the design business. Therefore everyone in the company needs to know the market in different ways. For example they do yearly research concerning competitors since the market tends to change a lot. The clients are very mature and change their preference fast which means that the company needs to be updated in order to change fast as well.

Two ways to collect information on is external and internal. The internal gathering could for example be to have an internship who does research for the company. The external means that they have group relations with suppliers, clients and employees where they discuss the current situation on the market. Sometimes they also use consultants to review the company from the outside. Their goal is to review them selves regularly both internally and externally and try to set new goals.

PG Design and Brand Consulting sometimes trade information with competitors in their industry, but not very often. This is based on agreements that have to be fair and based on trust. However, Mr. Ge says they have to be very careful when doing this.
The information gathering process it’s much easier today since companies have matured in a professional sense, than five or ten years ago.

The information about CI-results is kept within the management, but workshops are held yearly where issues such as vision and mission are presented to the employees. This in order to make sure that everybody has the same values.

Mr. Ge doesn’t believe there is a need to improve CI processes in his companies. Furthermore, there is no need to educate their employees in these issues because they don’t share these types of information with their employees. Parsons says that it’s impossible to implement CI through the whole company since the employees on lower levels aren’t that loyal and dedicated to the company. They are good workers and perform good results but they don’t have the life strategy that a manager has. Mr. Ge also explains that this is the situation in most Chinese companies today.

**Presentation of Carrefour China**

Carrefour was founded 1959 in France and was established in China in 1995. Today they have three different store concepts; Hypermarkets, large outlets where food and non-food products are offered, Supermarkets, where a wide range of food products are offered, and Hard Discounters, small stores offering a limited amount of food products. Around the world they have around 335 000 employees. Carrefour is a French owned company but with local partners and franchisers.

**Interview with Yann Dupeux, former Division Manager**

Mr. Dupeux believes that Carrefour works with intelligence on a Strategic Intelligence level. He says that for large companies this is probably the only solution because otherwise it would be to time consuming.

Carrefour is such a big company that they don’t focus on one area in their information gathering processes. Instead every division does their own information gathering. For example the head management is making the strategic decisions and therefore gathers information concerning that area, whereas the marketing division is conducting information about PR. However, they don’t collect and analyze information in all areas. Because of their size they believe that small and middle sized companies aren’t interesting to monitor.

Carrefour has two routines to collect information on; external and internal. The external routine is based on analysis made by an external consultant. One of the consultant’s main tasks is to resolve how things should be improved in the company. The internal routines are
more about analysing store data. This type of internal routines is done by a unit in the merchandise division. However, internal data that are based on external factors are only handled by the head office. As far as Mr. Dupeux knows there are also a few persons who are sampling data from newspapers and relevant articles. For example, when a new competitor is penetrating the market, Carrefour will get frequent information about this actor.

It’s not so common to share information between companies, but it does occur. Since many international companies have Chinese partners and joint ventures it’s natural for them to exchange information. Even companies in the same industry can exchange information if they are players on various markets.

When Carrefour first was established in China they did it through joint venture around the country with local players. However, after a while the Chinese government forbid Carrefour to continue their expansion, because they were too big of a threat for the local players. The Carrefour management had to visit China several times to work out an agreement with the government. This agreement was partly about money and partly about knowledge sharing on how to improve various things in China, for example environmental issues. Mr. Dupeux explains that it’s probably harder to work with Competitive Intelligence in China than it is in Europe, because of the fact that it’s hard to get reliable official information.

Every store manager is in charge of spreading new information to his or hers employees, which is done during morning meetings. There is also a bulletin board in every store where information and alerts are posted. However, only 10 percent of the information concerning Competitive Intelligence is brought down to staff level and the staffs are also not expected to gather information. On head management level on the other hand, everybody is asked to stay close to the market and pay attention to their surroundings. To maximize the information exchange, regular seminars are held where successful ideas are presented. Mr. Dupeux thinks that this is important because of the dynamic market that changes very fast.

Mr. Dupeux believes that it’s more important for Carrefour to improve their customer services then it is to improve the information gathering processes and pushing employees to seek information. If Competitive Intelligence is not the core business for a company they probably feel reluctant to put time and resources into it. Since there is also a dark side of Competitive Intelligence, which is that it can be seen as spying, Mr. Dupeux says that it makes companies think twice before using it. Carrefour doesn’t offer their employees any training regarding Competitive Intelligence.

4.3 Presentation Jademedia
Sarah Wang started her own media company called Jademedia in 1998. Today they work with TV-production but also to produce and distribute TV-shows to other countries. During a production period there are up to 25 employees but there is only three people working fulltime. Jademedia is a Chinese owned company.

Interview with Sarah Wang, CEO
Since everybody in Jademedia is collecting information today, Sarah believes that they work in an Operational Intelligence level.

Ms. Wang explains that it’s difficult to keep updated in this industry since laws and regulations change constantly. Jademedia don’t know if or when anything will change. The government send out papers to the TV-stations and production companies to keep them updated about what’s legal and not. Therefore it’s difficult to have long-term planning. Ms. Wang and her colleagues write new contracts once a year with the government which allow them to keep on going with their business. Because of this though environment, there will not come up any new players on the market, especially since there are no private TV-stations in China. In other words Jademedia have few competitors to monitor.

Jadmedia’s customers are the TV-stations and commercial owners which give them money. Every year the TV-stations send out what types of programs that are needed and what they will buy. It’s therefore easy for Ms. Wang and her colleagues to know what the customers want. However, the TV-stations and commercial owners only send out information to producers that they have a relationship to already. So if Jademedia is not on their list Ms. Wang contacts them and tries to understand what they want.

One area that they watch thoroughly is the new movie launches and other new comers. Every year they go overseas to observe which movies and shows that is good.

Ms. Wang finds common information from the Internet and magazines but these official sources, she explains, it’s hard to rely on. If you want reliable information you ask your friends and contacts. She explains that she really depends on her network. Everyday she start to read the newspaper and look on the Internet but especially she spends time talking to her friends about things that happen in her industry. However, she says that she really hopes that in the future the industry will be able to create a healthy environment that is more professional. By this she means not depending on networks or personal relationships but instead business relationships that end up in a written contract.

The industry is getting bigger and bigger so Jademedia have to have strong relationships to be able to survive. Today this is not very common in Jademedia’s industry. Even though they
share information with other Chinese companies they have to be careful when they find something special. They always fear that the TV-stations won’t put them on the same level. That’s why they have to negotiate with the TV-stations. However, these relationships are weak. It’s not a professional union but instead only based on private feelings and what you think of a person.

With the overseas production companies Jademedia have another relationship, they share information openly. They tell Jademedia what is new in for example Europe and Jademedia tell them what is happening on the Chinese market. Many foreign companies believe it’s difficult to move into the Chinese market since the government has to view all programmes. This is of course a problem for Ms. Wang as well but she is more aware, then foreign companies, of which programmes that are classified as illegal by the government. Ms. Wang says that in recent the government has been harder in their judgement and it could even be difficult to show programmes without Chinese movie stars.

All the information gathered is handled by Ms. Wang herself. However all the employees keep their eyes open for knew trends etc. When she get the information she evaluates what Jademedia can learn from it or if it could be useful for her company. Ms. Wang discusses with her friends what they think about this information. They help her to understand which info that has value and not. She always tries to find partners that she could work with. They have also good input on the information gathered, especially since they know her company well.

When it comes to presenting the decisions made based upon the information gathered Ms. Wang explains she’s open minded. Her colleagues should always know in what direction the company is headed. She explains that “if you invite people to work with you, you have to trust them”. Since the company is so small Ms. Wang distribute the information by just telling her colleagues what the new information is all about and what their role is.

Wang says she believes that these processes could be improved. Recently she has been thinking about educating herself more concerning these areas. She says she doesn’t want to keep the situation as it is today where most of the information gathering is unprofessional. She also wants to have more professional relationships to her partners that are not just based on personal feelings. Ms. Wang would not consider educating her staff concerning these areas. Instead she says that everybody have to take care of themselves. Ms. Wang encourages her employees to think everyday about how they can improve their work and how they can develop themselves. This she says is enough.

Ms. Wang explains that even though she wants to further develop these processes in her company she says it’s not possible so far. The professional and organized processes are not
possible to have because of the large industry. Jademia can’t monitor it all. Today they can only focus on the areas in the arena.

Presentation BONTAZ

BONTAZ was founded in 1965 and established in China in 2000. They work in the automobile industry with engine transmissions. In China they are specified on the high-end market, where they focus on high quality through out all processes. Today they have around 900 employees around the world and 40 at the China office in Shanghai. BONTAZ is a French owned company.

Interview with Cedric Rexovice, General Director and Liu Yanchang, Business Manager

BONTAZ works with Competitive Intelligence on a Strategic Intelligence level. The management takes care of the information because it would be too dangerous to share it with everyone in the company.

BONTAZ do collect information, however, only when they discover information that will affect them directly. In China it’s hard to get specific information and therefore you need a contact in different areas that can get a hold of the information that you need. Mr. Rexovice and Mr. Yanchang point out that there is a problem that the information in China is neither reliable nor easy to get a hold of.

BONTAZ mainly focuses on competitors in their information gathering process. The reason for this is that the competition is really hard and they have to know the players various moves in the industry. They do collect information in newspapers and from internet, but the best information that they get is from their clients. Building good relationship is really important in Chinese business environment. If you have good friends you will get almost anything you need. Therefore BONTAZ often take out their clients to restaurants discussing anything but work, to strengthen the good relationship. This could be thought of as a strategy but Mr. Rexovice and Mr. Yanchang explains that this is a natural behaviour for Chinese people. Since the client knows everything about BONTAZ, they are also a source for information that is useful to analyse. Information about the market is easy to get a hold of. However, the laws are constantly regulated by the government. The government works out a five year plan, from which companies can see future investments and base their decision on.

BONTAZ product is very unique and they are new on the Chinese market which is why they choose not to share information with risk of being copied. This is also the reason why they don’t attend trade shows.
The information gathered is kept on management level with approximately 4-5 people involved. The information is not presented to a lower level of employees because the management believes that they don’t need to know this in their daily work. Mr. Rexovice and Mr. Yanchang believe that the employees are not loyal to the company, instead they are salary oriented. This makes it hard to trust them because they don’t think in a long-term perspective. Mr. Yanchang says that this is a big problem in China since money is the only thing that matters. Therefore it’s important to keep the employees under control and at the same time keep them on a distance. This makes it even more important to keep good relationship with the clients. Therefore every year the company analysis the importance of each client to the company and based on this they decide how many times they have to meet this client during the coming year.

Information concerning competitors is not put in a database because the amount of competitors is too few. What they know about their competitors is kept inside their heads. However, all the information is sent forward to the head office in France.

Today the company knows the “normal” ways to collect information because this is something that you learn as you go along. However, there is also an “under the table” information gathering process. Mr. Rexovice and Mr. Yanchang say that this is something that you have to learn in order to be able to make business in China. If they don’t have close contact with their clients and respect them the clients will not care about them and ignore them.

**Presentation of IKEA**

IKEA was founded in 1943 and established in China in 1998. Their business idea is to offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them. IKEA has 90,000 employees in 44 countries where approximately 1000 is working in China. IKEA is a Swedish owned company.

**Interview with Magnus Omstedt, Marketing Researcher**

The different divisions in IKEA do their own information gathering in their specific areas. For instance they have one certain group that only focuses on changes in laws, whereas the marketing division focuses more on competition.

When IKEA opens a new store they gather information within an area of ten kilometres from where the stores location is going to be. This information concerns mostly customers and competitors. How much the customer earn? Do they have a car? Where do they buy all their furniture so far? These are some questions asked.
Mr. Omstedt says that IKEA have done some trading of information with other companies. For example they have met other stores when entering a new market. However, these discussions have only been general. They also have relationships with the government but not with their competitors. Guanxi is important says Mr. Omstedt, but it’s getting less and less so, because the increased degree of written contracts makes it easier to do business without personal contacts. Guanxi can however, open some doors to establish these contacts.

The management creates the strategies that are presented throughout the whole company. However, these are flexible and can be adjusted to the result of the various inputs.

IKEA believes that there is important to involve all their employees in the information gathering processes. For instance, every week the ten most frequently asked questions in the stores are collected. The employees are not directly educated in how to gather information, but once a year workshops are held on how to treat the customers. These workshops will also increase their ability to look out for specific requirements or various changes that needs to be taken in order to please the customers in the best way. Mr. Omstedt, himself, is going to attend a course in France concerning research.

Mr. Omstedt believes that Ikea’s information gathering processes could be improved by doing better follow ups. For instance they have started to do case studies of stores openings.

**Presentation of Dragonfly Group**

Dragonfly Group was founded 2000 in Shanghai, China They focus on operational management and development, on sourcing and on business consulting within the areas; Human Resource Management, Business Intelligence and Knowledge and Organisational Change Management. Today they have 10 employees. Dragonfly Group is a French owned company.

**Interview with Eric Tarchoune, Managing Director**

Mr. Tarchoune says that CI is a state of mind; it’s something that you do on your own. Some people do it, some don’t. But he points out that if you don’t do it you better start or your company will not survive. Because of this Mr. Tarchoune encourage his employees to look for information. Since everyone is conducting information on there owns he is also educating them to get the most out of it.

Since the employees are a mixture of Chinese and Westerners Dragonfly Groups way of doing business have influences from both cultures. When they collect information they call
their different contacts and ask questions concerning interesting areas. Later on they compare the different answers and make decisions based on this. Mr. Tarchoune says that this makes them live close to reality. Another way of collecting information is to buy information and to buy books. They also go to the Trade Division in China who has a lot of information concerning different industries. Web-sites, suppliers, industry of commerce and legal people are other sources for collecting information.

Mr. Tarchoune says that the company could do better concerning Competitive Intelligence but in the Chinese business environment you have to prioritize your work. Therefore the information gathered usually stays in their heads and is not put in to, for example, data bases.

In China people do not have special Competitive Intelligence practices. In other words, they don’t conduct CI in a structured way. Mr. Tarchoune says that because of the fact that China is a socialist country people have different thoughts about information and the way it should be handled, compared to foreigners. They are trained not to release information in a sophisticated way. Mr. Tarchoune says that some of his clients don’t tell him anything about their company because they have been trained not to.

Mr. Tarchoune says that the Chinese are masters in collecting information because they always use an indirect way when they do it. Since this is the common way of searching information on in China it’s much harder for foreign companies to get the right information since they collect information in a more direct way. Chinese people also know how to find unofficial information. Because of this, Mr. Tarchoune explains that, foreign companies always have to stay alert when they do business with Chinese people since they can get robbed off, without knowing it. However, the unstructured information gathering in China is not a problem for most Chinese people since they know how to operate in their own country and rely on connections (Guanxi).

Mr. Tarchoune thinks that China will develop like Korea and Japan and will also have a professional Competitive Intelligence in the future. However, he says that Competitive Intelligence knowledge will never be as wide and open as it is in Europe. This because of the fact that it’s much harder to get reliable information in China.

**Presentation of Shanghai Baosteel Engineering and Construction Cooperation (BSCC)**

The Baosteel Group was founded in 1998 as a merger between Baoshan Iron and Steel Co., Shanghai Metallurgical Holding Group Co. and Shanghai Meishan Group Co. Ltd. BSCC is
one of many whole-owned subsidiary companies of the Baosteel Group. Their business scope includes; contracting foreign and domestic projects, engineering technology transfer and leasing construction machinery. BSCC is a Chinese owned company.

**Interview with Doctor Yu Feng, Vice General Manager**

Mr. Yu says that BSCC works with Intelligence on all three dimensions. The top management focuses on the Strategic Intelligence level. The Marketing and Credibility Departments are focusing on the Tactical Intelligence level. The employees are working in an Operational Intelligence level.

Mr. Yu says that everyone within the company seeks information, but most of the information is gathered by the management. The main organ for collecting all the information gathered is, however, the Marketing Department. He says that there are two important departments when you look upon Competitive Intelligence work within BSCC. First there is the Marketing Department that collects the gathered information. Then there is the Credibility Department that evaluates the information.

BSCC do collect information from within the arena. Most of the information comes from the customers and suppliers, who are members of their private network. This network is enlarged by already established friends who are introducing them to new friends. Much of the information also comes from the government. In the construction industry many things have to pass through the government. Mr. Yu says that because of this it’s important that BSCC always has a good relationship with the government. All the employees in the company have their own network but most of the information gathered comes from the management. However, the company has a policy that says that if an employee brings important information in to the company, which will lead to profit, he or she will be rewarded.

Internet and magazines are also used when gathering information. BSCC has subscriptions on various magazines that are published in China. These are available for the employees to read in order to keep them updated. All the information provided by the government is presented through the internet. Here BSCC can get information about various contractors and other players within their industry.

Information is never exchanged with competitors since they compete for the same projects. This is not the case with suppliers and clients. Sometimes BSCC, together with a supplier, gather information concerning a specific project and together they hand in the final proposal to the customer.
Because there is no reliable official network in Shanghai, people rely on their own friends to get the right information rather than on official sources. Mr. Yu says that the government has tried to create a reliable system for information. This is however still under construction and not available today.

BSCC gather information about engineering and specific projects. Mr. Yu says that it’s extremely important to evaluate this kind of information. For instance it’s common, when they have finished a project that the customer will not have the money to pay for it. To avoid these problems BSCC has a Department of Credibility. They evaluate information about clients and customers. They also evaluate competitors but this is not as common.

The results based on the information gathered are only presented to the people involved. However, if a big change is going to take place everybody in the company gets to know about it. This is done through big meetings where all the employees are involved.

**Presentation of Shanghai Zhangjiang Micro-electronics Port Co.**

Shanghai Zhangjiang Micro-electronics Port Co. was founded in 2000. It’s a real estate company which main business is to build, lease and sell office buildings. Today they have 45 employees. Shanghai Zhangjiang Micro-electronics Port Co. is Chinese state-owned company.

**Interview with Zhang Liangqi, Manager of Operation Department**

The CI takes place on a Tactical and Operational Intelligence level within Shanghai Zhangjiang Micro-electronics Port Co. The reason why it’s not used on a Strategic Intelligence level is because they are state-owned and are influenced by the government. Within the real estate industry employees work in teams that collect information. The members in these teams changes with new projects which means that every employee, sooner or later, collects information. This makes the information gathering processes within real estate companies different from other industries.

Shanghai Zhangjiang Micro-electronics Port Co. has a very complete system for collecting information. With complete Mr. Zhang means that they cover all the different areas that are related to real estate business, such as financial, strategies and engineering. For each project there is a budget set up for the information gathering projects that has to be followed quickly. In the start up face of a project many different suppliers contact Shanghai Zhangjiang Micro-electronics Port Co. to give them an offer in order to be a part of the project. In this way Mr. Zhang says that they get information about various suppliers automatically. After working together with a supplier Shanghai Zhangjiang Micro-electronics Port Co. can judge whether
or not this supplier is meaningful to work with again, if not, it will be excluded from their network.

The competition is not very hard within Shanghai Zhangjiang Micro-electronics Port Co. business area, because the company has focused specifically in an area in Pedong and they construct buildings that should fit the needs of high-tech companies. Since the company has access to a certain area the competition takes place locally. Because of this Mr. Zhang says that there is no big need to gather information concerning competitors. Another factor that influences the information gathering processes is that the company is state-owned, and the industry is regulated by the government. This means that the government provides information concerning the real estate industry on the internet and it’s easy for the players to get access to information. Local network is also important. However, not in the sense of Guanxi, Mr. Zhang says that they want the network to be more professional than just consisting of private relationships. However, Mr. Zhang claims that it’s very hard for them to collect information concerning the arena because the government changes regulations fast, which makes it difficult to keep updated with the right information. Furthermore, since the government is monitoring the information gathering Mr. Zhang says that Shanghai Zhangjiang Micro-electronics Port Co. can’t gather information in any way they want because that could lead to unfair competition.

Shanghai Zhangjiang Micro-electronics Port Co. does trade information. They are members of an industrial association. Within this association, different players exchange information in order to help each other out. However, direct competitors do not trade information.

Mr. Zhang says that it’s easy to access reliable information in Shanghai, both for Chinese and foreign companies, because the government publishes all the information that a company need acting in the real estate industry.

For each project a team is set up to collect and analyzes information. This team consists of different professionals within the company, such as economists and engineers etc. The results from the analyses are presented in a report where employees specific parts that are related to them. These reports are presented after each analysing process.

Mr. Zhang says that there is no need to improve the CI-processes. The way they are handling information today suits the company and the environment they are acting in. Mr. Zhang says that CI doesn’t influence their success radically; it’s something that has to be done, within their industry, in order to stay competitive. They also don’t educate their employees concerning information gathering. These are skills that the employees are expected to have when joining the company.
Presentation of Genesis Investment Management (Shanghai) Co., Ltd.

Genesis Investment Management is a financial advisory company focused on bringing Chinese business opportunities and interested investors together to create successful projects. Today they have six employees. Genesis Investment Management is Chinese owned with an American partner.

Interview with Frank Wu, Managing Director

The Intelligence in Genesis Investment Management is totally decentralised where every employee keeps their ears and eyes open for interesting information. Because of this Mr. Wu says that they work in an Operational Intelligence level.

Mr. Wu thinks that it’s very important to collect information about your surroundings. However, Genesis Investment Management doesn’t have specific processes to gather information on. The collecting are instead a part of their daily routines, such as reading the newspaper and search the web, in order to stay updated. The company doesn’t look for information in certain areas. Instead they are searching for all information concerning their industry if not something extraordinary important has happened such as a new player entering the market.

Mr. Wu says that they also don’t trade information with other companies. Instead he explains that there are two ways of collecting information successfully. Firstly every industry has an association which has a lot of information concerning that specific industry. By taking part in your industry association you will more easily get the hold of the information you need, but also get in contact with companies and people acting in your industry. The second way, that can be immoral, is to contact a company “pretending” to be a potential buyer, investor etc.

Mr. Wu says that it’s not good to rely too much on Guanxi, especially in your employee personal network. This could lead to that the employees leak information to competitors. However, Guanxi is sometimes used in order to gather the right information.

The CI situation in China today is very poor according to Mr. Wu. It’s hard to get a hold of information and it’s even harder to find reliable information. It’s not just about to gather information but to gather the right type of information and this is a difficult process.
Genesis Investment Management doesn’t have any specific analysing processes of the collected information. The information that they collect often stays in their heads but it makes them more alert concerning those issues. However, if the information is extremely important to the company they will dig in to it more thoroughly.

Since Genesis Investment Management has few employees, Mr. Wu says there is no need for official presentation of information such as written reports. He explains that it’s time consuming to find the right type of information in the society today since there is a lot of different information surrounding us. Because of this Mr. Wu explains that it sometimes could be easier that every one reads the same newspapers and take part in the same information gathering. This means that the company doesn’t have to spend time in presenting the information. This is of course easier in smaller companies. After the gathering processes all employees have continuous discussions about new information and changes in their industry.

Mr. Wu explains that Genesis Investment Management doesn’t educate their employees within CI. He says that it’s a natural way of acting to get information among his employees. This is something you should not have to educate people about but something they already should know by themselves.

**Presentation of Swedish Trade Council**

Swedish Trade Council was established in China in 1994. They work on behalf of Swedish industry and the government to promote Swedish exports. Today they have 27 employees divided upon the three offices in China. Swedish Trade Council is owned and supported by the Swedish government.

**Interview with Sofie Nilsson, Information Coordinator**

Ms. Nilsson explains that Swedish companies that want to be established in Shanghai often contact the Swedish Trade Council to get information about the country. Sometimes Swedish Trade Council arranges visiting programmes for companies because they need help to handle the culture and language barriers. These programmes that are usually two to three days, maximum four days, contain meeting potential clients, customers and doing market research etc. After this, the company representatives return to their headquarters to evaluate information that they have gathered in Shanghai. Swedish Trade Council can keep on doing research in Shanghai concerning clients’ competition if so requested.

Ms. Nilsson explains that Swedish Trade Council has a duty from the Swedish government that they have to help companies that want to establish on the Shanghai market to get the hold of the right information. But she says that it’s much harder to fulfil this duty in China than in
many other countries. For example, it’s hard to find information such as lists concerning players in a specific industry. Either these lists are hard to get a hold of or they are not updated. This leads to that the information gathering take seven times longer time than in another country. In other countries Swedish Trade Council usually offer their clients four to five hours of information gathering for free. To get the same amount of information in Shanghai it takes twenty hours. Ms. Nilsson says that it’s very hard to know how much time to put in when gathering information. Furthermore she says that when searching for information you always have to reinvent yourself since there is no standard way of doing things.

Another problem with information gathering, Ms. Nilsson says is that it’s not transparent. You always have to find the right person in the right position and with the right information. This is hard because the Chinese employees have very specific and narrow responsibility areas and if you don’t get the hold of the exact right person in charge for the specific matter you will be transferred.

Another factor with information gathering that Ms. Nilsson brought up is the aspect that Chinese tend to respect Swedish Trade Council since they are a part of the Swedish consulate in Shanghai. This leads to both positive and negative factors. The positive thing is that the Chinese are more willing to help since they believe that they in the future might get help from the consulate, if that is needed. The negative factor is that sometimes they want to make the meeting more official with a dinner or coffee, instead of just do it casually over the phone, which is time consuming.

Concerning Guanxi Ms. Nilsson says that the personal business network is getting more professional and business related. She compares it to Beijing where Guanxi is much more common and important. However, she says in order to reach information the line between work life and private life is thin. Ms. Nilsson says that she sometimes has to use her own private network in order to get things done. It’s also not unusual that she gets work related phone calls in the evenings or during the week ends. When the Swedish Trade Council recruits new people they always ask questions concerning the persons Guanxi. Ms. Nilsson summarizes by saying that Guanxi is very established in China but Chinese companies are becoming more professional with time. Since it’s still hard to get the hold of the right information without any personal contacts it’s important that foreign companies hire local staff.

Concerning the governments influence on companies information gathering Ms. Nilsson believe they are supportive as long as it doesn’t have to do with politics. However, she says
that it’s different from day to day and from case to case. For example, getting information about tax regulations is hard whereas getting information for foreign investors is easy.