Competitive Intelligence and its Effect on UK Banking Strategy

A thesis submitted in fulfilment of the requirements of De Montfort University for the degree of Doctor of Philosophy

By

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Abstract

The purpose of this thesis is to establish the status of, and to comment on, current practice regarding the use of Competitive Intelligence (CI) in the UK financial services industry in general and in the banking industry in particular. It begins by examining the literature, finding a considerable degree of confusion regarding the use of the various terms for intelligence gathering and its processes, and identifying a substantial gap in the almost total absence of scholarly comment on the use of intelligence gathering in services industries in general and the banking industry in particular. The competitive environment in which UK banks operate is also examined, as well as the detailed literature on the theory and practice of the various stages of the CI process, with particular emphasis on its use in the formulation of strategy.

The methodology used by the present research is described at length, and the various techniques used are justified. In particular, a preference is expressed between qualitative and quantitative methodology. The aims, objectives and research questions are examined, and the analytical and software tools used by the present researcher are demonstrated, with NVivo being used to analyse the data collected from semi-structured interviews from the target population. The answers to each of the interview questions are then grouped and tabulated.

The data is then analysed, and trends and patterns are discerned in the responses from the intelligence practitioners of the seven main UK banks; among the chief of these trends is the fact that no monitoring system exists by which the effectiveness of CI can be measured. This analysis exposes this and other glaring gaps, as well as strengths, in the practice of intelligence gathering and use in the UK banking industry. These are then examined at length. The final chapter gives recommendations for future research, and establishes some guidelines for the shape and form of such research. In particular, it presents a proposal for a large scale study which would use the present research as a "scoping study".
Dedication

To my parents

for their love, support, care, wisdom, encouragement and their heartfelt prayers
Acknowledgements

In the name of Allah, the most gracious, the most merciful, all glory, praise and thanks are due to Allah Almighty for giving me the patience and ability to complete this work. To HIM I offer my utmost gratitude and to HIM I am indebted. Humble thanks to Allah who gives me strength, power, and guided me to the right path. Without such guidance, this work would not have been completed.

All thanks are due to Allah for all his uncountable blessings and bounties on me. Among these blessings, believing in HIM is the greatest. This belief has been the guiding light of my life and my ultimate asylum in difficult times. All thanks to HIM for blessing me with self-sacrificing parents. Oh Allah bless them in their lives and generously reward them in the hereafter.

I am deeply grateful to my parents, I owe you my life and all my educational accomplishments. You made it possible for me to be here today. Thank you for your support, encouragement, and the financial sacrifices that you have made towards my education. I will never forget all the financial sacrifices you made when I decided to travel to study my PhD in the UK. I also thank my parents who are bearing the pain of being separated from me, yet are supporting me in every way they can. Words cannot justify express my gratitude. It is with great honour that I humbly dedicate this thesis to you. I would like to thank my brother and my sisters for their love and support. Also I thank my wife and my kids who supported me during the course of my studies; my kids added a sweet flavour to my journey and have engraved unforgettable memories on my life.

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Chapter One: Introduction

1.1 Introduction

This research project examines the working relationship between CI and the formulation of strategy in UK banks. The key issues are:

1. the current status of CI in the UK banking industry
2. the manner and degree to which UK banks use CI, and the relationship between CI and UK banking strategy formulation
3. the particular means by which CI could contribute to UK banking strategy
4. to determine whether and to what extent CI is a major factor in UK banking strategy formulation
5. the factors which explain the success of CI’s role in the formulation of banking strategy

The project is empirically based and is characterised by its descriptive and exploratory approaches.

This chapter presents a brief overview of the research project, the main objectives of the thesis, research questions and the structure of the thesis.

1.2 The Research Project

CI is a relatively new area in management literature. The literature highlights the way in which many organisations misunderstand the use of CI. The literature also describes how CI has developed, and raises issues of application, commitment of resources and the establishment of the infrastructure necessary for CI to be successfully applied in business. It also shows that CI has not been clearly linked to banking strategy formulation.
The area of CI and working relationships with banking strategy has received limited in-depth research. Even rarer are investigations in CI and UK banking strategy formulation. This project is an attempt to partly fill this gap.

The project seeks to provide insights into CI and its working relationship within the process of formulating banking strategy. The particular issues chosen are:

1. the current status of CI in UK banking
2. whether UK banks currently use CI in order to formulate their strategies
3. whether the UK banking industry considers CI as a major factor in strategy formulation
4. what the key roles played by CI in UK banking in general and banking strategy in particular are
5. an examination of the sources from which CI is derived, and its use of these sources

Theoretical implications for advancing the study of the relationship between CI and banking strategy formulation, as well as practical ones for improving the working relationship between CI and UK banking strategy formulation, were developed from the case study analysis.

1.3 The Research Objectives

There is no published empirical evidence to suggest that there is a relationship between CI and banking strategy formulation; it is the purpose of this thesis to establish the existence or otherwise of such a relationship. This project empirically tests the relationship between CI and the process of formulating banking strategy, and develops a better understanding of how well UK banks understand the concept of CI. It clarifies current practice and facilitates a better understanding of the key role of CI in the UK banking industry. Its aims are:
1. to establish the current status of CI in the UK banking industry, and to examine the terminology used for this activity
2. to establish the areas in which CI plays a pivotal role, in UK banking industry
3. to establish whether and to what extent UK banks currently use CI in their strategy formulation
4. to investigate how CI contributes to banking strategy formulation

1.4 Structure of the Thesis
The thesis is organised into seven chapters.

Chapter One is the introduction in which the objectives for the rest of the study are presented.

Chapter Two places this study in its context. All aspects of the competitive environment are examined before attention turns to the detailed basis of CI operations in information. Literature on the terms by which this process is known is critically analysed by categorising these terms into types, and appraising the extent to which they accurately reflect and describe the process. It is observed that there is no definition specific to the financial services industry; such a definition is advanced. Next, literature on the actual process by which raw data is transformed into useable intelligence, including the stages of planning the CI project and disseminating the results, is examined in detail. Sections on the particular application of CI to the UK financial services industry, and more particularly to UK banks, are followed by a section backgrounding the main players in this industry, the competitive environment in which they operate, and the strategy of merger and acquisition they use to gain competitive advantage. Finally the nature and practice of strategy in UK banking is discussed, together with an analysis of the appropriateness of CI for this sector.

Chapter Three describes the theoretical foundations and practical issues with regard to the methodology in this research. The categories of research most appropriate to this study are
identified: it is determined that the research is fundamental rather than applied, exploratory rather than probative, qualitative rather than quantitative, and that the most appropriate research method is that of the case study using the semi-structured interview. The pros and cons of each approach are presented, and the conclusion reached that qualitative methodology is chosen on relative rather than absolute grounds. It happens to suit the nature of the research, the subject of the study and the available data better than quantitative methods would do. The problem statement, research objectives and research questions are presented, as is the design of the study. The analysis software and its use are described, followed by an examination of the sampling frame according to which the interviewees were selected. The means by which the data was collected, the semi-structured interview itself, was critically examined to determine its suitability. The analysis was then carried out, question by question, and the responses taken as a whole were examined to reveal the major trends.

Chapter Four constitutes the core of this study; it presents and discusses the results of the interviews obtained during the course of this research. The distinction between the variety of terminology used by practitioners for their activity and the broad areas of agreement in its purpose is highlighted; differences in terminology reflect different business foci rather than different understandings of CI. The answers to each question are analysed in depth, and the major trends drawn out, revealing areas of good and bad practice. Examples of the latter include the lack of measurement of CI, due mainly to a perceived lack of the means to do so rather than the will. Particular areas of agreement and disagreement among the participants, as well as areas of doubt and uncertainty, are identified.

Chapter Five draws out the main trends of the results tabulated and analysed in Chapter 4. The chapter is in two parts, each drawing together the main threads of the analysis of the previous chapter. One raises a series of points which serve to highlight the current state of CI in the UK banking industry, the other points out a series of problems and issues raised by the study. The points is related to one or more of the research questions presented in Chapter 3, and through those back to the research objectives, also presented in that chapter.
Chapter Six concludes the study by extrapolating the criticisms made at the end of the previous chapter into recommendations for better practice. The chapter also examines the contributions the study has made to the literature, one being the development of suitable definitions for the various parts of the process. The findings are related to the research questions and through those back to the research objectives, and summarised into ten findings and three conclusions or prescriptions. The limitations of this research are also spelled out, together with rebuttals of these limitations as factors which might nullify the study.

Chapter Seven outlines the possible shape of future research in this area and presents a proposal for such research, which would treat the present work as a scoping study, widening its scope to the UK, US and Canadian banking sector in order to determine whether the findings presented in the present work, which took only the seven largest banks in the UK, are typical of the industry as a whole across three broadly similar countries. Such research would use a mixture of qualitative and quantitative methodologies to collect, analyse and synthesise information in order to determine this and related issues. These include an exploration of the use of CI in areas such as marketing, consumer behaviour and products and sales; an identification of key indicators provided by early warnings; the use of CI to gain and sustain competitive advantage; the development of a means of measuring the effectiveness of CI; and the question of dissemination to all those within the organisation who need to use CI products. The importance of establishing the ground rules for such research, especially the research questions and the interplay between qualitative data and theory, is emphasised; everything else will follow if these steps are performed correctly. The conditions by which the sample size is chosen are outlined, and details given of the instrument by which information is collected from the chosen participants. This information would then be analysed using SPSS, descriptive analysis, cross-tabulation and multiple regression analysis to reach statistically sound conclusions which could be compared with the present work, and which would also be of value to practitioners.
Chapter Two: Literature Review

2.1 Introduction

Over the past couple of decades, the environment in which banks operate has grown enormously more competitive; they must know this environment in order to create and maintain advantage. Banks must therefore monitor all aspects of their competitors' operations, from mission statements to product and service lines, in order to provide early warning of opportunities and threats. CI has developed into a most useful means both of acquiring such intelligence and of making recommendations for its utilisation.

The competitive environment has become, and will continue to become, increasingly demanding, a situation fuelled in no small measure by the growth in the Asian banking sector. This means that businesses have to use CI to monitor their competitors and stay ahead of the game (Vella and McGonagle, 1991).

Banks have until recently been negligent in their use of this valuable tool, which they are only now finding invaluable as a means of furthering their strategic ends. This chapter aims to lay the groundwork for the application of CI in practice by formulating a theoretical framework mixed with banking and strategy formulation.

After a brief introduction to the subject, which serves to put the topic in context and to set out the basic condition under which it operates, this chapter reviews the literature dealing with intelligence gathering. It examines the terminology by which CI and its various stages are known, highlighting differing conceptions and areas of confusion, before turning to the literature on the conduct of CI, from the nature of source material and the collection of data through its analysis to its dissemination. The review then narrows its focus to literature concerning service industries in particular, especially the financial sector.
This chapter then sets out the detailed background of the UK banking sector. It examines the pressures operating in this environment at present, and gives the history which gave rise to these pressures, most notable of which is a relaxation of the regulatory framework in which financial institutions operate. The characteristics of the main players in the UK banking sector are then given, together with the dynamics which determine their actions.

Finally this chapter examines strategy. Various definitions are given, followed by a description of the strategic environment in which CI operates, and an identification of the factors which motivate strategy and determine its practice. The various applications to which it can be put are also outlined.

2.2 The Business Environment

The business environment consists of many factors such as politics, economics, the social environment and technology. Although all of these factors affect and influence a bank’s decision-making process, the business environment (suppliers, customers, competitors and government) is the most important.

This section describes the business environment within which CI exists and refers to the business’s relationships with its suppliers, customers, competitors and government. Banks must know their business environment to ensure that they are not divorced from their surrounding environment. The goals are:

1. to determine the competitive position
2. to know the environment which is fundamental to any strategic activities
3. to discover changes
4. to predict which important event(s) may or may not occur in the future
The whole environment is too large an area for one individual to encompass, so the focus of this study will be on one aspect of it: the competitive environment. This is of ever-greater relevance to UK banks, which are operating in an increasingly competitive climate, necessitating fast responses under high-pressure conditions.

Intelligence means gaining an awareness of at least some aspects of the business environment, current and potential. Writers broadly agree that this activity is crucial to a company’s long-term prosperity, if not its very survival. The company that does not continually scan for potential competitors stands to be penalised in the contemporary business environment (Montgomery and Weinberg, 1998). Such scanning allows them a significant opportunity to anticipate the opposition, thanks to extensive databases on competitors (Varela and Rio, 2003).

It is usually seen as axiomatic that competition is provided by those firms that operate in the same sphere. In the service sector, however, the greatest – as well as the least obvious – competitor is the customer, a fact still partially obscured from companies in service industries, who still tend to view customers and clients as allies rather than adversaries (Sawyer, 2002).

Several companies have even unconsciously managed to create internally competitive environments (Sawyer, 2002). This means that customer analysis is arguably the most important, as well as the most neglected, aspect of strategic intelligence (Montgomery and Weinberg, 1998). So among the first moves in a firm’s reaction to its environment must be to recognise which companies represent traditional competitors.

Sawyer (2002) suggests that this may be achieved by matching each potential competitor to the following tests:

- Does it offer similar services?
- Does it say that it offers similar services?
• Does it offer a viable alternative service?
• Does it operate in the same market?
• Does it serve the same customer base?

Corporations' need for an intelligence capacity is increasing because of escalating levels of competition; companies need to stay ahead of the game (Sawka, 1996). Useful internet sites fall into the following categories:

1. Electronic databases
2. Competitors’ home pages
3. Online newspapers
4. Periodical directories

These allow banks to develop a sophisticated CI system which gathers valuable data inexpensively, and often cost-free, and thereby to provide a solid factual foundation for assessments and operational and strategic decisions (Boucher, 1996). In stark contrast to the former model (in which banks compared themselves to their peers in their own geographical area), deregulation and the growth of technology means that they must take into account players outside the financial services industry as much as within it, and analyse most aspect of these players’ capacities, including distribution and production. This function is fulfilled by the CI unit (which, according to Lieberman (2003) is “little-publicised”). Specifically, by collecting and processing data, it ensures that the organisation’s knowledge of its surroundings is greater than that of its competitors, thus furthering the development and implementation of its business strategy.

This strategy is a product of the interaction between a firm and its environment (Fleisher and Bensoussan 2003), which in turn necessitates a correlation between the firm’s strengths and the opportunities presented by conditions in that environment. This is demonstrated by Figure 2.1, which shows internal and external elements affecting a company’s operations, whether negatively or positively. Note the double-headed arrows: they indicate the
reciprocity between elements and strategy. These affect each other, and each element also affects every other one. Strategy is concerned especially with the temporal and spatial fit or alignment between these elements.

![Diagram of Strategic Management Framework](image)

*Figure 2.1: A generic strategic management framework
Source: Fleisher and Bensoussan (2003)*

By obtaining and using CI, companies seek to alleviate the uncertain conditions in which they have to make decisions; this therefore becomes a factor quite likely to affect the firm's standing in the market. It can especially be used as an investigative and predictive tool in order to increase environmental awareness, so that its wielders can react as follows:

- They can defend against competitors and other environmental threats
- They can take advantage of competitive and other environmental opportunities
- They can bolster internal strengths to make use of opportunities presented by the external environment

According to Gordon (2002), the task of understanding and defeating competitors is becoming increasingly more difficult due to the number of players, the unpredictability of their actions and the complexity of the playing field itself. Competition for customer loyalty is fierce. In this environment, Simkin and Cheng (1997) stress that the functions of understanding and monitoring rivals' strategies and tactics is crucial to success.
According to Gordon (1989), defining competitors depends upon:

- creating a delineation in customers’ perceptions of boundaries between products and markets
- subdividing the product market
- positioning products properly in those segments

Banks provide one example: while they consider their competition to be other banks, their services may also be offered by brokerage houses, credit unions, financial planners, insurance companies, new players (financial and non-financial institutions) and accountants – and, increasingly, by such non-financial sources as retail stores (Sawyer, 2002).

According to Oliff (1994) competition, by definition, is a constant battle for the high ground. To win, organisations must stay continuously informed of their competitors’ activities. This means routinely collecting baseline information, regularly updating it and adding to it as often as new information becomes available. According to Hussey and Jenster (1999) competitor information is generated as a result of four kinds of condition:

1. Indications of an organisation’s past actions
2. The necessity for communication between organisation and actual and potential stakeholders
3. Information in the public domain, arising through legal or trade obligations
4. Outside activities, quite possibly presented by the organisation

Banks have always used CI to collect and process information on competitors in order to compete for customers, inform their strategic decision-making and improve their services and product lines. They need to keep CI at the forefront of their practice: it helps to forestall competition as well as explore opportunities and anticipate events so that reactions may be speedier. At a deeper level, CI provides an understanding of competitors, and highlights areas in which strategic improvements could be made.
2.3 Data, Information and Intelligence

Fundamental to CI is the difference between information and intelligence. According to Hussey and Jenster (1999) strategic information planning, an essential ingredient of CI, assumes a connection between critical success factor and operating success factor. Herring (2000) stipulates that in order to give the CI a focus and to link the organisation’s needs with the available resources, a key intelligence topic should be elucidated from the material. Brooks (2005) echo this and add an aspect of CI that provides a useful starting point is the concept of key intelligence topics. These include:

- strategic issues (those which will most directly and substantially affect company revenues and profits)
- issues that do not feature in a résumé of the company’s current state, but could be of potential significance
- the total body of present and future competitors
- counterintelligence (ensuring the success of the organisation’s strategies and tactics while thwarting those of its competitors)

Various concepts of intelligence require an appreciation of the difference between information and intelligence (Kahaner, 1996), but even more importantly between data and information. Data is used to define disparate factual entities. Zikmund (1996) describes data as the facts or recorded measures of certain phenomena, and Davenport (1997) as observations of states of the world. Data is what is generally thought of as “raw material” - numbers, figures or news, all presented without context – and, as such, capture, storage and transmission is straightforward. Because it is without context (and is therefore meaningless), mere possession of it represents no gain, no matter how accurate or comprehensive it is. It must be shaped into a coherent framework (Kahaner, 1996). In general, data is raw material found in dispersed locations – e.g. speeches, articles, studies, and interviews. Davenport (1997) distinguishes between data, information and knowledge as shown in Table 2.1
Table 2.1: Data, information and knowledge

<table>
<thead>
<tr>
<th>Data</th>
<th>Information</th>
<th>Knowledge</th>
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| Simple observations of states of the world  
- easily structured  
- easily captured on machines  
- often quantified  
- easily transferred | Data endowed with relevance and purpose  
- requires unit of analysis  
- need consensus on meaning  
- human mediation necessary | Valuable information from the human mind, which includes reflection, synthesis and contextualisation  
- hard to structure  
- difficult to capture on machines  
- often tacit  
- hard to transfer |

Source: Davenport (1997)

Knowledge is intelligence combined with insight and experience. It is probably true and could be useful. Wisdom is making the right choices for the right reasons, even though the available data, information, intelligence and knowledge are incorrect, incomplete or taken out of context.

Contextualised data generically organised for the purposes of a report is called information (Sharp, 2000). For Zikmund (1996) it is a body of data whose format can support decision-making, or which can relate two pieces of data. He argues that the former is the basic function of information. According to Prior (2004), the process of organising data according to patterns or relationships is the process that imbues data with meaning. It is partly the organisation-wide utilising of the resultant information that confers competitive advantage.

There is extensive literature regarding information’s potential and actual contribution (Jaffe 1979). This can be summarised in Harper’s (1960) statement: “to manage a business well is to manage its future and to manage the future is to manage information”. Many companies establish information systems in accordance with this maxim (Jaffe, 1979).
Albaum (1962) demonstrated the incomplete and distorted transmission of information in a large American manufacturing company in the early 1960s, and he suggested that managers should specify their information needs, and then tailor their systems to do the following:

- Communicate the existence of this information as widely as possible to potential users
- Communicate the identity of those who are responsible for transmitting this information as widely as possible
- Diminish the possibility of distortion or bias during transmission
- Reduce the time taken for transmission as much as possible (Albaum, 1963)

Porter (1998) reinforces this point: competitive advantage is gained and maintained at least partly by using information at all levels. This information is crucial to the formulation of strategy (Lemos and Porto, 1998). According to Frishammar (2003), information is essential to long-term company survival; the purpose of using it is to reduce or eliminate uncertainty (which can be thought of as the disparity between information already processed and that still needed). Information is the collection of data and its analysis to provide a cogent picture. Information is needed about the effect of environmental changes and events on the firm; its collection, management and use is crucial to competitive differentiation. It must be analysed, thereby being transformed into intelligence, in order to support decision-making.

Fuller (1993) argues that information is increasingly vital. According to him, successful organisations must ensure that:

- the quality of their information surpasses that of their competitors
- they make sound decisions based on an analysis of that information
- those decisions are made rapidly, and
- they are converted into action
As stated before, information is crucial to decision-making. For the American Marketing Association (AMA), information connects the organisation with its audience; its collection is of special importance in circumstances of uncertainty and risk (Ritchie and Brindley 2001).

Littlejohn (1994) lists staff and inventory changes, loans and applications for patents as among the necessary items of information regarding competitors for any company. From these, according to Maltz and Kohli (1996), the following information could be inferred:

- Customer and client lists
- Detailed product and pricing information
- Specific business goals and implementation strategies
- New product plans and R&D
- Extensive job postings revealing the pursuit of new goals and strategies
- Details about manufacturing processes and quality control efforts
- Company organisational structure and biographical information about top management
- Information about partnerships, joint ventures and strategic alliances

Regulatory changes and increased competition are forcing financial institutions to re-examine their existing information systems to ensure that they are providing data adequate to support decision-making (Kitchen and Dawes, 1995). Strategists agree on the banking industry’s requirement for a continuous flow of comprehensive information on all elements of their environment (Morris et al., 2000), because possession of information represents a source of power and forms the base for corporate growth. Banks already have a wealth of information; what matters is their ability to use it for competitive advantage. Intelligence is what results from the fulfilment of this need.
2.3.1 From Information to Intelligence

Intelligence is information processed in order to support decision-making (Craft et al., 1990). Fleisher and Bensoussan (2003) define intelligence as all the available information relating to one or more of the requester’s needs and of current or potential usefulness to decision-making, to which value has been added by evaluation, analysis, integration, and interpretation. The authors give three purposes for which this intelligence may be used:

1. The establishment of a distinction between it and information (i.e. unassessed material)
2. The demonstration of its dynamic and cyclical nature
3. The working out of the senior manager/intelligence staffer partnership

More particularly, intelligence is the application of analysis to data in order to provide actionable answers to specific questions. In the business context, intelligence generally means looking toward intentions, capabilities, and plans. Intelligence is information that has been subjected to a process of distillation and analysis; this is the process which enables that information to be used in decision-making (Dutka, 1999). Kahaner (1996) observes that intelligence can be concentrated in order to increase the company’s competitive ability in a particular field.

For Skyrme (2004), the concept of intelligence is capable of many interpretations; his one is of information refined by human agency for the purpose of supporting management decision-making. Intelligence is produced from four interlocking sets of core processes:

1. Those concerned with development, with keeping information effective and up to date, including identification and classification of new topics and adaptation to changing user needs.
2. Those in which human interpretation plays the leading role, leading to adjustment of presuppositions and models of the internal and external environment.
3. Those that transform abstract knowledge into concrete decisions and actions, including group decision-making.
4. The “learning organisation” is one which integrates all of these and responds accordingly.

Many people understand it to mean individual training and not, as this model suggests, a complete set of information and knowledge processes, of which we have revealed just a few.

A failing bank is distinguished from a successful one by the degree to which the analytical processes of distillation, filtration and analysis of information (Kahaner, 1996) are applied to decision-making. Fleisher and Bensoussan (2003) echo this and add intelligence’s risk-reduction capacity. For Jaffe (1979), intelligence is concerned with the present state of affairs, such as producing estimates of market standing and profitability, and with anticipating developments or revealing hitherto-unknown issues. Intelligence requires information; information, however, is not intelligence (Freeman, 1999) but becomes such when value is added to it and decisions and actions (or decisions not to act) are based on it. It is more than raw data or a general “competitor profile”. This element of aiding decision-making and action is crucial to intelligence (Sandman, 1995).

In Table 2.2 Fuld (1995) gives illustrated definitions for the four stages leading to intelligence:
<table>
<thead>
<tr>
<th>Item</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data</strong></td>
<td>Scattered bits and pieces of knowledge</td>
<td>1990: The Dun &amp; Bradstreet report told us that the competitor’s plant had 100 employees. 1993: One of our sales people just passed by the competitor’s plant and spotted only 30 cars in the lot.</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>A pooling of these bits of knowledge</td>
<td>Based on the R&amp;D and the sales report it appears the competitor has lost business.</td>
</tr>
<tr>
<td><strong>Analysis</strong></td>
<td>Distilled information</td>
<td>After gathering more operational information and running it through a side-by-side profit and loss analysis, it appears the competitor has become highly efficient. It exceeds industry standards and has become a best-in-class facility.</td>
</tr>
<tr>
<td><strong>Intelligence</strong></td>
<td>The implication that will allow you to make a decision</td>
<td>The competitor would make a good acquisition candidate. Its lean-and-mean structure would fit well with our current operations.</td>
</tr>
</tbody>
</table>

Table 2.2: Definitions of data, information, analysis and intelligence

Source: Fuld (1995)

Menon and Varadarajan (1992) list three of the ways intelligence may impact on organisational behaviour (it should be stressed that there may be more):

1. **Action-oriented use**, in which intelligence is used directly for problem-solving or to take advantage of opportunities which present themselves
2. **Knowledge-enhancing use**, which can prepare the ground for future behavioural change
3. **Affective use**, to provide a better match with past changes, or to increase satisfaction (Slater and Narver, 2000)

The analyst processes information obtained from within and outside the organisation and produces analyses and deductions which, at the appropriate time, becomes the basis for decision-making; this constitutes the correct use of intelligence (Freeman, 1999).

Indeed, data are facts that represent information, but the data may not be true or even useful. Information is constructed, organised data. It may – or may not – be either true or useful. Intelligence is information that has been validated and positioned in a particular perspective. It is probably true, but may not be useful.
2.4 Competitive Intelligence (CI)

Companies are paying more attention to CI because it is an important pre-requisite for success and because it helps to determine what a competitor is doing and why it is acting in a certain manner. However, the terms by which they refer to this activity (more broadly, “intelligence gathering”) should first be examined and any inconsistencies clarified.

Rothschild’s (1984) definition of CI as “a way of thinking” is far too general in its application and too unspecific to be of much use in this study. The same could be said for Fleisher and Bensoussan’s (2003) definition as “…an ethical and legal multi-step process that ultimately can either make an organisation a dominant player, or can break it.” This fails to identify just what the process is. “CI encourages a better appreciation of those factors that act on competitors and competition” (Cottrill, 1998) attracts the same criticism. Practitioners must, of course, bear the basic objective of CI in mind, but the previous two definitions’ exclusive interest in this objective does not help such practitioners determine how to achieve it. This also applies to the following definition, which is on the face of it highly specific: “CI orientates managers to fine-tune the business planning process” (McGonagle and Vella, 1990).

Other definitions seem to fall into two broad categories, those dealing primarily with information or intelligence and its use by an organisation, and those dealing with organisational processes not involving information/intelligence. Examples of the former include Fuld’s (1985) definition of CI as “highly specific and timely information about a corporation” (Fuld, 1985). This definition is deficient in that it is the only one not to mention a process. Other definitions do mention processes, but without specifying their application; “CI refers to perceptions regarding rivals which are based on primary or secondary data” (Jaworski et al., 2002).

This definition is passive: it refers to a process without apparent purpose, seemingly exercised for its own sake. More satisfactory are definitions which relate information...
acquisition, and its processing into intelligence, to some ultimate goal, such as: "CI is a team process of finding, evaluating and disseminating intelligence from non-proprietary, publicly available material with the aim of increasing market place competitiveness" (Metayer, 1999).

On the other hand, some definitions such as Choo (1999) purely concern processes and mechanisms: "CI refers to the investigation of rivals as well as competitive conditions within selected industries or geographical areas".

These foregoing categorisations can be seen as forming a spectrum running from pure observation at one end to pure activity at the other. It should be noted that the foregoing definitions do not mention a final objective for the processes they identify. Typical of those that do is that of Prior (2004): "CI is a process of systematic and ethical information acquisition, analysis and management regarding such aspects of the external business environment as could possible impact on a company’s strategic and operational decision-making".

The Society of Competitive Intelligence Professionals (SCIP) defines CI as: "The process of monitoring the competitive environment. CI enables senior managers in companies of all sizes to make informal decisions about everything from marketing, R&D and invest tactics to long-term business strategies. Effective CI is a continuous process involving the legal ethical collection of information, analysis that doesn’t avoid unwelcome conclusions, and controlled dissemination of actionable intelligence to decision-makers" (SCIP, 2003).

CI can be viewed from several perspectives according to various authors, who classify the process according to various criteria. McGonagle and Vella (1999) do so on the basis of intended use, such as strategic and tactical, of publicly available material; Montgomery and Wienberg (1998) concentrate on the way intelligence is used (defensively, passively and offensively). Attanasio’s (1998) perspective is the widest. Both of the above classifications and many others could form part of his three subdivisions:
1. **In terms of business time**: operations intelligence, tactical intelligence, and strategic intelligence.

2. **From the user’s perspective**: The general pattern of strategic direction, corporate management, management of Strategic Business Units (SBUs) and operational procedures within these.

3. **Externally**: globally, the wider industry and its players, the markets and the supplier base.

According to Sandman (1995) tactical intelligence, cultivated at the level of business units or sectors, is concerned with the short- to medium-term, affecting the actions of external business entities within a couple of months’ time. This feeds into strategic intelligence, generated from senior management, which decides on a course on which the firm must head. Miller (1996) sees strategic intelligence being associated with strategic decision-making and planning.

Prescott and Herring (1997) see strategic intelligence as underpinning long-term decision-making by providing relevant information on competitors’ strategic, financial and executive teams. Strategic intelligence, enabling a response to change in the company’s industry, is contrasted to tactical intelligence, focussing as it does on narrower and shorter-term factors such as pricing and products.

According to Kent (1949) strategic intelligence is “*the knowledge (and foreknowledge) upon which we base our high-level national policy toward the other states of the world*”. This knowledge must meet the four criteria of comprehensiveness, accuracy, timeliness and its capability “of serving as a basis for actions” (Kent, 1949). Some researchers, arguing from the easier comprehensibility and use of tactical intelligence, conclude that this type is more prevalent (Linville, 1996).

According to Corporate Executive Board (2000), Bernhardt stipulates the three principles on which strategic intelligence operates:
1. It must provide a foundation for strategic decisions made at senior level
2. It must observe and analyse the key concerns of strategy
3. It must be centrally co-ordinated at corporate level

(Bernhardt 1993) lists three main types of intelligence:

- **Strategic intelligence**, which is concerned mainly with gaining an understanding of competitors’ goals, strategy, capabilities and presuppositions. Porter (1980) refers to these as “diagnostic components”. Bernhardt (2002) described strategic intelligence as “the sword and the shield of the enterprise”.

- **Tactical intelligence**, regarding more immediate issues such as terms of sale, price policies and plans for product changes. Middle-level marketing and sales managers who work in timescales of weeks, not years, constitute some of the main users and collectors of this type of intelligence (SCIP, 2003).

- **Counter-intelligence**, which provides for the protection of commercially sensitive or privileged information

Tactical or operational intelligence involves “*knowledge about the immediate situation and is based almost entirely on straightforward observation*” (Berkowitz and Goodman, 1989). For Prescott and Herring (1997), best practice firms demonstrate a mutually reinforcing relationship between tactical and strategic intelligence. Gilad (2000) is more critical of the use of tactical intelligence. His view is that when CI is used tactically, it fails to fulfil its true potential to underpin strategic decision-making, becoming instead a news service regarding competitors. This is a reasonable and accurate statement of the missed potential of CI.

By examining the above definitions, it could be argued that the field of CI concerns the process of gathering, analysing and disseminating actionable intelligence that allows senior executives to make effective decisions. It is also obvious that among the multitude of
definitions of the term, there is not one that specifically concerns the financial industry in general and banking in particular. To remedy this deficiency, the following definition is proposed:

"CI is a systematic and ethical process of collecting, managing and processing accurate and useful information on services offered by the majority of financial institutions in general and banking in particular to develop and formulate banking strategies".

2.4.1 Competitor Intelligence or Competitive Intelligence

The two types of intelligence, competitive and competitor are often confused. Competitor intelligence, being concerned only with competitors, is a subset of competitive intelligence; this latter is qualitative and encompasses the whole environment including competitors as well as the distributors and suppliers, customers, partnerships and alliances, and government and other regulatory bodies (see Figure 2.2).

![Competitive Intelligence and its Effect on UK Banking Strategy](image)

**Figure 2.2: The difference between competitive intelligence and competitor intelligence**

*Source: Developed by the writer*
2.4.2 Differences between Intelligence Concepts

CI and MR are related but distinct entities (Bernhardt, 1993). As well as its restricted range compared to CI, MR rarely involves collecting information about competitors. An MR report is more often industry- or market-wide, while a CI one is customised for a particular set of circumstances (Cook and Cook, 2000). For many executives, CI is nothing more than the work of the marketing or MR departments – which is indeed true in one sense, as that is what has been happening for years. But marketing and CI are different, a difference imperceptible to many companies (Metayer, 1999).

Metayer (1999), who made this observation, continues that CI uses analytical tools on a variety of information types, and provides for the organisation-wide distribution of the results of its analysis. MR is a field within CI, which also encompasses business development and strategic planning (Bernhardt, 1993). Intelligence produced as a result of CI tends to be under constant development, as opposed to that of MR, which is in the form of a complete report; any follow-up to this report would be in the form of a new report. Scholars see CI as divided into five overlapping areas of active intelligence: strategy, tactics, targets, technology and defence, all of which have been discussed earlier.

Also typical of CI is the systematic nature of its information gathering. Usually, MR projects have been concerned with immediate sales- and marketing-oriented goals (Brooks, 2005). The confusion between marketing and CI, and the lack of proper provision for the latter, has seen senior executives bogged down by a weight of raw data and unprocessed information from what they see as simply the “library department” (Metayer, 1999). They are, as a consequence, left to do their own analysis. But CI is dynamic, and should lead to further investigation and activity, while an MR report is a self-contained entity. Any follow-up to such a report necessitates an entirely fresh one. The use of intelligence terms is obviously in confusion, with the same term being used for different concepts and vice-versa. But, while the need to evaluate competitor behaviour is common to all these
concepts, their objectives differ markedly. This implies the need for an unambiguous definition of terms.

Now that the different terms and approaches to information gathering, analysis and dissemination have been described, they must be matched to their appropriate partners. It will soon be seen that terms differ more than the approaches they seek to define (Frishammar, 2002). Figure 2.3 compares the various approaches and their characteristics.

<table>
<thead>
<tr>
<th>Approaches</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Future Orientation</td>
</tr>
<tr>
<td>Environmental Scanning</td>
<td>Yes</td>
</tr>
<tr>
<td>Business Intelligence</td>
<td>Yes</td>
</tr>
<tr>
<td>Competitive Intelligence</td>
<td>Yes</td>
</tr>
<tr>
<td>Competitor Intelligence</td>
<td>Yes</td>
</tr>
<tr>
<td>Market Intelligence</td>
<td>Yes</td>
</tr>
<tr>
<td>Political Intelligence</td>
<td>Yes</td>
</tr>
<tr>
<td>Marketing Research</td>
<td>Yes</td>
</tr>
<tr>
<td>Information Management</td>
<td>Yes (to some extent)</td>
</tr>
</tbody>
</table>

Figure 2.3: Comparison of the different information processing approaches
Source: Adapted from Frishammar (2002)
The confusion surrounding these terms demands an unambiguous definition of CI. CI and BI are indeed interchangeable, and have competitor intelligence and MI as fields within them, along with other types of intelligence concerning such things as manufacturing and technology. MR is a subordinate field within marketing which uses systematic research to study consumer behaviour.

2.4.3 The CI Process

According to Myburgh (2004), the process of CI results in the product. This is obviously based on the manufacturing industries, in which raw materials are processed into saleable commodities. In this case, however, the whole cycle is internal to the organisation. The process here consists of the systematic quest for information, and the product is the resulting information. The end user is the organisation itself, and the loop – if the presence of one is assumed – feeds back directly to the beginning of the cycle.

It is arguable as to just how helpful this description is. It is only a two-stage model, as opposed to the multiple stages of models such as SCIP’s (SCIP website):

1. Planning and direction
2. Published information collection
3. Primary source collection
4. Analysis and production
5. Reporting and informing

While this model does make explicit the precedence of secondary research over primary research, it fails to emphasise the application of CI-generated information for decision-making – a key consideration of CI. Information only meets the needs of those who requested it when they actually use it (Weiss, 2002).
Kahaner (1996) states that “CI is a total process, not just a function in the company”. According to him, the CI cycle’s effectiveness comes from a simplicity which can be summarised by the following four stages:

1. planning and direction
2. collection of data
3. analysis
4. dissemination

These will now be examined in more detail.

2.4.3.1 Planning and Direction

The process must obviously be tailored to the user’s requirements. The time-scale, which determines many aspects of the process such as the type and amount of resources to allocate to the project, is also critical.

2.4.3.2 Data Collection

CI information is collected from a wide variety of sources by a range of methods including environmental scanning. The literature focuses on primary source information, which is easily – and legally – obtained from largely open source material such as published documents, in-house expertise and news stories (Fleisher and Blenkhorn, 2001).

According to Brooks (2005), the information to be gathered is often not explicit but implicit in competitor behaviour and patterns of consumer demand. The latter can be determined directly by market surveys, but the former may be concealed by a competitor’s failure to understand their own behaviour, or their customers’ view of their products and services. Montgomery and Weinberg (1998) see intelligence collection as the monitoring of a firm’s
environments in order to collect relevant data. For Nodine et al., (1998), the balance of manual data gathering on the one hand to the using of tools to aid collection analysis on the other is 80/20 in favour of the former.

CI is by definition the use of public sources of information regarding competitors in particular, and the competitive and market environments. It processes information, by synthesis and interpretation, and thus enables it to underpin managers’ tactical and strategic decision-making (Vella and McGonagle, 1991).

This phase collects and organises raw data, analysis turns it into usable intelligence. The data falls into three types:

- **White information**: Publicly available information, both paper-based and, more recently, electronically.
- **Grey information**: This is in the private domain. It is usually held within an industry or in restricted-access publications.
- **Black information**: This corresponds to “espionage”, discussed above. It is data collected illegally, by means such as “bin-raiding”, computer piracy or telephone tapping (Rouach and Santi 2001).

A CI strategy is inherent in every financial institution. They have potential information-gathering mechanisms in place in the form of (for example) customer service staff, who can glean information about such things as a competitor’s products, prices and services from customers only too eager to talk about them.

Brooks (2005) warns that the first phase, planning and direction, is easy to underrate. Researchers must take into account that the type and amount of information available is often only revealed after the process has begun, in which case adjustment is required. Financial data especially is available publicly, and management accountants can identify these sources and interpret the information. Even material regulated by accounting...
standards varies; financial managers must be the ones to assess this data and highlight potential difficulties in interpretation.

For Brooks (2005), the desirability of particular information does not automatically entail its existence. Self-discipline is needed to ensure that a piece of data means what it actually means, not what the practitioner wants it to mean. This assessment ability is vital to distinguish reliable information from misleading information. Researchers use quality assessment models here, before any conclusions can be drawn from material. The following simple data-quality hierarchy categorises information into these groups:

- **Verified facts.** For companies, these include annual reports, Companies House returns, offer documents and other filings required by regulation. At industry level, these include official statistics, competition authority reports and census figures.

- **Reasonably reliable facts.** These more often originate in secondary sources and include market research reports, stockbrokers' reports and the unaudited components of company reports. While not being as reliable as the first category, they are usually trustworthy en masse, and can be crosschecked for consistency.

- **Rumours.** These are unlikely to be reliable at all, but may be pertinent to the matter under investigation, and can provide corroborative evidence.

The correct balance must be achieved between these three categories for the overall assessment to be of value (Brooks, 2005). This researcher would add that the quality of information must be cross-referenced with its source in order to truly establish its trustworthiness.

There is no lack of source material for intelligence professionals to work with: they include government, competitors, suppliers, customers, professional associations and meetings, and company personnel (Montgomery and Weinberg, 1998).
CI’s fundamental purpose is to try to anticipate events, and to provide a background for this, a newspaper clipping service can be of value in creating a historical profile of a competitor (Cook and Cook, 2000). However, media monitoring is certainly not CI. The value of newspaper articles, because of their extreme transience, declines sharply over the possible months it may take to complete the planning-collection-analysis-implementation cycle.

Trade publications provide another valuable resource, although they do have a narrower perspective than many others. Just as essential are views from outside the industry created by the synergies between competitors, suppliers, distributors and customers (Sharp, 2000).

Assessing the data includes determining its relevance, reliability and soundness or accuracy. “Pertinence” can pertain in different ways to several parties within the organisation as well as to the company as a whole. “Reliability” refers to the data’s source (in which previous experience is the major determinant), while “soundness” means establishing the truth of the data. Principal means of doing this include comparison with data from other sources and with associated indicators (Montgomery and Weinberg, 1998).

It is important for the completion of this cycle that no sources of information are missed, and to this end the widest possible perspective must be maintained. Such resources as respected business publications provide indirect commentary in articles tangentially related to the main issue, such as packaging, distribution channels, materials or components. Articles from outside the industry altogether also serve to widen perspective, revealing factors not visible to practitioners with a narrower focus, and giving insights into the industry’s fundamental dynamics (Sharp, 2000).

According to Tan and Ahmed (1999) the sources as well as the data itself must be assessed in evaluating and confirming information, and in this assessment the following must be considered:
• the quality of the information that has been provided
• the reasons the source might have for providing the information
• whether or not the source is likely to possess the information claimed
• testing the credibility of the source established by asking pertinent questions, the answers to which might already be known

Today it is not the amount but the selection of information, together with its assessment, that poses the challenge. Sources should be carefully chosen. According to Mann (1995), the simplest and most widespread methods of CI and analysis are random, used as the occasion presents itself. Business and trade journals are perused, customers queried, competitors’ offerings analysed and an intuitive feel developed for what will be of use and when.

The best sources of information for CI include customers and staff who have come from competitors, newsletters and trade magazines giving details of, for example, technological purchases by rivals (which might provide a strong indication of its strategic direction), conferences, and marketing case studies containing detailed information about strategic objectives and budgets (Vella and McGonagle, 1991).

In fact, far from being a difficulty, there is a plethora of information available (especially on the internet), and it is the processes of selection and analysis that poses the main challenges for practitioners.

2.4.3.3 Analysis

This is the crux of the cycle: it is now that disparate fragments of data are processed into coherent intelligence. The types and sequence application of analytical tools chosen are vital to the successful performance of this step. There are many tools available, and their
choice is an essential element of the analyst’s skill. While it is too easy to fall back on tried favourites, whether or not they are appropriate, too many can be as dangerous as too few.

Herring (1998) argues that because actions are generated by both the acquisition of information and the methods by which they are processed, the analysis of intelligence is a process rather than just the use of a particular type of analytical technique.

Fleisher and Blenkhorn (2001) the main steps include in analysis process are simply those of evaluating and interpreting information. Fleisher and Bensoussan (2003) and Fleisher (2003) expand on this observation when they comment on the complication of the process, and note that it includes both scientific and intuitive elements in order to provide a solid basis for decision making. For Fleisher and Blenkhorn (2001) the analysis process consists of the two steps of evaluation and interpretation of information.

Gilad and Gilad (1988) further elaborate the process into six stages: the acquisition and collation of raw data, the drawing of conclusions, the construction of a complete picture based on this intelligence, the study of any implications for the organisation’s market position, and the proposal of courses of action. The analysis stage, according to Ashton and Stacey (1995) concerns the examination of information and sources for their reliability, accuracy, timeliness and comprehensiveness.

According to Fehringer et al., (2006) CI professionals could apply many analytical techniques to turn information into actionable intelligence, but they generally prefer to use only a few which have remained largely stable over the years. In their survey, CI practitioners indicated they use competitor analysis and SWOT frequently and other techniques occasionally.

The information is now classified, then sifted for relevance – bearing in mind, of course, that what is irrelevant now might become relevant at some time in the future. The analyst moulds and shapes the information; the results of this moulding will determine the
decisions made. This is where the human element comes to the fore, according to Freeman (1999): analysts use intuition, or what is popularly known as “nouse” to evaluate the relevance of information, and to fit it into its context. They are as good at spotting trends and anomalies, organising information and spotting patterns as the most sophisticated software, and can of course set parameters for themselves that a programme could not.

Patterns are now discerned in the data. This involves a procedure similar to the testing of hypotheses. Intelligence departments formulate a proposition and assess the data to determine whether it conforms to it, as well as testing it for its predictive ability. Mostly these propositions concern industry-specific developments and can include statistical programs and various modelling techniques. Collection and analysis may very well interact: analysis may reveal the need for further data. Intelligence departments must also set a term to their investigations, after which further analysis is superfluous (Miller, 1996). Kahaner (1996) defines analysis as the working of disparate pieces of information into intelligence, while Montgomery and Weinberg (1998) see it as a formalised effort to discover and quantify relations between variables. A good intelligence system is a cyclical structure linking needs of decision-makers to the transformation of information into actionable intelligence (Skyrme, 2002).

2.4.3.4 Dissemination

Miller (1996) highlights the need for this effective communication. The original needs may well include method of presentation, which must also be taken into account in order to increase the report’s credibility and utility. For Maltz and Kohli (1996), managers source their intelligence formally (i.e. published, as in reports, periodic newsletters, formal meetings) and informally (i.e. verbally, from such places as hall talk). Intelligence is disseminated to every relevant department by all appropriate means, whether formal or informal (Ward and Lewandowska, 2005). This step includes not only the analysed information but the analyst’s recommendations. Dissemination can be face-to-face, or by
electronic means, or even by large-scale presentations. For Tan and Ahmed (1999) this is the final phase of the cycle, in which the intelligence is applied to decisions. The format of these presentations is important: one method of great utility is an integrated set of intelligence reports or briefs covering all aspects of intelligence. The ideal scenario is a customised presentation in enough time for the user to apply the knowledge gained to the decisions made. According to Fehringer et al., (2006) favourite among the wide variety of dissemination methods among the responses to their questionnaire was e-mail, because of its ability to reach many recipients simultaneously. This was also the preferred method of receipt by the CI unit of competitive information. Farcot (2005) characterises the process as “delivering the right answers to the right people”, enabling the organisation to be more proactive and to anticipate competition. Fleisher and Bensoussan (2003) highlight the fact that CI has the potential to bring to light all environmental factors that impinge on an organisation in any way, whether now or in the future. Figure 2.4 represents a systematic collection and analysis model in which competitors' activities, the business environment and business trends all work to enhance organisational goals.

![CI cycle](diagram.png)

**Figure 2.4: CI cycle**

*Source: Fleisher and Bensoussan (2003)*
Herring (2000) stipulates that in order to give the process a focus and to link the organisation's needs with the available resources, a key intelligence topic should be elucidated from the material.

This cycle is not without its critics, however: Powell and Bradford (2000) suggest that the post-action monitoring cycle can lead to tunnel vision regarding environmental change. The authors give as evidence the failures of intelligence operations globally when dealing with exceptional circumstances, and conclude that the cycle model works better in a relatively stable environment than in a dynamic one. They propose to replace the cycle model with one based on influence diagrams, but it seems so complex that only large organisations with sufficient resources would be able to realise it. The cycle model is, however, widely accepted by both practitioners and academics.

Ceteris paribus companies utilising intelligence that is valid, accurate, reliably sourced and well targeted, are likely to be the successful ones in the contemporary dynamic and competitive environment. They know a lot about the competition, and use that knowledge to full effect, because it is ready to hand. This state of affairs is one that all companies should aim at.

2.4.4 CI and the Services Industry

Clarke (2001) argues that the different natures of products and services lead to different treatments of CI in those respective industries. Service industries can use CI in a perpetual cycle, but many service industries have yet to realise the true value of CI in organising their information collection processes to produce actionable intelligence. Service industries' environment is dynamic, and these industries must be flexible enough to see and to take advantage of any window of opportunity that beckons. For Clarke (2001), the characteristics of service industries, by which they are differentiated from those dealing in goods, are:
• intangibility
• heterogeneity (each “product” is unique)
• inseparability of production and consumption
• perishability (production and consumption are simultaneous, as Shostack (1977) shows: “A service is rendered. A service is experienced. A service cannot be stored on a shelf, touched, tasted, or tried on for size”)

A crucial part of gaining and maintaining competitive advantages, as is widely acknowledged by successful service organisations, is building relationships with customers and exceeding their expectations (Clarke, 2001). CI can be a useful tool in realising this objective, by identifying these expectations and providing the means of building customer relationships. Traditional service providers, the hospitality and restaurant industries, already use this in the form of customer surveys or feedback forms; the intelligence gleaned from these is then used by hotels to update services and by restaurants to improve the menu or offer new services (Clarke, 2001). Clarke’s findings have obvious applicability to banks, which can use customer feedback to offer new products and services – or, indeed, to scrap ones which are no longer in demand.

2.4.4.1 Benefits of using CI in Service Industries

The need for marketplace knowledge is paramount for service industries, especially as this environment is dynamic (Hitt, Keats, and DeMarie, 1998); these industries have to be able to respond appropriately (Clarke, 2001). However, this very dynamic can militate against adoption of CI, because of the expense involved in installing costly systems and hiring specialised staff. But, because increased shareholder value (and consequently increased profits) is a necessary goal of service organisations, the logic of installing and maintaining a CI system becomes inescapable. Figure 2.5 is a proposed depiction of a service-industry value chain that includes the CI process.
2.4.5 Why CI in Banks

CI must be used in service industries in order to reap the reward: the creation and maintenance of competitive advantage (Sawyer, 2002). The few studies that have been conducted clearly demonstrate this (Sawyer, 2002). Personal and business services firms using CI have higher average sales and a greater market share than those that do not use it (Sawyer, 2002). This state of affairs is exacerbated by the growing globalisation of the service economy, leading to competition from a much greater diversity of sources, and more opportunities – all of which greatly strengthens the argument for employing CI. Conversely, a firm’s ignorance of the competition means ruling itself out of the possibility of creating and sustaining competitive advantage (Sawyer, 2002). The basic thrust of these observations also applies to the manufacturing sector; it is in fact a staple of economic life.

Issues regarding information are particularly evident in retail banking, where not just traditional data-oriented “business information”, gathered externally, but information processes that play a part in the formulation of strategy, are crucial. Vital strategic decisions regarding marketing and banking and financial infrastructure rationalisation are demanded of banks in the deregulated post-1980 environment, characterised as it is by vastly
increased competition and a rapid evolution of technology. Crucial to these decisions are robust analyses grounded in accurate, comprehensive and timely information (Broady-Preston and Hayward, 2001). As far as banks are concerned, this information comprises forthcoming product releases, profiles of leading individuals in competitor organisations, new technologies and potential merger or acquisition targets.

Virtually every financial institution already has the beginnings of a CI strategy, because they are in a good position to collect various types of information about their competitors. For example, an institution’s business development officers and customer service representatives have important opportunities for collecting competitor intelligence from customers who try to leverage better deals by revealing competitors’ offerings (Bergstrom, 1992). This information gathering, according to Bergstrom, must be systematised.

The importance of CI resides in the fact that it widens an organisation’s point of view by taking external as well as internal factors into account and turning them into an integrated picture which is used for informed decision-making, including predictive ability. It does this by:

- providing an understanding of competitors’ actions so that predictions can be made
- picking the market areas having growth potential, and making competent strategic decisions
- discovering competitors’ management methods, and playing to their strengths and weaknesses
- keeping abreast of volatile customer demands and preferences
- organising these critical pieces of information into a coherent intelligence structure, which outlines the organisation’s intelligence requirements

UK banks are employing some aspects of intelligence to answer their pressing need for increasing (and increasingly relevant) information about their competitive environment, including the implementation of so-called competitor intelligence, insight, business
information, marketing intelligence or even R&D. This intelligence activity has been used by the UK banking industry in many ways:

- to help cope with the increased competition from institutions offering the same products and services
- to anticipate a loss in market share by an investigation of new players (banking and non banking)
- to underpin strategic planning and implementation
- to monitor a strategy’s development and implementation
- to monitor both competitors and the environment
- to develop strategies conforming to the banking industry’s surroundings

Furthermore, to help recognise and find potential merger and acquisition partners by locating areas with the desired demographic and economic attributes and then identifying appropriate firms within those areas (Vella and McGonagle, 1986)

This list is not exhaustive: banks can react in a number of ways, and a finely honed CI system provides a solid factual foundation for these reactions.

Because the major legislative changes in the UK financial services sector resulting in increased competition have meant that information more quickly becomes redundant, banks and other financial institutions will have to re-examine their present information systems for accuracy and currency of the data feeding their decision-making processes (Kitchen and Dawes, 1995).

Maintaining sophisticated CI systems may seem an unjustified expense – executives might decide that “we’ve managed without it so far”. But increasing levels of competition in the banking industry make this response increasingly untenable. Accurate and timely data is crucial for an organisation’s survival, and CI is a significant aid to warding off potential threats (Bergstrom, 1992).
The possession of a finely-honed CI information acquisition process provides a bank with the ability to evaluate its environment and to establish a solid factual groundwork for decision making (Boucher, 1996)

In contrast to other industries, firms engaged in financial services are more likely to possess intelligence systems, to use them to produce more analysed data, and to be receiving intelligence on changing market structures, customer and supplier activities, and developments in the regulatory and political climate, as well as requiring a better quality of intelligence regarding new technology (Shermach, 1995).

These differences are, however, relative. Gilad (2004) points out the weaknesses in the CI practices of such firms as “Citicorp”, “JP Morgan Chase” and “Bank One”. In fact, the banking industry’s weakness in CI leads to a corresponding weakness in competitive strategies, which are characterised by acquisitions (Gilad, 2004).

According to Duchesneau (2006), successful banks have a larger store of knowledge than less successful ones, which enables them to gain competitive advantage. Such banks know more than just their histories and their current circumstances; they can use their knowledge to predict the likely effect of their decisions, and can thus make the best tactical and strategic decisions.

The use of CI in retail banking is more advanced than its practice by commercial lenders, because of the increased competitiveness of the UK banking industry. Bankers realise that CI is vital to their operations, and that they must use it to gain greater knowledge of the products on offer in the marketplace. The CI audit includes all the tasks appropriate to achieving these objectives, and it is therefore necessary for lenders to demand one from every client (Vella and McGonagle, 1989).

CI as an activity concerned with more than just monitoring secondary sources has been advocated for some time as a means of increasing a bank’s competitiveness. According to
Bergstrom (1992), institutionalised and continual monitoring provides competitive edge and thus success for financial institutions. The slogan “Information is power” is never more apt than it is today.

Indeed, in today’s dynamic and competitive market, success will come to those banks that know not only how to gather information and find reliable data sources, but also how to benefit from these, and how to deliver those benefits in a timely manner to the appropriate recipients. Banks must have accurate knowledge of their competitors. The ultimate objective of a company’s CI practices is to use and get benefit from information rather than merely gathering it. Further, effective CI processes ensure that a dynamic intelligence product is readily available for use in the decision making process; it is an inescapable conclusion that any bank must have a good CI system.

2.5 UK Banking

The modern banking environment is increasingly unstable as more players enter it, regulations amend it, customers’ preferences change, and technology develops. Such an environment demands timely and accurate information, which banks ignore at their peril.

British Banking Association (BBA) statistics reveal the size of the UK banking industry (BBA, 2005): it takes up more than 5 percent of the UK economy, it provides more than one million jobs and accounts for one fifth of the market capitalisation of the FTSE 100. The industry pays nearly a third of all UK corporation tax and provides mortgages and home loans to 70 percent of the UK population, as well as providing credit, savings and insurance facilities.

The Financial Services Authority (FSA) supervises the UK financial services sector. The two main types of institution in this sector are banks and building societies. The conversion

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1 The FTSE 100 is an index of the share prices of the 100 largest quoted companies (by market capitalisation) in the UK listed on the London Stock Exchange.
of several of the latter into the former in the 1990s has resulted in the increased growth in size of the banking industry, already substantially larger than non-bank sector. Lascelles (2000) defines a non-banking firm as a bank or credit institution that operates using a non-banking brand name, or has been set up by non-banking institutions. This has led to increased competition over the last two decades and consequently to the necessity for sector players to display a greater awareness of commercial realities and of the cost-effectiveness of their operations.

Changes in delivery of the banking industry’s everyday products and services have come about because of the impact of technological, sociological and commercial factors. The globalisation of markets has led to bigger, more diverse markets and increased competition between banks, a development that has been heavily contributed to by the impact of Information and Communications Technology (ICT) and the effects of banking industry regulations and deregulation. This competitive environment demands that UK banks develop new strategies in order to survive in this fast-paced industry.

According to Bradley and Stewart (2003) the banking sector is decidedly traditional, an attribute which, together with its rectitude, it has treated as a virtue rather than a deficiency to be remedied. Despite escalating competition, both from established quarters and from new entrants after deregulation, which results in increasing environmental change, banks continue to rely on their “tried and true” methods of service delivery. These are inadequate to cope with developing consumer demands, globalisation, deregulation, emerging technologies, disintermediation and the emergence of new financial service models, all hallmarks of a dynamic environment. Boyes and Stone (2003) confirm that the financial services industry is changing ever more swiftly, especially as it becomes more competitive. Existing players are having to fight to keep as well as expand their customer base as the number of new entrants increases and consumers become more discriminating, cost-sensitive and well-informed. Periodical media coverage of financial “scandals” tends to erode consumer confidence in financial institutions as the regulatory landscape is radically altering and new guidelines on product transparency depresses margins and costs.
Many UK banks have worked toward cost-efficient channels and maximised profit margins. Having observed the relative ineffectiveness of consolidation used solely, they studied the experience of other UK retail sectors and found effectiveness of distribution channels (rather than product development) to be the factor ensuring success in service as well as retail industries (European Banker, 2004). Banks have now taken steps to gain the utmost from every contact with customers, and to deepen their networks.

The number of banks in the UK banking industry is relatively small, but each bank tends to have a large number of widely spread branches. A large number of accounts are paired with a high degree of leverage/credit creation, and the overwhelming majority of transactions are conducted in pounds sterling rather than US dollars or Euros (Reinhold, 2003).

The fears of many UK banks regarding a possible trend towards internet banking have proved unfounded, customers continuing their preference for personal rather than electronic, or even telephone, service (The Times 12 April, 2004).

2.5.1 Categories of UK Banks

These include:

- central banks, which usually control the country’s monetary policy, and may be the last resort for crisis borrowing
- investment banks, which advise on mergers and acquisitions and underwrite stock bond issues
- merchant banks, which finance trade
- private banks, which manage “high net worth assets” (i.e. high-earning individuals)
- retail banks, which offer full banking services with mortgage and home equity loans, credit cards, personal loans, savings, and all types of deposit instruments
- offshore banks, located in relatively low-taxation and low-regulation jurisdictions
• commercial banks

The research contacted largest UK retail banks, which constitutes his field of study.

The above categories provide the following products and services (FSA website):

• banking (current accounts, saving and investment accounts, card services, including credit and debit cards, ATMs, E-commerce and retail stock broking)
• storage of valuables, particularly in a safety deposit box
• mortgages
• insurance and investments
• international banking
• pensions

2.5.2 UK Banking Characteristics

The UK banking industry is characterised by:

• growing regulatory trends
• new technology
• changing customer needs
• competition

As the focus of this study is the competitive environment, so this section concentrates on competition. This is of ever-greater relevance to UK banks, which are operating in an increasingly competitive environment, necessitating fast responses under high-pressure conditions.
2.5.2.1 Competition

The variegated environment with which banks interact affects their performance in many ways, direct and indirect. The external environment can also be thought of as the operating environment; its elements include economic, social, political, technological, and competitive ones. This study deals with the competitive environment in the UK banking industry, an environment which can be important to the formulation of successful strategies, depending as they do on a full understanding and anticipation of those of their competitors.

Llewellyn (1996) says that competition in the UK banking industry has a long history. However, six particular aspects to the way competition is evolving give it a new dimension:

1. The range of potential entrants is increasing in number and diversity because of technology's breaking down of barriers
2. Regulations do not protect banks as they used to
3. Competition has become globalised
4. Some customer groups have global financing options and are able to arbitrage between domestic, foreign and international banks and capital markets
5. Banks are allowed to operate internationally
6. Regulatory barriers have been removed, making international operation easier

Gonzalez and Guerrero (2004) point to the rapid increase in new types of competition faced by banks and building societies resulting from these factors; the direct banking threat in particular poses a threat to the traditional players' extensive investment in their branch networks. New technologies have reduced entry barriers to new entrants competing for the banks' basic custom, such as money transfer. However, the exit barriers are substantial. Extensive investment in branch networks is written off when these are massively reduced (Howcroft and Beckett, 1996). According to Gonzalez and Guerrero (2004) competition by non-banks, actually of long standing, suddenly intensified in the late 1990s as these players...
diversified their offerings away from those related to their core businesses, including founding real (mainly internet or telephone) banks through their commercial networks. This finally forced banks to be realistic about the threat posed by these new players.

Methods as well as levels of competition have been increased by deregulation (Durkin et al., 2003). This competition seems likely to increase. Lloyds TSB is seeking to expand its customer base, HBOS is offering competitive rates, and RBS/Nat West and HSBC emphasise quality products and services. These banks are threatened with acquisition by the branch-based Abbey, Alliance & Leicester and Nationwide Building Society, the internet banks Cahoot, IF and Smile, and the direct providers First Direct and Citibank (Mintel report, 2004). Deregulation and technological development have been responsible for the highly competitive financial services environment (Hughes et al., 2004).

Ahmad (2005) relates how the intense competition in UK retail banking led providers to try to attract potential customers with “add-ons” such as credit cards with reduced interest on transferred balances, above-market interest rates on savings deposits, and numerous forms of cash back (additional payments to loan borrowers). Egg, a non-branch provider of financial services, used such means (in this case the lure of above-market interest rates on savings deposits) to win 500,000 depositors in just six months (The Economist, 2000). Customer service is increasingly being seen as a necessary means of distinction, as product offerings grow more homogenous and margins are diminished (Todman and James, 2004). Better understanding of customers leads to better customer relations. A single customer view can be a difficult stage to reach, but with a systematic and methodical approach the rewards are high.

Building societies, with their better rates of interest on savings, cheaper mortgages and significantly lower costs, pose a major threat to UK banks. They were in the forefront of the move to ATMs and other new electronic communications technology, and their location gives them yet more competitive advantage. The Bank of Scotland, for example, used
building societies' competitive strengths to enter the UK consumer banking market (Rogers, 1999).

Larger building societies adopted the strategy of conversion to banks, to such an extent that banking industry analysts nowadays sometimes refer to a “Big Eight” rather than a “Big Four”, with the addition of Abbey National, Halifax, Woolwich, and Alliance and Leicester. Since the 1980s this has led to the distinction between retail banks and building societies becoming largely irrelevant.

UK banks have tried to change internally to meet the challenges of their continually changing external environment. Inter-bank competition eats into profit margins and leads to the possibility of losses at the same time as it increases efficiency. The difficulty faced by many UK bankers is the paradox of the avoidance, or at least the reduction, of risk and uncertainty, and the maintenance of the ability to handle increased uncertainty and to use it as a positive weapon for creating a competitive advantage.

Previously unforeseen competitors for banks include grocery chains, life insurers, department stores, and telecommunications firms such as British Telecom, who are all driving down the margins on retail banking products with their lower cost/income ratios. They have encroached onto the most profitable product lines which were previously the banks’ exclusive preserve, and have thus become extremely price-competitive with them. All this, combined with (in many cases) their possession of an established and trusted retail brand, make them real and threatening competitors to traditional banks (Durkin and Howcroft, 2003).

Gonzalez and Guerrero (2004) concluded that non-banks competitors include such varied players as important retailers, insurance companies and car manufacturers, all looking to diversify into high-profit areas. They are taking advantage of growing accessibility, new technologies and customers’ trust in well-known brands in other markets.
The impact of competition on the banking industry is demonstrated by developments in technology and the general erosion of entry barriers into banking. These factors have resulted in an easier entry into the banking sector for non-bank financial and non-financial institutions seeking to diversify, and a more difficult route out of the financial sector for banks trying to expand their range of services. According to Kern (2003), in order for banks to compete with these kinds of highly appealing non-bank institutions, their product lines must be simplified and their service offerings broadened. Full knowledge of a competitor’s activities is also a prerequisite in the competitive struggle (Youngman, 1998).

UK banking now faces new regulatory circumstances which lead to increasing competition. In order to analyse their complex competitive environment, to gain and maintain competitive advantage and try to transform the challenges posed by regulation into opportunities – and indeed to help them identify their competitors – all UK banks must design an appropriate framework. The hierarchical bureaucracies suitable to the traditional banking environment of two or three decades ago – a virtual cartel, in fact – must be replaced by strategies appropriate to the competitive deregulatory environment, in order to deal with competition from outside as well as inside the banking sector.

2.5.3 Main Players in the UK Banking Sector

There are many different kinds of institutions involved in this highly competitive market. Following deregulation, major retailers are also moving rapidly into the financial services sector. The main categories of player are listed as follows:

1. **Banks**: financial institutions providing banking and other financial services. UK banking includes (Barclays, Lloyds TSB, HSBC, Nat West/RBS, Bank of Scotland (BoS), Royal Bank of Scotland (RBS) Abbey National, Alliance & Leicester, Halifax, Woolwich, Clydesdale, the Co-operative Bank and Giro bank).
2. **Building societies**: mutual institutions which attract retail deposits to finance loans for housing purchase. According to He and Balmer (2005), unlike most organisations, where ownership is vested in shareholders, the concept of mutuality is based on ownership residing with its members. In the case of building societies this traditionally meant that savers as well as borrowers were therefore members of the society (Balmer and Wilkinson, 1991; Davies, 1981; Thwaites, 1989). A building society is a mutual institution. Most members (those with a savings account and/or a mortgage) have certain rights to attend and speak at meetings as well as to vote and receive information. The rule is: one vote per member, regardless of their financial investment in the society. There are 63 building societies in the UK with total assets of over £230 billion, like the Chesham Building Society, Derbyshire Building Society, Furness Building Society, Kent Reliance Building Society, the Mansfield Building Society and the Norwich and Peterborough Building Society.

3. **Other players, including non-bank financial institutions.** By 2000, more than 20 banks or financial businesses had been set up by non-banking players, ranging from supermarkets such as Sainsbury Bank plc (who introduced Bank of Scotland services), Marks and Spencer, ASDA, Safeway, Littlewoods and Tesco Personal Finance Limited (a joint venture between Royal Bank of Scotland and Tesco), through insurance companies such as Standard Life, Scottish Widows, Prudential, Legal and General, utilities companies like British Gas and Thames Water, transportation companies including British Airways and Easy Jet, football clubs (Leeds United and Chelsea), to companies which operate in a multitude of markets, like the Virgin group (Lascelles, 2000). Credit card companies have also been forceful in winning new customer, particularly MBNA, the US credit card issuer, which now has an estimated 7 per cent of the card market (Lascelles, 2000). This competitive “traffic” has been one way. New players benefit from competitive alliances with traditional banking names, but banks have so far not ventured into retailing.
UK banking industry players' products and services are fairly uniform in price, so other factors such as quality of service are increasingly important in securing competitive advantage.

### 2.5.4 Merger and Acquisition

Many UK banks rely on one particular strategy to grow revenues, reduce costs and gain competitive advantage in an increasingly competitive, deregulated and uncertain market: merger and acquisition. According to Colgate (1998) today's globalised markets provide a stimulus to growth by conglomeration – merger and acquisition. One important factor which has led to the many mergers, increased competition and diversification of services and products characteristic of the contemporary banking environment is deregulation (Mistry, 2006).

The most important reason underlying mergers and acquisitions in the UK banking industry is the winning of competitive advantage and a consequent decrease in the level of competition. Other reasons are:

- improved efficiency and increased performance
- increased return by geographical expansion (geographic diversification with the aim of increasing market share, decreasing risk and, in the long run, increasing profits)
- bank's strengthened market position
- promotion of brand strength
- governmental and social pressures
- the acquisition of market power
- the reduction of uncertainty and the diversification of risk
- the expansion of the customer base
There has been an increase in merger and acquisition activity in the UK banking industry. According to Le Fanu (2004), this has been caused by deregulation of the UK financial service industry and the consequently increased level of competition.

According to Freeman (1999) there are five principal reasons for acquisition:

1. **To expand product and service portfolios.** Halifax bank acquired the Clerical Medical insurance company in 1996 to give it the underwriting expertise it felt it needed.
2. **To increase the number of customers for a particular product or service.** Lloyds TSB bought Cheltenham and Gloucester to increase its mortgage lending operation.
3. **To achieve overseas expansion.** Some UK institutions such as Barclays and Nat West are focusing on local growth, while others are looking to expand internationally.
4. **To divest from overseas subsidiaries.** Nat West sold its US subsidiary and Barclays (Canada) went to HSBC for this reason.
5. **To enter the UK market.** ING, Deutsche Bank and ABN Amro have all bought UK subsidiaries to enter the local market.

A sixth reason, although perhaps a subsidiary one, might be to eliminate competition, either actual or potential. The other side of this reason is the acquisition of success, in the case of a product or brand that is well-recognised and has a favourable reputation. The former could be independent of the latter, but obviously any acquisition must result in a lessening of competition.

Acquisition or merger also represents a cheap way of acquiring an organisation geared to the fulfilment of a bank’s strategic goals, which can be quite costly. Such initiatives might change the structure of the market and the imperatives driving the industry. In any event, CI is crucial to this process (Freeman, 1999), especially so in the financial industry (Vella and McGonagle, 1988).
Smaller banks have been acquired as part of a deliberate policy of forming the big UK institutions, the logic being that most customers would choose to bank near to their home or workplace (Harris, 2002). In 1970 England and Wales had only four major clearing banks, and Scotland a further two. Table 2.3 shows the mergers and acquisitions of UK banks.

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank merger and Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>Alliance and Leicester Building Society merged with Leicester Building Society to form Alliance and Leicester plc, which converted from a building society to a bank in April 1997</td>
</tr>
<tr>
<td>1988</td>
<td>Lloyds Bank merged five of its businesses with Abbey Life to form Lloyds Abbey Life plc. This expanded Lloyds’ growing insurance business</td>
</tr>
<tr>
<td>1995</td>
<td>In a move to expand its home mortgage business, Lloyds Bank acquired Cheltenham and Gloucester (C&amp;G)</td>
</tr>
<tr>
<td>1996</td>
<td>The businesses of National and Provincial Building Society merged with Abbey National plc</td>
</tr>
<tr>
<td></td>
<td>Lloyds Bank merged with Trustee Savings Bank (TSB) group to form Lloyds TSB plc. This expanded Lloyds’ customer base and their product portfolio</td>
</tr>
<tr>
<td>1999</td>
<td>Acquisition of Scottish Widows, an insurance company, by Lloyds-TSB</td>
</tr>
<tr>
<td></td>
<td>Halifax acquisition of the business of the Birmingham Midshires Building Society</td>
</tr>
<tr>
<td>2000</td>
<td>Nat West was acquired by Royal Bank of Scotland (RBS) group</td>
</tr>
<tr>
<td></td>
<td>Barclays announced a takeover of Woolwich</td>
</tr>
<tr>
<td></td>
<td>The government blocked the merger of Lloyds TSB and Abbey National</td>
</tr>
<tr>
<td>2001</td>
<td>Halifax merged with the Bank of Scotland to form (HBOS)</td>
</tr>
<tr>
<td>2003</td>
<td>Lloyds TSB acquired the Goldfish brand, with its credit card and loans business</td>
</tr>
</tbody>
</table>

Table 2.3: UK bank mergers and acquisitions 1985-2003

Source: Developed by the Writer

One of the effects of mergers and acquisitions is a proliferation of technology, in particular in banking. Cost reduction through branch closure is another (International Labour Office, 2001).

According to Darveau (2001) the merger and acquisition failure rate, ranging from 50% to 70%, clearly indicates a lack of CI skills or preparation because the success of merger and
acquisitions is highly dependent on the quality of the CI utilised. Darveau (2001) further supports this assertion by observing that, out of the four most common grounds of merger and acquisition failure (unpredictability, agency problems, misguided managers, and a failure to grasp and articulate the strategic intent behind the deal), three are information-related.

Banks diversify into new services most directly by the process of merger and acquisition, a process that avoids the problems associated with new entry into a market segment.

### 2.6 Strategy

This section discusses the formulation of strategy, with a brief introduction to strategy, competitor analysis and strategic decision making, before focussing primarily on strategy formulation models for banks, and finally covering CI and strategy.

#### 2.6.1 Introduction to Strategy

Any organisation’s environment is the totality of all the external factors that impact upon it in any manner, to any degree. There are several levels of environment, at different removes from the organisation: the industry the organisation operates in, the total business community, the city, the country, indeed the whole globe. There are also different kinds of environment: technological, economic, physical, social, and political. These are all factors of which the business strategist is at least subliminally aware. But the rates at which changes occur also vary – fastest in technology, less so in politics. Change requires a company to continuously monitor its environment. Strategy is future-oriented, and those who formulate it must be sensitive to the ways in which their company is vulnerable to change, and to how such changes will affect that future (Mintzberg et al., 2003).
During the last decade of the previous century, banks’ environment changed from being static and largely closed to being open and highly competitive; this change is exacerated by the entry into the market of new financial and non-financial institutions. Retail banks have therefore to continually reassess their corporate and business strategies (Broady-Preston and Hayward, 1999). Because banks do not exist in isolation, their strategists and decision-makers must view their environment very broadly. Indeed, in order to understand their environment at all, banks must make efficient use of information about that environment generally and about competitors in particular.

In the 1970s and early 1980s, the strategic challenge for business was viewed primarily as protecting its potential profits from erosion through either competition or bargaining. In the late 1980s the need to pursue multiple sources of competitive advantage led to the need for building collaborative relationships with suppliers, customers, competitors and a variety of other institutions, and led to a combination of competitive and co-operative strategies. Strategic alliances are a leading manifestation of collaborative strategies: these are agreements between firms to share resources to meet goals (Clarke-Hill et al., 2003).

Strategy begins with an appreciation of the difference in resources between a firm and its competitors. It must take advantage of opportunities outside the organisation (Collis and Montgomery, 1995).

2.6.2 Competitor Analysis

Porter (1980) says that an examination of areas in which individual competitors’ services are falling short of customer demands, and of cases in which competitors are taking customers, can aid in predicting industry conditions. A failure to perform this monitoring and analysis exercise leaves firms without a firm foundation on which to build a competitive struggle – in fact, leaves them open to attack (Aurora WDC website).
The threefold goal of competitive analysis is firstly to develop a systematic view of competitors’ likely strategic adjustments, then of their likely responses to other firms’ possible moves, and lastly to their likely responses to possible changes in the industry and the environment.

Many authors have suggested a number of definitions of competitive analysis. Bennett (2003) lists some of these as follows:

- **Competitive analysis** is a formalised process whereby the management team assesses the evaluation of its sector and the capabilities and behaviour of its current and potential competitors to assist in maintaining or developing a competitive advantage (Prescott and Gibbons, 1993).
- **Competitive analysis** is an analytic process that transforms data into actionable strategic knowledge about competitors’ capabilities, intentions, performance, and positions (Bernhardt, 1994).
- **Competitive analysis** is a process of gathering competitor data from various sources both inside and outside the organisation, transforming them into timely, pertinent and meaningful information and holding it within a well structured system (Fletcher and Donaghy, 1994).
- **Competitive analysis** is the process of identifying key competitors; assessing their objectives, strengths and weaknesses, strategies and reaction patterns; and selecting which competitors to attack or avoid (Simkin and Cheng, 1997).
- **Competitive analysis** is the collection, processing and storage of information and its dissemination to people at all levels of the organisation in order to help shape the organisation’s future and protects it against current competitive threat (Rouach and Santi, 2001).
- **Competitive analysis** provides a comprehensive picture of the strengths and weaknesses of current and potential rivals (Fleisher and Bensoussan, 2003).
A recognition of competitors’ failures to serve their customers properly obviously generates new business opportunities. Dissatisfaction creates a willingness to seek alternatives, and to test new ideas (Prince, 1989).

Goshal and Westney (1991) give several intra-organisational applications of competitor analysis:

1. to clarify for the entire firm who the main competitors are, and the main levels of competition
2. to facilitate comparison with major competitors on such variables as capital investment and productivity
3. to validate organisational plans and actions
4. to present personnel with competitors’ approaches to problem-solving, and so stimulate the organisation’s own efforts

Competitive advantage offers both an offensive and a defensive strategic context through which to identify potential opportunities and threats. Fleisher and Bensoussan (2003) list four main purposes for competitive advantage:

- to discover the direction in which competitors’ plans are moving
- to foresee how competitors will react to the firm’s own strategies
- to see how well competitors’ strategies fit to their capabilities
- to grasp where competitors are weak

Likewise, awareness of competitors’ efforts to obtain a greater market share can serve to highlight the firm’s own failings. Thus, it can be seen that competitor analysis fulfils both offensive and defensive purposes. For a proper understanding of their competitors, banks specifically must evaluate their image, financial structure, marketing expertise, service capabilities, and evolving product lines, and thereby assess their threat potential. So, for example, a competitor’s imminent introduction of a new high-quality inexpensive treasury
workstation geared to the needs of the middle market is obviously a piece of very valuable knowledge by which a bank can forestall a loss of custom by reacting to and defusing the threat (Prince, 1989). This is a good example of the reactive application of CI. This application remains essential, because no amount of predictive intelligence can foretell every move by every competitor.

Banks must analyse their environment, especially the competitive environment, for possible opportunities, clearly identify their core competencies, and devise appropriate strategies that match the two.

For Aaker (1998), identification of competitors is crucial but also difficult. He says that the key competitors act the most fiercely in the subject firm’s core business areas, and lists the elements of the competition which it is most important to understand:

- **Performance**: how do a competitor’s sales, sales growth and profitability reflect their general condition?
- **Image and personality**: how are competitors positioned and perceived?
- **Objectives**: what is the level of the competitor’s commitment? Is their goal a high growth rate?
- **Current and past strategy** and how these will impact on future strategy.
- **Culture**: Is the organisation’s prime concern cost control, entrepreneurship, or the customer?
- **Cost structure**: Does the competitor’s cost structure give them some advantage?
- **Strengths and weaknesses**: Is the brand name, distribution, or R&D strength or a weakness?

Strategic development often concentrates on exploiting competitors’ weaknesses and avoiding or neutralising their strengths (Aaker, 1998).
Porter (1979) suggested that an evaluation of competitors' strategies must be future-oriented. In 1980 he argued (supported by Wong and Saunders, 1996) that an essential part of this function must be played by a competitor intelligence system which, like any Management Information System (MIS), enables relevant, topical information about the marketplace and competition to be collected, stored, retrieved, analysed and communicated to analysts and marketing decision makers (See Figure 2.6).

Figure 2.6: CI system

Source: Adapted from Porter (1980)
In 1990, Porter applied these ideas to an exploration of the relative advantages of nations. In his book, he is less than complementary to what he sees as Britain’s few advantages, and its businesses’ limited understanding of the competition. Instead, he singles out several Newly-Developed Countries (NDCs), and in particular Taiwan and Korea, which are now mounting significant challenges, especially in electronics, to the former leaders: the US, Europe and Japan. He lists some of the traits which account for this success:

- rapidly changing, proprietary technology
- a highly skilled labour force
- awareness of lead times
- a complex distribution and service network
- a great emphasis on consumer marketing

Likewise for banks, competitor analysis involves a two-stage process of identification of players and of their actual and potential market share. Nowadays, this analysis must extend to the national level, outside as well as inside the industry, as opposed to formerly, when an examination of the local market would have sufficed (Bernstal, 2004). Indeed, globalisation demands a global view of competition.

2.6.3 Strategic Decision Making

Hambrick and Snow (1977) identify as strategic those decisions which are made by top management, and which affect the whole organisation. Strategic decisions must conform to a design if the organisation is to be directed and unified. A firm’s strategy is revealed by the relationships between these decisions (Harrison and Pelletier, 1998). Strategic decision-making is the next step after strategic analysis, which should provide a solid foundation for those decisions. These focuses on the bank-environment relationship, which is epitomised by the concept of the “strategic gap”: that is to say, the fit (or lack of it) between the bank’s capabilities and the most significant factors in its environment.
For McKenna and Martin-Smith (2005) decisions at the highest level were made unsystematically by managers, on an ad hoc basis, and focused on single industries in single countries or regions. This is no longer possible in an uncertain, devolved, diverse and deregulated environment (Friedman, 2000). Instead, McKenna and Martin-Smith (2005) point to the new dynamic methods of decision-making, taking the complexities of relationships between people.

This process is composite, according to Harrison (1996) and Harrison and Pelletier (2000), who emphasise the concept of the "strategic gap". According to Harrison (1989), this gap is perennial; it can only be a matter of reducing it, not eliminating it. Eisenhardt (1999) claims that effective strategy necessitates swift, firmly supported decisions. Information, properly utilised to support all stages of the process, plays an essential role.

Strategic decisions are inherently related to the association between the firm and its environment, an association exemplified by the concept of the strategic gap, which deals with the correspondence between the firm's competencies and its most significant external entities. The concept covers the main issues to be borne in mind in strategic decision-making.

The definition adopted here is similar to that of Hofer and Schendel (1978), who define a strategic gap as "a comparison of the organisation's objectives, strategy, and resources against the opportunities and threats in its external environment..." (Hofer and Schendel, 1978). Basically, the writer's definition involves the misfit between the firm's current strategic position and its strategic vision (Harrison, 1986). This gap can never be closed, except by a complete commitment of all the firm's capabilities to the realisation of all possible opportunities and the forestalling of all possible threats (Harrison and Pelletier, 1998) – clearly an impossible situation, both because of the limitations of perception and the fact that some options are mutually exclusive.
The central purpose of many CI functions is to support business decisions, especially the key ones relating to strategy and business development (Fehringer et al., 2006), and the correct exercise of these functions, according to Vella (1993) can improve the relative quality of this decision making process.

The intelligence cycle consists, according to Bernhardt (1993) of five steps: “the process by which raw information is acquired, gathered, transmitted, evaluated, analysed and made available as finished intelligence for policymakers to use in decision making an action”.

2.6.4 Strategy Formulation Models for Banks

Strategy at the broadest level, the corporate, determines the direction for the whole enterprise, as well as resource allocation to pursue that direction most effectively. The focus narrows to business strategy, which involves the creation of competitive advantage in each area of business in which the firm operates. Finally, these strategies are implemented at the operational level; failure at this level means failure of the other two levels.

The processes by which strategies are formulated have received much attention in the past decade due to the increasingly volatile competitive environment. This body of work will now be examined, followed by a consideration of the link between CI and strategy.

According to Chorafas (1999), banking strategy is at the heart of a process encompassing the following five major plans:

1. Human resources: customer, employees and stakeholders
2. Marketing and sales within chosen market(s)
3. Product development: product appeal and life cycle(s)
4. Financial resources and financial staying power
5. Technological competence: moving ahead of competition
These plans have not necessarily been written in order of importance, though many knowledgeable strategists are advising that customers and employees should indeed be at the top. Chorafas (1999) added that a master plan should consist of the proficient construction and execution of these, at which point they will be able to deal with the challenges posed by the banking industry’s environment. These include:

- Product line choices
- Market segmentation
- Delivery channels
- Marketing and branding
- Pricing strategy
- Risk management strategy
- Scale of operations
- Operations in the back office

To formulate strategy is to position the bank more favourably in its environment. Many concepts and models for this process have been suggested, some of which focus on matching resources to the environment as detailed earlier, while others focus on the organisation’s resources and capabilities as drivers of competitive advantage. All these concepts and techniques imply that it is possible to determine a strategic direction for an organisation on a systematic basis. However, this situation can only obtain (as has been increasingly recognised) in stable and well-defined conditions. As has been made obvious by the present research, this situation simply does not exist. The clear implication is that strategic formulation should become a cognitive process rather than a conceptual one. This has led to the growth of organisational learning as a research subject; indeed, the ability to learn has been recognised as the only source of sustainable competitive advantage (Porter, 1985; Buzzell and Bradley, 1987; Feurer and Chaharbaghi, 1995; Grant, 1991; Nonaka, 1991).
Strategy formulation as a logical activity includes principally the identification of opportunities and threats in the company's environment and a risk assessment of the alternatives. Strengths and weaknesses, resources and capacities for taking advantage of opportunities all need to be realistically appraised before this assessment is completed. The best alternative found after fitting matching opportunities to corporate capabilities at an acceptable level of risk is what might be called economic strategy (Mintzberg et al., 2003). Among the most common reasons for strategy failure is their foundation on a static view of businesses, industries and markets, and a failure to recognise the dynamic and evolutionary nature of their environment. This led to ill-conceived and executed measures which did not respond to real conditions (Daniell, 2006).

The first step is to envisage the optimal condition of the bank at some point in the future by applying the first three steps of vision, mission and values, and to determine its direction. Then follows environmental scanning, the basis of environmental analysis. The objective of strategy formulation is to place the bank in the best position to deal with a dynamic environment. This must take account of both opportunities and threats. According to Gershon (2000), strategic planning is the sum total of these performance-determining decisions and actions. The first step in the process is the mission statement, summarising the organisation's raison d'être. According to Bernhardt (1993), managers must continually evaluate their strategic circumstances.

Vision and mission are a key part of the organisation's strategy. The firm imagines the future it wishes to create; it tries to identify dissatisfied groups of customers, articulate needs and even new customer groupings (Bernhardt, 2002). Vision is a process that enables banks top management to temporarily forget reason, look beyond the present and determining the future form their bank should take. Goals and objectives are derived from this vision. Mission is a clear statement of purpose or raison d'être that defines the bank's right to exist, or otherwise its function in the market. It is often termed a philosophical statement or philosophy, and provides guidelines for organisational behaviour. The nature of the bank's activities and the essence of the bank also fall within the compass of the
mission statement, which is fixed; it is visions that change over time and are replaced as they are fulfilled.

In a bank, vision and mission statement are performed at both head office and bank level. Clearly, head office staff set the bank’s overall strategies and designs the new services. Nevertheless branch managers have a great deal of autonomy in pursuing their responsibility for business development at local level; it is usually they who decide which of the bank’s portfolio of services best merit promotion in the market segment which the branch serves (Ford, 1989). Next come objectives, which are generated by the strategic mission and further its purpose of gaining competitive advantage. Objectives can only be set once the environment has been properly scanned, and must be (Ennew et al., 1990):

- attainable
- consistent
- clearly stated

Effective strategic decision-making depends on the first of the above points (Hosmer, 1982; Harrison and Pelletier, 1998). The objective can be thought of as the purpose for which decisions are made. They also function as benchmarks by which the degree to which those decisions fulfil organisational purposes is evaluated (Harrison and Pelletier, 1998). According to Carey (1989) a number of strategy formulation models were developed that could be used by banks to set their future strategic direction. Two of these are reproduced here; the first is a suggested model for strategy formulation and planning procedure for banks (see Table 2.4) and the second concentrates on strategy formulation by a separate business unit within a bank (see Figure 2.7).
Table 2.4: Strategy formulation and planning process for banks
Source: Carey, 1989

<table>
<thead>
<tr>
<th>Level</th>
<th>Responsibilities</th>
<th>Evaluation</th>
<th>Review of Sharing Requirements</th>
<th>Performance Criteria</th>
<th>Approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Philosophy, Mission, Business unit identification, Strategic direction, Goals &amp; objectives, Resource allocation</td>
<td>Of strategies and options at corporate and business unit level</td>
<td>Channels, Support, functions, Critical mass requirements, Corporate integration required</td>
<td>By business unit, By individuals in relation to corporate objectives</td>
<td>Consolidation of plans and budgets, Resource allocation, Approval</td>
</tr>
<tr>
<td>Business Unit</td>
<td>Mission, Business Scope, Identification of product/market segments, Formulation of objectives and board strategies</td>
<td>Of specific action programs at business unit &amp; market segment level, Of competitors, OFSWOT analysis</td>
<td>Define required integration needs, Arrangements for sharing of functions and supports</td>
<td>For business unit, For market segments, For individuals</td>
<td>Plans, budgets, strategies at market segment level</td>
</tr>
<tr>
<td>Market Segment Unit</td>
<td>Objectives, Strategies, Action plans</td>
<td>Of action programmes, Of competitors, OFSWOT analysis</td>
<td>Arrangements for sharing of cross-unit needs</td>
<td>By market segment unit, and individuals</td>
<td>In relation to strategies and plans at this level</td>
</tr>
</tbody>
</table>

Figure 2.7: Formulation of business unit strategy in banks.
Source: Carey, 1989.
According to Taylor and Morison (1999), management's thinking and practice has become markedly more strategically oriented in recent years, in response to the increasingly dynamic environment, the main constituents of which are summarised in Figure 2.8:

![Figure 2.8: The major influences on bank strategy](image)

*Source: Taylor and Morison (1999)*

According to Freedman (2003), there are five phases to the strategy process, and each of them echoes the others:

1. Strategic intelligence-gathering and analysis
2. Strategy formulation
3. Strategic master project planning
4. Strategy implementation
5. Monitoring, reviewing, and updating strategy

There is no single or absolute “best” strategy formulation mode – each organisation must incorporate variations that are appropriate to its circumstances. The final result must
balance comprehensiveness with simplicity, so that all relevant factors are taken into account but implementation is not hindered (Carey, 1989).

Thus, strategy can be either internally or externally driven. Firms can monitor the environment and adjust their internal conditions accordingly, gaining competitive advantage through a scrupulous awareness of customer demands and environmental limitations (Miles and Snow, 1978). On the other hand, they can develop strategies which match their own competencies, gaining advantage by exploiting the key success factors in their industry and their own resource base (Yang et al., 2006).

The success of any bank is dependent upon its ability to plan for the future. Corporate strategy is primarily about the choice of direction for the bank as a whole, and is the main means for it to attain its goals. For many banks the goal is to create a sustainable growth and satisfy their desires. It is not easy for banks in this competitive and turbulent environment to achieve their goals and maximise profit without careful competitor analysis as a foundation for their strategy formulation.

2.6.5 CI and Strategy

In essence, strategy has to do with understanding where a bank will go in the future and how it will get there. To be able to do so that proactive strategic decisions and actions are possible, banks have to utilise information effectively. According to Herring (1992), the quality of any given strategy is limited by the intelligence on which it is based. Those decisions especially requiring a firm intelligence foundation are those that are longer-range and anticipatory, such as those of assessing business strengths and weaknesses, and environmental opportunities or threats (Porter, 1987). Porter here states: “Corporate strategy concerns two different questions: what businesses the corporation should be in, and how the corporate office should manage the array of business units.” But his view is also that “CI concerns how to create competitive advantage in each of the businesses in which a company competes” (Porter, 1987). The necessary integration of firms’ activities
and goals into a formal strategic process (Bernhardt, 1993) is the same irrespective of the model companies choose to follow (global, international, multinational or transnational). Managers must continually reassess their strategic situation, make strategic choices and implement them. Yip (1992) argues that “being able to develop and implement an effective global strategy is the acid test of a well managed company.”

Porter’s (1980) penetrating look at competitor analysis and its role in the formulation of competitive strategy argues that this activity must reach a high level of sophistication in order to meet the needs of Yip’s “acid test”. Only a good intelligence system will help banks to do this. Such a system must also be responsive to the evolving needs of managers and to the role and structure of strategic planning (Bernhardt, 1993). CI has in particular become the means by which firms can penetrate their competitors’ strategies.

CI is fundamental to strategic management activities (which are anticipatory in nature), and in particular those concerned with assessing business strengths/weaknesses and environmental opportunities/threats in relation to competitors and formulating, evaluating and selecting strategic alternatives (Veliyath, 1992). It is driven by, and carried out for, policy-makers (Bernhardt, 1993). The majority of firms do not maintain CI as a distinct entity, which is doubly interesting in the light of the recognition by most CEOs that competitive advantage means being proactive and moving more quickly than competing firms. The organisations that have really taken this to heart in practice have been the biggest global corporations, who maintain world-class CI establishments (Miller, 2001).

According to Bernhardt (1993) the competition is concerned with what Aaker (1992) gives as the principal factors, or determinates, of sustainable competitive advantage:

- an analysis of competitor’s strategies, and in particular of the overall set of resources on which they are founded
- an investigation of the firm’s target markets
- an investigation of a competitor’s other competitors

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• an examination of the way in which the firm competes (product strategy, positioning strategy, manufacturing strategy, distribution strategy etc.)

Bernhardt (1993) says that CI carries out these functions. Porter (1987) says that corporate strategy seeks to answer two prescriptions: the nature of the corporation’s business and the corporate office’s management of business units (Porter, 1987). He further states that competitive strategy involves the creation of competitive advantage in each business a firm engages in. The concern in this work is primarily with how CI serves the firm at the business unit level. In other words, the concern here is how managers use CI to create and sustain superior competitive performance (Bernhardt, 1993). Strategic planning sets the direction for the enterprise; intelligence allows choice of the best route by which this strategy can be realized. It is obvious from this that the quality of this intelligence can spell the difference between a strategy’s success and failure (Bensoussan and Fleisher, 2006).

According to Wang and Turban (1991) the strategic management process can be divided into two phases (see Figure 2.9); the first involves internal and external environmental scanning and analysis. This feeds into the second phase, involving strategic decision-making and implementation. Phase two incorporates the four fundamental activities of strategy formulation, corporate capability planning (whose purpose is to support and underpin these strategies), real time strategic response to unforeseen environmental changes, and implementation of strategies (Rouibah, 2003).
Intelligence is nothing more or less than the essential follow-up to strategic planning. CI is absolutely necessary to strategy formulation (Bernhardt, 1993). As stated in earlier chapters, the mere acquisition of CI is inadequate: it must be used. Managers must know what actions they can, should and will take when they acquire the intelligence they need. The value of intelligence deteriorates rapidly with time, and comes at a high cost. The task of managers is to use intelligence in a timely manner to create or sustain competitive advantage – in short, to make decisions, then to take action (Bernhardt, 1993).

According to Herring (1992) CI plays six roles in the formulation and implementation of strategy. Good strategy, by itself will not make a great strategy. But successful strategies are derived from good CI concerning a company’s total business environment, including the competitive environment. That CI must describe both the company’s current competitive situation and its most likely future competitive environment. The role of CI in the formulation and implementation of strategy falls into the following six basic categories:
1. **Describing the competitive environment:** The full range of environmental factors must be included, such as competitors, customers, products, the industry’s structure, and the various categories of competition, such as price, performance, and technology. This is not the same as a marketing assessment, however, and combining these two provides the basis for a dynamic analysis of how particular competitive situations are likely to evolve.

2. **Forecasting the competitive environment:** The intelligence department can provide or supplement a forecast of the company’s future, particularly of the evolution of the business environment. This is most appropriately done in what is called a business intelligence estimate, which might describe the company’s future competitive environment as being entirely different from the contemporary one.

3. **Challenging the underlying assumption, or asking the right question:** Underlying assumptions (economic, political, technological, as well as market and customer-related) that affect the company strategist’s thinking are challenged in this role. These assumptions are often subconscious, and strategists may not even realise their influence on their strategies.

4. **Identifying and compensating for exposed weaknesses:** The intelligence department can be used to identify and assess a company’s own weaknesses and vulnerabilities as well as (more usually) those of the competition, particularly when the company is launching initiatives new to it. The company is especially vulnerable at these times, and the competition most likely knows it and will have analysed those vulnerabilities in order to exploit them. A well-prepared company will have examined its own weaknesses and taken steps to overcome them first, either by taking appropriate forestalling actions or by tailoring strategy accordingly.

5. **Using intelligence to implement and adjust strategy to changing competitive environment:** Implementation follows formulation and testing, and consists of two phases as far as the competition is concerned. During the first, typically lasting a few months, competitors sense and react to new initiatives on their first appearance. Good intelligence on how the competitor is responding and adjusting to the strategy’s initial implementation is very valuable, both to test its effectiveness and
to begin making adjustments that compensate for any countermeasures the competition is likely to take. Competitors’ countermeasures form phase two, and can range from an entirely fresh strategy or reactive counterstrategies (or in some cases, when the competitor wants to attack new business or product directly, a countermeasure program). The competitor’s intelligence gathering and analysis capabilities will be crucial here. This is when defensive measures such as counterintelligence and security come to the fore; the more effective these are, the longer new strategies remain viable. The CI during these two phases is critical to the long-term viability of new strategy. Comprehensive, timely and objective gathering and analysis are required, as well as monitoring the responses of not just competitors but all players, including customers, suppliers and even governments (when legislation is concerned).

6. **Determining when the strategy is no longer sustainable:** Assuming the strategy to have survived, monitoring competitors’ actions is imperative.

Indeed a proactive approach such the above should ensure that strategy based on CI is future-focused, and that identified threats are dealt with before they can have an impact on the bank

### 2.7 How CI can be linked to Banking Strategy

From the above discussion, it is apparent that CI enables senior banking executives to formulate informed and sound strategy, as well as allowing banks to anticipate environmental changes rather than merely to react to these changes. Once they have analysed and understood their competitors’ strategies, banks can design their own in order to get closer to their customers and gain competitive advantage over their rivals. CI plays a crucial role in enabling banks to understand their competitors and formulate strategies to meet them.
Both CI and strategy are dynamic, multifaceted concepts. A bank’s strategy might involve its existing strategic position, or the direction in which its senior executives want that strategy to head. Furthermore, strategy may involve working within an existing strategy concept, or it may necessitate the creation of a new one. Strategy based on CI might include many diverse fields, including intelligence about competitors, customers, suppliers, potential merger and acquisition targets, new entrants (banking and non-banking), regulation and deregulation, and any other factors in the competitive environment that might have an impact on the bank.

Banking senior executives can examine an existing strategy to determine what CI will make it thrive, or look at its existing CI and identify what strategy will use it to best advantage. Furthermore, it is possible to perceive the strategy / CI relationship in terms of how CI can formulate sound strategy to create competitive advantage for the bank.

2.8 Effectiveness of CI

It is somewhat surprising to learn from Herring’s (2005) survey of some 20 senior executives from eight major banks, ranging in business from aerospace to electronics and including financial services, that not one of them expressed any desire to measure the performance of their CI departments financially or quantitatively. One CEO said that he wanted action, adding, “We can always go back and measure its financial performance later”. This is despite their insistence that they expected a “visible” impact by CI on the quality of the bank’s decisions, which poses an apparent contradiction between a demand for quantifiable performance and a neglect of measures for such performance which respondents clearly failed to reconcile.

In the business world generally, performance by organisations has a long tradition of use. According to Lonnqvist and Pirttimaki (2006) it is a flexible and practical managerial tool; it is in fact essential to determining the true addition of value of CI processes (Miller, 2003). All of these entirely valid comments lead to the conclusion that measurement of CI
activity is vital, and consequently to the necessity for the establishment of reliable
mechanisms for such measurement. Lonnqvist and Pirttimaki (2006) see the valuation of CI
as proving its worth, and the measurement of CI activity as helping to manage the process.

According to Sawka (2000), on balance the literature views the most common reason for
measuring CI as the former: to prove that the activity is worthwhile. Davison (2001), for
example, states that managers have to be able to justify their CI departments’ existence, and
that executives need to know whether or not such an investment is rational. This, according
to Davison (2001), may increase the status of the CI activity throughout the business world.
Herring (1996) comments on the other reason for measurement, that of process
management. The process must be accurately matched to its needs, and the assessors in this
case are more likely to be CI professionals.

Davison’s (2001) CI Measurement Model (CIMM) assesses the Return on CI investment
(ROCl). This assessment compares the input (i.e. what it costs to implement the project)
against consideration of any output. One of the simplest means of doing this, Davison
suggest, could be to determine whether the project’s targets have been met.

Marin and Poulter carried out a survey (2004) in which organisations detailed the means by
which they measured the results of their CI investments. They compared the cost of
consultants to the results obtained by the CI division and quantify the strategic deals that
the CI team has been involved in, and then compare the win / loss ratios to those deals
where they were not involved. This involved, in one example, querying a statistical
database containing competitor information. Herring (1996) has identified four measures of
the effectiveness of CI: time savings, cost savings, cost avoidance and revenue
enhancement. However, it appears that these are not so much objective measurements as
results which can be expected from any well-conducted CI activity. It is not clear how they
can be measured – certainly not subjectively, according to Davison (2001), for whom such
“measurement” fails to quantify the financial results.
For Herring (1996) any measurement must be a combination of qualitative and quantitative techniques. Quantitative measures focus on input while the qualitative measures ask for post-output subjective quality assessments (Prescott and Miller, 2001).

Jaworski and Wee’s (1993) surveys and their resultant research found, among other things, the following:

- A high level of CI activity in organisations results in a 37 per cent greater level of product quality and a consequent 68 per cent improvement in business performance over firms not investing heavily in CI.
- The quality of strategic planning of such organisations is 36 per cent higher. Organisational confidence in this quality leads to a 48 per cent improvement in business performance.
- Their knowledge of the market is 50 per cent higher, and the improvement in business performance is 36 per cent higher.
- The lack of a structured, managerially directed CI structure results in less collecting, analysis, and use of CI.

Davison (2001) argues that it is necessary to classify CI activities as either strategic or tactical in order to measure effectiveness. Strategic measurement is future-oriented, while tactical is concerned with immediate benefits such as cost savings or information on products. He concludes that both, as well as consumer satisfaction, are necessary to produce an effective means of measuring and accounting for the performance of CI activities.

The Futures Group (1997) reported the measures companies would most likely use to measure CI output, and found that respondents to their survey were most likely to measure according to the following criteria:

- actions taken – 67 per cent
- market share changes – 49 per cent
financial goals met – 49 per cent
leads generated – 48 per cent
new products developed – 44 per cent

These are prescriptions. When Fehringer et al., (2006) surveyed professionals to find out how they actually measured their CI activity’s effectiveness; they found that 30 per cent did not measure it at all. This is a marked decrease from Herring’s findings referred to earlier. Of the majority who did measure it, most used customer satisfaction surveys, but some used more objective measurements such as ROI. Very few applied measurement tools to the monetary value of their CI function.

Fleisher and Blenkhorn (2001) bemoan the difficulty of measuring the economic benefits of CI, and therefore how problematic it was to decide whether or not to invest in it. Cook and Cook (2001) found this reflected in practice: in their survey, it was found that most firms simply did not bother to evaluate their CI. These results are similar to those of Herring’s survey of financial institutions. According to Metayer (1999), it is assumed that CI fulfils management expectations, which tend to be centred around risk reduction and growth opportunities.

Fleisher and Blenkhorn’s (2001) sound proposals for evaluating CI operations have been successfully used. They include:

- Audits
- Balanced scorecard approach
- Baldrige-mapping
- Benchmarking
- Management by objectives
- Quality related methods
The problem is in measuring the direct effect of CI, which is almost impossible. At present there are no standard measures for the value of CI. The primary reason is that there are very few situations where the total impact of the CI analysis can be segmented out or decisions’ value quantified. To date, most of the value measures are anecdotal. It is often extremely difficult, if not impossible to accurately measure the specific impact that CI has on a business decision. Even the managers who use the analysis cannot state how they apply it to their decisions, a process in itself subjective. Simple measurements like the number of analyses created or the number of users are almost always meaningless. In fact, most of the measures are qualitative, not quantitative, for a couple of reasons. First, and foremost, CI is predominately a qualitative process. Second, CI has an element that makes it different from other corporate processes. That is the element of disconnect: CI staff have no way of forcing their internal clients to use what they provide. So, for example, how can the impact of CI be measured if the client does not apply it?

Unfortunately there are many definitions of value, and it appears that CI as a business discipline has so far failed to come up with a universal set of measurements that explicitly show the economic contribution this activity brings to the bank. Although the measurement of CI impact is an important task, a common view among scholars and practitioners is that the measurement of CI is difficult to carry out and only a few organisations have any mechanisms in place to measure the value of CI. Thus, measurement is considered an important aspect of CI, but at the same time is considered difficult to carry out in practice.

2.9 Chapter Summary

This chapter is concerned with the literature regarding CI. Banks’ competitive environment is thoroughly examined with a view to establishing how they do operate in it, and how they should, together with the means by which they can improve their practice are also examined. The theoretical and practical framework against which intelligence is derived is set out.
Examples of the various definitions regarding CI are then critically examined; it is found that most of them fall short in one way or another, and that none of them applies specifically to the financial services industry. Various categorisation schemes are examined, and most importantly, a definition is formulated specific to CI in UK banking.

The various concepts by which intelligence is known are covered, including Market Research, Business Intelligence and, most interestingly, the difference between Competitor and Competitive Intelligence. It is found that the former is a subset of the latter.

The CI process is then set forth in depth, from the planning stage, through collection and analysis to dissemination. It is found that each of these stages is vital, and that failure of one part means failure of the whole, but the crux of the operation is the analysis stage, which turns raw data into intelligence which can be acted upon. The benefits of CI for the financial services industry and for UK banking in particular are outlined, the chief one being to cope with the increasingly competitive environment. It is observed that adoption of effective CI is not so much a matter of choice as a matter of necessity. Finally, strategy in the industry is examined at length, along with the means by which CI could be used to increase its success.
Chapter Three: Research Methodology

3.1 Introduction

The previous chapter mapped the views, opinions and arguments of a wide range of authors contained in existing journals and texts on CI, UK banking and strategy in order to review the existing literature and provide a context for the study's contribution to the knowledge of CI, UK banking and strategy. This chapter will provide an overview of the methodology used by this research. A key to the success of an empirical study is the choice of methodology, which must enable the researcher to obtain optimal data with which to address the subject of the research, while avoiding what Yin (1994) calls “gross misfits”.

Business research can be described as “a systematic, controlled, empirical, and critical investigation of phenomena of interest to managerial decision-makers” (Cooper and Schindler, 2003). Business research can be categorised into applied research and fundamental research. The former aims to solve a problem presently facing a company, while the more generic fundamental research is concerned with generating knowledge, understanding phenomena and addressing common problems facing organisations. This can then build up a body of knowledge in a specific area (Sekaran, 2003).

The research area determines which of these two categories a study belongs to. In the case of the present study, the appropriate category was found to be fundamental research, because it aims at describing certain characteristics of CI. This finding is strengthened by the almost (if not complete) dearth of studies regarding CI in banking. Moreover, since few if any studies have focused on CI in banking industry, the present study falls most easily into the category of fundamental research, investigating generically, as it does, key issues underlying the relationship between CI and the banking industry, and seeking, as it does, to add to the knowledge available concerning both.
3.2 An Overview of Research Methodology

Figure 3.1 illustrates the research process and design followed by an overview of the research methods.

**Problem Statement**
Banking strategy is affected by escalating levels of competition, regulatory changes, emerging technologies, increased customer demands and the uncertain environment. CI deals with all of these problems. Question: does UK banking currently use CI, especially in strategy formulation, and if so, in what capacity and to what extent? Is it a major factor in strategy formulation?

**Theoretical Framework**
Determine the actual and potential role of CI and its effect on UK banking strategy. This will provide a clear picture of the current status of CI in UK banking in general and banking strategy formulation in particular. Also identify the real issues confronting the use of CI in UK banks and offer practical advice and solutions to these problems. All of these have an affect.

**Research Purpose**
Exploratory
Descriptive

**Research Approach**
Qualitative

**Research Strategy**
Case Study

**Sample Frame**
Largest UK Retail Banks

**Data Collection**
Interviews

**Data Analysis**
Within-case Analysis
Cross-case Analysis

**Quality Standard**
Internal Validity
External Validity
Reliability

*Figure 3.1: Overview of research process and design, and research methodology*
An initial discussion of the difference between methodology and research methods would be in order. This involves a general outline of "science" and a more specific examination of what a "scientific methodology" consists of.

Nobbs (1983) argues that the following are among the "generally accepted criteria of a science":

- The employment of scientific methods
- Observation, resulting in empirical evidence
- The collection and collation of data
- The statistical presentation of facts
- An attempt to add to knowledge by experimentation and research
- An attempt to establish generalisations or laws by the proposal of theories and the testing of hypotheses
- Attempts to refute hypotheses; consequently scientific laws may be amended, and given greater validity
- The use of universally applicable scientific laws to make accurate predictions
- The subject matter being susceptible to clear-cut and useful classification
- The development of a specialised and esoteric scientific language
- The operation of a science within its own specialised area and its own paradigm or ideological framework
- A science's objective and value-free nature

On the basis of the above, therefore, it can be concluded that "science" involves:

- A recognisable methodology based upon the identification, collection and elaboration of factual evidence
- A theoretical construct which determines how scientists "do science"
- The development of universal laws or "law-like" statements
3.2.1 What is Research?

The prospective researcher should first clearly understand the meaning of the term "research". Research is "the systematic process of collecting and analysing information (data) in order to increase our understanding of the phenomenon with which researchers are concerned or interested" (Leedy and Ormrod, 2001). For Creswell (2000), research is usually activated by an identification of an issue or problem, followed by a literature review, specifying the study's purpose and interpreting the data. The final step is a report circulated to and evaluated by an audience and used in the scientific community. It should be noted that research is cyclical: the final report can lead to the statement of another problem, and the whole process begins again. Research is the discovery of relevant information or principles through systematic, objective and thorough investigation of a subject or a problem (Green and Tull, 1978). According to Sekaran (2003) "research is an organised, systematic, data-based, critical, scientific inquiry or investigation into a specific problem undertaken with the object of finding answers or solutions to it".

Collis and Hussey (2003) summarise the purpose of research by the following points, which may be used in any combination:

- The review or synthesis of existing knowledge
- The investigation of existing situations or problems
- The provision of solutions to problems
- The exploration and analysis of more general issues
- The construction or creation of new procedures or systems
- The explanation of new phenomena
- The generation of new knowledge

A clear separation between “facts” (description or explanations of the world as empirically observed) and “values” (opinions regarding a desired state of things)
3.2.2 The Difference Between Research Methodology and Research Methods

Methodology is the general approach taken to carrying out a piece of research. Leedy and Ormrod (2001) define it as an appreciation of the meaning implied by the facts, an appreciation obtained by placing those facts within an operational framework. The term “research methodology” signifies the procedures according to which research is carried out (Remenyi et al., 1998).

According to Collis and Hussey (2003) methodology is an approach which treats the research process holistically, by referring to global approaches and perspectives. It is concerned with what data has been collected, why that particular data was chosen, where and how it was acquired, and how it was analysed.

The term “research method” refers solely to tools or methods of data capture and analysis (Collis and Hussey, 2003). Put simply, methodology refers to the principles underpinning the choice of research method. Liversey (2004) put it succinctly:

- “Methods” refer to the tools by which research is conducted.
- “Methodology”, on the other hand, is concerned both with the choice of method by which the researcher can discover/produce knowledge about research, and the validity of the knowledge produced by the use of different methods.

The selection of the correct methodology is vital to the success of the research; it must enable the researcher to address the research questions by acquiring data optimized for that purpose.
3.2.3 Why Qualitative Research?

Creswell (1998) summarises the three main research methodologies as quantitative, qualitative and mixed. The following section gives some of the key features of qualitative research, the methodology chosen for this study.

Qualitative methods often have a reach beyond that of quantitative ones. Gillham (2000) lists some of the advantages of the qualitative method:

- to deal with complex issues which are not amenable to quantitative treatment
- to comprehend the reality of group and organisational behaviour, structure and culture by investigating them informally
- to see things from the subject’s perspective

The question of which set of methodologies to adopt is determined by several factors. According to Denzin and Lincoln (1994), qualitative research can illuminate previously obscure areas, such as that with which the present research is concerned. But seemingly well-known areas are also amenable to this kind of research, through the acquisition of information in the kind of depth not possible for a quantitative presentation. There are thus three main ways at which a subject is appropriate for qualitative enquiry: the initial exploration, the collection of data for subsequent qualitative verification, and when the data resists quantitative analysis. For these reasons the present researcher has chosen a qualitative approach, which will yield the in-depth understanding of the contexts and processes involved in UK banking as revealed by case studies.

Patton (2002) suggests the following as among the wide range of possible applications for qualitative enquiry:

- The opening of evaluation to stakeholders’ ideas by a process of personalisation and humanisation
- The harmonisation of evaluation values across the whole spectrum of stakeholders
- In evaluations where the subject is of a developmental, participatory, and democratic nature
- Where non-obtrusive measures are needed
- When an issue is not well understood
- To quickly scan an area in order to gain an initial understanding of it
- For capturing and communicating anecdotal evidence
- To monitor events as they happen
- To capturing unforeseen consequences
- To generate new insights into the subject matter

Mason (2002) highlights the indeterminacy of qualitative research, as opposed to the focus upon gathering and analysing quantifiable data characteristic of a positivist approach. For this reason, qualitative research is of growing importance in the areas of business and management as well as being popular with social scientists.

Strauss and Corbin (1998) contrast the small, contextualised sample sizes which qualitative research typically studies in depth with the isolated, large samples sizes by which quantitative research seeks to gain statistical significance. They (1990) furthermore highlight the advantage of qualitative methodology in dealing with little-known subject matter – like the current research. Following this line of reasoning, the advantages of qualitative research for CI and for UK banking can be summarised as follows:

- **Quantitative research** does not provide for as much in-depth and comprehensive research as qualitative.
- **Qualitative research** regards subjectivity and active participant involvement as a positive means of describing context eliciting information from what is known as the "emic" aspect. This is an "insider's view" of the subject, bringing the attitudes
of the participants into play rather than seeking to exclude them by predetermining areas of enquiry. Case study is the appropriate vehicle for this type of research.

- **Qualitative research** is flexible, which is vital when exploring new territory such as that which is the subject of this study. It seeks a contextual understanding of the world in which CI operates in the financial services industry.

This researcher chose qualitative over quantitative research because such research would enable him to gain information about the little-known context of CI’s impact on strategy formulation in the UK banking sector. Another reason was in order to gain a better understanding of this research area – an area in which there has been no previous research, either about CI in financial services in general or banking in particular. Add to this the nature of CI – that it is a dynamic or lived experience, involving the different perceptions of senior executives at different departments within the banking industry, rather than a static reality to be captured using snapshot methodologies – and the logic of using one of the qualitative methodologies becomes stronger. This is supported by Walle (1999): "CI is largely concerned with the gathering and processing of qualitative information"; a significant benefit of CI is that "it is geared to providing and interpreting certain kinds of qualitative research".

Fuld et al., (2002) sees the information collected and the methods of analysis by CI tools as being primarily qualitative, derived from the social sciences. The information collected can be both internally and externally sourced. These methods lend themselves better to developing an understanding of the complex experiences, motivations, decision making processes, and goals of interview subjects, based on information that is intuitive (Walle, 1999). A systematic approach will lead to a less arbitrary results, and will ensure consistency and quality of intelligence. Three sociological methods most relevant to CI practitioners include: 1. grounded theory, 2. discourse analysis, and 3. narrative analysis (Harrington, 2006).
3.2.4 Limitations of Qualitative Research

Qualitative research has a scientific rigour that its opposite number lacks, leading potentially at least to biased or incomplete gathering and selection of information (Malhotra, 2004) and difficulty in establishing the reliability and validity of sources and information (Key, 2002) – as opposed to quantitative research, whose reliability and validity are virtually unquestioned.

Casell and Symon (1995) point up qualitative research’s “soft edges” such as non-replicability and small sample sizes (leading to uncertainty about how information will be interpreted by researchers), which compares unfavourably with quantitative methodology, characterised as it is by improved hypothesis testing, representative sampling, adequate sample sizes and appropriate statistical treatment (Wortman et al., 1989). Key (2002) and Yin (1994) reinforce these criticisms by pointing respectively to qualitative methodology’s difficulty in avoiding researcher bias, and case study research’s lack of objectivity and rigour.

For Malhotra (1996), this is a matter of appropriateness. Qualitative methods should be used when the research problem concerns new subject matter; here, case study methods are most fitting (Yin, 1994). Despite disadvantages such as the lack of generalisability when compared with a survey, the case study does allow in-depth exploration. Also, observations were necessary to the discovery of reasons for productivity differentials. These observations might lead to factors which would be harder to find with another method of data collection.

Depth of description and investigation are the main advantages of the qualitative approach. They usually give sufficient detail to enable the reader to understand the full complexity of a given subject (Neill, 2003). The ultimate aim of this type of research is to give researchers a perspective on the situation, and to allow them to illustrate or describe phenomena in well-written research reports.
The present researcher has used multiple case studies as a means of overcoming this potential limitation. Miles and Huberman (1994) show that this method increases the reliability of findings and Yin (1994) shows that it allows more generalisation through the identification of common themes. It enabled a holistic, meaningful understanding of real events by focusing on the dynamics driving the respondents. All interviews were taped to reduce the errors, bias and loss of information, which increased the reliability and validity of the research.

The lack of rigour that critics of qualitative research complain of can be supplied, at least in part, by software in the analytical stages. NVivo accomplishes this by allowing quick, accurate and comprehensive thematic searches (Welsh, 2002).

3.3 Problem Statement

The research process is self-contained: it starts with a problem and ends with a solution. The statement of the problem is therefore central to the research, because it circumscribes its purpose. Gerber (2004), however, points out that not all identified problems within a scientific field of study are suitable for research. Accurate and precise definition of the problem is perhaps the researcher’s most important responsibility (Dillon et al., 1994).

The prospective researcher should identify a research problem by asking whether any relevant questions have not yet been answered. A statement of the research problem should be conducive to the possibility of finding solutions (Gerber, 2004).

What is a Research Problem?

A research problem is an anomaly which provokes the researcher to ask WHO, WHAT, WHERE, WHEN, and/or WHY, which results in a problem statement, and consequent
research to find a solution. Problems may arise as a result of personal experience, a lacuna or contradiction in the scientific literature, or some shortcoming in a theory. Research can thus have one of several aims: to clarify, refute or substantiate an existing theory, to resolve contradictory findings, to fill in a gap in current knowledge, to reconcile opposing viewpoints, or to solve practical problems (Gerber, 2004).

These are important aspects of the formulation of a research problem:

- A complete and grammatically correct statement, with careful use of vocabulary and avoidance of redundant expressions. The researcher’s intentions should be obvious.
- Segmenting the research field into manageable divisions (Gerber, 2004).

**The Statement of the Problem for the Current Research**

The operating environment of the UK financial services industry in general and banking in particular has changed from being static and having the character of a cartel to being highly open, dynamic and competitive, with new players entering the market. Furthermore, according to Slattery and Nellis (2005) UK banks operate in an environment of initiatives by government and regulatory changes, some of which may conflict with each other. This fragmentation is compounded by the many reviews initiated by both the Financial Services Authority (FSA) and by the Treasury, leading to a diffuse approach to devising a new regulatory framework (Littler and Hudson, 2003). Additional facets of this rapidly changing environment include technological innovation and growing customer demands (Barney, 1997; Nathe and Guca, 1997; Panagiotou and Wijnen, 2005; Tripsas and Gavetti, 2000) – all of which lead industry players to take strategic decisions under conditions of increased unpredictability (Slattery and Nellis, 2005). This is illustrated by the 50 percent failure rate of all strategy formulation in UK financial services (Williamson, 1993). Fleisher and Blenkhorn (2001) identify a lack of ability to respond to a rapidly changing environment (whether it be competitive or technological, or to do with consumer demand or industry standards) as one of the causes of strategic failure.
Emerging market imperatives demand more than existing information systems in financial services organisations can deliver (Ennew et al., 1990). Porter (1985) sees response to competition as being significant in the formulation of strategy for all sizes of firm. But commentators see banks as not meeting this requirement. Retail banks today are not responding as necessary to this environment, which according to Kern (2003) is their key problem. Batiz-Lazo and Wood (2001) support this, saying that the banks’ strategic responses to the changing competitive environment still fall short of what is needed. Maltby (2003) states that banks must rise to market challenges by being more dynamic and innovative. Banks’ reaction to the disappearance of protective barriers consisted of strategies that favoured illusory profit objectives over core business areas (Trethowan and Scullion, 1997). The conditions under which companies operate are too uncertain for prediction to be possible; instead, these conditions must be accepted and dealt with – and, indeed, exploited where possible. Banking corporate strategies are influenced by the impact of deregulation, technology, changes in customer needs and wants, and the competitive environment. An understanding of the forces shaping this environment – especially those in the competitive environment – has for the last decade been crucial. There has indeed been much investigation of competitive methods and strategies, according to Powers and Hahn (2004), but this has largely focussed on manufacturing firms. Indeed, only one study has concerned the service industry (and that one was on the hospital sector).

Warehouses and document management tools, among other warehousing technologies, have greatly facilitated the collection and storage of data – but this often results in siloed information, preventing organisations from reaping the benefits (Ramsaran, 2005). This author advocates the integration of these silos organisation-wide in order to create true business intelligence.

The complexity of uncertainties forced UK banks to alter their strategies and business directions with the lack of utilising further mechanism that enable them formulate dynamic and powerful strategies that could sustain their competitive advantage.
Increased levels of competition and the necessity for faster reactions have led UK banks to concentrate their attention on their competitors and on the environment to a greater extent than previously and to provide for continuous strategic renewal and improvement. They can never have too much timely, accurate and relevant information about competitors, and they must also have the ability to process this information into intelligence, which is crucial to the formulation of strategy. Shaker and Gembicki (1999) point out that this process can be incomplete. Executives can process huge amounts of data without adding much value in the way of information, and consequently they will achieve a very small gain in intelligence.

According to Bernhardt (1994), the implementation of business strategy without appropriate CI can be damaging. Heath (1996) claims that more firms are acknowledging the centrality of CI to good corporate strategy and tactics. Rich (2002) asserts that CI augments strategic decision-making, while Vedder et al., (1999) adds the importance of CI in providing information about the business environment.

An intelligence capacity is more requisite now than ever for corporations: the hyper-competition now prevailing across most industries and radical business changes means that it is absolutely essential for corporations to anticipate, not just keep up with, the competition (Sawka, 1996).

The inevitable conclusion of all this is that CI provides one of the best means by which UK banks can gain competitive advantage. If they want to keep in step with their dynamic and competitive environment, UK banks must plan ahead using CI. CI gives banks intelligence with which they can formulate effective strategies, and provides an impetus to banks to meet those strategies’ objectives. Research also reveals the increased ‘comfort level’ (SCIP website) which CI bestows on management’s strategic planning.

There is a need for more research by scholars and practitioners on CI and its effect on banking in general and banking strategy in particular, as opposed to investigations
concerning CI’s potential for allowing financial organisations to gain competitive advantage. Most current studies concerning environmental scanning, data collection methods, analytical techniques for generating information from data, and the bridging of boundaries between organisations and their environments have been in the field of products rather than services and banking, which have received very little attention.

An examination of the literature also reveals the following gaps:

- Consensus and up-to-date studies of CI in the financial services industry in general and banking in particular
- The connection between CI and banking strategy formulation
- The role of CI in banking strategy, and especially the integration of CI into UK banking
- The consequent effect on banking strategy formulation and implementation
- Concepts of CI in services business
- Service industries as opposed to manufacturing
- UK case studies (most of these have been carried out concern the USA)
- Investigations of the effect CI can have on UK institutions in general and banking in particular

As a consequence of these points, the understanding of UK banks’ use of CI in general and its effect on their strategy in particular remains insufficient. This study identifies the benefits that UK banks may gain from implementing CI in their strategy formulation. A further rationale for this research was to resolve the confusion over the use of the term CI, which has been used interchangeably with others such as business intelligence, CI, marketing intelligence, and marketing research. Each of these terms represents a different activity; most UK banks currently use them instead of CI to denote their activity, despite the latter being the appropriate term for what they are doing.
3.4 Research Objectives

The aim of this study is to clarify the current practice, and to better understand the key role, of CI in the UK banking industry, and to determine its effect on banking strategy. Its aims are:

1. to establish the current status of CI in the UK banking industry, and to examine the terminology used for this activity
2. to establish the areas in which CI plays a pivotal role in UK banking industry
3. to establish whether and to what extent UK banks currently use CI in their strategy formulation
4. to investigate how CI contributes to banking strategy formulation

3.5 Research Questions

The questions asked by this study are therefore determined by the need to investigate the key roles played by CI in UK banking, how CI is actually used, and the real benefits to be derived from it. The study is based on the assumption that, in order to develop a better understanding of CI's implications for the UK banking strategy, it is essential first to comprehend CI's current use and potential benefits. This leads to the following research questions. It will be noted that the first question directly addresses the first objective, the second question relates to the second and third objectives, the third question likewise to the third objective, and the last three questions seek to explore the last objective in three specific ways.

1. What is the current status of CI in UK banking?
2. Do UK banks currently use CI in order to formulate their strategies?
3. What is the key role played by CI in UK banking in general and banking strategy in particular?
4. In which way does CI contribute to UK banking strategy?

5. Does the UK banking industry consider CI as a major factor in strategy formulation?

6. What are the factors which explain the success of CI's role in the formulation of banking strategy?

The answers will help an understanding of how banks actually use CI, based on real experiences of senior UK banking executives regarding the impact of CI on their strategic decision-making.

3.6 Research Design

3.6.1 Purpose of the Study

Research may be exploratory, descriptive, or probative (Sekaran, 2003). According to Tull and Hawkins (1993), the type of information required to deal with the research problem determines which of these three categories the research falls into.

Saunders et al., (2003) see exploratory studies as the best means by which to gain both a new understanding and new analyses of a given phenomenon. When there is a dearth of information regarding a subject, or regarding previous solutions, exploratory research is most appropriate. In this case, extensive preparation is necessary to gain knowledge of the subject area, before a model is developed and the research's parameters and methodology are determined (Sekaran, 2003). An exploratory study therefore collects data, develops hypotheses, clarifies concepts and establishes research priorities (Cooper and Schindler, 2003). Exploratory research is flexible, starting broadly and becoming more focussed as the study progresses (Saunders et al., 2003).
Serakan (2003) defines descriptive research as that undertaken to ascertain and describe variables accurately. This type of research is best used for studies of populations or phenomena about which, unlike exploratory research, there is already some previous understanding (Saunders et al., 2003). Its purpose is to provide answers to questions such as who, when, where, and how. Probative research, the purpose of which is to test hypotheses, clarifies the nature of certain relationships, or differentiates between groups or factors (Sekaran, 2003).

The majority of research into CI that exists concerns US firms (Wright et al., 2002). There is a corresponding dearth of information on CI in the UK, especially in financial services, and most especially in banking. The aim of this study is to investigate the role of CI in banking strategy. Because of the paucity of previous material, it will seek to gain basic knowledge about its subject, and to gain an accurate picture of CI in UK banking. Considerations of lack of material, as well as the sensitivity of the research topic (how UK banks acquire, distribute, interpret and use CI in the formulation of strategy) influenced the choice of descriptive and exploratory research.

3.6.2 The Unit of Analysis

The unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage according to Sekaran (2003), or to the major entity that the researcher is analysing (Trochim, 2002). According to Newman (2000), the type of unit analysis is dependant on the research topic and questions. A unit of analysis could be one of the following (Trochim, 2002):

- Individuals
- Groups
- Artefacts (books, photos, newspapers)
- Geographical units (town, census tract, state)
The reason it is called a “unit of analysis” rather than, for instance, a “unit of sampling” is because it is the researcher’s analysis upon which the identity of the unit depends. If, for example, the researcher is comparing children’s test scores, the individual child comprises the “unit”, because each child has its own score. But if classroom climates are being analyzed, the unit becomes the classroom. Different analyses may contain various levels of unit. In the previous example, individual scores would subsequently be aggregated when comparing classrooms. These different levels have given rise to a separate field of statistical analysis often called “hierarchical modeling”. This is particularly useful in such fields as education (as the above example implies), where data is collected at the individual level but compared at classroom level (Trochim, 2002). For the present research, the unit of analysis is largest retail UK banks.

3.6.3 Research Approach

Because the aim of this study is to investigate respondents’ views and experiences of CI, it is qualitative and exploratory. In-depth qualitative interviews with senior executives in the largest UK retail banks generated data yielding a practitioner view. This study is more amenable to qualitative than to quantitative treatment because it attempts to discover experiences and perceptions. Mason (2002) describes posited theoretical frameworks based on data as being developed from the particular to the general – that is to say, an inductive process. The present research fits this description: qualitative data is used as the primary source, on which theoretical interpretations regarding the rhetoric and practice of CI grounded in actual experiences, interpretations, and actions of the interviewees can be made. This will provide a powerful means for understanding CI within a specific industry (UK banking).

3.6.4 Research Strategy

According to Yin (1994), research strategy is shaped by the following considerations:
1. The character of the research question
2. The degree to which the researcher can control events
3. The balance between the research’s concentration on historical and contemporary events

When applied to the present research, these yield the case study method as the most appropriate to research prompted by “what” and “how” questions. Because researchers using this method act as observers and interpreters, they have no control over events; and the investigation concerns contemporary conditions which function as recommendations, as the researcher cannot himself action them.

The following Table shows how Yin (1994) relates each of the above conditions to the five alternative research strategies:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research questions</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>how, why</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, how much</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what, where, how many, how much</td>
<td>no</td>
<td>yes/no</td>
</tr>
<tr>
<td>Historical</td>
<td>how, why</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Case study</td>
<td>how, why</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

Table 3.1: Relevant situations for different research strategies
Source: Yin (1994)

The purpose of this research is to gain a deeper understanding of CI in UK banks. A statement of the research question is obviously the starting point of this research; another effect of such a statement is to focus on the results the research requires, without being distracted by concerns that are irrelevant or at best incidental to the purpose of the research.
An experiment is done when an investigator can manipulate behaviour directly and precisely. This can occur in a laboratory and focus on isolated variables; also, the experiment requires control over the existing behavioural episodes (Yin, 1994). In this research, the researcher could not control behavioural events, and thus the experiment strategy was not used. According to Yin (1994) survey research is concerned with systematic gathering of information from respondents, generally in the form of questionnaire. It often answers questions of what, where and who. With this strategy, the researcher could have investigated a few variables, but the researcher would not have been able to cover all the aspects of CI in the UK banks that the researcher believed was necessary to obtain the understanding sought. Therefore, the researcher decided not to use survey strategy. Another type of evidence which is not relevant to this study is archival records, analysis of which is advantageous only when the research goal is to describe the incidents or prevalence of a specific occurrence (Yin, 1994). Since, the research purpose is to gain an understanding, archival records were excluded. Yin (1994) further presents a historical strategy as dealing with the “dead” past – that is, when no relevant persons or artefacts available as the main source of evidence. Since this research focuses on contemporary events, the historical strategy was rejected. The case study has been chosen over other qualitative strategies such as ethnographic, phenomenological, grounded theory or narrative strategies of inquiry.

3.6.5 Case Study Strategy

Yin (1994) argues that a phenomenon in its context (particularly when that context itself is integral to the research) is the primary concern of the case study approach. According to Denscombe (1998), this approach is to be preferred because it focuses on the interaction of relationships and processes. It deals with phenomena holistically instead of atomising them. For Bell (1993), this method investigates actual instances in order fully to understand this interaction. Through the use of focus groups, in-depth interviews, experiments and analysis of archival evidence, it captures relationships which may be invisible when viewed from a
large-scale perspective. Case study is an inductive approach, with highly descriptive results which give meaning to its subject and thereby help gain a better understanding of it (Merriam, 1998).

According to Riege (2003) case study involves the construction of theory, and arises from the necessity of comprehending actual phenomena and of obtaining new holistic insights and analyses of previously unheard of practitioners’ experiences, which contain a wealth of information (as often as not involving creative discovery rather than research design). There are three reasons why case study research is a viable management research strategy (Cepeda and Martin, 2005). It allows a study of management in its actual context, and permits theoretical generalisations to be made. It provides the material with “which”, “how” and “why” questions may be answered, thereby permitting a more accurate comprehension of the fundamental nature and degree of complexity inherent in the subject. And, as has been stated, it is an appropriate way to explore areas in which previous studies are lacking.

The case study is an exploration of a bounded system or a case (or multiple cases) over time through in-depth data collection. The case study researcher uses multiple forms of data, rich in context, to build the in-depth case (Creswell, 1998). Case studies are an important approach in business and management research. Remenyi et al., (1998) identify five situations when case studies are appropriate for research purposes:

1. To reveal the circumstances of real-life situations
2. To compare two or more of these situations
3. To demonstrate theoretical application
4. To analyse practice in context
5. To obtain detail regarding a subject

The present researcher decided to utilise this method because the information he desired to obtain fell into all of these five categories. Also, case study suits a dynamic subject such as
the relationships involved in CI, especially where the boundaries between the subject and its context are obscure. Yin (1994) pointed out that results, from either single or multiple case studies, are generalised into theories rather than extrapolated to a whole population. The results are substantiated and the theory strengthened when several cases follow the same pattern.

For Yin (1994), case studies can be classed into seven categories:

1. **Longitudinal**, which examine issues over a period of time
2. **Comparative**, which relate phenomena to each other
3. **Illustrative**, which give examples to demonstrate the practical application of a theory
4. **Exploratory**, which investigate little understood phenomena, identify important variables and generate hypothesis for further research.
5. **Explanatory**, which seek to explain a phenomenon’s causation and to postulate casual networks which might be instrumental in moulding that phenomenon?
6. **Experimental**, which predict outcomes and forecast behaviours and events relating to phenomena
7. **Descriptive**, which provide a detailed and accurate picture of some aspects of phenomena

After due consideration of these seven alternatives, this researcher has decided on a mixture of descriptive and exploratory case studies, the former because this research aims to describe certain characteristics and provide an accurate picture of some aspects of CI in UK banking (to what extent this problem exists and how has it been addressed) and the latter because it seeks to present the current status of CI in UK banking, and to investigate cases of CI’s contribution to the formulation of strategy in UK banks.

The case study method describes the behavioural process in its social settings (Yin, 1994). This researcher has chosen the method because it allows comparison of different situations
(some of which might be unique), the study of their characters, the sequence of behavioural patterns and the noting of their behaviours.

Single case studies are used to test a theory, or to examine a case that is extreme or in some way unique (Yin, 1994). Multiple cases, on the other hand, follow replication logic. Sampling logic selects individuals from a population, which makes it inappropriate for research involving the drawing of conclusions based on facts gathered from a multitude of sources. This study uses several conjunctive analyses of case studies because of the scarcity of knowledge regarding the area of research.

3.6.6 Sampling Frame

It becomes apparent that there is no ideal sample size. This requirement is dependent on the reason for the research and the utility of the results, as well as limitations of time and resources (Patton, 2002).

This study uses a technique of data collection called the “purposive sampling technique”, in which an expert subjectively selects sampling units, in this case interviewees. The “expert” in this case is the researcher. The objective was to choose as respondents senior executives responsible for information gathering, intelligence, strategy and related activities. This became the “target population”, because they could be expected to have insight into strategic issues and the overall dynamics that drive decision making in their banks.

Because it was not possible to identify, among the entire population of senior UK banking executives, those responsible for CI, this study was restricted to the largest UK retail banks. Having taken this limitation into account, the researcher attempted to identify as many UK senior banking executives as possible. A series of interviews flexible enough to allow focus on areas of particular interest was conducted with 23 senior UK banking executives.
According to Leedy and Ormrod (2001), interviewees are selected on the basis of their acquaintance with the subject of the investigation, which is why in this case senior executives who have a managerial role in collecting and using information were chosen. Further reasons were:

- They play a significant role in formulating and implementing their banks' strategies at the highest levels.
- Their beliefs and values may saturate and influence strategy's formulation and implementation at every stage. Therefore, they would have a greater interest in learning about the competitive environment in general and their competitors in particular.
- They are deeply involved in the banking strategy formulation process.
- Senior executives were initially selected because of their greater familiarity with the full spectrum of CI.
- They would also be likely to set the budget for CI and to be in a position to assess as a consequence the contribution made by CI to their bank.

3.7 Data Collection

According to Yin (1994), the interview is a most important source of information in the case study method. The interview has the advantage of being targeted to the topic of study, and gives insights into causal connections.

The semi-structured interview enables the researcher to explore the field for developing ideas and confirm subjects requiring further investigation by allowing the interview's direction to be determined by the interviewee as well as the interviewer, thus allowing their views to be fully aired. Case study research tools rely on an in-depth collection of information-rich data from a variety of sources (Creswell, 1998).
Exhaustive interviews are especially useful for conditions in which (Patton, 1990):

- the subject matter is complex
- the information sought is highly detailed
- the respondents have busy schedules, or they are in positions of responsibility
- the subject matter is confidential or commercially sensitive

This research focussed on the largest UK retail banks at head office level, because it is at that level that strategic planning happens; intelligence professionals also operate at that level. Opinions were sought from each of these seven. Yin (1994) states that crucial to a case study’s success is the interviewing of informants who play a key role in the organisation.

This research straddles strategy formulation and CI, each with its own basic theories and guidelines for application. Of the several available interview formats – telephone survey, postal questionnaire and in-depth face-to-face interview – the preferred method was the latter, because it would obtain more information than the questionnaire or the telephone interview. As previously implied, the less formal semi-structured interview could obtain more dynamic, detailed information on CI in UK banking, as well as offer the ability to build depth and intimacy. Use of open-ended questions and free dialogue encouraged a closer relationship between the subject and the interviewer. Furthermore, the researcher was able to discover feelings, memories and interpretations regarding the role and importance of CI and banking strategy. None of this reduced the concentration of the interviews, which maximised the time given by busy executives. Finally, the qualitative nature of the research allowed easy comparison of answers.

All this is extremely useful to the investigation of a subject such as this, about which theory is still embryonic. The results obtained from these semi-structured interviews were used to gain a better comprehension of how CI functions in the UK banking industry. Together
with a follow-up interview, the semi-structured interview can target specific areas, categorise statements or develop ideas.

These interviews aimed to:

- establish the nature of CI and its use
- assess CI effects on banking strategy
- investigate the role of CI in the formulation of banking strategy

The respondents were chosen for their seniority and wide experience, and for their specialisation in information gathering, intelligence and strategy or related disciplines. Interviewees were selected according to their knowledge and experience with the phenomena under investigation, according to the following criteria:

- Respondents who have a managerial role in collecting and using CI (i.e. who are concerned with information management/provision).
- Respondents carrying out a strategic role in their banks
- Respondents who have substantial experience in information gathering, intelligence and strategy or related activities
- Respondents with a personal interest in CI and willing to participate in the research

The interview questions concerned the name of the organisation’s CI operation, its background, details of its operation and its sources, the uses to which it is put, the responses which it receives from its recipients, its effect on the organisation’s operations and the measurement of its effectiveness against key industry success factors.

The dynamics of interviewing are similar to a guided conversation. The interviewer becomes more of a participant in a familiar form of engagement which puts the interviewee at their ease. This throws the burden of obtaining quality information squarely onto the skills and personality of the interviewer (Patton, 1990).
Yin (1994) recommends preceding the series of interviews with a pilot study, allowing the researcher to refine their questions (and to build their confidence). Two pilot interviews were conducted for this study. A chronological summary of the interview process shows:

- a pilot interview to refine the interview questions, as well as familiarise the researcher with the case study protocol
- final instrument review with committee member
- final instrument design
- interviews scheduled and conducted
- analysis of the interviews’ data

In-depth interviews were conducted according to a case study protocol that the researcher developed to enable consistency and data reliability across several cases. By studying multiple cases it is possible to confirm a logical chain of evidence. Every case should be conducted in the same way to enable a definition of recurring patterns and to see if proposed relationships actually exist in reality. To ensure the empirical research’s reliability and validity the cases must be conducted in a uniform manner, which means that the researcher has to elaborate a research protocol.

All interviews were recorded and transcribed to reduce errors, bias and loss of information, which increased the reliability of the research. Interviews were transcribed as soon as possible after the interview and a follow-up telephone conversation with the interviewee where necessary resolved any unclear matters. The researcher read each transcript guided by notes taken during the interview on the interview guide, listening to interview tapes where necessary to clarify garbled text.

Individual semi structured interviews, and banking publications, presentations and websites formed the primary data sources in each case. Triangulation of data was achieved by the use of multiple methods – in particular interviews, observation, member checking and
document analysis. This allowed the researcher to be more confident of the study's conclusions.

According to Yin (1994), all manner of circumstances may be observed; to increase the reliability of this kind of observation, more than one observer is commonly employed, either formally or casually. For the present research, the interviewees were co-opted as observers. Physical artefacts of any description, collected as part of the study, can serve to broaden a researcher's perspective.

Discrimination must be exercised regarding the relevance of sources for case studies (Yin, 1994). While the researcher must be capable of examining them all, each of them will present new opportunities, or in some cases must be discarded. Senior bank executives are best placed to evaluate such data, having much greater experience than more junior staff.

Response Rate

The researcher checked the website for each bank and read press releases to find names of senior executives responsible for information gathering, intelligence and strategy. Then he contacted each bank to ask the receptionist if they have an information gathering or intelligence department, and the name of the acting head of such a department. He followed the same procedure for heads of strategy departments. The receptionist checked in their bank's database for the details requested by the researcher.

To help achieve a high response rate a number of subsequent techniques were used:

- A personalised letter highlighting the importance and the main objectives of the research was sent out to UK banking senior executives requesting their participation
- Confidentiality and anonymity were guaranteed
- A copy of the findings was offered to each respondent
A follow up letter, email and telephone calls was made after 3 weeks to non-respondents

After numerous telephone conversations, letters and emails over a five month period, the researcher found 88 banking senior executives from the largest UK retail banks who were responsible for information gathering, intelligence and strategy or related activities. By the time the interviewing process commenced, six of them were no longer employed by their banks, and three had moved to new positions not related to this study. Referrals from the remaining 79 generated two more contacts, making a final total of 81.

Although interviews are resource-intensive and can be very time consuming, they provided the main data collection method. On 27th September 2005 letters were sent to each of the 81 UK senior banking executives identified as being responsible for information gathering, intelligence, strategy or related activities asking them if they willing to take part in the interviews. In the first instance, only four UK senior banking executives contacted actually responded. In such cases, the use of follow-ups seems to be a generally accepted means of increasing the response rate. Three weeks after the mailing of the permission letter, a follow-up letter was sent to non-respondents. It served as a “friendly reminder” for those who had not responded. A second follow-up was mailed to non-respondents three weeks after the first follow-up letter; phone calls were also used as a follow-up method. The largest UK retail banks were all contacted in this manner. After numerous telephone conversations, letters and e-mails over a five month period, a gratifying 23 replies were received, representing a response rate of 28.4 per cent.

Semi-structured interviews lasting approximately one to one-and-a-half hours were conducted with these 23 from October 2005 to February 2006. An interview guide or “schedule” (a list of questions or general topics that the interviewer wants to explore) was used to keep the interview focussed and to ensure that all relevant questions were asked. All questions were open-ended, allowing information to emerge spontaneously and participants freely to reflect on and pursue their own interpretations from their experience.
3.7.1 Interview

The interviews were conducted using a printed, standardised instrument as an interview guide for semi-structured interviews (see Appendix 5). The interview process involved:

- a pilot interview to refine the instrument and questions
- final instrument review with committee member
- final instrument design
- scheduling and conducting of interviews
- analysis of the resulting data

Two pilot interviews were conducted with the experienced heads of the Competitor Intelligence Department in Bank “A” and the Head of Strategy Department in Bank “D”. A pilot test was conducted to assess how the questions would work in practice, and to test the validity and reliability of the instrument for its purpose of collecting targeted, useful and quality research data. The pilot study tested the manner in which banks were approached, the structure and format of the interview questions and the reaction of participants to the interview. Two questions were combined, and others were restructured, eliminated or added after discussion with the supervision team. The wording of some questions was improved after pilot testing indicated that some questions were difficult to understand.

Before the interview, a guide was sent to the respondent. It was felt that by reading the questions beforehand, the respondents would have time to think about their answers, find out any unknown information and generally reflect on the CI performed in their bank. However this strategy was quickly adjusted after the first respondent reacted negatively to the length of the interview guide, which was consequently eliminated.

The optimum location for the interviews was the interviewee’s bank. At the respondents’ request, two interviews were conducted by telephone. All respondents allowed the interview to be audio taped, and the researcher took notes during the interview.
Each respondents' answers were transcribed into separate Microsoft Word files, one for each respondent. Each file consisted of separate passages for each of the 29 interview questions, resulting in a total of 667 passages. It is important to note that individual answers differed in length, knowledge and content. The information was imported to NVivo for coding and analysis.

Observation was used to corroborate information gathered through interviews rather than to obtain primary findings. It was undertaken during or immediately after interviews. The aim was to observe how banks gather and apply information and intelligence. Some banks use intranets while others offered a tour to see how they collect information, how that information is dealt with and how the intelligence system works as a whole. In the latter cases, observation proved particularly useful, as it allowed observation of the natural context of banking activity. More importantly, it allowed the researcher to talk to other bank employees, often at various organisational levels. This frequently allowed the corroborations of information given by senior executives.

3.8 Data Analysis

Qualitative research is inductive, allowing patterns, trends, categories and areas of investigation to grow out of the collection of data. Patton (1990) sees inductive analysis as allowing the information gathered to produce its own patterns, themes and categories of analysis. An easy and effective way of analysing interviews is by combining case analysis with cross case analysis. The former analyses the results of each interview separately, while the latter groups answers across interviews by questions in order to investigate the significance of the different answers, and the various perspectives they raise.

This section explains how the data collected by this study was analysed. Analysis abstracts patterns, categories and themes from the raw data, and then interprets them by schemes or techniques (Creswell, 1998). Unlike quantitative data, which consists primarily of numbers,
qualitative data is expressed verbally, and must therefore be conceptualised before it can be analysed and classified (Saunders et al., 2003). Yin (1994) states that data must be analysed equitably in order to produce convincing conclusions which admit of no alternatives. Leedy and Ormrod (2001) enumerate some of the processes by which data in a case study is analysed: interpretation, structuring and reflection. They suggest that the former two were more appropriate to studies containing tables, figures and matrices as part of their reports – in other words, to studies of a more objective nature.

Miles and Huberman (1994) states that qualitative data analysis contains three simultaneous processes:

1. **Data reduction**: In this stage the collected data is selected, abstracted, simplified, focused, and transformed.
2. **Data display**: this should be in such a manner as to enable conclusions to be effortlessly drawn.
3. **Conclusion drawing and verification**: the significance of occurrences, regularities, patterns, explanations possible configuration, causal flows and propositions is explained.

According to Yin (1994), the purpose of analysis is to treat the data equitably, resulting in the only possible interpretation of that data. The process consists of turning observations into descriptive statements. Analytical strategies can either be founded on theoretical propositions or on case descriptions (Yin, 1994).

3.8.1 **Data Analysis Strategy**

According to Patton (1990) an easy and effective method of analysing interviews is to combine case analysis with cross case analysis. The former treats each interview independently, while the latter involves grouping responses from several respondents
according to question, using this combination to analyse the resulting perspectives. According to Miles and Huberman (1994), there are two types of analysis: within case analysis and cross case analysis. Within case analysis examines a single case's data in a theoretical context with a view to identifying discrepancies and consistencies. Cross case analysis compares cases with each other, allowing broader principles to emerge. The influence of local factors on these general principles can be fed back into this analysis, which enables more powerful, flexible and responsive descriptions and explanations.

To treat the data within a realistic timescale, a Computer-Aided Qualitative Data Analysis Software (CAQDAS) package, namely NVivo, was chosen. The latest generation packages can enormously reduce the time taken for rigorous analysis of qualitative data, as well as providing a methodological framework within which the study can be conducted (Blismas and Dainty, 2003). Interview transcripts were prepared for importing into NVivo and section coding (the first step in data reduction) by creating header templates and assigning style headings and subheadings corresponding to topical areas and questions on the interview guide.

This research follows the three steps for data analysis suggested by Miles and Huberman (1994). Both types of case analysis are used. Analysis is at first discrete for each case, after which patterns are identified by a comparison of cases, highlighting contrasting findings and the influence of different contextual factors. The qualitative research analysis software NVivo, developed by Qualitative Solution and Research (QSR) 2002, has been used to construct and manage the data collected from interviews. Analysing qualitative data is more complicated and prolonged that in quantitative research, with its formalised rules about the treatment of information that does not need any further refinement before analysis (Yin, 1994).

According to Sinkovics et al., (2005), Computer Assisted Qualitative Data Analysis Software (CAQDAS) aids researchers and marketing managers to formalise their procedures and ensure the robustness of their investigations. Sinkovics et al., (2005) argue
for this program’s procedural advantages over more traditional text-based methods, saving time and labour. The present researcher has chosen this software for these reasons, and the following table outlines the differences between it and traditional analysis:

<table>
<thead>
<tr>
<th>Issues</th>
<th>Traditional means</th>
<th>CAQDAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of large amounts of text data</td>
<td>Cards (paper) Transcripts (paper)</td>
<td>Storage of large, electronic documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of first reports, quickly and easily</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• On sample type and size as well as</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• On categories (number and content)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of complex picture of data and sample</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inclusion of, for example, field notes in the data</td>
</tr>
<tr>
<td>Record keeping</td>
<td>Shuffling</td>
<td>Unlimited shuffling</td>
</tr>
<tr>
<td></td>
<td>Organisation into piles</td>
<td>Storage of memos, electronically</td>
</tr>
<tr>
<td></td>
<td>Losing piles sometimes</td>
<td>Secure storage of documents</td>
</tr>
<tr>
<td>Coding</td>
<td>Screening of every card or transcript</td>
<td>Application of standards</td>
</tr>
<tr>
<td></td>
<td>Coding of these separately</td>
<td>Automated coding and searching (auto-coding)</td>
</tr>
<tr>
<td>Searching</td>
<td>Highlighting text sections</td>
<td>Use of headlines, text styles etc. to structure documents</td>
</tr>
<tr>
<td></td>
<td>Cutting out of relevant sections</td>
<td>Browsing documents to show selected sections without losing the full document</td>
</tr>
</tbody>
</table>

Table 3.2: Qualitative text analysis prior to use of CAQDAS
Source: Sinkovics et al., (2005)

The following are strengths of NVivo, derived from the QSR’s literature and from the present researcher’s experience:

- importing text data and recording external data from other software programs (Word, Excel, Access, PowerPoint, SPSS, etc)
- automated processing and coding flexibly, revealing and managing themes
- annotating and formatting/editing without damaging coding of themes and patterns
- ability to see and code the context of coded passages or jump to the source
- finding patterns and exploring themes
- building new searches on findings from previous ones
- linking to statistical data by import and export
seamlessly merging multiple projects using NVivo partner programs

Table 3.3 summarises the limitations of NVivo

<table>
<thead>
<tr>
<th>Limitations</th>
<th>Ways employed to deal with this limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannot test for data validity</td>
<td>The researcher carefully designs the scope of the research and data collection instruments, and implements data collection processes that minimize the chances of making data less or not credible. Where it is possible to apply it, triangulation largely solves this problem. Due the nature of qualitative data, it is almost impossible for software engineers to come up with a test for data validity, because this depends on the circumstances of the study in question.</td>
</tr>
<tr>
<td>Cannot test for data reliability</td>
<td>NVivo cannot interpret the findings of qualitative research, because of the nature of qualitative studies where findings cannot be standardized (generalized) but only extrapolated. Therefore, the researcher determines reliability, taking into account the elements of validity.</td>
</tr>
<tr>
<td>Facility to make external documents compatible not robust enough</td>
<td>As it stands, NVivo allows one to enter data directly in NVivo or import from other text programmes like MS Word. If data was entered in Word, one has to format the data completely for it to be compatible with NVivo – as, for example, saving the documents in rich text format and formatting the questions as headers. The researcher in this research had to do this for all 667 questions (23 respondents x 29 questions in each questionnaire). In the near future, it would very useful for researchers to simply import the data and command NVivo to make the necessary conversions therefore sparing the person from the tedious process of formatting the documents for compatibility.</td>
</tr>
</tbody>
</table>

Table 3.3: Limitations of NVivo

Miles and Huberman (1994) describe coding as tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes, which can be as simple as category labels or could be more complex, are usually attached to words, phrases, sentences or whole paragraphs, which are treated without reference to their context.

Creswell (1998) suggests that there is a conceptual difference between analysis and interpretation: analysis is the discovery of pattern in, and the organisation of, data, while interpretation bears a relation to substantiation and the subsequent forming of a judgment.
NVivo, as the most efficient means of linking data and theory, is used to construct and manage the data collected from interviews. Programs such as this also make the findings more accessible to other researchers (Sinkovics et al., 2005), as well as reducing the difficulties inherent in the handling of large amounts of text, thereby aiding analysis. NVivo enables one to retrieve or compare codes across sources, and facilitates the creation of a theoretical model based on these generalised codes. It is versatile and user-friendly; on start-up it gives a summary of the main features and such options as “documents”, “nodes”, “attributes” and “sets”. Graphic representation of analytical processes such as linking, coding, modelling and searching is provided within the pad (Sinkovics et al., 2005).

NVivo was selected because of its advanced data handling and manipulation features. The software aids data management, allowing text or discourse to be edited, visually coded, contextually annotated, hyperlinked to other texts or multimedia data and searched according to parameters specified by the user. NVivo provides facilities to code search and retrieve vast amounts of qualitative data.

NVivo is fundamentally a data-management tool that can aid analysis, but it is not an analytical tool in the pure sense. Data handling and manipulation are NVivo’s greatest strengths, so it can be used as a tool to aid quality analysis.

Before analysis, data management needs to be set up. This section describes data preparation and processing activities, the use of the NVivo for data management, coding and analysis and general procedures used for identifying themes and patterns and for constructing participant’s narratives.

3.8.1.1 Data Management

The data management included:

- verification of data
• guarding against corruptibility of data during the analysis process
• saving the outputs of the analysed data in Microsoft Word and Excel

Verification of Data

In order to verify authenticity of data and determination of its usability in this study, the researcher undertook the following steps:

• **Filing**: transcripts were carefully and clearly labelled to make sure that pages of data from the same interviewee were stapled together or saved in the same file. The respondent initials appended on each page of data helped to achieve this objective.

• **Reading**: each document was read to gain an understanding of its content and consistency based on the research design. The researcher found consistency in all the 23 completed interviews.

• **Checking with interviewees**: Interview transcripts were sent to the respondents to check for accuracy and to clarify any ambiguities found in interview data.

Overall, the aforementioned verification activities helped to focus and explore various aspects of data and developing interpretations with confidence that the data was indeed original and genuine.

During the analysis, the researcher would constantly check for consistency of responses given by each interviewee throughout the 29 questions in the interview instrument (see Appendix5). In addition, the researcher would check to see whether, where certain analysis outputs had to add up to 23 (the total number of interviewees), they in fact did so. When they did not add up to 23, this was for one of two reasons: either the data sets outputs were wrongly analysed or the nature of the outputs could not be logically added to give 23. An example is where interviewees were asked to describe the term used by their banks to
describe intelligence information. If each interviewee mentioned one term then the output would add up to 23 but not if some interviewees mentioned the use of more than one term.

Guarding Against Data Corruptibility

There are plenty of possibilities for data loss when one is using computer systems to manage, process, and analyse data. A plan was devised to minimise the chance of data loss during the entire analysis process. The measures were:

- **Making hard copies of crucial sets of data analysed at any given point:** These were clearly labelled and filed for easy referencing and access.

- **Backing up all the data sets at the end of each analysis session:** There were at least two copies made of a backup each time and these were saved on different places (one copy on the hard drive of the computer being used by the researcher, and the other on a flash drive).

- **Virus check:** The researcher regularly ran virus check procedures to make sure that research data and analysis outputs were not infected by computer viruses. Infected data may not be readable or can be deleted from the system with no possibility of recovery.

Saving Outputs in Word and Excel

In order for the researcher to be able to use the NVivo analysis outputs in the write-up, analysis outputs were converted into Word and Excel formats through a built-in data export procedure in NVivo. Some of the data outputs were then used as exhibits in the researcher’s compilation of the study findings. It was not unusual during analysis that data saved in Word or Excel could be called up in NVivo for further analysis or verification. This would happen more frequent for some data sets than others depending on the
“richness” of data being dealt with or unusual contradiction, complement, or parallelism of issues subsequently emerge.

In conclusion, the researcher followed widely practiced principles of qualitative research including application grounded theory. As such, the analysis process could not be designed to follow a clear-cut approach; as doing so will be to violate the central principles of grounded theory framework which argues that the researcher should allow the data to “talk”. Such “talking” does often follow a straight-forward pattern as one will be driving by the data. This lack of standardised analysis procedure is characteristic of many qualitative data analysis processes as dictated by research objectives.

Data was organised and prepared for analysis by transcribing the interviews, after which it was imported to NVivo to assist in the process of data exploration, identification of patterns and formulation of themes. Transcripts were studied individually and explored collectively.

3.8.1.2 Data Analysis Process for this Research

After the researcher designed the analysis process, he took the following steps:

- creation of a data analysis model
- reading of the documents
- creation of an NVivo project
- analysis of the interview questions

Data Analysis Model

The way the researcher initially regarded the data changed as the analysis progressed. The following is a flow chart representing the progression of data analysis.
Initial
The researcher considered that the research issues would be clarified and thus better understood if data were to be analysed within each bank (within case analysis). The early impression of intelligence gathering seemed to be unique to a given bank.

Bank = A  Bank = B  Bank = C  Bank = D

Bank = E  Bank = F  Bank = G

Intermediate
Later on, the researcher discovered that these issues were common and diverse within and across other banks (cross case analysis). This led to the need to change the analysis design to include intra- and inter bank dynamics covering all the seven banks that participated in this research. This gave rise to an approach that the collected data would be better understood by exploring the data as signifying the banking industry as a whole.

Final
Finally, it became apparent that if indeed data was coming from the banking industry, each question had to be looked at on its own merits and the issues raised by that question explored in relation to the other questions and the seven banks. This is mindful of the fact that the findings were not be generalised but applied if one is satisfied that the context and situation of the bank or financial institution are the same or greatly approximate that which gave rise to the research conclusions. In other words, the findings here can only be extrapolated, not generalised.
In conclusion, the consolidated data analysis model looks like the following.

**Reading the Documents**

It was important for the researcher to read all the 23 interview transcripts. The reading aimed to:

- understand the research focus in general
- check for data redundancy: that is, to verify that each set of data documents pertained solely to a particular interviewee. This required cross-referencing with the greatest possible degree of accuracy in mixing and matching all 23 transcripts against the 29 questions in each document. The researcher verified that all the 23
data documents were indeed unique. However, it was apparent in the data analysis that interviewees from the same bank seemed to have provided similar but not identical data for some questions

- identify areas that needed formatting to make the documents compatible with NVivo. Firstly the researcher re-saved all the 23 documents in Rich Text Format (RTF), giving each a new file name (C1-C23); this provided for the anonymity necessary for this research (the original documents' file names included the respondents' names). Secondly, the researcher went through all the 29 questions of each document converting them into "Header Style", which enabled NVivo to distinguish questions from responses.

Creating Attributes (Demographic Data)

After the documents were perused and their contents understood, and after they were formatted, the researcher extracted characteristics (demographic data) of interviewees and banks that would be used in data analysis. The demographic data are recognised as attributes in NVivo. The attributes were tabulated in Excel (see Appendix 6). The researcher then saved them as text (delimited), as this is the format in which NVivo imports and processes any data from Excel. The researcher had to carefully verify the attributes against each document (case) for accuracy and consistency. Attributes are useful in qualitative design to attain finer exploration of data. For example one might want to establish views in a particular question or group of questions given by interviewees that play the same role in their respective banks or those from the same departments within and across the seven banks. This was one of the key elements of the analysis design in this research.

Creating an NVivo Project

After both the case documents and attributes were done in Word and Excel respectively, the researcher created a project file in NVivo and called it "Intelligence Gathering". This
became the analysis platform into which documents were imported and subsequently processed and analysed.

![NVivo intelligence gathering project window](image)

**Figure 3.2: NVivo intelligence gathering project window**

Importing Documents
Once the researcher was sure of the accuracy of the formats, styles, and layout of the documents, he imported them into NVivo.

![The 23 interview documents (cases) displayed in NVivo](image)

**Figure 3.3: The 23 interview documents (cases) displayed in NVivo**
After the 23 cases were successfully imported into "Intelligence Gathering", a table of attributes was imported. Since the data source was interviews, it became apparent to see the data organised by question. The initial analysis was to setup NVivo to group responses by question. To see the responses in a particular question, one simply browses the question in the Tree Nodes folder.

![Figure 3.4: NVivo responses grouped by question](image)

Figure 3.4 shows a display of responses to Question 3. This window shows the responses of interviewees C1, C10 etc.

![Figure 3.5: Responses of interviewees C1, C10](image)

**Figure 3.5: Responses of interviewees C1, C10**
Interviewee attributes. These attributes were used in a number of searches, such as cross-tabulations and frequency determination.

![Document Attribute Explorer: Intelligence gathering](image)

**Figure 3.6: Interview attributes**

Document Verification in NVivo

After all the documents were imported, the researcher verified the results to ensure that all documents were imported as intended, as well as to check that no documents were erroneously duplicated during the importing process. The researcher discovered that some attributes did not accurately match their respective cases. It was discovered that the file names of the cases in question were prefixed by Q... instead of C.... This resulted in a mismatch with the attributes that were correctly named C.... Accordingly, the researcher renamed the ‘Q’ cases to ‘C’ file names upon which he carried out a re-run of the matching process. The researcher also found out that some questions in some documents were not formatted in Heading Style and this was rectified accordingly. These were important discoveries because this would have led to some documents being partially analysed or left unanalysed. In other words, if these errors were addressed, some analysis outputs would be wrong.
Creating Nodes (Containers of Themes and Ideas)

During the analysis process, the researcher generates ideas or pre-determined categories of issues may exist. Containers of these ideas issues are called “nodes” in NVivo. In this research, questions in the interview instrument already represent categories of issues. As such, NVivo was instructed to group responses by question, thereby making each question a node under a parent tree node called “Questions” that was to hold the respective questions and the responses (see Appendix 7).

There are three types of nodes in NVivo:

1. **Free nodes**: These are an unstructured collection of nodes. One uses them for ideas that are not ready to categorise. Of course one can shape and move them later as a pattern emerges.

2. **Tree nodes**: These are ideas and emerging issues organised into hierarchies, moving from a general category at the top (the parent node) to more specific categories (child nodes). They are used to organise nodes for easy access, like a library catalogue. In this research, the parent node was “Questions” while child nodes were
the 29 questions. Child nodes were developed in some questions. For instance, in question one, child nodes were banks.

3. **Case nodes:** Case nodes are specific dissection of data according to certain desired attributes that will help to bring about a better understanding of issues coming out of the data. For instance, exploration of data given by interviewees who work in intelligence or strategy; thus making intelligence and strategy specific case nodes. Therefore ideas and emerging issues are looked at in terms of case type nodes. Each case node inherits the attributes of the case type node above it in the hierarchy.

**Nodes and Coding in this Research**

**Nodes**

As evident from the preceding section, the researcher used a combination of all the three types of nodes in this research. Tree nodes were extensively used, followed by free nodes and case nodes. This is because the data sets were clearly structured in as far as the interview instrument was concerned but the responses given were invariably unstructured. As such, the researcher found it logical to group the data under each question but open to “spot” any ideas that might be of interest and place such in free nodes. In this process, some data exploration process needed to be done within a specific description of interviewees such as those in intelligence, strategy, marketing and so on. This multi-faceted data analysis technique enhanced understanding of the data and led to pattern identification and theme mapping.

**Coding**

Nodes in a project can contain references to text from documents in the project. The text corresponding to such a reference is called a coding passage, and collectively these are called the node’s coding. A node is said to contain references to, or code, several passages from several documents. In this research, each question contained text from the 23 interviewees. The researcher used open, axial and selective coding during the analysis.
Open: The nature of qualitative research requires that data analysis to be done in open-ended mode. This helped the researcher to discover some issues that might have gone unnoticed if a restricted mode of analysis was used. Just like any exploratory type of research that aims at bringing out grounded theory, the researcher may need to approach the data through an “open mind” analysis. This means the analysis should be free of pre-conceived notions as much as possible, thereby allowing issues to “freely” develop.

When this procedure was applied to the data, the following points emerged:

1. Awareness: banks that participated in this research are aware and actively use CI in their various business strategies.
2. Wide range of use: it became apparent that banks use CI for the overall business as well as specific business activities.
3. CI is used constantly: it emerged that the banks use CI all the time in the business conduct.

Axial: Although the researcher had to think widely at first in order to capture the meaning and scope of issues coming from the data, it was critically important that such thinking was guided by the research focus and objectives. Therefore, the researcher was consistently guided by the primary focus of the research to carry out some of the data exploration and coding. In axial coding the researcher is keen to know how variables in the research relate to each other. The qualitative design used in this research, which made use of NVivo software for data analysis, employed matrix analyses (cross-tabulations). The following are two examples of axial coding in this research:

1. In question 1, the researcher grouped the descriptions given by interviewees according to the banks they represented. In other words, banks were cross-tabulated with responses given from question 1 (matrix intersection).
2. A common theme becomes evident that banks do not have a formal way of measuring the effectiveness of CI. This came out after cross-tabulation of questions 19, 22, and 24.
Selective: Since the data was already structured according to the questions, the researcher selectively coded the data in each question. In carrying out cross-tabulations, the researcher carefully chose particular sets of questions and attributes, thereby helping to discern themes and patterns. Since qualitative data is usually rich in content, thus covering a wide range of things that may be beyond the scope of the research in question, one may need to purposively select certain data sets to direct analysis. Such a selection of data sets is usually determined by the research’s original objectives.

1. Given that one of the research’s objectives was to find out the extent of CI and use of it in UK banks, the researcher purposively selected questions 3, 14, 15, 17, and 18. Responses from these questions revealed that banks practice CI and use it largely in the areas of strategy formulation, strategic analysis, setting objectives, and strategy decision-making.

2. The researcher wanted to know if there were any problems banks were encountering in the art and science of CI. To that end, researcher selected question 11, which brought evidence that banks that participated in this research currently do not have a systematic way of checking accuracy of intelligence information. Similar selected questions included:

   a. Lack of a mechanism for analysing information (Q12).
   b. No formal way of measuring effectiveness of intelligence information (Q24).

Verification of Question Nodes

After the 29 questions were mapped up on the “Question” tree node, the researcher went through each question to verify if indeed all the 23 interviewee were reflected in each question. The researcher found out that some questions had less than 23 interviewees reflected in the responses. The researcher found that certain questions had not been formatted in the “Header Style” as discussed earlier. The researcher carefully and correctly
formatted the questions and carried out a re-run of the grouping process of the question
nodes. The researcher saved and made a backup of the "Intelligence Gathering" project.
Once each of the 29 questions reflected 23 interviewees, the researcher started exploring
the data. This process brought about frequency tables and charts of the issues under
discussion in each question. As the frequency tables were generated, the researcher
interpreted the findings within each question across all the 23 cases. After in-question and
inter-case analysis was done, the researcher determined themes and patterns of the issues
emerging. This process required that the researcher had to do some cross-tabulations of
selected questions against another set of questions. The selection of the questions was
informed by the research objectives. However, the researcher was not entirely restricted to
exploring themes and patterns based on the research objectives alone, but could go further –
as is the nature of qualitative data analysis. In this instance, free nodes and case node were
used.

Data Reduction and Text Compatibility

To make the interview data ready for analysis in NVivo, two things had to be done:

- The interview data from all the 23 interviewees had to be converted into NVivo
readable format by saving all the 23 files as rich text format (RTF).
- In order for NVivo to distinguish interview questions from response provided by
the interviewee, all the 29 questions on each of the 23 interviews had to be
converted from the Normal to Heading text style while the data provided by the
interviewee remained in the normal text style.

Profiling of Interviewees

To interrogate the data in a more robust manner, characteristics of the interviewees (for
example the name of their bank, the position they held, or which department they belonged
to) had to be identified. In addition, unique codes were given to interviewees to enable
NVivo to accurately and consistently link data sets to the correct interviewee(s) during the data interrogation process. These codes for the interviews ranged from Case 1 (C1) to Case 23 (C23). In addition, the researcher coded the seven banks that participated in the study as A, B, C, D, E, F, G (refer to the bank key file) (See the tabulation of the interviewees and banks in (see Appendix 6).

Data Analysis Approach
The 23 interviews conducted provided rich and voluminous qualitative data. The data reveal a wide range of themes with varying degrees of depth of the subject matter under investigation. The following approach was used to gain understanding of the data provided.

- First Level Analysis

The NVivo software was programmed to automatically group all responses pertaining to each of the 29 questions in the interview instrument for all the 23 interviewees. This allowed the researcher to see data sets in one response block as opposed to 23 x 29 different response blocks. The one response block presentation increased the researcher's understanding of the data under each topic of discussion.

- Second Level Analysis

In an attempt to further identify patterns and themes within a particular bank, across the various banks, and across the different positions and job holder functional areas, the researcher used enhanced NVivo data analysis tools. See Table 6.2 for the five data analysis tools used in this research.

The window shown in Figure 3.8 allows a number of searches based on specific criteria. For example, searching for interviewees who responded "Yes" or "No" in a specific
question, one could use Text... or Boolean... For cross-tabulation, Boolean searching is applied while for determining relationship, Proximity is used.

![NVivo search tool](image1)

**Figure 3.8: NVivo search tool**

**Attribute explorer:** This NVivo facility helps the researcher to find out the characteristics of the interviewee providing a particular set of data. The screen below shows that interviewee 1 (C1) comes from bank “A” in the Information Department and is an Information Manager (IM). This helps to align data interpretation according to the profile of data provider.

![Document attribute explorer](image2)

**Figure 3.9: Document attribute explorer**
Matrix Table: Questions against banks: This cross-tabulation table shows the banks and the number of interviewees from each bank that responded in each question.

Figure 3.10: Search results matrix intersection 2

Matrix Table: Questions against departments: This cross-tabulation table shows the banks’ departments and the number of interviewees from each bank department who responded in each question.

Figure 3.11: Search results matrix intersection 3
Cross-tabulation table: The table below shows frequency of the number of interviewees who responded “Yes” or “No” on questions 2, 15, 16, 17, and 21. The difference between the total number of responses (i.e. Yes plus No) and the total number of interviewees (i.e. 23) represents those who did not provide an answer to this question. Note that in the first column, the second number of the two in brackets is the question number as it appears in the original interview instrument.

<table>
<thead>
<tr>
<th>Matrix Nodes</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1 2) / Questions/Q2 Do you think the name you call you</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>(1 15) / Questions/Q15 Does Intelligence gathering contribute</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>(1 16) / Questions/Q16 Does Intelligence gathering contribute</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>(1 17) / Questions/Q17 Does Intelligence gathering contribute</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>(1 21) / Questions/Q21 As a result, have your intelligence</td>
<td>16</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3.4: Matrix nodes

<table>
<thead>
<tr>
<th>Data Analysis Tool</th>
<th>Application tips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Text</td>
<td>Allows the researcher to be able to find a specific text or phrase or part of a word in a data set. For example in Question 7 (How do you use intelligence in your bank and what it is used for?) the researcher could use this tool to find out how many interviewees mentioned “decision”, as one use of intelligence. Another instance could be Question 2 (Do you think the name you call your intelligence process is an accurate description? Why?) where the researcher wanted to find out who and how many interviewees responded “Yes” or “No”.</td>
</tr>
<tr>
<td>Attribute Value (Characteristics of interviewees such as individual banks, positions, and departments).</td>
<td>Allowed the researcher to have a closer look at data set provided in relationship to a particular interviewee characteristic. This helped in exploring theme patterns against banks and the different functional areas in the financial industry. For instance, the researcher was keen to find data set associated with those, say, in Bank A, B or C, and see if a trend could be easily established.</td>
</tr>
<tr>
<td>Boolean (Cross-tabulation)</td>
<td>The researcher did inclusion or elimination or intersection data analysis of themes and attributes in the data set – for example, a cross tabulation of banks in this study against one or more questions in the interview instrument or selected text response.</td>
</tr>
<tr>
<td>Proximity</td>
<td>Allows one to determine relationship and association of emerging issues in the data set. For example one may be interested to find out if the mention of “customer care” was before, after or near where it was mentioned “market information” and/or “competition”.</td>
</tr>
<tr>
<td>Node</td>
<td>Allow one to have a closer look at a particular theme/node and this may lead to establishing patterns. Like exploration of data in each of the 29 questions and the subsequent free and case nodes.</td>
</tr>
</tbody>
</table>

Table 3.5: NVivo analysis tools used
3.9 Reliability and Validity

NVivo does not have the ability to test for qualitative data validity and reliability. Unlike quantitative data where various statistical and logical techniques exist in a number of software programmes, qualitative software experts are yet to come up with standard procedure for testing data validity. This means that the researcher becomes the only reliable person to determine the validity and reliability of qualitative research data.

According to Yin (1994) the quality of research can be measured by such factors as construct validity, external validity and reliability, and such tests can be conducted at appropriate stages during the research process. This process was applied in the present research.

A piece of research can be evaluated using the factors of reliability and validity as yardsticks. When applied to qualitative research, however, this has resulted in some contention among commentators. The problem is that these two factors, being standardised and impartial, are more often associated with quantitative research (Mason, 2002). Bryman and Bell (2003) explained that, in quantitative research, validity refers to the certainty with which a measure supposed to reflect a construct actually does so. Replication likewise means that, in quantitative research, experiments must be repeatable with the same results. Qualitative research does not use such standards, and thus has been looked down on for not meeting traditional criteria of reliability and validity. But qualitative research establishes its validity by the degree of uniformity between the researcher’s and participant’s interpretation and meaning, a validity enhanced by further data collection and analysis. Lincoln and Guba (1985) propose a new terminology that simultaneously differentiates the two types of research and matches their analogous concepts. They suggest using “truth value” for internal validity, “transferability” for external validity and “consistency” for reliability. The present research has applied these ideas and Table 3.6 summarises these criteria.
Table 3.6: Comparison of quality criteria

<table>
<thead>
<tr>
<th>Qualitative Approach</th>
<th>Quantitative Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility</td>
<td>Internal Validity</td>
</tr>
<tr>
<td>Transferability</td>
<td>External Validity</td>
</tr>
<tr>
<td>Dependability</td>
<td>Reliability</td>
</tr>
<tr>
<td>Confirmability</td>
<td>Objectivity</td>
</tr>
</tbody>
</table>

3.9.1 Internal Validity

Internal validity (truth value) is concerned with accuracy of information and whether it matches reality. Therefore, for example, the interview schedule in the present research was designed to avoid research bias and to allow interviewees to respond openly and freely, as they felt necessary. Copies of the transcribed tapes from interview were sent to each respective participant from review and follow-up discussions between the participant and researcher were held. Also, rigorous note taking and member checks or participant verification were used to ensure internal validity or truth value. In order to further increase internal validity, cross referencing and multiple sources were used as in addition to interview, while the other data collection strategies observation and review of documentation served as validity checks. Internal validity can be enhanced through the triangulation of data. Examples include the establishment of a chain of evidence and member checks. Triangulation in particular refers to using a combination of interviews, observations, document analyses and member checks. The chain of evidence allows tracing back and forth between research questions and case study data. The chain of evidence allows the identification of a research topic and subsequent discover of where and when information was collected and in what format (observation, interview and/or document). For the member checks, the interview transcripts and document reviews were referred back to the interviewees for them to check if the interpretation was correct and the results were
plausible. During the field study, it was possible to ask the same questions to different informants from different banks, a procedure which was most likely to enhance the internal validity of the case study. Internal validity through the establishment of causal relationships (Yin, 1994) can be a strength in case studies, especially when compared to other research methods such as surveys. To build on this strength, causal diagrams (Miles and Huberman, 1994) were used. The development of causal diagrams forces the qualitative data in a structured model to distinguish dependent and independent variables. Each case study was analyzed individually, and explanations were developed, then cross case analyses were conducted. During this stage the emphasis was on developing causal network diagrams with a standardized set of factors that explain the variation in each individual case as well as for all cases. For example, some factors may initially seem not to have appeared in some of the cases due to their low importance. After a re-evaluation of the case study database these factors were included in the causal network diagrams but with a low value for cases where they initially did not seem to be of importance. In other instances, factors were grouped into common concepts.

3.9.2 External Validity

External validity (transferability) refers to the possibility of generalisations being transferred. Being inductive, qualitative research more usually involves the generation of unique conclusions than the development of generalisations (Creswell, 1998). External validity establishes the degree to which the research findings can be generalised.

Transferability means, in essence, that others can apply the findings of the study to their own research. To provide for transferability, the present study presented findings with “thick” descriptions of the phenomena.

According to Patton (1990) qualitative research concentrates on details and exhaustive description. Transferability entails the fundamental applicability of other findings to one’s
own research. This study addresses the issue of external validity by using replication logic across the case studies and a richness of description, interpretations, and case structures.

3.9.3 Reliability

Reliability means the repeatability of a piece of research with the same outcomes (Yin, 1994). Reliability (i.e. consistency) depends on the degree to which research can be repeated with the same results. Because qualitative research tends to be unique, this can be difficult to achieve. This research attempts to address this difficulty by maintaining consistency between research questions and research methods. Reliability of data collection was ensured by conducting a pilot test study, by using a structured interview protocol and by consistent note taking. Reliability was further increased by introducing interviews by a summary of the study’s purpose, and by the advance supply of questions to the respondents, encouraging interviewee preparation. In addition, the interviews were always compiled together with the belief that discussing the perceptions and observations from the interview would provide most reliable information. Interview tapes also reduced errors, bias and loss of information. Although the issue of case study repeatability is a matter of international debate, revealing the data collection procedures provides at least some method that improves the level of confidence in the case study findings. The researcher therefore chose to develop a case study protocol and a case study data base, a procedure which enhances case study reliability. Prior to the data collection process the case study protocol was prepared so as to guide the process, and also to increase the reliability of the investigation (Yin, 1994).

3.10 Chapter Summary

Firstly, it is determined that this research is fundamental rather than applied. A longer view is then taken, of research methodology in general, defining research and distinguishing between research methodology and research methods. A section examines the difference
between quantitative and qualitative research, and subsequent sections justify the choice of
the latter for the present research. This is not an unequivocal choice; there are
disadvantages to qualitative research, which are honestly presented. It is ultimately a matter
of what is most appropriate, however, and it is felt that qualitative methodology is more apt
for this study than quantitative, partly because of the relatively virgin nature of the territory
it explores.

After extensive discussion of the nature of a research problem, the problem statement,
research objectives and research questions are clarified. The research's design is then laid
out, starting with its characterisation as exploratory and descriptive rather than probative.
The common qualitative research approaches are examined: ethnographic,
phenomenological, field research and grounded theory. Process of elimination yields case
study as the strategy most suited to this research. This strategy is then examined in detail,
as a result of which its applicability to the subject of this work becomes increasingly
apparent.

The sampling frame is examined, and the technique of purposive sampling is selected as
being most appropriate to the purpose of this research. The means by which the data was
collected, the semi-structured interview, is then examined at length. The analysis is then
carried out, using NVivo as an analysis tool. The data must be checked for accuracy, and
the process by which this is done is outlined.

Once the data is collected, it must be classified preparatory to analysis. This was done using
a combination of within-case analysis and cross-case analysis. To aid the process, the
analysis software package NVivo was chosen. The reasons for this choice are presented at
length. Methods of ensuring the validity of information are presented. These methods fall
into two types: external and internal.
Chapter Four: Results

4.1 Introduction

This chapter synthesises and analyses the results of the interviews obtained during the course of the research. It will examine the entire spectrum of intelligence as seen by its practitioners, from the terms they use for it, the processes by which they operate it, through to the use to which it is finally put, and their own evaluations of intelligence’s efficacy in achieving its goals. It takes each category in turn and draws out the trends from the information provided by the respondents.

4.2 Analysis of the Interview Questions

The following section analyses the interview questions using diagrams and tables with the comments under each table.

![Figure 4.1: Process of intelligence gathering](image-url)
When asked to describe the process of intelligence gathering in their banks, five different terms were stated by 23 interviewees as shown in Table 4.1 above. Three themes seem to be evident in these terms.

Firstly, it seems that intelligence gathering is used for competitive advantage. 10 interviewees described it as “competitor intelligence”, 6 “insight” and 4 “market intelligence”, giving a total of 20 out of 23 interviewees. It is interesting to see that four interviewees from the same bank strongly believe that the purpose of intelligence gathering is to gain “market intelligence”. This may be a revelation in the UK banking sector: some banks’ business strategies take a reactive form (i.e. knowing what competitors are doing first, then formulate strategy accordingly). On the whole, the fact the 20 interviewees within this theme come from all the largest UK retail banks suggests there is a significant agreement across banks that intelligence gathering is for and applied for competitive advantage. This comes out of the interpretation of 10 interviewees who said “competitive advantage”, 6 “insight”, and 4 “market intelligence”. The focus of these three categories of understanding the process of intelligence gathering shows that the banks do this gain a competitive advantage over other banks.

Secondly, the process of intelligence gathering is seen as that which enhances business understanding and growth. This comes from the six interviewees who mentioned “insight”,

<table>
<thead>
<tr>
<th>Bank coded name</th>
<th>Competitor intelligence</th>
<th>Insight</th>
<th>Business information</th>
<th>Market Intelligence</th>
<th>R &amp; D</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>n = 4</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>n = 2</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>n = 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>n = 3</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>n = 5</td>
<td>1</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>F</td>
<td>n = 3</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G</td>
<td>n = 2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>% Total Out of 23</td>
<td>43%</td>
<td>26%</td>
<td>4%</td>
<td>17%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Table 4.1: Process of intelligence gathering
two who likened it to "R&D" and one who said "business information", giving a total of 9. This says that intelligence gathering is a business system that promotes and sustains banking activities; hence the need to be consistently aware (insight) of what is happening in the industry, to be innovative and creative (R&D), and to have high quality business information (business information). Out 5 interviewees from bank “E”, 2 described intelligence gathering as a process of R&D. From marketing perspective, banks embark on R&D to perfect their existing products or to develop new products. This process aims at making the business responsive to the needs of customers.

A closer look at the findings in Table 4.1 reveals that the six who mentioned “insight” represent a third theme. This theme can be described as the banks’ need to balance reactive and proactive business behaviour at all times. This means that at one end of the spectrum is reactive behaviour leading to competitor intelligence, while at the other is pro-active behaviour, resulting in R&D. Within the limits of these two extremes, the bank is able to generate intelligence that will bring insight in the way the business should be conducted for both shareholders and stakeholders. Figure 4.2 encapsulates this.

![Figure 4.2: The relationship between insight, R&D and business information](image)

Overall, these findings show that UK banks have a common understanding of intelligence despite the fact that they describe it in various ways.
Table 4.2: Description given to the intelligence gathering process

Table 4.2 tabulates the respondents’ descriptions of their intelligence processes as regards customers and competitors equally. The explanations given above seem to reveal that the terms used by each bank are indeed all-encompassing as far as their business’s competitive focus is concerned.

It is quite clear that the description of intelligence gathering used by respondents directly relates to the purpose for which the information is used in the bank. Further exploration of
the discussions provided in Table 4.2 reveals certain aspects of the terms given for the process of intelligence gathering. These are:

- **Understanding current and potential competitors;** as suggested by the terms used like “competitor intelligence” and “business information” shows a focus on competitors.
- **Providing insights into the needs of customers;** as indicated by the term “insight” which means really understand what the customers expect and want.
- **Understanding the banking market;** as indicated by the term “market intelligence” and “business information”; and
- **Providing information for strategic planning and decisions;** as revealed by the term “business information”, “competitor intelligence”, “market intelligence”, and R&D.

The data given above seem to suggest that the 23 interviewees believe that if the information termed “intelligence” does not address the business challenges and provided reliable information for growth; then the description is deemed inaccurate. Overall, the 23 interviewees seem to agree that the terms used currently in their banks were accurate and they were willing to continue to using them.

It is the customers that have made the banking industry thriving up to the present time. At the same time, more banks have emerged over the years. The reality is that these banks compete for customers. Therefore, to be more appealing to customers, each bank has to ensure that it clearly understands its current and potential customers and increase response rate to their needs; this shows that competition is something that cannot be rid of but requires deliberate efforts in managing it.
Table 4.3: Key intelligence roles

<table>
<thead>
<tr>
<th>Intelligence plays key roles</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Strategy and planning development</td>
<td>22</td>
<td>96%</td>
</tr>
<tr>
<td>2 Marketing</td>
<td>19</td>
<td>83%</td>
</tr>
<tr>
<td>3 understanding competitors &amp; markets</td>
<td>9</td>
<td>39%</td>
</tr>
</tbody>
</table>

Above is a tabulation of the themes that are evident in the various responses given by the 23 interviews. It should be noted that some interviewees gave more than one theme; hence, the numbers add up to more than 23. The results of Table 4.3 and Figure 4.3 reveals three themes relating to key intelligence roles in a bank’s business operations. The first theme is that intelligence is used to help in “strategy and planning development”. This comes from the key roles mentioned namely “strategy”, “strategic planning”, “merger and acquisition”, and “product and service development”. The second theme revealed by the data above where intelligence plays a key role is in the area of “marketing” such as in the “sales department”, “meeting customer needs”, “customer...information sharing”, “pricing”,...
“promotion”, and “self-serve channels”. Lastly, intelligence is said to play a key role in “understanding competitors and markets”, as indicated by the mention of the terms “monitoring competitors”, “awareness of financial environment” and “online capability and online network”. It is evident from the data given above that intelligence seems to contribute significantly to the running of the bank’s business, as demonstrated by 22 interviewees who pointed out its importance in strategy and planning development, while 19 and nine interviewees respectively mentioned marketing and monitoring competitors.

One can see that intelligence is understood to play a key strategic role in the following relationships:

- **Strategic planning**: this is where the bank uses actionable intelligence to map out its business plans
- **Marketing**: It seems that intelligence is important tool to understand customers and markets; so that the bank plans things that directly meet the challenge and needs of customers
- **Understanding competitors and markets**: This is where intelligence helps to achieve better understanding of competitors and markets.

<table>
<thead>
<tr>
<th>Bank code &amp; respondents</th>
<th>Response</th>
<th>Some reasons given</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Yes</td>
<td>“Marketing, anti-money laundering, fraud and finance are among others areas”</td>
</tr>
<tr>
<td>C1</td>
<td>Yes</td>
<td>“We provide a lot of different output at different levels and different positions”</td>
</tr>
<tr>
<td>C6</td>
<td>Yes</td>
<td>“Our team provides information on all of the key areas like mortgages, savings, competitors and bank accounts at all levels, from product to board”</td>
</tr>
<tr>
<td>C7</td>
<td>Yes</td>
<td>“The output will depend on end user requirements. Branches may require product/pricing details of key products of all competitors on a daily basis while the Board may require just an overall positioning of the products/pricing in relation to key competitors on a weekly basis”</td>
</tr>
<tr>
<td>C9</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td>Yes</td>
<td>“Dependent on the business challenges”</td>
</tr>
<tr>
<td>---------</td>
<td>-----</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>C22</td>
<td>Yes</td>
<td>“We use different intelligence for different purposes”</td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C12</td>
<td>Yes</td>
<td>“Different intelligence is required for different areas of focus such as sales, marketing, etc”</td>
</tr>
<tr>
<td>C14</td>
<td>Yes</td>
<td>“Yes. It’s produced for strategic reports, for example the branch network wants to know what competitors are charging for different products. Mostly it’s produced for different reasons, very rarely for the same ones”</td>
</tr>
<tr>
<td>C3</td>
<td>Yes</td>
<td>“The different reasons we use intelligence depends on the type of intelligence that we’re pulling in”</td>
</tr>
<tr>
<td>C5</td>
<td>Yes</td>
<td>“It depends on the type of intelligence; each department can ask to collect intelligence relating to their own specific areas. For example it can be used for credit scoring (to see whether or not we want to lend you any money), for modelling, for detection of fraudsters or for prevention”</td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C15</td>
<td>Yes</td>
<td>“The intelligence produced depends on who’s asked for it. Branches’ requirements, which are mainly concerned with day-to-day issues, are quite different from those of the board, who are looking for the big picture for example, a weekly analysis of where we are with products and pricing relative to our competitors”</td>
</tr>
<tr>
<td>C20</td>
<td>Yes</td>
<td>“It depends on whether the intelligence is competitive, behavioural or attitudinal. There are clearly times when one discipline is the major influence on the particular type of strategy”</td>
</tr>
<tr>
<td>C4</td>
<td>Yes</td>
<td>“They would broadly split into two groups. One is what I would describe as a continuous tracking group. The other angle is ad hoc requests, which would depend on a particular business problem”</td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C11</td>
<td>Yes</td>
<td>“Product research and development. The attractiveness of online banking versus what we would call traditional banking. Business expansion”</td>
</tr>
<tr>
<td>C17</td>
<td>Yes</td>
<td>“The organisation is split into product areas, (competitor insight, customer insight, monitoring regulatory trends) and use intelligence according to project”</td>
</tr>
<tr>
<td>C19</td>
<td>Yes</td>
<td>“You’ll have pieces of information that are produced for product pricing decisions, others for corporate planning and development decisions”</td>
</tr>
<tr>
<td>C21</td>
<td>Yes</td>
<td>“There would of course be different items produced depending on the context e.g. a marketing report or a strategy paper etc”</td>
</tr>
<tr>
<td>C8</td>
<td>Yes</td>
<td>“The organisations split in to product areas, each of which collate information relating to their own product and use”</td>
</tr>
</tbody>
</table>


<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 4.4: Purposes for which intelligence is used</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>Yes</td>
<td>“Depending on the importance, as when a competitor is about to launch a new product”</td>
</tr>
<tr>
<td><strong>C16</strong></td>
<td>Yes</td>
<td>-</td>
</tr>
<tr>
<td><strong>C23</strong></td>
<td>Yes</td>
<td>“Customer intelligence, Branch intelligence, and competitor intelligence”</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Yes</td>
<td>“It’s produced for ongoing monitoring, to keep aware what’s going on in the marketplace, where our relative position lies”</td>
</tr>
<tr>
<td><strong>C18</strong></td>
<td>Yes</td>
<td>“Intelligence would be required for different reasons. For example marketing, customer information, database management, etc”</td>
</tr>
</tbody>
</table>

From Table 4.4 all 23 interviewees felt that intelligence takes different forms depending on the area of focus, be it customers, competitors, information management, product launch or strategic corporate planning – to mention just a few. While it is not immediately clear how it could be done, the data seems to reveal that intelligence is as good as the extent to which one can prioritize business needs and competently process the intelligence data. On the whole, the 23 interviewees who responded to this question strongly felt that intelligence has to be taken as a business culture rather than a “one of those” task. Put differently, intelligence is the banking business, not just a part of it.

The above findings suggest that UK banks see intelligence as an umbrella term to describe specific strategic information. As already pointed out earlier, such specific strategic areas could include marketing, products, customers, competitors, and so on. Therefore, intelligence has a multi-faceted use in the UK banking industry.

It emerges from Table 4.4 above that intelligence is used for various purposes depending on its type. This use can be supportive of overall business strategy or direction, but it can also relate to the functions of individual business units. In the latter case, the intelligence is
more likely to be more specific and tailored to its prospective use. This specified type is more common, relating to specific business functions such as:

- product R&D
- monitoring and evaluation
- marketing and sales
- consumer behaviour

Therefore, intelligence is dynamic and information produced is used for the overall banking strategy in a given bank or for its individual business units.

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10 years</td>
<td>16</td>
<td>70%</td>
</tr>
<tr>
<td>Difficult to give specific date</td>
<td>7</td>
<td>30%</td>
</tr>
</tbody>
</table>

Table 4.5: Period of time for which intelligence has been used

It is apparent from Table 4.5 that the UK banking industry has been using intelligence for a long time. This is shown by the 16 interviewees who mentioned “long time”. The description, “long time” meant over 10 years. Some of the 16 interviewees who mentioned “long time” also used other words like “always”, “since setup of the company”, and “ever since I was here”. The seven interviewees who said that they could not give a specific date also suggested that it had been used for a long time. This is a good indication that all 23 interviewees had a strong feeling that intelligence has been in use for a long time in their various business areas within the bank. Overall, all the 23 interviewees acknowledged that intelligence has been and is actively being used in day-to-day business operations of the bank. This is another instance where intelligence is shown to have been an integral part of banking culture.
From the findings displayed in Table 4.5 above, one can see that intelligence is not a new phenomenon but it is not immediately clear how varied in use and standardised it is within these banks. While it would be beyond the scope of the current study to find out the rate of use and degree of standardisation of intelligence across the banks in view of the length of time it has been used, it would certainly be interesting and perhaps revealing to do so.

![Figure 4.4: Reasons for using intelligence](image)

<table>
<thead>
<tr>
<th>Reason given...</th>
<th>Frequency</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding market and its trends</td>
<td>14</td>
<td>61%</td>
</tr>
<tr>
<td>Understanding customer</td>
<td>9</td>
<td>39%</td>
</tr>
<tr>
<td>Essential</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>To enable proactivity</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>

Table 4.6: Reasons for using intelligence

It is clear from Table 4.6 and Figure 4.4 that 14 of the 23 (61 percent) interviewees strongly believed that intelligence is being used for the purpose of understanding the market and its trends. Some of the issues mentioned included "industry regulations", "product
development”, “understanding competitors” and “strategies to gain market share”. Four of the 14 said the following about the role of intelligence in understanding market and its trends:

1. “...diagnose opportunities to improve business.”
2. “...to monitor our competitors.”
3. “...in order to offer good products and services that make us different.”
4. “...so we increase market share...”

Of the 23 interviewees, 9 (39 percent) argued that the critical role intelligence plays in their banks is in understanding customers. Two interviewees said the following in this regard:

1. “...know your customers first, then competitors.”
2. “We want to maximize the number of business they do with us.”

It should be noted from Table 4.6 that the numbers do not add up to 23. This is because some interviewees mentioned more than one reason. Figure 4.5 below shows the matrix of the response.

![Figure 4.5: Reasons for using intelligence (response matrix)](image)

In Figure 4.5, one can clearly see that only three interviewees mentioned more than one reason each why an understanding both customers and the market was necessary. One of
the two interviewees who believed that their business operations always needed intelligence said, "It's obvious why we do it, but no specific reason."

Overall, this is yet another demonstration that intelligence is seen as an integral part of the banking industry especially in the areas of understanding competitors and the market. Although the issue of R&D is not explicitly stated, it is implied in that once information gets available that suggest changes in the range of products and the distribution systems; new ways are sought and implemented. Thus one interviewee said, ".to diagnose opportunities to improve business."

![Figure 4.6: Uses to which intelligence is put](image)

Below is a tabulation of the themes that emerge from the various responses given by the 23 interviews. It should be noted that some interviewees gave more than one theme; hence, the numbers do not add up to more than 23.

\footnote{see Table 4.7 to understand the codes used in the X-axis of this graph}
The results of Table 4.7 and Figure 4.6 show that there are an overwhelming number of interviewees who mentioned "strategic decisions" as a major way in which intelligence is used in their banks. A closer look at the other themes shows that the strategic decisions theme actually subordinates those of understanding markets, competitor environment, offering better products/services, supporting business operations, understanding consumer behaviour and continuous business improvement, which all lead to strategic decision making by management. One interviewee answered the question in full by giving specific ways intelligence is used, including examples of business areas in which it plays a part (see Table 5.1 for more details). In addition to what others said, this interviewee elaborated on the tactical use of intelligence. This included daily, weekly, and monthly reviews of market movement in terms of product launches and withdrawals, pricing and customer satisfaction.

It is evident in the findings above that intelligence is used for various reasons in the banking industry. This is shown by mention of such issues as "understanding competitor environment", "offering better products and services", "understanding consumer behaviour", and "continuous improvement of business":

On the whole, the uses of intelligence are varied depending on the business focus at the time. This is why Figure 4.7 below shows 11 different types of intelligence used by the UK banks.
The 11 different types of intelligence displayed in Figure 4.7 shows that intelligence takes both a general and specific form in application. In a sense, therefore, one would almost need to specify the particular area in which intelligence is used whenever one uses the term. The type of intelligence is derived from the focus area of use as tabulated in Table 4.8 below.

![Bar Chart](image)

**Figure 4.7: Types of intelligence used by banks**

The **Table 4.8: Types of intelligence used by banks** provides a detailed breakdown of the types of intelligence gathered and their respective frequencies.

<table>
<thead>
<tr>
<th>Types of intelligence my bank gathers...</th>
<th>Code</th>
<th>Frequency</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and market share</td>
<td>MMS</td>
<td>15</td>
<td>65%</td>
</tr>
<tr>
<td>Competitor</td>
<td>C</td>
<td>13</td>
<td>57%</td>
</tr>
<tr>
<td>Consumer behaviour</td>
<td>CB</td>
<td>11</td>
<td>48%</td>
</tr>
<tr>
<td>Product and sales</td>
<td>PS</td>
<td>9</td>
<td>39%</td>
</tr>
<tr>
<td>Economic</td>
<td>E</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td>Government data (rules and regulations)</td>
<td>GD</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Financial</td>
<td>F</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Political</td>
<td>P</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Technological</td>
<td>T</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Unknown</td>
<td>U</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Crime and fraud</td>
<td>CF</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Table 4.8: Types of intelligence used by banks**

3 see Table 4.8 for the meaning of the codes used in the X-axis of this graph
The 11 types (themes) of intelligence shown by both Table 4.8 and Figure 4.7 strongly point to the fact that the use of intelligence is quite fluid within the banking industry. The themes with relatively high frequencies are "marketing and market share" (15), "competitor" (13), "customers and consumer behaviour" (11), and "product and sales" (9). It is significant that the theme linking these four responses is that of business positioning. The fact that such a wide range of intelligence is gathered by the various banks shows that the subsequent intelligence information has a multi-purpose use and requires continuous improvement:

**Competitor Focus**

- **Competitor:** The issue here is that the more a bank knows and understands its competitors and their actions, the more strategically positioned it becomes. As a result, the 13 interviewees who say their banks gather competitor intelligence affirm this assertion. This also may show that competition in UK banking industry is high; hence a constant surveillance of one's competitors becomes a critical element in the day-to-day running of the business.

**Industry Focus**

- **Marketing and market share:** The 15 interviewees who said that their banks gather this kind of intelligence may be an indication that intelligence in the banking industry is primarily confined to this function.

- **Customers and consumer behaviour:** The 11 interviewees said that their banks collect intelligence that assists them to understand their customers. This has an obvious relationship to those 15 interviewees who mentioned marketing and market share.

- **Product and sales:** The intelligence gathered by these respondents was specifically for providing the bank with information about products and sales trends, both specifically for their organisation and for the industry as a whole.
Focus on the Macro Environment

- **Economic:** This was gathered to provide information with which to understand economic trends in the banking industry in particular and nationally, which would enable the bank to better position itself strategically.

- **Government:** The intelligence gathered focuses on understanding rules and regulations that need to be observed and practiced in the banking industry. Such intelligence is said to help the banks to trade within a given legal framework.

- **Financial:** This intelligence helps the bank understand the financial patterns and trends in the banking industry. Information such as investment portfolios, interest rates, and lending and borrowing information will assist a particular bank to strategically tailor its financial products to individual customer segments.

- **Political:** This is the intelligence gathered to gain insight, appreciation and understanding of the prevailing political environment within and outside the United Kingdom.

- **Technological:** This type of intelligence provides a view of the various technological resources in use by other banks inside and outside United Kingdom in such areas as automatic teller machines, software programmes and security systems.

- **Unknown:** Two interviewees could not say what type of intelligence their banks gather. This may indicate that the intelligence gathered in these banks is general, which makes it difficult to classify it into a specific type. It might also show that the respondent did not understand the question or simply ignored it.

- **Crime and fraud:** The one interviewee who mentioned crime and fraud as the type of intelligence the bank gathers related the answer to money laundering.
Figure 4.8: Sources of intelligence

Table 4.9: Sources of intelligence

<table>
<thead>
<tr>
<th>Sources of Intelligence</th>
<th>Frequency</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money facts</td>
<td>8</td>
<td>35%</td>
</tr>
<tr>
<td>Public domain</td>
<td>8</td>
<td>35%</td>
</tr>
<tr>
<td>Internet</td>
<td>7</td>
<td>30%</td>
</tr>
<tr>
<td>All sources</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td>Customer feedback</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Trade bodies</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>External consultants</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Customer database</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Company reports</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Customer application forms</td>
<td>2</td>
<td>9%</td>
</tr>
</tbody>
</table>

Table 4.9 above shows that the sources of intelligence are varied and wide within the UK banking industry. The high frequencies shown in different sources mean that these are the primary areas where banks get data and information which they formulate into intelligence.
to meet specific strategies. As shown in Table 4.8, such strategies are in marketing, customer care/service, finance, information technology, product development, and so on.

Generally, a significant number of interviewees indicated their difficulty in ranking the various sources in which they find intelligence data and information. Even those who attempted to rank did so with less than total confidence. Thus, three interviewees had this to say regarding ranking of the sources:

1. "Difficult to rank, depends on what the information is used for."
2. "I can't really rank them; it depends on what kind of intelligence we're looking for."
3. "Banks have lots of different sources of intelligence but not very good at collating them and benefiting from them."

The low frequencies shown in different sources are clear indications that there is no specific source a given bank relies upon to find intelligence information, but rather a combination of sources depending on the intelligence need of the moment. Again, this further reveals the multiple uses to which intelligence information can potentially be put. For instance, if the focus is to understand customers and their needs, customer feedback will be a logical but not exclusive source. The wide range of sources suggests that UK banks tend to rely heavily on information in the day-to-day business conduct. One can see that for intelligence to thrive, the bank is almost has to have a culture of being exposed to various data sources and develop and sustain the ability to process such data. Otherwise, the strongly held notion stated earlier in this research that intelligence is used for competitive advantage and insight for marketing and product development and will no doubt fall off.

As discussed in Table 4.4, intelligence gathering is dynamic and the information generated is used for different areas of focus within a bank. This may explain why no one bank indicated a single source; each source brings in unique data appropriate to produce certain information.
It was clear, from the responses provided in Table 4.10 and Figure 4.9, that 14 interviewees (61 percent) felt their banks did not have specific procedures for acquiring intelligence information. Three interviewees stated:

1. “No real formalized process or procedure, but there are specific outputs disseminated.”
2. “Really depends on what data is being gathered and the context.”
3. “We don’t really have a process. It is really routinely collating information into intelligence.”
This may mean that although intelligence has been around for a long time now in the banking industry, no standard systems or processes exist to gather the various data required.

The overwhelming number of interviewees who said there are no specific procedures for acquiring intelligence information can be attributed to the wide range of data sources that exist. This means that a bank does not have direct control of the generation and distribution of such data since it is in the hands of other stakeholders, and also that the market is dynamic due to local and international socio-political and economic factors. There is a reflection the wide range of sources, which may equally call for different ways of sharing and dissemination of intelligence. Figure 4.10 shows the different ways of sharing and dissemination within a bank.

Figure 4.10: Modes of sharing and dissemination
Table 4.11: Modes of sharing and dissemination

<table>
<thead>
<tr>
<th>Mode of sharing and dissemination</th>
<th>Frequency</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefings/meetings</td>
<td>14</td>
<td>61%</td>
</tr>
<tr>
<td>E-mail</td>
<td>12</td>
<td>52%</td>
</tr>
<tr>
<td>Intranet</td>
<td>11</td>
<td>48%</td>
</tr>
<tr>
<td>Reports</td>
<td>11</td>
<td>48%</td>
</tr>
<tr>
<td>Daily flash</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Newsletter</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>As per request</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Conference</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>

There were eight different modes of sharing and dissemination cited by the interviewees. It is apparent from Table 4.11 that the mode most used briefing/meetings. This may mean that intelligence in the banking industry is better communicated and understood within an interpersonal interaction mode. The high numbers of interviewees who mentioned “meetings” (14) and “reports” (11) is evidence of the premise that intelligence sharing and dissemination perhaps requires a personal interaction. It is also significant that most interviewees mentioned electronic communication as a leading form of sharing and dissemination of intelligence in their banks. This could be a realisation that intelligence is as good as the speed at which it is transmitted to the intended user. Therefore it is not surprising that interviewees cited internet, intra-net, and e-mail as modes for sharing and dissemination of intelligence. This is support by Somerville (2001), who says that information technology plays an important role in intelligence sharing and collaboration. On the whole, the sharing and dissemination as expressed by the interviewees can be categorized into three forms: electronic, print, and interpersonal. From the way the interviewees expressed it, it would seem as though they are highly convinced that:

- the interpersonal mode is the most effective way
- the information technology mode is the most efficient
- the print mode is the least effective and efficient
It is clear that there is a challenge for UK banks to make each one of these modes both efficient and effective in sharing and disseminating intelligence.

Figure 4.11: Mechanisms to check accuracy of information

<table>
<thead>
<tr>
<th>Mechanisms mentioned...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triangulation using different data sources</td>
<td>13</td>
<td>57%</td>
</tr>
<tr>
<td>Competent and experienced staff</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Credibility check of (data) information providers</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Maintaining sound relationship with suppliers</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Using existing data analysis tools</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
<td>9%</td>
</tr>
</tbody>
</table>

Table 4.12: Mechanisms to check accuracy of information

These answers demonstrate that the majority of respondents felt accuracy to be a relative term. They strongly argued that accurate information depends on where one uses the information gathered. This seems to suggest that information is inherently valuable. Thus one of the interviewees said, “Every piece of information is potentially valuable; it's just
how and where you use it.” The other aspect that is evident from the table above centres on comparability as a plausible mechanism to check for information accuracy. Interviewees mentioned “triangulation using different sources” and “credibility check on suppliers”. This suggests that for a piece of information to be deemed accurate, the data used to produce that information must have come from more than one credible source. One interviewee remarked, “We take the information from all sources...then triangulate for accuracy”. Almost all the responses constituted a revealing admission of the absence of a standard for checking the accuracy of information. This lack of standards could be as a result of multi-use nature of intelligence in the UK banking industry. The mechanisms mentioned are not scientific, with predetermined formulas or variables which can be used for such checks. Thus, Figure 4.12 shows various mechanisms that are not in themselves complete tools to analyse intelligence information.

![Figure 4.12: Mechanisms to analyse information](chart)

*Figure 4.12: Mechanisms to analyse information*
Table 4.13: Mechanisms to analyse information

<table>
<thead>
<tr>
<th>Analysis mechanisms in place...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various mechanisms</td>
<td>10</td>
<td>43%</td>
</tr>
<tr>
<td>Spreadsheets and filtering databases</td>
<td>7</td>
<td>30%</td>
</tr>
<tr>
<td>PEST and SWOT</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Team working and brainstorming</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Valuation techniques</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Financial ratios</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Statistical programmes</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>

As the preceding section implied, analysis of intelligence information follows diverse but complementary mechanisms. The results of Table 4.13 and Figure 4.12 show that 18 of the 23 interviewees felt that they did not have specific answers. Two of the eighteen remarked:

1. “That depends on the internal departments and what they need the information for…”
2. “It depends on the purpose the intelligence is being used for.”

This is also demonstrated by the high showing on “various mechanisms” (10). Another interviewee concurred: “…marketing a point of view we use marketing tools...if we are trying to understand a competitor...we probably use Porter Five Forces.” Overall, the analysis mechanisms provided reveal that banking is a technologically driven business, especially as regards the extensive use of computer-related programmes. One can see from these findings that the different analyses mentioned may mean that the banking industry has not yet developed an intelligence analysis system that meets the needs of the various banks. In addition, the use of a mechanism seems to be directly connected to the purpose to which the intelligence information has been used.
Figure 4.13: Attitudes of senior executives toward intelligence

<table>
<thead>
<tr>
<th>Attitudes of senior executives...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly supportive</td>
<td>12</td>
<td>52%</td>
</tr>
<tr>
<td>Appreciation level</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Supportive</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Good</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4.14: Attitudes of senior executives toward intelligence

Except for the three interviewees who did not respond, it is quite clear that senior executives overwhelmingly exhibited positive attitudes towards intelligence. None viewed it negatively, and the most enthusiastic category, “highly supportive”, included more than half of the responses. In fact, they treated intelligence as the most critical asset in conducting business. The 12 who rated the senior executives as highly supportive are heads of departments in marketing and strategy in all the banks. The 8, who felt that their senior executives appreciate (4), support (3), and just good (1) represent the following departments in their respective banks: marketing, finance, research and development, competitor analysis, and information management. Three of the 12 interviewees who said their senior executives highly support intelligence concept reported:
1. "They strongly support us as they depend on it in their strategic and tactical decisions."
2. "They can't exist without it."
3. "Key strategies are insight-led [intelligence-led]..."

The third comment means that the critical strategies of a bank are driven by the quality of intelligence information used in the formulation of a particular strategy. The support mentioned also meant that senior executives have the trust and confidence of the intelligence output produced within the organisation. One interviewee remarked in this context: "[They] can rely on the information we produce, without going outside...". Senior executives’ positive attitude (the buy-in) described here may explain the long prehistory of intelligence and the use of intelligence information, as discussed in the earlier sections.

This high support demonstrated by senior executives may explain the long history of intelligence existence which stretches over 10 years (see Table 4.5 for more details). They also see relevance in the use of intelligence in the business life of the bank. Figure 4.14 shows how relevant intelligence is seen as being in the banks’ strategic and tactical techniques.

![Figure 4.14: Relevance of intelligence to strategic or tactical decisions](image-url)
Table 4.15: Relevance of intelligence to strategic or tactical decisions

<table>
<thead>
<tr>
<th>Relevance to strategic or tactical...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equally in both</td>
<td>21</td>
<td>91%</td>
</tr>
<tr>
<td>Strategic only</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Tactical only</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

From Table 4.15 and Figure 4.14, it is apparent that “both” is the overwhelming response. Many did not see the strategic and tactical spheres being different, but rather complementary:

1. “It would be foolhardy to try to produce a strategy without intelligence; to deliver a strategy tactically; intelligence is invaluable to ensuring that you are continuing in the right way.”
2. “Both, intelligence is readily available for tactical input, but also easy to pull together when required for strategic development.”

On the whole, one can see that these findings seem to suggest that sound strategies are usually as a result of the use of intelligence in the formulation process. Since strategy is at a higher level than tactics, this may suggest that intelligence is used initially for business strategy and eventually cascaded down to business “tactics” Table 4.16 below supports this.

Table 4.16: Contribution of intelligence to setting strategic objectives

<table>
<thead>
<tr>
<th>Contribute to setting strategic objectives</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>22</td>
<td>96%</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The results of Table 4.16 show that the 22 respondents were unanimously of the opinion that intelligence does indeed contribute to the setting of strategic objectives. The one interviewee who responded “no” did not give an explanation. Of the 23 interviewees, only...
seven explained their response. A closer look at explanations reveals that the banks have put systems in place to review strategies. The results of such reviews lead the banks to gather relevant intelligence information in order to address a prevailing problem or to improve on current success factors. In this way, intelligence is seen as a critical component in setting strategic objectives that feed into the formulation of the banks’ strategies. Two of the seven who provided explanations had the following to say about importance of intelligence in the setting strategic objectives:

1. “Myself and colleagues have built a new bank in Spain, ... information-gathering that’s been part of that project has been invaluable.”
2. “We bring input from all insight departments together as part of our strategic planning process and setting strategic objectives...”

One can conclude that the importance credited to intelligence in the setting of strategic objectives is equivalent to that already described in the making of strategic management decisions in Table 4.15. That is, intelligence is equally required for setting strategic and tactical objectives. Table 4.17 below demonstrates this.

<table>
<thead>
<tr>
<th>Contribute to strategic analysis</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>22</td>
<td>96%</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Table 4.17: Contribution of intelligence to strategic analysis*

Table 4.17 shows that 22 of 23 interviewees strongly believe that intelligence contributes to strategic analysis. Of the 22 who responded “yes”, only nine gave explanations. Almost all of these explanations defined the contribution of intelligence in strategic analysis as being relative and subordinate to the setting of strategic objectives. The one interviewee who responded “no” did not give an explanation. The strong belief that intelligence contributes to strategic analysis (as shown by 22 interviewees) demonstrates that this is taken seriously in the banking industry.
Contribute to strategic decision-making | No. of interviewees who mentioned almost the same | % out of 23
--- | --- | ---
Yes | 22 | 96%
No | 1 | 4%
Total | 23 | 100%

Table 4.18: Contribution of intelligence to strategic decision-making

Only three of the 22 who felt that intelligence contributes to decision making gave explanations. While all but one of the interviewees expressed the view that intelligence contributes to decision making, two of them felt it does so indirectly. One interviewee remarked, “So indirectly, yes, but not directly, it’s implicit rather than explicit”. Some explanations reveal that intelligence in decision making contributes only to short-term decisions such as pricing or promotion, which in turn lead to developing longer-term strategies like brand positioning and product range. This suggests that intelligence is primarily used for corporate strategies which are then cascaded down to specific business functions in which certain decisions are made.

![Figure 4.15: Ways in which intelligence influences strategy formulation](image)

*E Eid Competitive Intelligence and its Effect on UK Banking Strategy Page 167*
Influence on bank’s strategy

<table>
<thead>
<tr>
<th>Influence on bank’s strategy</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank’s strategy is informed by what is known about competitors and the market in general</td>
<td>15</td>
<td>65%</td>
</tr>
<tr>
<td>In all the ways of the business</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>By providing up to date information</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Many ways</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Indirectly</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4.19: Ways in which intelligence influences strategy formulation

A major hypothesis emerges from Table 4.15 to this point (Table 4.19): intelligence is not confined to a specific area of business. Except for one interviewee who said intelligence contributes indirectly and two who did not respond, 20 (87 percent) seem to agree that intelligence significantly influences the formulation of banks’ various strategies. It can be concluded that all the seven banks that participated in this research see intelligence as the most important element in strategy planning, development and implementation. High level support senior executives gives to intelligence as seen earlier, vividly strengthens the position that intelligence is important in strategy planning, development and implementation. However, this does not tell how effective intelligence has been in these banks. Figure 4.16 displays the ways banks measure effectiveness of intelligence.

![Figure 4.16](image_url)

Figure 4.16: Means by which the effectiveness of intelligence is measured
From Table 4.20 it becomes strongly evident that many banks represented by the interviewees did not have standardised ways of measuring intelligence effectiveness in various business operations. From the responses of those who attempted to outline how they measure effectiveness, it was clear that banks do so indirectly, and relative to a specific strategy. For example, in customer strategy feedback forms can be used, while in market share and financial performance profitability ratios and performance indicators were given as the means of measurement. There seems to be a consensus that measuring the effectiveness of a strategy largely depends on that strategy’s business context. As seen earlier in this chapter (see Table 4.4 for more details), intelligence has a multi-faceted use and application. This may explain why there is no standard way of measuring the effectiveness of intelligence in the banking industry. Although there are low frequencies in the specific ways intelligence is measured, this does not mean that they are insignificant. For instance, when shareholders’ value goes down, this will act as a signal to management to do something about it. Admittedly, the actions they will take will require intelligence in one way or another such analysis of the views and opinions of customers (for more details see section 5.2.2).

Table 4.20: Means by which the effectiveness of intelligence is measured

<table>
<thead>
<tr>
<th>Means of measurement...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal way of measuring</td>
<td>14</td>
<td>61%</td>
</tr>
<tr>
<td>Through stakeholder feedback forms</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td>Through return to shareholders</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Frequency of request for intelligence</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Through performance indicators (ROE, IRR, Cross-sell ratio)</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

\(^4\) ROE: Return On Equity; this is the profit shareholders receive from investing their money
\(^5\) IRR: Internal Rate of Return on assets a bank uses
Table 4.21 is a tabulation of whether or not the recipients of intelligence information provide feedback.

No standard measures for the value of intelligence exist because it is difficult to distinguish the specific value of intelligence in conjunction with other variables for the overall performance of a bank. Valuing intelligence is difficult because it influences proximate outcomes (specific decision) rather than distant outcomes such as ROI. That is why “soft” data – qualitative metrics – are used. It is a misalignment between what is done, how long that takes and how managers are required to measure and report intelligence activities. This is why more effort and research is needed to better assess the impact of intelligence (for more details please refer to section 2.8).

<table>
<thead>
<tr>
<th>Recipients provide feedback</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>78%</td>
</tr>
<tr>
<td>Occasionally</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>4</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4.21: Intelligence feedback

It is clear from Table 4.21 that the 18 respondents who answered “yes” constitute a significant confirmation that recipients of intelligence receive feedback. Other words used to express this included “absolutely” and “indeed”. There was a clear indication that feedback mechanism really exists in the various banks that participated in this study. Three of the 18 said:

1. “...in fact we make sure we get it.”
2. “...we actively seek it.”
3. “...if not we ask for it.”

These findings may suggest that the banking industry uses feedback as way of checking the reliability, validity, and usefulness of their intelligence. The three statements also show
that getting intelligence feedback is not entirely voluntary but that the bank should actively seek for such feedback. Perhaps due to feedback some banks have been receiving and processing over time, there have been areas that required modifications in the intelligence approach. Table 4.22 shows if the current bank’s intelligence approach has ever modified.

<table>
<thead>
<tr>
<th>Intelligence process modified...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16</td>
<td>70%</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4.22: Modification of intelligence process

A significant number of interviewees (16) revealed that their intelligence processes have undergone modifications. What is evident from the responses provided in Table 4.22 is that banks have a continuous improvement attitude in their day-to-day business operations. This may support an earlier theme that intelligence is seen as a significant contributor to R&D. As such, intelligence feedback technique plays a key role in providing critical insights into opportunities for improvement. It would seem that the ultimate goal in this process is for banks to gain competitive advantage in every way possible while meeting the needs of customers and improve shareholder value. Two interviewees had this to say:

1. “Our intelligence processes in the bank are continually evolving.”
2. “Only insofar as we are always trying to improve what we do”

According to these findings, one can say that intelligence is seen as dynamic in nature, and as such requires deliberate efforts to find opportunities for improvement, thereby making it constantly relevant.
The results of Table 4.23 show that absence of response from the 13 interviewees may mean that the changes that have been taking place were not documented to the extent that one can say them out. This premise relates to the fact discussed earlier that intelligence has not been in a standardized form despite its long existence in the UK banking industry. The 10 interviewees who responded had a wide range of areas they mentioned, with very low frequencies in each area. This may mean that the nature of the banking business requires focus in multiple areas and sometimes at the same time. As one interviewee stated, “...it is very hard to give a specific example”. The low response rate could be attributed to the difficulty interviewees faced in singling out a specific example when in their view the examples of change as a result of feedback provided were inter-related. Such a difficulty may be an indication of the absence of proper or standard way of managing and implementing intelligence across the banks in question. As already have been implied (competitor intelligence), intelligence can be used against the originator of such information.

Table 4.24 shows the extent at which intelligence information is protected.
Measures to protect sensitive information | No. of interviewees who mentioned almost the same | % out of 23
--- | --- | ---
Access controls (e.g. intranet, databases, files) | 6 | 26%
Encryption and password | 4 | 17%
Selective sharing | 4 | 17%
Formalised system | 2 | 9%
By regulatory authorities (e.g. Financial Services Authority) | 1 | 4%
Unknown | 6 | 26%
**Total** | **23** | **100%**

Table 4.24: Measures to protect sensitive information

The finding shown in Table 4.24 reveals that protection is computer-based in the context of a given bank. There is no mention of physical protection such as a specific room, place, or device. It was interesting to learn that when four interviewees mentioned “selective sharing”; they did so from a strategic point of view: they would release the sensitive information after (say) the launch of a new product or some other innovation. In this way, they would provide a hedge against competitors or the likelihood of insider information leaking out. While a number of ways were mentioned, it was clear that no one method was said to be effective. The existence of various measures may mean that one cannot succeed in using one method to protect sensitive information in a banking business or that no deliberate efforts have been put in place to research systems to protect intelligence sensitive information by each bank.

![Measurement of the role of intelligence in the formulation of banking strategy](image)

Figure 4.17: Measurement of the role of intelligence in the formulation of banking strategy
Table 4.25: Measurement of the role of intelligence in the formulation of banking strategy

From Table 4.25 the wide distribution of the categories reveals that banks did not have a specific way of measuring the use of intelligence. This leads to the suspicion that they may not have a predominant way of measuring the effectiveness of intelligence in the formulation of strategy at all. The six non-responses further indicate that measuring effectiveness in strategy formulation is not easy, or that measurement is more conceptual at the business unit level that at corporate level. It can be seen in the findings given here that measurement seems to be understood reactively. This is shown by the mention of such phrases used; “success or failure of strategy”, and “feedback”. It is clear from these findings that intelligence is acknowledged as contributing to the formulation of the banking strategy.

Table 4.26: Monitoring of missed opportunities

The majority of the 15 interviewee who responded that they do monitor missed opportunities made it clear, by their use of phrases like “don’t have monitoring system” that this monitoring was implicit. It was evident from the explanations provided either that the banks do not have a specific monitoring system or that the systems vary depending on the
strategy across the business functions. The 15 interviewee who said their banks do not have monitoring system reveals that opportunities have been missed but not monitored and action taken. Despite the fact that banks seem to lack monitoring mechanisms to determine missed opportunities, the banks use intelligence regularly (see Table 4.27 below).

<table>
<thead>
<tr>
<th>How your bank is using intelligence...?</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% Out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-going (always)</td>
<td>17</td>
<td>74%</td>
</tr>
<tr>
<td>Unknown</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.27: Use of intelligence to detect, react to and exploit opportunities and threats

The results of Table 4.27 shows that, of the 23 interviewees, 17 said their banks use intelligence at all times to detect, react and exploit new opportunities and threats. Such a response seems to suggest that intelligence is not a scheduled item; rather, it is the business in itself. The six unknown could be interpreted to mean that their banks do not have a formalized way of detecting, reacting to and exploiting new opportunities, but rather that they react to current environmental phenomena. This confirms findings in Table 4.26 which shows that banks have no way of knowing missed opportunities or monitor them.

To put intelligence in context, Table 4.28 shows the success factors in the banking industry in general as seen by the interviewees.

<table>
<thead>
<tr>
<th>Key success factors in the banking industry...</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>10</td>
<td>43%</td>
</tr>
<tr>
<td>Market share</td>
<td>10</td>
<td>43%</td>
</tr>
<tr>
<td>Shareholder value / return</td>
<td>8</td>
<td>35%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>7</td>
<td>30%</td>
</tr>
<tr>
<td>Cost-income ratio</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td>Revenue growth</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Interviewee(friendly and motivated)</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Bad debt management</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>4</td>
<td>17%</td>
</tr>
</tbody>
</table>

Table 4.28: Key success factors in the banking industry
The 19 interviewees who responded gave at least three different success factors each. This reveals that the majority of the banks have varied but complementary systems to measure success. The wide range of success outlined in Table 4.28 shows that there is no one way of measuring success in the banking industry. This may be because different banks may have different rates of business growth and different focuses at any given time. The success factors outlined above can be grouped into two:

- the need for banks to improve shareholder value as shown by the mention of profitability, market share, cost-income ratio, bad debt management, and continuous improvement
- customer service value as shown by the citing of customer satisfaction, customer oriented, and continuous improvement

![Figure 4.18: Contribution of intelligence to performance](image)

<table>
<thead>
<tr>
<th>How intelligence contribute to bank's performance against KSF...?</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vital</td>
<td>11</td>
<td>48%</td>
</tr>
<tr>
<td>Significant</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Indirect</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Unknown</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Table 4.29: Contribution of intelligence to performance*
The results of Table 4.29 and Figure 4.18 show that there is plausible evidence that intelligence plays a leading role in the performance of the banks’ success factors mentioned in Table 4.28. This is demonstrated by 16 of the 17 interviewees who responded with phrases such as “vital”, “significant” and “indirect”. The one interviewee who said that “Intelligence contributes in an indirect way” meant that there is no systematic way to link its contribution to the various success factors that exist in the bank. This is yet another admission that banks currently lack a systematic way of managing and administering intelligence. Notwithstanding such an area that requires improvement, there is high level of agreement that intelligence contributes to a bank’s performance. Accordingly, the interviewees had suggestions on how intelligence processes could be improved within the banks.

![Figure 4.19: Ways to improve the intelligence process](image)

7
In a perfect world, improve bank’s intelligence process...

<table>
<thead>
<tr>
<th>Suggestion</th>
<th>No. of interviewees who mentioned almost the same</th>
<th>% out of 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve system to track competitors</td>
<td>6</td>
<td>26%</td>
</tr>
<tr>
<td>Employ more resources (such as money, people, etc)</td>
<td>5</td>
<td>22%</td>
</tr>
<tr>
<td>Establish competitor function</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Improve measurement methods</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Improve turnaround time for feedback</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Increase use of electronic information management (to avoid copyright laws)</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>No such thing as perfect world</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4.30: Ways to improve the intelligence process

The results in Table 4.30 and Figure 4.19 show that the 21 who responded provided more than one suggestion each. The seven suggestions provided above show strongly that the current intelligence system in the banking industry needs improvement in specific ways. This is revealed by the mention of “improve system to track competitors”, “employ more resources”, “improve measurement methods”, “improve turnaround time for feedback”, and “increase use of electronic information”. Another result of these findings is the feeling that new systems may need to be established to complement the existing ones. The interviewees are convinced that the existing intelligence system is not altogether bad but just needs improvement, hence the mention of a complementary approach. Thus two interviewees cited the need to establish competitor functions in the banks. It is also evident from the response given by two interviewees that, like any other businesses, the banking industry should not expect a perfect world but should uphold a culture of continuous improvement.

Overall, the conclusion that there is no “perfect world” is inescapable. Perhaps that is why all 23 interviewees agree that intelligence should be used, and that certain areas still need improvement.
4.3 Chapter Summary

This chapter presents the analysis of the results tabulated in detail. First, it was observed that the practitioners interviewed justified their activity in three ways: to discover more about and to monitor the business environment, to enhance business growth, and to balance reactive and proactive business behaviour. Different descriptions were found not to reflect different understandings of intelligence; this was remarkably uniform across the interviewees. Such differences, however, did reflect different business foci. The three ways mentioned above are echoed in the three main areas in which intelligence was understood to play a key strategic role: respectively, understanding competitors and markets, marketing, and strategic planning.

The answers to each question were then analysed in depth, and comments made on the findings. These findings included the difficulty of ranking sources, as well as the overall lack of measurement of intelligence, although the respondents were insistent that they both valued and sought feedback.
Chapter Five: Further Discussion of Results

5.1 Introduction

Because the practitioners whose responses were analysed in the preceding chapter used a variety of terms to describe the activity of CI, the more general term “intelligence” was favoured. In this chapter, the term “CI” is used again.

This chapter will present the analyses of the data showing the importance played by CI in the formulation of UK banks’ strategies. The data has been gathered from interviewees’ personal statements and from documentation the researcher collected from interviewees and from banks’ websites combined with a literature review.

A number of themes and patterns emerged from this study. The information provided was substantiated by the documentation collected from each bank.

5.2 Themes and Patterns

This section covers the current state of CI as it appears from the interviews, detailing the awareness of CI among practitioners, the current focus of their CI practice, the wide range of uses to which CI is put, the information sources from which CI is drawn, the attitudes of senior management to intelligence gathering, the degree to which feedback was sought, the constant use of CI and the contribution of CI to the business as a whole. Each point answers at least one of the research questions.

5.2.1 Current Picture of CI

CI as currently practised in UK can be discussed under eight headings. These cover the degree and extent to which practitioners are aware of the activity in the first instance; what
they aim to achieve through CI; the range of uses to which it is put; the sources from which the intelligence gathered is drawn; its status with senior management; the degree to which the activity is monitored by feedback, and the mechanisms by which this occurs; the degree to which it is used constantly rather than intermittently; and its contribution to the overall business. This section will discuss each of these in turn.

This picture is by and large optimistic. UK Banks are revealed to have an awareness of the importance of CI, an attitude which extends to the highest executive levels. The use of the information generated by the CI units permeates all levels of the organisation, throughout the CI processes as outlined in the literature. The importance of feedback is also recognised, if not consistently practiced.

a) Awareness of CI

CI provides a means by which banks can judge their performance as a whole, or the performance of selected functions or business units, against those of the best in their class. It plays a crucial role in enabling banks to understand their competitors and formulate appropriate strategies to meet the business challenges and threats. The literature and the data analysis both confirm the importance of high quality intelligence, in theory and in practice. Perhaps the most important area to which CI is applied is to decisions which impact on the gaining and maintaining of competitive edge. According to Porter (1980), intelligence which supports decisions at all levels is what enables organisations to gain and maintain competitive advantage.

But CI is vital to all areas of operation. The respondent from bank D above mentioned environmental monitoring. Two interviewees confirmed the all-embracing application of CI for their banks:

"We use intelligence for all areas of the bank" Bank G
"I can say that we utilise a great deal of intelligence in all areas of its business" Bank B

The literature puts this into a theoretical framework. For Skyrme (2002), a good CI system is a cyclical structure linking needs of decision-makers to the transformation of information into actionable intelligence. Practitioners and academics are thus united in their appreciation of the importance of CI to a commercial organisation, and practitioners by and large confirm that it is used in their banks at all levels.

Indeed, there was a plausible display from data analysis that banks are aware and actively use CI in their various business strategies and activities. Interviewees strongly believe that CI is a critical component in the whole philosophy of conducting their businesses. Of particular mention was the high degree of CI use in their strategies to gain a competitive advantage by offering competitive products and services. Expressed in different ways, there was significant level of the understanding that when CI system becomes strong and efficient, the bank is able to adequately meet the customer needs and invariably increase its revenues, thereby increasing profitability and subsequently share value. Tables 4.1 and 4.2 demonstrate that respondents are convinced of the positive contribution of their departments to the welfare and growth of the whole organisation, whether in the realms of strategy, marketing or of gaining an understanding of the competition and the environment.

b) Current Focus of CI

If the data from intelligence practitioners in the largest UK retail banks is representative of UK banks as a whole, CI is widely used in the UK banking industry. Certainly for the leading seven banks, CI is fundamental to strategic management activities (which are anticipatory in nature), and in particular those concerned with assessing business strengths/weaknesses and environmental opportunities/threats in relation to competitors and formulating, evaluating and selecting strategic alternatives (Veliyath, 1992). It is driven by, and carried out for, policy-makers (Bernhardt, 1993). The importance of the CI cycle resides in the fact that it widens a bank’s point of view by taking external as well as internal
factors into account and turning them into an integrated picture which is used for informed decision-making, including the ability to predict market conditions and competitors' moves. The literature and respondents' comments presented earlier detailed ways in which CI does this.

CI has been seen to contribute towards the process of recognising and finding potential mergers and acquisitions: even to an extent of identifying partners by location, desired demographic and economic attributes in the potential firms within those areas (Vella and McGonagle, 1986). According to Stewart (2001) CI can play a crucial role in mergers and acquisitions by helping potential acquirers explore the nature of both the business and the market, and in identifying suitable target companies.

One bank confirmed this application in practice:

"Strategy and planning, customer information, merger and acquisitions" Bank A

This is quite obvious a strategic application. For Bernhardt (1993), CI is nothing less than the essential follow-up to strategic planning. In another way, respondents in this research strongly believed that CI is both a predecessor and posterior to strategic planning. Accordingly, CI is absolutely necessary to strategy formulation. The rest of the literature seems to focus more on the strategic application, and especially on decision-making. For Vella and McGonagle (1991), CI is by definition the use of public sources of information regarding competitors in particular, and the competitive and market environments. It processes information, by synthesis and interpretation, and thus enables it to underpin managers' tactical and strategic decision-making. Gilad (2001) sees it as providing a forewarning of events and a foundation for decisions. Organisations utilising CI capabilities to the full are proactive rather than reactive, taking CI and the probability of success into full account when setting their goals and making their decisions, and consequently generate higher returns for their shareholders' investments (Coleman, 2003).
Respondents fully supported this emphasis on the necessity of good quality CI for good quality decision making:

"When we make big strategic decisions on an annual basis, and also on an ad hoc basis when we have a number of strategic projects on the go, each of which will have a competitive dimension" Bank D

The following echo of these sentiments was culled from Barclays’ website:

"Customer Insight team. This is where we use knowledge of our customers, potential customers and competitors to turn our data into meaningful information to support informed business decision".

Strategy is made by decisions, and both of these must be underpinned by good CI.

The increasingly dynamic environment in which modern businesses operate imposes correspondingly increasing demands, which in turn necessitates a balance between tactical and strategic CI in order to provide an effective response (Miller, 2000). Prescott and Herring (1997) concur, seeing the greatest success being achieved by organisations that exhibit a “feedback loop” between the two kinds of intelligence.

Heath (1996) mentions tactics as well as strategy, when he claims that more firms are acknowledging the centrality of CI to both. This dual purpose of CI is something that respondents explained:

"Senior executives use intelligence across the board – i.e. at a very high level. At a practical level, the strategic and product marketing teams, and even on a quite tactical level, the branch network, in such areas as product introduction" Bank C

Many commented that their CI practice was weighted towards the strategic side:

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http://www.barclays-graduates.co.uk/page.php?page=771&department=903&profile=801
"We concentrate more on the strategic than the tactical plane now”
Bank C

"Both, but more fundamental for the strategic side” Bank D

Only one responded that the tactical dimension was more important than the strategic:

"In the main, most of the stuff concerns tactical management decisions, but collectively and cumulatively there'll be some strategic input there” Bank G

Interviewees affirmed that CI contributes to setting strategic objectives:

"Yes it does, in terms of our three-year plans and our one-year plans. We provide market analysis and assessment of opportunities” Bank A

They also verified that it contributes to strategic analysis:

"A lot of the strategic analysis we do is regarding target-setting, both for ourselves and for the other performance parts of the business. Those targets are then done into a financial plan. What we look to do is to benchmark those targets in the market, so that we can understand what is best in class, and we can strive to be best in class” Bank D

And interviewees’ views on the importance of CI to the formulation of their bank’s strategy were positive:

"Most strategic decisions are based on board papers .... Each board paper makes a clear recommendation to the board based on the data available – recommendations and therefore the data are key to the decisions at the board” Bank E

"It would be foolhardy to try to produce a strategy without intelligence; to deliver a strategy; intelligence is invaluable to ensuring that you are continuing in the right way.” Bank E
“Outmanoeuvring competitors with intelligence is critical to HBoS in sharpening its competitive edge”

Most interviewees seem to agree that banks use CI to a greater extent in the areas of strategy formulation, strategy analysis, setting objectives, and strategy decision-making (for more details see Tables 4.15, 4.16, 4.17, 4.18 and 4.19). In summary, there was no area of banks’ operations which was not felt to be within the scope of CI.

c) CI has a Wide Range of Uses

Following on from the point above, Kahaner (1996) comments that companies use CI to collect and use information on competitors, suppliers and customers and on all relevant aspects of the business environment. Again, the respondents’ answers provided a much fuller picture than that provided by the literature. Below is a table representing Bank “A” responses:

<table>
<thead>
<tr>
<th>How do you use intelligence...</th>
<th>What is it used for...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic: Establish who are the winners and losers, and why</td>
<td>Learn lessons and adapt them for our success.</td>
</tr>
<tr>
<td>Strategic: By product, review in one or two pages - key competitors market share (of overall business and new business), advertising/direct marketing spend, product pricing/rates, product features, product range, customer satisfaction etc. Half-yearly reviews</td>
<td>Support senior management in each product area in their formulation of overall strategy</td>
</tr>
<tr>
<td>Strategic: Ad hoc in-depth investigation of a competitor or any specific issue</td>
<td>Enables the company to see best practices and adopt them if appropriate.</td>
</tr>
<tr>
<td>Strategic / Tactical: Monthly review of news/events pertaining to each area and comparison of advertising/direct mail spend with a brief in-depth look at a topical issue.</td>
<td>Support decision-making at monthly senior management meetings</td>
</tr>
<tr>
<td>Tactical: Daily News about company/interviewee and product /rate changes, product withdrawals via intranet</td>
<td>Be aware of competitive position and for management to respond if necessary.</td>
</tr>
<tr>
<td>Tactical: Weekly comparison of product</td>
<td>To enable management see our relative</td>
</tr>
</tbody>
</table>

[^1]: June McCole, Director of Information Services for Corporate Banking at HBOS; http://www.pcw.co.uk/information-world-review/features/2084023/market-information-moves-food-chain

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prices/rates with key competitors to establish competitive position and review of best buy tables for senior management | position in the market
---|---
Ad Hoc: Support work concerning New product developments / changes / withdrawals etc. | Support the product teams in their decision making
Tactical: Provision of detailed competitor product specification / rates / prices to all the staff in customer facing situations | To enable them to promote our products against competitors in a professional way, with up to date competitor information

<table>
<thead>
<tr>
<th><strong>Table 5.1: Uses of CI</strong></th>
</tr>
</thead>
</table>

Other interviewees responded likewise:

"**We use intelligence to:**

- Understand the effectiveness of our marketing campaigns
- Understand our market performance versus our competitors
- Determine best practice in various fields of activity
- Identify which markets are growing and which are contracting
- Understand how consumer behaviour is changing

We then make decisions on pricing, product design, market entry and new product development on the basis of the information gathered"

Bank G

It should be noted that these comments overlap with those regarding the use of CI in the formulation and implementation of the bank’s strategy. Comments about CI’s contribution to banks’ performance included:

"**Our share of the direct market, our intelligence has informed us of what the drivers are, to inform how we might better achieve our strategic targets, to inform us of competitors’ practices and financial performance...**” Bank G

Again, literature and practice combine to underline the importance of strategic and tactical, systematic and ad hoc intelligence. It became very clear that CI could be used for the overall corporate strategy as well as specific and individual functional activities of the business. The responses given in Tables 4.4 and 4.28 suggest that different strategic areas
of the business may require unique CI information. For example, understanding the banking industry and learning more about customer preferences require different set of CI information. In the same way, CI information that is needed by various departments in the bank may not be entirely the same. When interviewees were asked to cite what they felt were success factors in their respective banks, responses given suggest that success factors vary within and across the banks (See Table 4.28 for more details). It was also evident that when they said CI could be used differently depending on the area of focus, they also said it all work towards achieving the overall strategy of the bank.

d) Sources of CI Information

Shaker and Gembicki (1999) see a direct relationship between the degree to which data is processed and its amount: senior executives work with much raw data and add much less value, to arrive at relatively small nuggets of actual intelligence. Montgomery and Weinberg (1998) point out that there is no lack of source material for intelligence professionals to work with: they include government, competitors, suppliers, customers, professional associations and meetings, and company personnel files. This is the main point to be made in this section. Many interviewees listed some of the sources they used:

“We use every source we can do. I haven’t really ranked them, but company report accounts are pretty useful for a lot of things. There are a lot of industry sources....We use company sources and company disclosures....And then we use secondary sources like library and Mintel reports. We might commission internal research from staff who have joined us from other banks – we might ask them to give us insight into life in other banks – and we do mystery shopping. And then finally we use the news tools” Bank A

Cook and Cook (2000) combine an overarching purpose for intelligence with another potentially useful source, involving an archive: according to them, intelligence’s gathering’s fundamental purpose is to try to anticipate events, and to provide a background for this, a newspaper clipping service can be of value in creating a historical profile of a competitor.
Behan\textsuperscript{8} adds another source of CI:

"...let's go out and survey as many customers as we can" structured questionnaires of old and a hunt for more targeted insightful information"

Vella and McGonagle (1991) say that the best sources of information for CI include customers and staff who have come from competitors, newsletters and trade magazines giving details of, for example, technological purchases by rivals (which might provide a strong indication of its strategic direction), conferences, and marketing case studies containing detailed information about strategic objectives and budgets. This is fine as far as it goes, but it does not highlight what many correspondents reported: that no single source predominates. For instance, the data provided needed to understand customer was said to come primarily from customer feedback forms, while the CI to learn about the market dynamics would come from published information as well as from banks' websites. Different types of intelligence required in various strategic focus areas require entirely different sources. This is why many interviewees found difficulty in ranking the sources they used:

"It's hard to rank them. It depends on what the information is being used for" Bank C

This respondent raises the crucial issue about the type of source: there is no "best" source, but rather the choice depends on the circumstances and to what use the information is being put. No particular sources seem to be obvious in the banking industry but there was a strong pattern that various sources are used as revealed by responses in Table 4.9. This may relate to the earlier assertion that CI information has a wide range of application. As such, this may mean that the different types of intelligence required in various strategic focus areas could suggest different sources altogether. For instance, the data provided needed to

\textsuperscript{8} Behan, G.: Head of Market Research at Barclays 
understand customer was said to come primarily from customer feedback forms while the CI information to learn about the market dynamics would come from published information as well as from banks’ websites. The responses given in Table 4.21 demonstrated this point when 18 interviewees (representing 78%) of the 23 confirmed that they receive feedback in their CI systems and processes.

e) Attitudes of Senior Executives

Respondents overwhelmingly felt that their senior management did indeed appreciate their efforts:

“We’ve got [member status in the Finalta⁹, which is quite an expense, which demonstrates the importance placed on this” Bank C

“They can’t exist without it” Bank G

“They are currently very positive” Bank D

The reactions that emerged from the answers indicate that senior executives in the different banks actively support the CI system and processes. When specifically asked to say something about the attitude of their senior executives, Table 6.16 shows how they responded. It is clear from Table 4.14 that all 20 interviewees (87 percent of the total number of respondents) who responded to this question felt that their senior executives support CI. This high level of top management buy-in perpetuates its use and application across the various banks.

⁹ Finalta is an independent advisory company that specialises in providing benchmarking services to financial services companies
A Culture of Feedback

When asked whether the recipients of CI provide feedback, 19 of the 23 (82%) point out that they had some form of feedback procedures in place (see Table 4.21 for more details). These procedures ranged from the highly formal and involved...

"If someone has an intelligence requirement, they produce a brief for us... We undertake the work, which is then provided or presented to the business user, who then has to go through a formal process of providing feedback" Bank D

...to the much less formal and ad hoc...

"Usually we've done pretty much what they wanted, but it prompts other questions, and they start asking us to do more work" Bank A

...and all stages between:

"Yes – again this depends on the nature of the deliverable – a board paper may be challenged and further work would be requested to shape up and drive the paper forward. The accuracy of the paper might also be challenged – feedback is usually cascaded about the papers etc" Bank E

"They would be providing the feedback to the Insight team, and I am a "customer" of the insight, so one of my jobs is to provide feedback on how we improve that insight process" Bank D

Some were a little vague:

"I wouldn't say we have any specific process anyway, but of course as a company we always respond to feedback and modify our attitudes and deliverables accordingly” Bank E

One reported a much longer-term method of feedback, only useful for systematic improvement rather than immediate reaction and implementation:
"...there are half-yearly appraisals when a formal feedback is requested from major users of the service" Bank A

Some went on to say that this feedback is used to evaluate strategic decisions and, to some extent, the effectiveness of CI within the business. Evidently, 16 interviewees said that, because of the feedback they get (as an output of strategic planning and decision-making), their CI systems and processes have undergone some considerable modifications over the years (see Tables 4.21 and 4.22 for more details). However, when pressed on just what those modifications were, some respondents found it hard to be specific owing to the fact such changes did not follow a systematic procedure:

"Very hard to give a specific example" Bank E

When asked whether the interviewee who receive their CI provide feedback, 19 of the 23 (82%) pointed out that the recipients of CI provide them feedback. They went on to say that the feedback they receive is used to evaluate strategic decisions and to some extent the effectiveness of the CI in the business. Evidently, 16 interviewees revealed that as a result of the feedback they get, (as output of strategic planning and decision-making) their CI systems and processes have undergone some noticeable modifications over the years (see Table 4.22 for more details). It was interesting to note that when asked to give examples of the modifications, 13 (81%) of the 16 did not give examples of such modifications. This may suggest that the said modifications are void of specific and traceable procedures to an extent that interviewees end up just experiencing the change but could not explain what the change was or how the change was brought about. Of the 23 interviewees, 10 (43%) gave various examples in which their CI systems underwent modifications (see Table 4.23 for more details). This included distribution channels of their products and services such as introduction of internet services in some banks, increase of frequency of business updates, establishment of effective information sharing system across departments and work groups, becoming more client-centred, and utilization of software programmes in a more effective and efficient manner. Information on the bank's websites confirms that they take feedback serious and do something about it.
This may suggest that modifications do not consist of specific and traceable procedures; interviewees simply "experience" the change but cannot explain what it was or how it was brought about. Others did mention particular cases, including distribution channels of their products and services, such as the introduction of internet services in some banks, the increased frequency of business updates, the establishment of an effective information-sharing system across departments and work groups, becoming more client-centred, and the utilization of software programmes in a more effective and efficient manner.

Practitioners generally seemed more definite about the need for feedback than about actual means of gathering it and using it to improve both their own CI department's operation and that of the organisation as a whole.

g) CI is Used Constantly

Reflecting the earlier point that CI is used in all areas of business operation, there was also overwhelming agreement among respondents that it is used continually. This was particularly evident when they were asked how they use it. Some said that it is used to detect, react to and exploit opportunities and threats. 17 interviewees (74 percent) said it is used on an "on-going" basis (see Table 4.27 for more details). This assertion reflects responses to the question "What mechanisms and techniques do you have in place to analyse the information your bank gathers?" Which may explain why five interviewees mentioned that they use PEST and SWOT techniques to analyse CI information (see Table 4.13 for more details)?

"Most board members are aware of the current climate across the industry and this knowledge is often used to drive strategy and they monitor competitors through market data, news articles etc, or in some cases specific contacts. We have a specific long term plan that we hope to achieve and our research is usually based on ideas to help maintain this plan." Bank E
This point and 1.b) and c) together indicate that, for banks at least among commercial organisations, the application of CI, either directly or indirectly, is ubiquitous throughout the organisation.

h) CI Contributes to the Overall Business

CI is an activity which should be practiced across all components of an institution or organisation (McGonagle and Vella, 1996). CI provides insight into the external factors driving change and development, and the implications for the organisation. Good CI practice helps the organisation reduce the risk of dealing with these external factors. Without analysis, there is little insight. Without good CI, a firm is increasingly vulnerable to attack in a globalised world economy (Gild, 1994).

UK banks strongly believe CI contributes directly and significantly towards day-to-day business activities and subsequently to performance. A total of 16 interviewees (70 percent) responded positively to the question; 11 (48 percent) used the word ‘vital’ and five (22 percent) “significant” (see Table 4.29 for more details). Responses included:

"It's vital. Refer to my previous answers on strategy development and understanding what competitors are doing, where we can improve our cost and sales performance and reduce bad debts, what markets we should move into next – there's a whole range of things" Bank C

"It is really contributing across the board" Bank D

"By monitoring and alerting aspects that are measurable and alerting management" Bank A

The responses largely grouped themselves around two areas: strategic management and competitors. A general background knowledge of market conditions was conspicuous by its relative absence.
5.2.2 Issues and Problems

Even more so than in the preceding section, the six issues and problems are quite clear, and will be discussed in turn in this section: the absence of any kind of system for establishing the accuracy of such information as is gathered; likewise, the lack of a means of establishing the effectiveness of this information once it has been used; and of analysing it before it is used; the absence of a formal way of measuring the contribution (or lack of it) of the intelligence to the formulation of strategy; the absence of specific means of protecting sensitive information; and the lack of all-embracing mechanisms for monitoring and evaluating information and its use.

Several CI related problems came out of this study, all of which are grounds for both further research and for improvement in the practice of CI by banks. The two words that accurately summarise the problems in the use and administration of CI in the UK banking industry are lack of “systematic” and “specific” approaches. It is necessary to regularise processes in order to maximise their efficient operation. Specific processes must also be instituted in order to ensure that certain necessary tasks are carried out in a more efficient and effective manner.

a) Lack of Systematic Way of Checking Accuracy of CI Information

Effective harvesting and analysis of information determines how effective the CI process is (Broome, 2001). The literature provides some comment on the necessity of checking the accuracy of intelligence, both data and the sources from which that data is derived (Tan and Ahmed, 1999). Modern technology has overcome the problem of generating enough information. Instead, this information must be selected and evaluated. Mann (1995) sees a solution to this dilemma in the supposition that the simplest and most widespread methods of CI and analysis are random, used as the occasion presents itself. Business and trade journals are perused, customers queried, competitors’ offerings analysed and an intuitive
feel developed for what will be of use and when. This can be useful to quickly generating intelligence.

Respondents agreed in principle. In answer to the question “What mechanisms and techniques do you have in place to check the accuracy of information your bank gathers?” various mechanisms were cited by 21 interviewees (91 percent). 13 of the total 23 (57 percent) believe that using different data sources implicitly acts as “checks and balances” for the intelligence generated. Other mechanisms mentioned are presented in the Table 4.21. However, some of their responses amounted to an admission that their practice fell short of the ideal:

“It’s a difficult one. Within my team we’d do a sanity check: person A would then look at what person B has done and we do try and compare and contrast sources...It’s really by triangulation or comparison, really. It’s a difficult one, that one” Bank A

The striking fact is that there is at present no standard procedure for checking the accuracy of intelligence information in at least the seven banks that participated in this study.

*b) No Specific Way of Measuring Effectiveness of CI*

According to Lonnqvist and Pirttimaki (2006), CI should be measured in order to establish that it does indeed make a valuable contribution to the organisation’s success, and to aid in managing the activity. Of the first reason, Davison (2001) states even more baldly that CI managers need to be able to prove that their departments should exist at all. Their seniors, in turn, obviously need the same information for the same reasons. Such measurement may very well increase the effective practice of CI. However, relatively few organisations have developed methods by which to do this (Solomon, 1996; Simon, 1998; Marin and Poulter, 2004). Herring (1996) has tried to identify four measures of the effectiveness of CI: time savings, cost savings, cost avoidance and revenue enhancement. However, it appears that
these are not "measures", but rather the results of the effective practice of CI. The actual measurement of these effects remains as elusive as ever (see section 2.8 for more details).

Information about competitor's strengths and weaknesses could prove invaluable to a firm's strategic development and market positioning (Armstrong, 2001). It is interesting that, while the literature comments on the necessity for accurate intelligence, it seems silent on the need to measure the effectiveness of CI. Again, the commentary is left to practitioners. When asked to cite ways in which banks measure the effectiveness of CI in the formulation of banking strategy, five interviewees (22 percent) admitted that they do not measure effectiveness at all while four (17 percent) pointed out that they measure it only informally. Eight interviewees (34 percent) gave a reactive approach as a way of measuring CI's effectiveness (see Table 4.25 for more details). Examples were the success or failure of the bank's strategy, and feedback from stakeholders.

"That's quite difficult. In the long term, you measure this by the delivery of return to the shareholders. We're more likely to assess this if something goes wrong." Bank C

From Table 4.25 six interviewees (26 percent) said they did not have an answer. All this confirms the non-specificity and non-standardization of the measurement of the effectiveness of CI in strategy formulation, at least in the banks that participated in this study.

"Probably the principal means is immediate feedback forms rating what was done" Bank G

"We publish a plan of intended analysis which is agreed monthly by senior executives in the bank. They check to see that the proposed activity supports the key direction of the bank." Bank G

These responses relate to the ones for feedback at (1.1), and especially to the vagueness that many respondents felt about this question. This lack of measurement seems a real deficiency in CI practice in UK banks. According to Clarke (2001) CI in service industries
cannot be effective unless the customers become an integral part of the CI process. The present research bears this out; it reveals CI to be a useful tool for building relationships with customers and identifying their expectations in order to meet or even exceed their needs. Banks have now taken steps to gain the maximize contact with customers, and to deepen their relationship

c) Lack of a Mechanism for Analysing Information

What came out of the data collected from the largest UK retail banks reveals that the UK banking industry currently has no consistent means of analysing and interpreting intelligence information.

The word “mechanism” means that is the bank has an established method of collecting, processing, analysing, interpreting, and storing intelligence information, a purpose which could be served by in-house software. What emerges from this study of the largest retail UK banks is that there is no such mechanism for managing intelligence across the sector, as opposed to within each bank.

A lack of analysis system clearly inhibits effective strategic management. Therefore it not enough to collect data which cannot be competently organised, processed, interpreted and presented.

d) No Formal Way of Measuring Effectiveness of CI in Banking Strategy Formulation

Just like the preceding challenges, it was evident in the various responses provided in this study that currently; banks do not have formal means of determining effectiveness of their intelligence systems in the formulation of business strategies.
A "measurement by results" approach is used by several respondents' banks, as opposed to an internal measurement at the time of delivery. Quite a few implicitly agreed their inadequacy, while others were simply somewhat vague or non-committal.

Seven said that various means exist (see Table 4.20 for more details). The most concrete examples included the following:

"Feedback from the Strategy department, and requests for further new work on different topics" Bank A

"In strategic design, there would be a series of meetings in which progress is presented. To check for validity, there would be a challenge process in those meetings" Bank E

As mentioned above when asked, 14 interviewees (61%) vividly said they did not have a formal way of measuring effectiveness while 7 mentioned that various means exist (see Table 4.20 for more details). This pattern is reiterated in the responses given when interviewees were asked, "How do you measure the effectiveness of intelligence in the formulation of your bank's strategy? (see Table 4.25 for more details). In addition, when 13 could not single out examples of modifications in their intelligence systems although they had said earlier that it had changed; confirms that at present CI lacks standard procedures and specific processes for monitoring and evaluation (see Table 4.23 for more details).

It was evident from these responses that most banks do not have a formal means of determining the effectiveness of their CI systems in the formulation and execution of business strategies.

e) No Specific Ways to Protect Sensitive Information

Any security mechanisms must provide protection without hampering dissemination and access to authorised users (Aaker, 1998). Furthermore banks should also seek to protect
their own intelligence from other banks conducting CI on them (McGonagle and Vella, 1999). When asked, "What measures do you take to ensure that your own sensitive information is protected?" Respondents cited a number of ways that exist which probable suit the circumstances of the different banks. What is clear though is that there is no standard ways of protecting sensitive information but perhaps each bank uses measures that suit its type of information, context, and the extent of its capability to implement and administer such measures. The 6 respondents (26%) who did not respond may mean that they did not think they had information they could confidently classify as “sensitive” or they did not have a way of protecting sensitive information (see Table 4.24 for more details).

It is clear from respondents’ comments that there is no standard way of doing this; rather, each bank seems to use measures that suit the type of information it gathers, and the extent of its capability to implement such measures. A popular means of protection was by disseminating information on a need-to-know basis.

"By limiting the information to those who need" Bank A

"On our intranet we have a site which is a closed group, and only named individuals can access the data... [Also, we just don’t] disseminate it, actually – it doesn’t go to anyone. It’s just for the board, and it just goes to them" Bank A

Other ways probably suit the circumstances of the different banks. Examples ranged from the contractual to the technological to the procedural, and some banks use a mixture of these:

"Full set of guidelines and procedures around protecting our information, including classification and procedures for handling information in the categories of unrestricted, sensitive (company confidential and restricted distribution), legal privilege, confidentiality agreements with external partners; [also] encryption and password protected documents and files“ Bank D
"If it's sensitive, we password-protect anything in a spreadsheet. If it's going outside the organisation, it would be encrypted on our CD, sent by secure carrier, those sorts of things" Bank G

All banks had some means of protecting information, but the preponderance of procedural methods over technical ones is striking.

f) Lack of Comprehensive Monitoring and Evaluation Systems

Good CI on the broadest level is essential for enabling an organisation to recognise opportunities provided by rivals' actions or weaknesses (Bernstal, 2004). It was clear that the respondents' banks presently do not have systematic ways of monitoring and evaluating CI and its utilization. When asked, "Do you monitor missed opportunities? Can you give cases in which the bank missed an opportunity or was blindsided by the lack of intelligence activities? What was the outcome?", 15 interviewees (65 percent) said they did not monitor such cases, only five (22 percent) said they did, and 3 gave no response (see Table 4.26 for more details).

"Constant feed of key developments – particularly in the competitive environment – from Insight to the business. Daily, weekly and monthly reporting is in place" Bank D

"We monitor our competitor's actions and our market share against them continually. If they do something that appears successful, then we look to mirror it" Bank G

The general lack of positive response clearly echoes the relative deficiencies in monitoring and feedback. Banks are clearly aware of the importance of generating timely and accurate intelligence information, but their after-action follow-up seems generally inadequate.
5.3 Chapter Summary

This draws out broader themes and patterns, both from the existing literature (and, as this is ground-breaking research, the literature does not cover every aspect of this topic) and from the interviews, as demonstrated by representative quotations. It will be seen that, for many areas, the interviewees provide comment on areas in which the literature is sparse or non-existent. There are two sections, one dealing with the current practice of CI, and the other with issues and problems raised by the investigation. The first section presents what is in several respects an optimistic picture of CI practice in the UK banking industry. Interviewees were strongly aware of the importance of their practice in their organisations. Taken as a group, they demonstrated a wide-ranging use of CI, but weighted towards the fulfilment of their banks’ strategies. This mirrors their use of a wide range of sources, both open and bespoke, which in turn implies a determination to obtain the information they want. CI is used constantly and all-pervasively in their organisations; senior management was uniformly supportive of their efforts, and they were keen to obtain feedback, pursuing it where it was not naturally forthcoming. This sub-section highlights the areas in which the process of CI could be improved. Concerns raised are the lack of accuracy checks, of measurements of effectiveness, of analysis of information gathered, of effectiveness in the formulation of strategy, of protecting sensitive information and of monitoring and evaluation. This subsection points towards improvements in the practice and administration of CI and its use in the UK banking industry, implications which are spelt out in the last chapter.
Chapter Six: Conclusion

6.1 Introduction

In the previous chapter, empirical data from all the interviews was analysed. This chapter provides conclusions regarding the findings of the study. These conclusions lead to recommendations for management, future research in the area of CI, and the formulation of banking strategy.

This study intends to establish current practice, to better understand the key role of CI in UK banking industry, and to determine its effect on banking strategy. Its aims are:

1. to establish the current status of CI in the UK banking industry, and to examine the terminology used for this activity
2. to establish the areas in which CI plays a pivotal role, in UK banking industry
3. to establish whether and to what extent UK banks currently use CI in their strategy formulation
4. to investigate how CI contributes to banking strategy formulation

This study was based on the assumption that in order to develop a better understanding of CI's implications for the UK banking strategy, it is essential first to comprehend the key roles played by CI in UK banking, how CI is actually used, and the real benefits derived from it. This assumption leads to the following six research questions:

1. What is the current status of CI in UK banking?
2. Do UK banks currently use CI in order to formulate their strategies?
3. What is the key role played by CI in UK banking in general and banking strategy in particular?
4. In which way does CI contribute to UK banking strategy?
5. Does the UK banking industry consider CI as a major factor in strategy formulation?

6. What are the factors which explain the success of CI’s role in the formulation of banking strategy?

The answers to these research questions will help provide an understanding of how banks actually view and use CI. These conclusions will be based on real experiences of senior UK banking executives regarding the way they use CI and its effect on their strategy.

6.2 Contribution of the Study to Knowledge

This research contributes to the literature on the role of CI in the financial services industry in general and banking in particular. It is exploratory in nature, aiming to gain an in-depth understanding of CI activities in UK banking industry by using a qualitative methodology. As such, a purposive and small sample was used. It can be argued that further investigation should be carried out to strengthen understanding of some of the findings presented here using both qualitative and quantitative designs. While additional qualitative research will bring out more grounded issues, quantitative methods will test the significance levels, correlational relationships, and generalisability of issues coming from the data. These are just a few of the possible statistical techniques that could be applied to this kind of research.

Like any research, the gap it reveals could then be explored by even more questions, in order to corroborate and enhance the results it arrives at and the concepts it proposes.

This research gives senior banking executives a comprehensive view of what CI is, demonstrates methods of developing it, and reveals its potential positive and negative consequences in the way it is applied and administered. It provides a thorough examination of the conceptual and operational issues of CI and how it contributes to the formulation of banking strategy. Not only will academics and business management practitioners benefit
from this research, but so may also all the shareholders (owners and investors) and stakeholders (e.g. customers) of the UK banking industry.

A central contribution of this thesis has been to develop appropriate definitions of CI and other intelligence concepts, and to attain clarity in terms of their scope and application, as well as their potential relationship to strategy formulation. Furthermore, it synthesises the argument in the literature on CI regarding the ways UK senior banking executives use it, and the methods of integrating it into their strategy formulation and decision making processes.

The present study uniquely views CI from a senior banking executive’s perspective by attempting to investigate the factors influencing the relationships between CI and the formulation of banking strategy. It provides strong evidence that CI is a key component of the banking strategy formulation and decision-making processes in the banks’ various functional levels. It also provides strong evidence for the contribution of CI to corporate banking strategy formulation processes.

Furthermore, it gives a clear picture of the current status of CI in UK banking, and provides useful empirical data and information that could help UK senior banking executives to improve on the utilisation and management of CI. The research findings presented here have thus prepared the ground for the effective conduct of CI, as well as opening the avenues further research and a reminder for banking executives to improve their existing CI systems.

It reveals that at present little has been published on the use of CI in financial services in general and strategy formulation for banks in particular. This has led to lack of academic literature on the subject of CI in the financial services industry in general and the formulation of banking strategy in particular. This study is the first of its kind to address in detail not only why but also how CI could be integrated into banking strategy. Therefore
the research goes some way in filling this gap, and could serve as a platform from which academics can further investigate this area.

This thesis has contributed to the literature through the creation of new knowledge such as the terminology used, lack of systematic ways of managing and implementing, and its contribution strategy formulation in UK banking industry. In addition, the thesis brings out the operational dynamics involved in developing and understanding the effects of CI on the formulation of banking strategy in the UK. It is therefore pertinent to conclude this study by considering how results could be used by CI professionals and decision makers in the banking industry, and to identify areas where further research might be undertaken.

This research makes a contribution in the following areas:

- It makes a significant contribution to the literature on this subject
- It makes distinctions and comparisons of terminology used
- It establishes the extent to which CI is used in UK banks
- It determines whether UK banks use CI to formulate their strategies
- It establishes the key roles played by CI in UK banks in general and in the formulation of their strategy in particular
- It prescribes ways in which CI could contribute to the formulation of strategy
- It examines whether the UK banking industry sees CI as a major factor in the formulation of its strategy
- It identifies the factors which account for the success of CI in strategy formulation
- It identifies presence (or lack of) mechanisms used to manage CI in the UK banking industry

The greatest significance of this study is in its definitional management of improving understanding of CI in UK banking. It also adds to the literature on business growth and development through sustained research and development and service delivery in general through sustained marketing, and investigates how this links to the generation of
shareholder and stakeholder value. Another contribution to the literature made by this study is the exploration of the fluid nature of CI in the way it is used in banking and business strategies, as well as gaining an understanding of the very idea of CI and what it is for, what it can contribute to UK banking, its inherent qualities and its relative significance. Lastly, the study provides managers with the information necessary to enable them to improve the level of contribution CI makes to their businesses by measuring its effectiveness in such areas as the gathering, processing, analysing and reporting of information.

6.3 Guidelines for Conducting CI Process in an Effective Way to Enhance Formulation of Banking Strategy

With regard to what banks actually call the activity of gathering and analysing information about competitors, the results of this research were presented in Table (4.1) 10 out 23 respondents called intelligence gathering “competitor intelligence” while six called it “insight”. Some of the explanations given by the latter implied getting a better understanding of competitors and markets. Therefore one can see that 20 of the 23 interviewees seemed to have a common understanding of the process of CI but expressed it differently: 10 used the expression “competitor intelligence”, six “insight” and four “market intelligence” (see Table 4.1 for more details). These findings show CI is seen in the light of contributing towards competitive advantage, enhancing business understanding and growth, and as a balancing system for banks to be both reactive and pro-active in their business conduct.

This means that many banks recognise the importance of CI as a tool for gathering and analysing information about competitors and the external environment. Regarding the main reasons why UK banking started using intelligence (see Table 4.6 for more details). It is clear from the Table 4.6 that 61 percent (i.e. 14) of the 23 interviewees strongly believe that intelligence is being used for the purpose of understanding the market and its trends in
order to establish a strategic business position at any given time. Some of the issues mentioned included industry regulations, product development, understanding competitors and strategies to gain market share. Comments by four of the aforementioned 14 were:

1. "...diagnose opportunities to improve business"
2. "...to monitor our competitors"
3. "...in order to offer good products and services that make us different"
4. "...so we increase market share..."

Of the 23 respondents, nine (39 percent) argued that the most critical role played by intelligence in their banks is to help understand customers. Two interviewees said:

1. "...know your customers first, then competitors."
2. "We want to maximize the number of business they do with us."

It is crucial for all CI in the financial services industry in general and banking in particular to have a profound understanding of the difference between information and intelligence, and more importantly between various intelligence concepts. The findings revealed that in the same bank the process of gathering intelligence has different names but further exploration revealed that there is a little difference in the way it is used. The difference in names could be attributed to the different functional areas of the business. For instance, those in information department might call it “business information” while those in marketing “marketing intelligence” or even “marketing research”. It is obvious that this could lead to confusion for practitioners; it is desirable that this situation be clarified.

UK banks may need to come up with continuous improvement strategies in order to make CI an overall key strategy in the whole business strategic processes. This continuous improvement relates to two conceptual levels:

- at corporate level to maintain a viable business position at all times
• within the CI system where efficient and effective techniques of using and managing it should be sought all the time.

This implies that they need to intensify CI so that ways of measuring efficiency, effectiveness and impact in various business strategic areas may be discovered and implemented. Also, within the R&D framework, effective ways of undertaking CI information analysis, checking for accuracy, spotting and exploiting opportunities, sharing and disseminating intelligence may be found. These are some of the issues that have been widely cited as challenges in the gathering and utilisation of CI in almost all the banks that participated in this study.

6.4 Summary of Findings

This section compares the research objectives with findings from the data analyses, and answers the six research questions stated in chapter 3.

6.4.1 Research Objectives

The purpose of this study is to determine what currently constitutes the practice of CI, and to provide a clearer appreciation of its role in the UK banking industry, as well as to determine its effect on UK banking strategy. Its aims are:

1. to establish the current status of CI in the UK banking industry, and to examine the terminology used for this activity

Based on the various responses given by the interviewees, there is a significant level of awareness and use of CI in UK banking. Success factors as seen in Tables 4.14, 4.23 and 4.29 include support from senior management and the success of the strategies which have been based on CI. This is understood rather than being stated publicly. New technologies used in-bank and for new service distribution channels such as ATMs have been
implemented as a result of CI. Also feedback received from internal and external customers have led to a realisation that certain modes used to share and disseminate CI are either efficient but not effective or vice-versa. This has made a vital contribution to an improved understanding of markets and customers as well as tools required to generate, analyse, share and disseminate CI within a bank.

Despite the rosy general picture which shows that CI is being used and supported by senior executives in the various banks, certain areas need improvement, such as gathering and validation techniques and measurement of the efficiency, effectiveness and impact of the use of CI. Data analysis conducted in this study revealed the following problems in the way CI is currently being used and managed:

- lack of a systematic way of checking the accuracy of information acquired by CI activities
- no specific way of measuring the efficiency and effectiveness of CI
- no specific way to determine impact of CI contribution to business
- lack of a mechanism for analysing information
- lack of a systematic way of sharing and disseminating CI information
- lack coordinated structure to gather CI data from various data sources
- no formal way of measuring the effectiveness of CI in banking strategy formulation
- no specific ways to protect sensitive information
- no signal system to alert missed opportunities within the CI framework
- lack of comprehensive monitoring and evaluation systems

While CI is known by a variety of names, this confusion seems to be minimal when one looks at what practitioners use it for. The findings seem to suggest that banks may need to come up with a term agreeable within their business focus to avoid possible confusion of terminology in the practice of CI. As shown by the findings in Table 4.1, there is no agreed term used to describe this activity, nor is there any particular indication as to how the
different banks respond to specific terms or concepts used. However there is a loose indication that the terms used are directly linked to the functional areas of the business. For example in some UK banks within the insight department, the term “insight” is used while in marketing the term “MI” or “competitor intelligence” used.

It is clear that each bank may have a greater focus on one area of business than on others. Thus, as pointed out in the preceding section, the intelligence department’s name reflects this focus. For example, banks concentrating on understanding competitive edge call the concept “competitor intelligence” or “insight”, while those focussing on the need to develop new products or improve on the existing ones call it “research and development”. The findings also revealed that in any given bank the process of gathering intelligence has different names. It is obvious that this could lead to confusion amongst practitioners; it is therefore desirable that this situation be investigated, clarified and agreement reached within each bank.

However, although the terms used are different, the actual use of intelligence information is almost the same. The findings in this study indeed show that CI has been and is being used for various functions of the banking industry (see Table 4.3 for more details). It is quite clear that there is no plausible contradiction in the conceptual framework of the use of CI.

In particular, the respondents believe that if the information termed “intelligence” does not address business challenges, the description will be deemed inaccurate. Furthermore they felt that intelligence takes different forms depending on the area of focus. For example some interviewees argued that intelligence differs markedly depending on whether it is required for strategic corporate planning, competitors, customers, information management, and product launches or (to mention just a few). While it is not immediately clear how it could be done, the data seems to reveal that intelligence is as effective as the extent to which one can prioritize business needs and competently process the intelligence data to produce sound information for decision-making process. The respondents indicated that intelligence has to be taken as a business culture rather than a “one of those” tasks. (For
more information refer to, section 2.3 and chapter four: Tables 4.1, 4.2 and 4.4). This demonstrates that CI is seen as the only way of conducting business in the UK banking rather than one of a number of options.

CI is widely used, but its practice needs improvement in a number of areas. The different terms used to describe CI seem to be less significant than what it is used for in and across UK banking industry.

2. to establish the areas in which CI plays a pivotal role, in UK banking industry

The overwhelming view of practitioners is that CI plays a crucial role throughout the UK banking industry. It has strategic, tactical and decision-making implications, and is used within the organisation as well as being directed at targets outside it. It has a bearing on the organisation as a whole and in part, right down to individual branch level. Examples of the success in the role CI plays in the UK banking include the positive attitude usually demonstrated by senior executives (see Table 4.14 for more details), the various changes that have been made over time in the different banks as a result of the use of intelligence information (see Table 4.23 for more details), and the fact that the majority of the 23 interviewees attributed the success of their banks to the use of CI and information (see Table 4.29 for more details). The fact that CI has existed and practiced over one and half century in a particular bank shows that it is as pivotal in the business conduct.

CI key roles have been noted, namely:

- strategically, banks have used the process of CI and subsequent information generation in tactical or management decisions (see Table 4.15), in setting strategic objectives (see Table 4.16), in strategic analysis processes, in strategic analysis (see Table 4.17), in decision-making (see Table 4.18), and in strategy formulation (see Table 4.19)
• to provide understanding of competitors and markets in general
• to meet the needs of its current and future customers and shareholders, thereby leading to better product positioning

It is evident from this that intelligence seems to acknowledged as a significant contributor in the running of the banking business, and this has been so over 10 years (see Table 4.5). It has been made clear from the findings that intelligence is used for various reasons in the banking industry.

Data analysis strongly suggests that banks are aware of and actively use CI in their various business strategies and activities. They firmly believe that CI is a critical component in the whole philosophy of conducting their business. Of particular note was the high degree of intelligence use in their strategies for gaining competitive advantage by offering customers competitive products and services. In other words, there was a significant level of recognition that when CI systems become strong and efficient the bank is able to increase its revenues, thereby increasing profitability and subsequently customer satisfaction and shareholder value.

Based on the data collected in this research, CI has already been taking place for over a century now. However, certain areas such as gathering and validation techniques and measurement of the efficiency, effectiveness and impact of its use need considerable improvement.

3. to establish whether and to what extent UK banks currently use CI in their strategy formulation

The interviewees placed a high importance on CI and subsequent use of information thus generated. It became very clear that CI could be used for the overall corporate strategy as well as specific and individual functional activities of the business. The responses given in Tables 4.4 and 4.28 suggest that different strategic areas of the business may require unique
intelligence information. For example, understanding the banking industry and learning more about customer preferences require different set of intelligence information; this would be different if the focus was to expand the business overseas. In the same way, intelligence information that is needed by various departments in the bank may not be entirely the same.

An overwhelming number of interviewees mentioned “strategic decisions” as a major area in which intelligence is used in their banks. A close examination of the other themes makes it obvious that they are in fact subordinate to strategic decisions. This is because an understanding of the market and the competitor environment, the offering of better products/services, the support of business operations, the understanding of consumer behaviour, and continuous business improvement all lead to strategic decision making by management. In addition, it became clear that CI plays a role in virtually all of a business’s decision-making processes, both before and after those decisions are made. This means that for any decision-making process to take place, some intelligence information is required first; and after the decision has been made intelligence information is needed for the implementation of the decision.

It is evident from interviewees that CI seems to make a fundamental contribution to strategy and planning development, and that sound strategies are usually the result of the use of CI in the formulation and implementation process. There is overwhelming agreement amongst the interviewees that CI indeed contributes to the setting of strategic objectives. The strong belief that CI contributes to strategic analysis demonstrates that it is taken seriously in the banking industry. CI also contributes to decision making.

4. to investigate how CI contributes to banking strategy formulation

The findings in Table 4.19 show that CI greatly contributes to the quality of the strategy formulation process, and that UK banks recognise this. Indeed, CI plays a crucial role in enabling banks to understand their competitors and formulate counteractive strategies. CI
does this by providing executives with quality decision-making information to enable them to develop strategies to better meet customer demands, both at the strategic and the tactical levels, and thus to answer or even anticipate competitors' developments. It also provides a more complete understanding of all aspects of the competitive environment, laying a firm foundation for the development of longer-term and more responsive strategies.

It can therefore be seen that CI is the most important element in strategy planning, development, implementation and evaluation. The respondents were also unanimously of the opinion that CI contributes to the setting of strategic objectives, strategic analysis, strategy formulation and strategy implementation. However, unless certain aspects of its use are improved, its success will remain fragmented (see Tables 4.15, 4.16, 4.17, 4.18 and 4.19 for more details).

The view that the UK banking industry has of CI is seen as overwhelmingly positive. All the respondents certainly replied to this effect (Tables 4.19 and 4.28). Specifically, the banking industry recognises that it could not formulate strategies nearly as successfully and consistently without the input quality intelligence information, and consequently that the success – and indeed the continued existence – of their organisations is due to this activity. Figure 6.1 shows the relationship of CI use and contribution to strategy formulation.

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Figure 6.1: CI use and contribution
6.4.2 Research Questions

Research question one “What is the current status of CI in UK banking?”

CI in UK banking has acceptable status, as shown by the level of recognition by senior executives and the long time it has been in existence. Responses indicated that senior executives in all the respondents’ banks actively support the intelligence systems and processes in the bank’s business operations. This is revealed by the responses given to the question, “What sort of attitudes about intelligence would you say are true of senior executives in your bank?” The views revealed by the 23 interviewees’ in Table 4.14 indicate that the senior executives in the different banks actively support and are actually involved in the intelligence systems and processes in the bank’s business operations.

Also, the existence of designated business functions for CI evident in the various UK banks shows a significant status given to CI activities. For instance, in some banks there are teams that work on intelligence gathering under business functions called “Insight”, “Competitor Intelligence”, and “R&D”. This came out from explanations given in various questions under this study (see sections 4.2 and 5.2 for more details).

Therefore, there is adequate empirical data to support the contention that there is a significant level of awareness and use of CI, as the responses from the 23 interviewees indicate.

Research question two “Do UK banks currently use CI in order to formulate their strategies?”

Most interviewees seem to agree that banks use CI to a greater extent in the areas of strategy formulation, strategy analysis, objective setting and strategic decision-making. This is seen from the responses given in Tables 4.3, 4.15, 4.16, 4.18 and 4.19. CI assists banks in understanding the needs of their current and future customers as well as providing
insights about competitors and market dynamics. Such understanding was attributed largely to the way the banks plan and formulate strategies. Responses given in Table 4.15 show an overwhelming view that CI is equally relevant to informing strategic or tactical management decisions. It was evident that banks see CI as useful for strategic and tactical reasons. It came out clearly that the use of CI in strategic or tactical formulation complement each other (see Table 4.15 for more details). When asked whether CI contributes to setting strategic objectives, 22 interviewees said it does. The explanations provided suggest that the banks have put in place systems to review strategies. The outputs of such reviews lead banks to gather relevant CI to address current or foreseeable problems or to improve on current success (see Table 4.16 for more details). Interviewees were asked, “Does Intelligence gathering contribute to strategic decision-making?” An overwhelming 22 out of 23 respondents answered “yes”, revealing that the contribution of CI in decision making is within the context of short-term decisions such as pricing or promotion, which ultimately lead to developing longer-term strategies like brand positioning and product range development (see Table 4.18 for more details). Also, data provided in Table 4.19 strongly demonstrates the extent to which CI is being used in UK banks.

There is overwhelming confirmation that UK banks firmly believe CI contributes significantly to the formulation of sound strategy and implementation. This conclusion can easily be seen from responses given in Table 4.19 and Figure 6.1.

**Research question three “What is the keys role played by CI in UK banking in general and banking strategy in particular?”**

The replies in Table 4.3 reveals three themes relating to key CI roles in a bank’s business operations. The first theme is that CI is used to help in strategy and planning development. This comes from the key roles mentioned, namely “strategy”, “strategic planning”, “merger and acquisition”, and “product and service development”. The second theme is in the area of “marketing”, as in the terms “sales department”, “meeting customer needs”,

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“customer…information sharing”, “pricing”, “promotion”, and “self-serve channels”. Lastly, CI is said to play a key role in understanding competitors and markets, as indicated by the terms “monitoring competitors”, “awareness of financial environment” and “online capability and online network”. It is evident from the data given above that CI seems to contribute significantly to the running of the bank’s business, as demonstrated by 22 interviewees who pointed out its importance in strategy and planning development, while 19 and 9 interviewees respectively mentioned marketing and monitoring competitors (see Table 4.3 for more details).

It is evident from the data given above that CI seems to contribute significantly in the running of the banking business, and this has been so for anything up to a century and a half (see Table 4.5 for more details). Figure 6.2 depicts the key roles as revealed by the data collected from the interviewees.

![Figure 6.2: CI key roles](image)

**Research question four “In which way does CI contribute to UK banking strategy?”**

While CI is widely embraced by UK banks (at least those who participated in this study), it was clear that its effectiveness could be significantly increased. For example, CI could add more value to the banking sector if more systematic methods were used in gathering,
analysing and storing intelligence information. CI concepts seem to be in a state of flux, as shown by the current use of different ways and techniques by which various banks increase its use. One interviewee remarked, “Our intelligence processes in the bank are continually evolving.” When interviewees were asked, “How do you measure the effectiveness of intelligence in the formulation of your bank’s strategy”, the majority of respondents said they either did not measure it, or they used no specific ways of measuring it (see Table 4.25 for more details). The responses given in Table 4.26 in response to “Do you monitor missed opportunities? Can you give cases in which the bank missed an opportunity or was blindsided by the lack of intelligence activities? What was the outcome?” reveals that although opportunities might have been missed, current CI systems did not have a way of detecting and analysing these, and of measuring their significance.

Despite the suggested lack of a systematic way of measuring effectiveness, everyone agreed that CI contributes immensely to the formulation of banking strategy (see Tables 4.3, 4.15, 4.16, 4.18 and 4.19).

Analysis of the data generated by the 23 interviewees reveals that CI has already been taking place. However, certain areas such as gathering and validation techniques and measurement of the effectiveness of its use need improvement.

![Diagram](image)

Figure 6.3: The way CI can increase contribution
**Research question five “Does the UK banking industry consider CI as a major factor in strategy formulation?”**

There is overwhelming evidence to suggest that UK banking industry sees CI as a major factor in strategy formulation. In response to the question, *“What do you call the process of intelligence gathering in your bank?”* all the 23 interviewees provided the terms they used, as shown in Table 4.1. This indicated that CI is a widely used business tool which is communicated throughout the organisational system.

This indicates that CI is already a strategic tool used by the banks that participated in this research. When further asked to comment on the accuracy of their terms, respondents strongly felt they were appropriate (*see Table 4.2 for more details*).

The 22 respondents who answered this question were unanimously of the opinion that CI does indeed contribute to the setting of strategic objectives. Given that in any organisation business objectives are fundamental to achieving its goals, and ultimately its vision, this response level makes CI a major factor to the formulation of strategy. This means that CI is seen as a critical component in setting strategic objectives that feed into the formulation of the banks’ strategies (*see Table 4.16 for more details*). Specifically, CI is seen as contributing to the formulation of strategies, setting strategic objectives and assisting in strategic analysis and decision making (*see Tables 4.15, 4.16, 4.17, 4.18 and 4.19 for more details*).

The UK banking industry does indeed consider CI as a major factor in strategy formulation, as shown in Table 4.19. The findings also demonstrate that CI greatly contributes to the quality of strategy formulation. It plays a crucial role in enabling banks to understand their competitors and formulate strategies to meet them. This is under the backdrop of understanding the need for the bank to increase shareholder and stakeholder value. Figure 6.1 and 6.2 clearly display how this conclusion has been reached and demonstrate its strength.
Research question six “What are the factors that explain the success of CI’s role in the formulation of banking strategy?”

There are success factors, but they are implicit rather than explicit. These include the positive attitude usually demonstrated by senior executives (see Table 4.14 for more details) and the various changes that have been made over time in the different banks as a result of the use of intelligence information (see Table 4.23 for more details). There is also a direct relationship that emerged of the success of strategies as expressed by the majority of the 23 interviewees in the use of CI and information (see Table 4.29 for more details). A summary of these attributable success factors are:

**Innovation**

- The data provided by interviewees in this study suggest that as result of the use of CI, the banks have creatively developed and implemented convenient distribution channels for their services to customers. Such channels include ATMs, which over time have added features such as real-time-information to the advantage of customers.
- The data provided in this research also show that sharing and dissemination of business strategic information is directly linked to the use of CI, one example of which is the innovative use of intranets in the majority of the banks that participated in this study.
- In two different banks, specific functions were setup namely R&D and insights to confirm the quest for innovation in those banks.

**Continuous understanding of customers and markets**

- Sources of CI (see Table 4.9 for more details)
The fact that banks have various sources of CI data is a demonstration that CI is commonplace and banks see it in a positive light in the context of their overall business operation.

Feedback forms given to customers and suppliers are a further success factor in the use of CI. This is because a CI-conscious bank is one that values critiques from stakeholders. Such recognition and critiques enhances understanding of business dynamics.

**Overall Conclusions**

This research, whose purpose is to better understand the key role of CI in the UK banking industry and to determine its effect on banking strategy, leads to the conclusion that the concept of CI is an area that is increasingly being recognised in the financial services industry in general and banking in particular. Even though the basic foundations of CI have existed for a long time, the management and implementation framework still needs improvement. CI provides banks with actionable intelligence that can help them strategise and make effective decisions in the face of constant challenges thrown up by a dynamic, challenging and competitive market; notwithstanding the globalisation reality today.

Thus, CI provides banks with actionable intelligence that can help them make effective decisions in the face of constant challenges thrown up by shrinking global boundaries and customer-centred markets.

Banks should monitor their competitors - not only other banks, but also all other institutions such as mortgage companies, credit unions, brokers, non-banking institutions, building societies and insurance companies that offer financial services and products. Information can be collected from sources ranging from bank tellers and telephone inquiries about products and services to attendance by senior executives at rival presentations or rollouts, and examination of company accounts. Banks should know on what grounds they face the most competition: price, quality, services, availability, variety or other factors.
Investigating this will lead to the development of a fuller picture of bank's competitive environment. Furthermore, such knowledge will enable banks to react more effectively and quickly to dynamic market conditions in order to maintain competitive advantage and increase market share and shareholder value.

CI is of no use unless it is shared with those who could benefit from knowing it. Although the CI is widely recognised in the financial services industry, its practical application lacks depth and coherence. Banking in particular is the sector of financial services industry on which there is not much literature regarding the use of CI. The main reason is that banking is a relatively transparent industry: there is plenty of data and information available on banks, which gives a good picture of banks' strategies to the point that it is possible to say which business lines are subsidised. The second reason is that it is relatively easy to copy products and services. This means that a bank which introduces a new product cannot benefit from the resulting competitive advantage for long. This also means that the ease with which other banks can copy products makes the role of CI much more limited than is the case in other industries.

Financial service organisations are more likely than others to have highly developed intelligence systems, and to use these systems to obtain information about their operating environment (Shermach, 1995).

According to Bernstal (2004) most banks' strategies are copies of others. This is no criticism; it is usually a cost-effective approach to competitive strategy, especially if it has already been tested by someone in the same or a parallel market, and is certainly less risky than launching a new business or a new configuration of a product.

However, there is at least one very outstanding example of using CI in a global bank, described by Ben Gilad (2004) in his book “Early Warning: Using Competitive Intelligence to Anticipate Market Shifts, Control Risk, and Create Powerful Strategies”, in which he...
describes CitiGroup’s global credit risk management system called “Windows on Risk”. This instance is, however, limited to credit risk management.

Major banks such as “Citicorp” and “American Express” are developing the legal and ethical side of their CI practice, which is giving them an increasing advantage over their smaller rivals (Vella and McGonagle, 1991).

Finally, it is not uncommon to employ former intelligence staff in banks. However, this appears to be mainly to help the bank properly protect information flows, which is apparently more closely related to competitive counter-intelligence. This may explain the reactive tendency of CI use revealed in this study by the 23 interviewees. The focus seems to be skewed towards counter-intelligence rather than developing intelligence.

**Summary of Findings and Results**

There is not much literature concerning CI within service industry such as the financial institutions in general and banking in particular. On the other hand, manufacturing industry has plenty of literature on this subject and application of CI is inconsistent. This may be because manufacturing is linear hence systematic while service industry can be described as a matrix of needs and hence do not follow any particular logic and if they do may not exist in a consistent manner. This is rather a confirmation of the dynamics of CI discovered in this study and the apparent lack of adequate literature. Most of the literature in the manufacturing industry has been carried out by American researchers and is US-oriented. Because of the increasingly competitive environment, this situation needs rectifying for the sake of banking strategy formulation and implementation. Literature on what CI can offer UK institutions in general and banking in particular has been lacking.

Such literature as exists makes it possible to champion the use of CI. This study contributes fresh material to the discussion and partly fills the gap identified above. It is the first empirical study that examines the factors having the potential to affect the way senior
executives see CI’s potential in banking industry. It also addresses CI’s potential contribution to the efficiency of tactical tools.

The following are the major findings of this research:

1. There was no common term used for CI
2. There was common agreement on what CI information is used for in the various banks and specific business functions
3. It was apparent in the findings that the way CI is gathered might differ depending on the area of focus
4. CI has a diversity of sources and a wide range for multiple uses
5. Senior executives in UK banks actively support the CI system and processes
6. No standard mechanisms are in place for the CI process
7. No specific mechanisms are used to monitor and evaluate CI information
8. There was plausible agreement that CI is a critical component of strategic planning and decision making and strategy formulation
9. There was general agreement that CI is primarily about understanding competitive environment, competitors and customers
10. Overall, these findings show that UK banks have a common understanding of CI despite the fact that they describe it various ways

The results provide the basis for major conclusions regarding CI:

1. Senior banking executives in the UK must recognise the importance of CI. In operational terms it means that before embarking on major programs of change, CI is used to identify the strategic consequence of these changes.
2. CI personnel must become integral members of any teams charged with projects involving the strategic process.
3. UK senior executives must ensure that their bank’s CI system includes the collection of all related information in their business environment from banking and...
non-banking institutions, which is likely to lead to more effective and better informed decisions.

Data analysis convincingly shows that banks regard CI as one of the underpinning factors of their business operations, especially in the degree to which they can make competitive offerings to customers. In other words, there was a clear recognition that a good CI system leads to increased revenues and profitability, and consequently to increased share value.

6.5 Limitations of the Study

There are some positive aspects in this research including the following:

1. Respondents come from a wide range of banking companies. For example, the largest UK retail banks were included in the research. Also, some banks have been in the industry longer than others, which gives a long-range perspective of the issues being studied. In addition, the seven banks each seem to have unique areas of business focus.
2. The availability of rich qualitative data. The responses provided were, for the most part, highly detailed.
3. Question specificity. The questions were very clear, which meant that all the 23 respondents gave consistent answers.
4. The sample size was small, 23 respondents: making it possible to adequately explore the issues raised by each respondent separately and all of them jointly.

In common with all empirical research, this study is subject to limitations the foremost of which has been the paucity of prior research in this area. Another limitation is the restriction of the subject of this study to the largest UK retail banks. Such restriction may bring a possibility that the results may not be generalisable to any other financial institutions that do not have similar characteristics to those studied. However, any
interested institutions may benefit immensely from this new literature and can apply it in line with their situation and context. It can also be concluded that the largest UK retail banks are more likely to engage actively in CI activities.

Time constraints imposed a significant limitation on the number and choice of participants involved. It could be argued that more significant results could have been achieved if more interviews had taken place with a wider base of interviewees.

The relatively low response rate of 28.4 percent may make it difficult to generalise. Again, this is partly counterbalanced by the respondents’ thorough knowledge of their bank’s CI activities. The fact that the research area is relatively a virgin territory added to the necessity of studying a small sample. In addition, since the study was exploratory in nature, it was necessary to have a small manageable sample size to adequately interact with the rich qualitative data.

The research methodology for this study was carefully developed to enable a robust investigation of the effect of CI on formulation of strategy in UK banks. However, caveats remain. The following suggestions, proposed with the benefit of hindsight, identify areas where the approach used by this and future studies could be improved.

The case study research methodology itself has limitations, such as the difficulty of applying the findings especially if the chance that the likely user of the findings could be unique in a significant way. From example, the inappropriateness that may occur for a small bank or one that has just started and wishes to use this literature. This is particularly true in the field of management research in general and marketing in particular, where every case is unique. The case study method could also oversimplify or exaggerate the problem. However, conducting multiple-case studies could strengthen the basis for analytical generalisation.
A relatively small sample size was essential to undertake the kind of in-depth investigation necessary to create detailed new knowledge and improved understanding. A larger sample would enable results to be more widely generalised. A combination of qualitative and quantitative research methodologies would ensure broader applicability and give greater depth to the results.

The main advantage of qualitative research, its ability to provide a holistic insight into unexplored fields, is in the opinion of some more than counterbalanced by the uncertainty regarding the interpretation and evaluation of its findings due to its characteristically small sample sizes.

Due to the sensitive nature of the topic, the field of application and the nature of the information being sought, as well as the level of competition that surrounds the activities of the financial services in general and UK banking involved in the study, it was not easy to gain access to the targeted banks or to persuade the interviewees to talk about something they considered a Critical Success Factor (CSF) of their business, such as CI and strategy. One of the biggest banks threatened to raise a formal complaint if the researcher tried to contact any member of staff in their banks, although the researcher followed ethical standards and gave assurances of confidentiality. Approvals were sought and obtained from the university authority as a form of assurance to the banks involved of absolute anonymity and confidentiality, as well as judicious use and control of the data obtained. Three banks also informed the researcher that any of their senior executives – especially strategy departments- would give the same answers, so no more interviews were sought from that organisation. As mentioned above, this seeming reluctance or evasiveness was more than likely due to the sensitivity of the topic and the information being given, especially in the context of the high level of competitiveness in the industry.
6.6 Chapter Summary

This study's contribution to the existing literature, as well as the benefits it provides to the practice of CI in banking, is spelt out in full. The importance of understanding the roles currently played by CI, as a prerequisite for drawing out the implications of the study for CI in banking strategy, is established. Prescriptions are then made for the improvement of the CI process, and the replies to the questions summarised according to the six research questions. The whole research is then summarised into ten findings and three conclusions or prescriptions.

A principal contribution to the literature is that this study points the way for the direction, scope and methodology of future research. This should be quantitative and will use the present work as a scoping study for a much wider-ranging investigation of a larger number and variety of banks in order to test the present findings and concepts proposed against the situation in the UK banking industry as a whole. Practical benefits to banking practitioners, both CI professionals and senior executives, include a comprehensive overview of CI practice and the exact nature of its contribution to banking strategy, and provides them with the means of measuring the effectiveness of their use of CI, thus enabling them to increase that activity's effectiveness in their organisations.

The research is synthesised using the four research objectives and the six research questions as headings. The first objective highlights the common understanding of and the high status accorded to the practice of CI, as well as the terminological confusion surrounding it, and the fact that this confusion often arises from different business focuses. The second demonstrates the pivotal role, historically as well as currently, played by CI in the conduct of UK banking in the areas of strategy and tactics, providing an understanding of the business environment, and meeting the needs of customers and shareholders. The third narrows this focus to the formulation and execution of strategy, while the fourth examines the manner in which CI is applied to the formulation of UK banking strategy, and concludes that CI is the most important element in the planning, implementation and
evaluation of strategy. Generally, the study finds a positive picture of the use of CI in the UK banking industry, but also discerns a major lack of measurement of the effectiveness of CI.

The answers to the research questions echo these findings, pointing up in particular the need for more systematic means of gathering, analysing and storing information in order to increase CI's effectiveness. The conclusion is reached that CI is more important in the banking industry than in many others because of the fact that banking strategies and products are easily replicated, making it difficult to maintain competitive advantage; the struggle for this advantage is thus at least potentially more intense in this industry than in others.

The study's contributions include an examination of the (sometimes inaccurate) terminology and definitions concerning the activity of CI, and the development of a definition appropriate to the financial services industry; a detailed examination of the way in which CI is used in the UK banking industry, including shortcomings in such an application; and proposals for the integration of CI into UK banking strategy.

The limitations of this research are also laid out in full. Several of these are related to the choice of qualitative research methodology and sampling of the respondents. It is pointed out that there are counterbalancing factors which partly or wholly nullify these objections. The small sample size is a major example of this; the size is necessary to allow for in-depth and exploratory analysis.
Chapter Seven: Recommendations for Future Research

7.1 Introduction

One avenue for further research is to expand its scope. Replication of this study with other groups large enough to be representative of the characteristics of the service area in general and the financial services industry in particular would be desirable.

The CI demands of banks are great and varied. This is partly because of the many domains of CI such as marketing, competitors, customers and consumer behaviour, products and sales, the branch network, economics, the regulatory environment, finance, politics, technology, crime and fraud. All of these should be studied in the context of the banking sector, and their effects on strategy and strategic decisions considered. Furthermore, if this study were to be extended to other financial institutions, different outcomes might be revealed.

It would be advantageous to identify the key indicators provided by early warnings. This would facilitate the information gathering process, providing banks with a set of particularly applicable key indicators set in the context of the external environment of the banking industry in particular and the financial services industry in general.

From the data analysis it is evident that UK banks' analysis functions are rather unstructured and dispersed. The practice of analysis should be consolidated and deepened, identifying appropriate analysis methods. Because analysis is the core stage of the CI process, the quality of CI in UK banks would be enhanced.

The issue of whether competitive advantage can be achieved and sustained by UK banks' use of CI is beyond the scope of this study, although it would undoubtedly be advantageous for banks to consider the question. Extensive research in this area is therefore
recommended. This also applies to merger and acquisition, which UK banks tend to rely on as a growth and cost reduction strategy, and to the formulation of e-strategies.

This research has certainly revealed the possibility that UK banks do not commonly measure the effectiveness of CI. There is a need for a holistic approach to the structuring of the CI process and its measurement in banking, in order both to assess the effectiveness of CI activities and to integrate a bank’s CI function with its strategic planning and practice. A study to develop a method to determine if CI products are effective and generate value for banks is required.

A large and representative sample should be used to determine the extent to which effective CI directly influences the relationship between CI, banking strategy and the business environment. A comparative study with representative sample should be used to investigate the extent to which effective CI systems directly influence or moderate the relationship between CI and business change. IT and information systems should be studied together with effective CI system for banks to evaluate impact on bank’s competitive environment.

It is crucial for banks to have a clear understanding the differences that exist between intelligence concepts and the applicability of these concepts to various levels of the bank’s structure, from branch to head office. These differences need to be clarified in order to increase the efficiency and speed of information gathering and analysis, so that the resulting CI will be beneficial to the formulation of strategy.

An important aspect of the CI in every institution, not just the ones in the banking sector, is the easy accessibility of CI for the appropriate staff. Senior managers are usually at or near the point at which the CI is generated, so this problem is minimal for them or non-existent, but the principle must be exercised more rigorously as regards branch managers in remote locations, who can inadvertently be “cut out of the loop”. In addition, a schedule for the production of CI should be established. Most interviewees expressed the wish to see the proactive potential of their CI realised, and a schedule would be instrumental towards
accomplishing this. CI must also be handled systematically to cope with its diverse source base; as well as improving the proactivity of CI; this will reduce risk and improve the decision-making processes. Data which is incomplete or insufficient only increases the force of this argument.

The following section will discuss a proposal for conducting a quantitative/mixed-method research based on the results of the present research. This is the classic "scoping" approach, where a qualitative, small-scale piece of work such as the present research precedes a larger quantitative/mixed-method study, usually a survey. The research questions for both studies need to be very clearly specified.

### 7.2 Proposal for a Quantitative/Mixed Study

Many researchers ignore research questions, preferring very broad areas of interest for investigation. This is a mistake, as research questions give researchers very important clues as to whether the research design will provide for answers to the questions, and what sort of methods should be used to answer various parts of the questions to varying degrees of robustness.

Given that this research is qualitative, the researcher should be reminded of the questions and the effectiveness and robustness of the answers. This in turn will help decide the shape of the research question in the larger study. It will involve the time-consuming but important process of deciding how much of the larger research should be qualitative. It is important to be scrupulously honest at this early stage, and a neglect of this step at the initial stages, leaving triangulation until after the conduct of a survey and some semi-structured interviews, leads to inadequate triangulation, because this is determined by the shape of the initial question.
The first step in the present research involved the researcher being satisfied that the research questions appropriately reflected and thoroughly interrogated the data in order to be assured of "saturation" and the resolution of conflicting cases. The next step was to examine relationships between the research codes, and to ask which parts are related in what ways and to what degrees, and to obtain a holistic picture. It is very important to use qualitative data to test and refine theory, and looking at code relationships within a holistic context is a useful means of developing and refining theoretical thinking, emerging as it does from data and testing through analytical procedures. This will give the researcher very important indications of what the mixed-method project should look like. The benefits of this approach would be:

- a holistic framework for designing a new project that forces the researcher to think from the start about the relationships between different methods, why those methods are needed and how the data generated can be usefully triangulated
- a set of conceptual/thematic/theoretical tools to use as a starting point to construct concepts to be tested and interrogated in the new research, in order to form the potential "content" of the various methods the researcher has now identified within the larger framework.

If this step is correctly performed, everything that follows will tend to work well, from instrument design, to field work, to data management, data analysis and reporting. The following section will give a brief description of how the researcher can use the results of research to develop a larger quantitative/mixed-method study.

7.2.1 Determine the Sample Size

Once the population is defined, the researcher would calculate the sample size, for instance by taking at least 30 percent of the population (i.e. UK, USA and Canadian senior banking executives) and then a proportional number of senior executives from each bank in the
sample, using the standard formula for determining an acceptable sample size which is representative of that population.

However, the total population size (i.e. the number of senior executives involved in CI) cannot be determined, nor can the eligibility of all potential participants in the sample; this is due to the sensitivity of the topic and the field of application. The sample used for the proposed research can therefore be classed as purposive and convenience, but because of its completions it can be treated to a considerable extent as a random sample.

7.2.1 Develop a Quantitative Data Collection Instrument:

This would require modification of some of the open-ended questions in the current interview instrument into closed ones. Ideas for questions come mainly from information from the in-depth interview.

A combination of open and closed questions would be used in order to obtain the best of both. However, the advantages of obtaining further information will not be lost, because a space for additional information would be provided, giving the opportunity for the respondent to reply extensively and in depth. In addition to this, some open questions would be used to give the respondents the opportunity to express their views on specific issues. For example:

1. In your Bank what do you call the activities of gathering and analysing information about your competitors? (Please tick the most commonly used description).

- Competitive intelligence
- Competitor intelligence
- Marketing intelligence
- Insight
- Research and Planning
- Business information
- Other (Please state) ............................................................
2. How much do you agree or disagree with your Bank intelligence activities name?

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<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Do not know</th>
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3. Do you think that your competitors use intelligence?

☐ Yes       ☐ No       ☐ Do not know

4. What are the areas of your Bank’s operation in which intelligence plays key roles?

☐ Strategy and planning development
☐ Marketing
☐ Understanding competitors & markets
☐ Other (Please state) .....................................................

5. Why did your bank first start using intelligence?

☐ Understanding market and its trends
☐ Understanding customer
☐ Essential
☐ To enable proactivity
☐ Other (Please state) .....................................................

6. Are different types of intelligence produced for different reasons?

☐ Yes       ☐ No

7. Which of the following sources are used for competitive intelligence in your Bank?

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8. **How do you use intelligence in your Bank and what is used for?**

- Strategic decisions
- Understanding market holistically
- Understanding competitor environment
- Offering better products and services
- Supporting all areas of business operations
- Understanding consumer behaviour
- Continuous improvement of business
- Tactical
- Other (Please state) ..........................................................

9. **What mechanisms and techniques do you have in place to check the accuracy of information your Bank gathers?**

- Triangulation using different data sources
- Competent and experienced staff
- Credibility check of (data) information providers
- Maintaining sound relationship with suppliers
- Other (Please state) ..........................................................

10. **Which of the following methods are used for disseminating and sharing competitive intelligence within your Bank?**

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<th>Method</th>
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11. **What mechanisms and techniques do you have in place to analyse the information your Bank gathers?**

- Various mechanisms
- Spreadsheets and filtering databases
- PEST and SWOT
- Team working and brainstorming
- Valuation techniques
- Financial ratios
- Statistical programmes
12. What sort of attitudes about intelligence would you say are true of senior executives in your Bank?

- Highly supportive
- Appreciation level
- Supportive
- Good
- Other (Please state)

13. Do you see intelligence as more relevant to informing strategic or tactical management decisions?

- Equally in both
- Strategic only
- Tactical only
- Other (Please state)

14. In what ways does intelligence influence the formulation of your Bank’s strategy?

- Bank’s strategy is informed by what is known about competitors and the market in general
- In all the ways of the business
- By providing up to date information
- Indirectly
- Other (Please state)

15. What means do you use to measure the effectiveness of your Bank’s intelligence function/department/unit/group in the formulation of strategy?

- No formal way of measuring
- Through stakeholder feedback forms
- Through return to shareholders
- Frequency of request for intelligence
- Through performance indicators (ROE, IRR, Cross-sell ratio)
- Other (Please state)

16. How do you measure the effectiveness of intelligence in the formulation of your Bank’s strategy?

- Don’t measure
17. How does intelligence contribute to your Bank’s performance against key success factors?

- Vital
- Significant
- Indirect
- Other (Please state)

18. In your Bank, is intelligence a main component of strategy formulation?

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19. How would you improve your Bank’s intelligence process so that performance and strategic development could be enhanced?

- Improve system to track competitors
- Employ more resources (such as money, people, etc)
- Establish competitor function
- Improve measurement methods
- Improve turnaround time for feedback
- Increase use of electronic information management (to avoid copyright laws)
- Other (Please state)

20. What are the greatest challenges in using intelligence?

21. In a perfect world how would you improve your Bank’s intelligence process so that performance and strategic development could be enhanced?

22. Which category is closest to the equivalent amount of your Bank turnover?

- Less than £100 m.
- £101 - £250 m.
- £251 - £500 m.
23. **Number of employees in your Bank**

- Less than 500
- 501 - 1000
- 1001 - 1500
- 1501 - 2000
- More than 2000

**Details**
I would like to know your details for verification purposes but these will not be used. The confidentiality of your responses is assured.

**Name:** ............................................................................................................
**Position:** ........................................................................................................
**Address:** ...........................................................................................................
**Bank** ...................................................................................................................
**Tel. No.:** ............................................................................................................
**E-mail:** .............................................................................................................

*Thank you very much for your valuable opinion and support*

**7.2.2 Pilot-test the Instrument**

Six pilot tests would be conducted with five experienced heads of intelligence departments. The selection of this sample was for reasons relating to its convenience and because it contains of two senior executives from each country. These tests would assess how the instrument would work in practice, as well as assessing the validity and reliability of the instrument for its intended purpose of collecting targeted, useful and high quality research data. The pilot study tested the manner in which banks were approached, the structure and format of the questions and the reaction of participants to the instrument. As a result of the pilot test, the instrument would be refined and expanded.
7.2.3 Develop a Coding Scheme

The data obtained would be analysed using the Statistical Package for the Social Sciences (SPSS). To enable data entry into SPSS (the quantitative data analysis software) and subsequent analysis, the researcher should develop a coding scheme. For example, in entering responses provided in question 1, the response “Competitive intelligence” can be given the value 1, “competitor intelligence” 2, “insight” 3, “business information” 4, “market intelligence” 5, and “R&D” 6. For questions 3 and 6, the coding scheme would follow the pattern “Yes” = 1, “No” = 0.

7.2.4 Collect Data from the Sample Using the Final Quantitative Research Instrument

This will be done by using postal survey with follow up calls to secure an acceptable response rate for future analysis.

7.2.5 Run the Various Statistical Analysis

Descriptive analysis would be used for the basic features of the data; it allows comparisons across different data sets. It provides simple summaries of the sample and the measures. The purpose of descriptive analysis is to develop an understanding of the make-up and characteristics of the data. Descriptive analysis would be utilised to determine the means and standard deviations, and frequency tabulations would be used for each of the responses. For the proposed research, three tools of descriptive analysis would be used: frequency distribution (using diagrams and tables), measures of and central tendency and standard deviation. Cross-tabulation allows for the examination of frequencies of observations that belong to specific categories on more than one variable. Cross-tabulation facilitates inferences about
the population and their preferences. It is often possible to gain some insights into the
relationship between two variables. Cross-tabulation will be a very useful and effective
technique for the analysis of the proposed research's data because it provides much more
detail than the comparison of means in terms of the components of the variables being
considered and the ability to interpret the figures at a glance. The technique is simple to
understand and to use, as the details required can be read directly from the tables; more
importantly, it provides a moderate depth of quantitative analysis. For the proposed
research, the researcher would perform cross-tabulation analysis in order to gain some
insights into the effect on the respondents' answers of the countries' and the banks' sizes.
The results of the cross-tabulation would identify the relationship between the cross-
tabulated variables. It may also highlight the effect of the countries' and banks sizes on the
respondents' answer. Cross-tabulation of CI sources would be by country. Cross-tabulation
can be used to investigate whether or not there is any relationship between response
categories. In keeping with good statistical practice, only significant relationships at the 5
per cent level would be accepted.

For example, in question 1 "In your bank what do you call the activities of gathering and
analysing information about your competitors?", cross-tabulation by country might be used
regarding what banks call the activities of intelligence gathering. This can also apply for the
reasons CI is used, the attitudes of senior executives, techniques for analysing intelligence,
the measures of CI effectiveness and the contribution of CI to the banking strategy
formulation process.

The Analysis of Variance test (ANOVA) test examines relationships between two or more
variables simultaneously. The purpose of ANOVA is to test for significant statistical
differences between means of different groups (i.e. populations). For example, an ANOVA
test can be conducted for "the CI sources used among countries (UK, USA and Canada) in
order to determine whether the level of difference is significant with regard to "the CI
sources used between UK, USA and Canada banking senior executives". ANOVA tests
would be conducted to determine if the means for CI sources differ by country or bank size
and for the questions regarding “mechanisms which are used to acquire and disseminate CI”, “analysis mechanisms used in banks” and “is CI a main component of bank strategy formulation?”. They can also be used to reveal the differences and the similarities between UK, USA and Canada senior executives involved in CI, to determine whether or not the level of difference is significant with regard to “the CI sources used among both countries”, and to test for significant relationships using multiple independent variables with single dependent variables. The dependent variable will be “CI is main component of bank strategy formulation” and the independent variables will be CI’s contribution to “setting strategic objectives”, “strategic analysis” and “the strategic decision making process”.

Multiple regression analysis is a statistical tool for understanding the relationship between two or more variables. To enhance the understanding of the relationship between CI and banking strategy formulation, it is important to examine what variables lead to improvements in this relationship from senior CI executives’ perspective. Multiple regression analysis would be used to discover which variables have a significant impact on the question “is CI a main component of bank strategy formulation?” The dependent variable will be “CI is main component of bank strategy formulation” and the independent variables will be CI’s contribution to “setting strategic objectives”, “strategic analysis” and “strategic decision making process”.

Some comparative analysis of the results from the proposed research could be done in order to identify differences between this and the findings of the quantitative study presented in this thesis. This would be done by comparing the themes and patterns obtained in the qualitative with the results of the proposed quantitative research.

7.3 Chapter Summary

This chapter presents a proposal for future research which would tackle issues beyond the scope of the present study. It gives the reasoning behind such research, and outlines its
scope and methodology. The size of the sample must be increased in order to determine whether the findings of the present research reflect the state of CI in the banking industry as a whole. Other factors such as marketing and customers would be examined, as would the question of whether competitive advantage can be achieved and sustained by the use of CI. Another issue to be dealt with is that of the lack of effective measurement of CI; such research would develop a method for such measurement. Such research would treat the present work as a "scoping study".

Regarding the methodology by which such research would be conducted, the importance of research questions for the shape of the research is emphasised. The actual methodology is a mixture of qualitative and quantitative, the former to collect the data from semi-structured interviews and the latter to provide the analysis. If this step is correct, the rest of the research will follow naturally. The population is defined (extended from the present study to include US and Canadian CI practitioners) and the sample size calculated on that basis.

Sample questions for the information collection instrument (i.e. the questionnaire) are given, demonstrating a combination of open and closed questions. SPSS would be used as the analysis tool, and descriptive analysis would be applied to the basic features of the data. Cross-tabulation would compare frequencies of observations belonging to specific categories across several variables in order to explore the relationships between those variables; this would be reinforced by multiple regression analysis to reach statistically robust and meaningful conclusions.
Appendix 1: Letter for Interview

Dear

I would like to ask for your permission to collect research data. The method of collection would be interviews with senior executives responsible for information gathering, intelligence, strategy or related activities.

The aim of this research is to determine “Competitive Intelligence and its Effect on UK Banking Strategy” in order to find out:

- Whether UK banks currently use the CI in their strategy formulation.
- How the CI process contributes to UK banking strategy development
- How UK banks use CI in the formulation of strategy.

The research is being conducted as part of a Doctor of Philosophy degree at Leicester Business School De Montfort University. I believe your bank would benefit considerably from the findings of this study.

Responses will be in strict confidence. The results will be aggregated and anonymised. A synopsis of the results will be made available on request to participants in order to provide them with insights into the role of CI in the formulation of UK banking strategy. If you would like to confirm my identity, please contact my Director of Study, Sheila Wright at De Montfort University on 0116 255 1551.

I would be most grateful for your anticipated cooperation. If you have any questions please do not hesitate to contact me at the University address or e-mail: eeid@dmu.ac.uk.

I will follow up this letter by phone or e-mail and would be grateful if you would grant me an interview which I anticipate would take no more than an hour of your valuable time.

Yours sincerely,

Elsayed Eid
PhD Researcher
Leicester Business School
Bosworth house, Room 8.1
The Gateway, Leicester, LE1 9BH
Appendix 2: First Reminder

Dear

I sent a letter (email) to you on 27th of Oct 2005, and I hope you will not mind this follow-up, as I believe your opinion would benefit my research greatly. My study focuses on the working relationship between competitive intelligence and the formulation of UK banking strategy. There seems to have been very little academic inquiry into this relationship, so I expect my research to shed new light on it. I believe your bank would benefit considerably from the findings of this study.

Responses will be in strict confidence. The results will be aggregated and anonymised. A synopsis of the results will be made available on request to participants in order to provide them with insights into the role of CI in the formulation of UK banking strategy.

I would be most grateful for your cooperation. If you have any questions please do not hesitate to contact me at the University address or e-mail: eeid@dmu.ac.uk.

I will follow up this letter by phone or e-mail and would be grateful if you would grant me an interview which I anticipate would take no more than an hour of your valuable time.

Yours sincerely,

Elsayed Eid
PhD Researcher
Leicester Business School
Bosworth house, Room 8.1
The Gateway, Leicester, LE1 9BH
Appendix 3: Second Reminder

Dear

I sent a letter to you on 27 of Oct 2005, and a reminder on 15 of November 2005, and I hope you will not mind this follow-up, as I believe your opinion would benefit my research greatly. My study focuses on the working relationship between competitive intelligence and the formulation of UK banking strategy. There seems to have been very little academic inquiry into this relationship, so I expect my research to shed new light on it. I believe your bank would benefit considerably from the findings of this study.

The method of collection would be face-to-face interviews or telephone interviews or if you like I can send my questions for paper based answers.

Responses will be in strict confidence. The results will be aggregated and anonymised. A synopsis of the results will be made available on request to participants in order to provide them with insights into the role of CI in the formulation of UK banking strategy.

I would be most grateful for your cooperation. If you have any questions please do not hesitate to contact.

Once again thanks for your time and look very forward to hearing from you.

Yours sincerely,

Elsayed Eid
PhD Researcher
Leicester Business School
Bosworth house, Room 8.1
The Gateway, Leicester, LE1 9BH
Appendix 4: Interview Script Questions

Basic Information
Today's Date:
Start Time:
Finished Time:
Interviewee Name:
Interviewee Position:
Bank Name:
Address:
Tell Number:
E-mail:

Thank you for taking time to talk with me today about CI and banking. Your comments and your participation in this interview are highly appreciated. As I started, my research is focused on finding out what is the effect of CI on UK banking strategy formulation. What I am interested in during this interview are your perceptions and beliefs about CI in your bank. Please feel free to discuss these issues openly. I am very interested in your perceptive.

It is important for the validity of this research that your answers are as honest as you can make them. Please be assured that all details and names will remain confidential, and in the data analysis and statement results, total anonymity is certain.

I will be taping the interview, so that transcripts can be available for your review to ensure validity and reliability. I will be sending the transcript to you to review it and my notes to assure accuracy.

Before we begin the actual interview today, do you have any question? Are you ready to start?
Appendix 5: Interview Questions

1. What do you call the process of intelligence gathering in your bank?
2. Do you think the name you call your intelligence process is an accurate description? Why?
3. What are the areas of your bank's operation in which intelligence plays key roles?
4. Are different types of intelligence produced for different reasons? If so, can you please give me some example?
5. When did your bank first start using intelligence?
6. Why did your bank first start using intelligence?
7. How do you use intelligence in your bank and what is used for?
8. What types of intelligence does your bank gather?
9. In what types of source do you find this information? Please rank these in order of importance.
10. What sort of procedure do you use to acquire, share and disseminate intelligence?
11. What mechanisms and techniques do you have in place to check the accuracy of information your bank gathers?
12. What mechanisms and techniques do you have in place to analyse the information your bank gathers?
13. What sort of attitudes about intelligence would you say are true of senior executives in your bank?
14. Do you see intelligence as more relevant to informing strategic or tactical management decisions?
15. Does Intelligence gathering contribute to setting strategic objectives?
16. Does Intelligence gathering contribute to strategic analysis?
17. Does Intelligence gathering contribute to strategic decision-making?
18. In what ways does intelligence influence the formulation of your bank’s strategy?
19. What means do you use to measure the effectiveness of your bank’s intelligence function/department/unit/group in the formulation of strategy?
20. Do the recipients of your intelligence provide you with feedback?
21. As a result, have your intelligence processes been modified?

22. Can you give any examples?

23. What measures do you take to ensure that your own sensitive information is protected?

24. How do you measure the effectiveness of intelligence in the formulation of your bank’s strategy?

25. Do you monitor missed opportunities? Can you give cases in which the bank missed an opportunity or was blindsided by the lack of intelligence activities? What was the outcome?

26. How is your bank using intelligence to detect, react to and exploit new opportunities and threats?

27. What are the key success factors in your industry?

28. How does intelligence contribute to your bank’s performance against these key success factors?

29. In a perfect world how would you improve your bank’s intelligence process so that performance and strategic development could be enhanced?
### Appendix 6: Bank Code and Cases

<table>
<thead>
<tr>
<th>Document</th>
<th>Bank</th>
<th>Position</th>
<th>Dept</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>A</td>
<td>IM</td>
<td>Information</td>
</tr>
<tr>
<td>C2</td>
<td>B</td>
<td>CIT</td>
<td>Intelligence</td>
</tr>
<tr>
<td>C3</td>
<td>C</td>
<td>HFI</td>
<td>Finance</td>
</tr>
<tr>
<td>C4</td>
<td>D</td>
<td>HS</td>
<td>Strategy</td>
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<tr>
<td>C5</td>
<td>C</td>
<td>FIT</td>
<td>Finance</td>
</tr>
<tr>
<td>C6</td>
<td>A</td>
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<td>Intelligence</td>
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<td>Intelligence</td>
</tr>
<tr>
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<td>E</td>
<td>CIM</td>
<td>Customer</td>
</tr>
<tr>
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<td>A</td>
<td>CIT</td>
<td>Intelligence</td>
</tr>
<tr>
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<td>F</td>
<td>HSD</td>
<td>Strategy</td>
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</tr>
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<td>D</td>
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<td>Intelligence</td>
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<tr>
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<td>Strategy</td>
</tr>
<tr>
<td>C23</td>
<td>F</td>
<td>HCI</td>
<td>Intelligence</td>
</tr>
</tbody>
</table>

**Key for Position:**
- HMI: head of marketing intelligence
- HFI: head of finance intelligence
- HSD: head of strategy department
- FIT: finance intelligence team
- HCI: head of competitive intelligence
- SDT: strategy department team
- IM: information manager
- CIT: competitive intelligence team
- CIM: customer insight manager
- DGS: director of group strategy
- SDT: strategy department team
Appendix 7: Node Listing

NVivo revision 2.0.163 Licensee: Elsayed Eid

Project: Intelligence gathering User: Administrator Date: 11/05/2006 - 16:18:46

NODE LISTING

Nodes in Set: All Nodes
Created: 04/03/2006 - 09:13:49
Modified: 04/03/2006 - 09:13:49
Number of Nodes: 924

1 (1) /Questions
2 (1 1) /Questions/Q1 What do you call the process of in
3 (1 2) /Questions/Q2 Do you think the name you call you
4 (1 3) /Questions/Q3 What are the areas of your bank's
5 (1 4) /Questions/Q4 Are different types of intelligence
6 (1 5) /Questions/Q5 When did your bank first start use
7 (1 6) /Questions/Q6 Why did your bank first start use
8 (1 7) /Questions/Q7 How do you use intelligence in you
9 (1 8) /Questions/Q8 What types of intelligence does yo
10 (1 9) /Questions/Q9 In what types of source do you fin
11 (1 10) /Questions/Q10 What sort of procedure do you use
12 (1 11) /Questions/Q11 What mechanisms and techniques do
13 (1 12) /Questions/Q12 What mechanisms and techniques do
14 (1 13) /Questions/Q13 What sort of attitudes about inte
15 (1 14) /Questions/Q14 Do you see intelligence as more r
16 (1 15) /Questions/Q15 Does Intelligence gathering contr
17 (1 16) /Questions/Q16 Does Intelligence gathering contr
18 (1 17) /Questions/Q17 Does Intelligence gathering contr
19 (1 18) /Questions/Q18 In what ways does intelligence in
20 (1 19) /Questions/Q19 What means do you use to measure
21 (1 20) /Questions/Q20 Do the recipients of your intelli
22 (1 21) /Questions/Q21 As a result, have your intelligen
23 (1 22) /Questions/Q22 Can you give any examples--
24 (1 23) /Questions/Q23 What measures do you take to ensu
25 (1 24) /Questions/Q24 How do you measure the effectiven
26 (1 25) /Questions/Q25 Do you monitor missed opportuniti
27 (1 26) /Questions/Q26 How is your bank using intelligen
28 (1 27) /Questions/Q27 What are the key success factors
29 (1 28) /Questions/Q28 How does intelligence contribute
30 (1 29) /Questions/Q29 In a perfect world how would you
31 (2) /Search Results
32 (2 1) /Search Results/Matrix Intersection
33 (2 1 1) /Search Results/Matrix Intersection/Matrix Intersection[1,1]
34 (2 1 2) /Search Results/Matrix Intersection/Matrix Intersection[1,2]
35 (2 1 3) /Search Results/Matrix Intersection/Matrix Intersection[1,3]
36 (2 1 4) /Search Results/Matrix Intersection/Matrix Intersection[1,4]
37 (2 1 5) /Search Results/Matrix Intersection/Matrix Intersection[1,5]
38 (2 1 6) /Search Results/Matrix Intersection/Matrix Intersection[1,6]
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