

The Value of Business IQ

By Laura Mitchelson, Amber

A strategy without intelligence is not a strategy, it's merely guessing.

*Douglas C. Bernhardt, GLA White Paper
Introduction to Competitive Intelligence 2004*

Good advice is often simple and succinct. But how simple is the above quote? While the majority of companies value the wisdom of a phrase like this, how many are equipped to realize it?

THE CHINA POTENTIAL

Beyond the media coverage of phenomenal GDP growth rates and consistently bright economic prospects in China, managers in this market face a challenging set of business decisions. What sets the success stories apart from the failures? Their decisions are informed by detailed, reliable, accurate and timely research. How does a company get that competitive edge?

Globally, requests for business intelligence are rising steadily. China is a competitive business environment, and many international companies have operated here for several decades. The importance of the China market means that companies are under pressure to make the right decisions

early and to hit aggressive sales and business growth targets. They must have the ability and resources to make informed business decisions quickly.

Managers in the China market require:

- Market mapping.
- A deep understanding of supply chains and distribution networks.
- Knowledge of where decision making happens in both key regulatory authorities and at competitor firms.
- An understanding of who controls what and where.

Industry research or business intelligence is a first step. From a global perspective, Fortune 500 companies already monitor the moves of China's successful domestic companies. The techniques they use for tracking those moves are becoming increasingly sophisticated.

There's great value in maintaining a close watch on Chinese competitors for smaller companies too, especially in terms of remaining ahead. For example, a road safety equipment manufacturer discovered through market intelligence that a competitor had already registered their trademark for a similar product range in China. Primary research methods and an

analysis of the competitor's company finance information helped to establish that the competitor planned to expand into overseas markets. The implications for future decision making were significant.

WHAT EXACTLY IS BUSINESS INTELLIGENCE?

Business intelligence is a systematic and ethical program for gathering, analyzing, and managing external information that enables your company to make informed business decisions. By legally collecting and analyzing a range of information, such as databases and "open sources," business intelligence can also highlight the capabilities, vulnerabilities, and intentions of business competitors. (See Figure 1.)

Providers

There is a diverse range of business intelligence providers in China. Their true value here is in the insight they provide and their ability to highlight the potential pitfalls in China for your business. A good China consultant is instinctively curious and, we think, naturally a little cynical.

Even government statistics need verifying in many cases in China. Not questioning the disposable income level figures for second and sometimes even first tier cities in China can be dangerous if you base investment or new product launch decisions on the results. Consultants should be able to demonstrate a strong background understanding of the

way statistical and census information is collected in China. They should also be proactive in recommending a creative approach to primary information collection. The range of sources they access should be wider than that in more developed markets and should include subject matter experts as well as those working within business. This minimizes the risk of biased responses and information.

It's Tough

The very nature of business intelligence means that much of what researchers discover is often new and surprising. This is particularly true of intelligence gathering in China where rapid changes in the commercial landscape result in immediate changes to commercial structures and processes. Projections change frequently, to the extent that an industry-specific report can become outdated in six months.

As published commercial information is limited in the same way, only by extrapolating from a combination of figures and estimates is it possible to come to conclusions about the real picture. We would expect to be able to segment a potential market for a product despite much of the seemingly necessary information being unavailable. This environment affects both B2C and B2B business alike.

CULTURAL CONSIDERATIONS

The culture-specific aspects of a market always present a challenge to the business intelligence professional and China is certainly no exception in that respect.

Language

First, there's simply communication. The Chinese language is often vague and somewhat poetic where English would be specific and succinct. Often in our office in Shanghai, when a vague approach is required and language is optional, we'll choose Chinese over English, as it allows for more flexibility.

Another illustration of the language difference is that Chinese allows you to deflect attention away from the subject at hand (perhaps in the way politicians would at home). We frequently encounter responses in discussions with industry experts or government authorities that appear to be a statement of



Figure 1: Elements of high quality business intelligence

the obvious. In other languages they would be considered unhelpful but in Chinese are the 'norm.'

The Chinese language can be used to conceal layers of bureaucracy or inefficiencies and is more sophisticated than English in this respect. Chinese can seem more obtuse than English to those not used to it, so knowing the ways of persevering through the layers helps. These can include:

- Re-phrasing the question.
- Approaching from a different angle.
- Softening the scope of the required answer.
- Asking again later in the conversation when the atmosphere is friendlier.
- Triangulating information from one point in an interview with information given at another point.

The same source may give seemingly contradictory answers but with the right interpretation, the answer is there for everyone to extract. If this sounds a little cryptic, it should.

Approach to collection and dissemination

Secondly, culture affects the approach to information collection and dissemination. Protecting information is an important characteristic of the local Chinese culture, along with a reluctance to be held responsible for leaking information. If a research respondent perceives any risk associated with releasing information or providing feedback, they will often choose to simply provide no response at all.

There is little incentive for the average Chinese purchasing manager or even government employee to provide information to any external party that approaches 'cold.' In response to the specific risks associated with passing on information, and since the field of market research is also relatively new in China, intelligence gatherers must assure respondents of the standard practices and procedures that are designed to protect them and the information they disclose. Assurance comes through familiarity and that means that every project we conduct is delivered partially through a network of links to the people to whom we need to speak. In traditional industries, for decision maker level respondents, knowing somebody who knows somebody who knows somebody who knows the target is the only way to secure a discussion.

Business environment

China presents a dynamic, fast-paced business environment that embraces an adaptable 'can-do' business ethic. In a country often considered to be mysterious and unpredictable, we do find many of the respondents we speak to are open and keen to share knowledge. Foreign managers in many industries still have a pioneering approach to business development here and some camaraderie develops

as managers in similar industries find themselves lobbying government together, for example.

As the fields of business intelligence and industry research are new to many Chinese, the majority of the interviews and discussions provide refreshing and innovative feedback. Straight-talking about suppliers is perhaps easier in China than it would be in developed markets, so customer satisfaction assessments along with corporate reputation studies are more straightforward and predictions of future growth or market developments tend to be more difficult to obtain.

Geographic variability

Another key aspect of the local culture is its sheer enormity and variability. In a market the size of China, geographic differences are wide and industries are often fragmented. Extracting comment on the nature of one industry across the entire country is unrealistic. It is often advisable to collate regional research from across the country to build the national picture.

China's administration according to province, municipality, district, town and village means a senior manager in the province of Zhejiang may well assume that a researcher is only considering the Zhejiang province perspective when answering questions about issues such as the development of an industry over the coming 5 years. If a researcher is emphasizing the need for a national perspective, it's possible that the respondent will feel ashamed of their lack of broader knowledge and become uncooperative. For this reason, researchers in China need to carefully ascertain whether a subject is commenting only on the local picture and precisely how local it is.

These geographic differences extend to local business practices and customs. With companies based in Beijing, for example, it's often a good idea to send a fax to lay down the groundwork for a phone conversation. On the other hand, in Shanghai business is conducted predominantly over the phone. In Beijing, it can be necessary to conduct a face-to-face meeting at the outset before further meetings are agreed to. This extends the timeline on projects. In our experience, it's difficult for clients outside China to understand the significance of this initial face-to-face meeting. The value of recognizing a custom such as this is enormous, as there is often a transformation in attitude on the local side.

Patience is a virtue. Individuals who gain the most from the intelligence process are those who understand early on that they are unlikely to obtain the full suite of information they would need for decision making in developed markets of the USA and Europe. More decisions are influenced by gut instinct in China. You will need to work hard to piece together parts of the puzzle over time. Very little of the really valuable insight can be easily processed in one fast glance at the market. The intricacies are only highlighted with time spent looking continuously at markets.

All these concepts should be introduced with patience to clients who are new to the China environment. If you feel worried by the unknowns, your consultant hasn't done a good job of steering you through the process. Developing a longer period of communication at the beginning of a project works well. Try to allow at least 1-2 weeks for project set up.

Make sure that anyone contracting out intelligence work in China has visited the market and has utilized all available internal sources of knowledge on China before or at least during the project set up phase. Encouraging clients to be patient is one of the big challenges in a world where waiting an extra week can seem like much longer.

LOOKING AHEAD

For start-up businesses and major corporations alike, the value of Chinese information and local market knowledge is crucial. As a result, our clients and our expertise are becoming increasingly diverse. Over the coming 3 to 5 years, we expect the demand for business intelligence here to increase rapidly.

In terms of either managing suppliers or a manufacturing process in this market or selling into China's huge domestic market, the companies that are most successful in China are those which are adept at responding to change. They're

creative and flexible in how they respond to the market, manage change within their strategy and processes very well and are keen to learn lessons from others who have gone before.

The market is complex and ever changing. Strategic business decisions must be informed by business intelligence, which includes insight into customer, market, and competitor behavior. Specialized analysis, individually tailored solutions, and valued insight must all be taken into consideration.

In China, guesswork just doesn't cut it.

Laura Mitchelson is Managing Director of Amber, a Shanghai-based consultancy supporting multinationals in China with customized business intelligence and analysis. For more information or to comment on this article, email the author at lmitchelson@amberinsights.com.

EXHIBITORS

It's time to start planning for the SCIP 09 Conference in Chicago next April. We remain committed to making next year's exhibition and conference an excellent opportunity to showcase your services.

Questions? Contact Hilarie Hoting, Director, Business Development at +1.703.739.0696, extension 108, fax at +1.703.739.2524, or e-mail at hhoting@scip.org.

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