



# Competitive Intelligence

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Ethical challenges and good practice

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## Executive Summary

# Executive Summary

Generating and using competitive intelligence (CI) is a key strategic activity in today's highly competitive knowledge economy. However, the practice of CI is potentially an ethical and legal minefield.

This report is targeted at senior level managers and seeks to raise awareness of the ethical challenges confronting firms and other organisations engaged in CI gathering in the UK. The report spells out these risks and clarifies the legal, industry, and organisational context of CI. It identifies the ethical problems that typically arise in CI, explores their key drivers, and highlights best practices in managing these issues. The report is based on in-depth interviews with experts from various industries together with a state-of-the-art review of published sources from the UK, Europe, and North America.

Ensuring that CI is carried out responsibly is critical due to: potential legal consequences; corporate reputation risks; industry and professional reputational risks; increased costs of data protection and security; dangers of ethics drift; and national competitiveness and security concerns.

CI takes place in corporations in many industries, often in a relatively unsystematic way, and with a small budget. CI practitioners may be located in various corporate functions, sometimes making ethics management in CI difficult to target.

CI also takes place in specialist CI consultancies, where there is a higher proportion of primary research carried out than in corporations. The most popular sources of primary CI are: employees, customers, industry experts, suppliers, conferences and trade shows.

Beyond straightforward theft, breaking and entering, and blackmail, establishing the legal limits of CI is fraught with difficulties. This is especially the case in the UK where under the Theft Act (1968), information is not considered property in a legal sense, and where there is no specific regulation concerned with industrial espionage. This differs from the US, where the Economic Espionage Act (1996) has established greater clarity on illegal CI practices, albeit with relatively few successful convictions, and a questionable effect as a deterrent.

Ethical challenges in CI can be categorised in terms of how CI is gathered and analysed, and who CI is acquired from. The main 'how' issues involve:

- Accidental exposure to sensitive CI
- Eavesdropping
- Misrepresentation
- Manipulation
- Observation and surveillance
- Purchasing and stealing

The main 'who' issues involve:

- Obtaining CI from employees
- Obtaining CI from customers, suppliers, and other industry participants

There are various drivers of these ethical challenges. The main ones to consider are: the level of information security facing CI professionals; developments in spyware and other sophisticated technologies that can be used for unethical practices; market structure and the degree of competitiveness among rivals; levels of partnership and information sharing that can give rise to unauthorised transmission of trade secrets; exposure to global markets and other cultural norms on information gathering and property; and aggressive corporate cultures that reward an 'anything goes' mentality against rivals.

Finally, we identify ten good practices in managing ethics in CI. These are:

- Establish clear guidelines on CI practice
- Integrate CI into the organisational code of conduct
- Establish or refer to a stand-alone CI ethics policy
- Factor-in international variations in legal and ethical standards on CI
- Extend guidelines to business partners
- Back-up guidelines with targeted training
- Ensure training is tailored to relevant audiences
- Develop a clear streamlined process for providing legal/ethics approval or advice
- Facilitate regular cross-functional reviews of CI practice and guidelines by management
- Support professionalisation of CI through industry/professional associations.