

Business Intelligence in Japan and Sweden: Lessons for the US

Jan P. Herring

Business intelligence (BI) activities have increased significantly in the US over the past five years—but mainly at the practitioner's level. For various reasons, senior managers in US companies have not adopted intelligence as a strategic management discipline. As a direct result, the use and effectiveness of BI operations in US firms remain questionable. Until senior executives become more interested and involved in the use of BI, the competitiveness of US companies will be limited by their inability to understand and outthink global competitors.

In contrast, BI activities in a number of foreign countries are more developed and effective, particularly the gathering of competitor intelligence and its use by multinational companies. Consider both Japan and Sweden:

□ Japanese BI capabilities are well-developed within companies, benefiting both the companies and government programs, which in turn support their international competition.

□ Sweden's activities are more subtle but comprehensive, ranging from university education to well-developed corporate BI programs that are supported by a worldwide collection network set up by the country's international banks and government efforts at both the national level and by embassies abroad.

Swedish companies' senior management appear to be more like their US

counterparts, in that they have been reluctant participants in their companies' BI operations; Japanese managers, however, become part of the process almost effortlessly, due to the nature of their companies' consensus-building process. As a result, Japanese companies make greater use of intelligence at all levels and in all business functions throughout the company (e.g., sales, product design, strategizing, and decision making).

This column provides a brief look at the composition and focus of these two countries' BI efforts. What follows is an examination of how the BI effort in each country has arrived at its current level and the role played by government and industry leaders in achieving this level of implementation. In addition, the column examines how these countries have learned to apply intelligence in the business sector.

Sweden: A World Leader in Developing BI Capabilities

Contemporary BI activities in Sweden trace their roots to the Wallenberg banking enterprise at the beginning of the century. Marcus Wallenberg hired 22-year-old Rolf Jollin and assigned him to secretly gather information about the bank's prospective customers and various business enterprises. In 1903,

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Wallenberg sent him to the *Crédit Lyonnaise Banque* in Paris to learn how the French bank had developed and used its BI department.

Crédit Lyonnaise had close relationships with French government intelligence, and Wallenberg believed that such professional underpinnings would be valuable to the development of an effective intelligence program for his bank. Wallenberg's "intelligence officer" learned from this training and subsequently established a very effective program for gathering intelligence about prospective and existing customers and business activities. Wallenberg was well aware of the security factors involved in such an activity and called the operation the "Statistical Department" so as not to raise suspicions.

Today, the Swedish banking community is still the recognized leader in that country's development and application of BI. During the late 1970s, the banking community took an innovative step by organizing a BI research company called *Upplysning Centralen* (UC Research). The firm, which is supported by all major banks, is the equivalent of a combined *Standard & Poor's* and the *TRW* credit service. UC Research provides fee-based BI services for banks and their major customers, including data base services consisting of public and published information on companies and individuals; proactive intelligence gathering, using the participating banks' overseas offices to answer specific and time-urgent requests; and the use of some 3,000 business agents around the world who can be tapped for specific expertise or information.

Government influence in BI activities receives strong support; Swedish embassies abroad often provide direct intelligence support to Swedish companies. Government emphasis on intelligence for business became apparent during the mid-1970s when government intelligence operations began to emphasize economic and technological coverage, representing some 60% of the government's overall

intelligence activities. The Swedish State Police and the Swedish Employees Association both show strong support for BI activities, providing advice and education on related subjects, including company security practices. A number of local consulting firms, as well as the consulting divisions of major firms, offer BI-related services and advice to Swedish companies.

A key to the advanced state of BI in Sweden is the support it receives from leading universities such as the *Stockholm School of Economics* and the *University of Lund*, where full-time courses in BI are regularly taught. The *Stockholm School of Economics* is soon expected to graduate the world's first Ph.D. candidates in the field of BI.

The strong educational base for Swedish BI can be attributed to a single individual, Professor *Stevan Dedijer*, who found his way to Sweden from Yugoslavia through the US. He served in World War II as an OSS officer and afterwards as a scientific and intelligence adviser to a number of developing countries. Having worked with several intelligence services, as well as seeing the need that developing countries had for economic intelligence, Dedijer recognized the contribution that an organized intelligence effort could make to any economic enterprise, whether it was a country or a company.

Dedijer began teaching (and preaching) BI at the *University of Lund* during the early 1970s. He attracted a small following of ex-Swedish intelligence officers and business leaders, including one ex-Wallenberg Bank executive. Over the past 20 years, Dedijer has created not only a body of educational knowledge concerning intelligence and its application in the business world but has produced hundreds of well-trained intelligence officers for the Swedish business community.

Today, more than 500 Swedish firms in the banking, insurance, electronics, furniture, automotive, and defense industries actively engage in BI activities.

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At least 50 of Sweden's major companies, including L.M. Ericsson, Volvo, and ABB, have world-class BI organizations, often headed by one of Dedijer's graduates. These individuals run well-integrated intelligence departments with intelligence collection and analysis closely linked to corporate planning and operations. Companies make effective use of their own employees for intelligence collection and supplement this information with externally acquired intelligence using consulting firms, Swedish diplomats, and their banks' overseas foreign offices.

As well-developed as BI is in Sweden, Dedijer and a number of the company BI directors have lamented the fact that although senior executives appear to appreciate the value of intelligence, they do not always use it themselves as effectively or aggressively as they should.

Outlook: Over the next several years, particularly as Sweden becomes an active participant of the new Common Market, more Swedish companies will establish formal BI systems. Executive management education programs will be developed to overcome older management's reluctance to use BI; over time, more of the younger managers already trained will fully embrace BI as a contemporary management discipline. Swedish firms can be expected to increase their use of BI as the means of gaining competitive advantage in foreign markets, particularly the US, the European Community, and Japan.

Japan: The World Leader in Practicing BI

The Japanese have a well-earned reputation for being world leaders in the businesses in which they compete. Their business strengths are equally matched by the ability to gather and use BI, including competitor, customer, market, and technological intelligence.

From outsmarting their competitors on international bids to devising superior competitive strategies to identifying and sourcing foreign technology for their next-generation products, Japanese companies effectively use BI as a means of gaining competitive advantage over their rivals. Much of this advantage is due to the ability to collect—but not necessarily analyze—and use BI in a timely and effective manner companywide.

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Ironically, as the amount of accessible international business information has grown almost exponentially over the past 30 years, Japanese companies and their government have continuously sought new ways to manage the information glut to sort out those key pieces of competitive and business intelligence. Initially, this took place through government-sponsored foreign information programs and continued with electronic data bases and information processing systems. Currently, however, many Japanese companies feel they are losing the battle to manage and use the ever-increasing amount of publicly available information generated by almost every country in the world.

This has led a number of Japanese business leaders to believe they need to find a more organized and systematic way of managing the BI process. This, in turn, has led Japanese companies to reach out to the American Society of Competitive Intelligence Professionals (SCIP) for both new ideas and as a stimulant for the development of more

modern and powerful BI systems for Japanese firms.

Japanese companies' current BI practices have largely been developed since World War II, when the government recognized that Western technology would be needed to modernize its badly damaged industrial base. During the late 1950s, the government established two principal organizations to support the development of Japanese BI. In 1957, it created a joint venture, identified as the Scientific Information Center (SIC), to gather and disseminate information about Western industrial technology to Japan's private sector. Subsequently, the Ministry of International Trade and Industry (MITI) established the Japan External Trade Organization (JETRO) for the purpose of promoting Japanese exports. JETRO was given the added responsibility of collecting and disseminating foreign business information to Japanese firms. That mission included the responsibility for providing worldwide intelligence on how other nations run their businesses and economies.

Initially, because the firms had no foreign presence and little hard currency, much of the foreign business information was gathered by the government, with organizations such as the SIC providing the means for broadly disseminating that information throughout various Japanese industries. The dissemination of foreign business and technical information by the government caused many Japanese companies to set up their own intelligence departments to fully exploit this data.

By the early 1960s, essentially all large Japanese multinational companies had created their own dedicated intelligence units. A survey conducted in 1963 by MITI identified the most effective foreign intelligence collection mechanisms, ranging from the stationing of employees abroad as "listening" posts to the use of both domestic and foreign consulting services, including the use of their related trading firms for proactive intelligence collection.

It was during this period that a school, The Institute for Industrial Protection, was established by Tokyo to train intelligence agents and security officers for Japanese corporations. The school was headed by a former Japanese ambassador; it included a nine-person staff and a number of experienced intelligence officers. Among the first 50 students at the school were some promising executives in their late 20s, who, over the four-month course, were taught a wide range of intelligence collection, analysis, and security techniques.

Today, almost all Japanese companies involved in international business and trade have their own intelligence unit. Typically, it is located in the planning or research departments. Some 10 to 20 employees are assigned these responsibilities within company headquarters, but the responsibility for intelligence gathering is companywide, with almost every employee participating (from the president to the sales force). Intelligence collection and dissemination is a well-developed process at most Japanese firms. However, it is the ability—almost culturally inherent—for sharing intelligence that makes the use of BI in Japanese companies so effective.

Some of the larger companies, such as Mitsubishi Corporation and Nomura Securities, have established more comprehensive intelligence activities in the form of think tanks, whose primary purpose is to study the total business environment in which the companies operate. These think tanks also sell their services to other companies, in addition to producing intelligence for themselves and, sometimes, for the Japanese government.

Most Japanese firms are part of a larger group called the Keiretsu, a family of mainly noncompeting companies whose various business functions cover

The Japanese word for intelligence, *joho*, has a broad meaning, including the collection and use of information for specific purposes. It is used by the Ministry of Foreign Affairs to identify its Intelligence Bureau and by trading companies to denote their international research departments.

banking, insurance, manufacturing, transportation, and sales and trading. Intelligence gathered by the various members is traditionally shared with the trading company for broader use by all; the member bank often provides some of the more valuable intelligence.

Japanese trading companies' reputation for operating worldwide intelligence networks is well deserved. Mitsui Corporation's trading company is reputed to have had such an excellent global intelligence network before World War II that it was used by the government for military purposes. These trading companies have hundreds of offices abroad, often with thousands of employees. Their basic mission is to gather competitive and market intelligence on an ongoing basis and send it back to the Tokyo headquarter's intelligence clearinghouse.

Today, Japanese trading companies are more sensitive than ever to the importance of global information, and some have stated that their goal for the 21st century is to become "globally integrated information corporations." This future vision does not diverge much from their past: Mitsui Corporation's motto is "Information is the lifeblood of the company."

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The collection and use of BI by Japanese firms is world-class. However, the analysis of the intelligence has been less developed and effective. Their ability to often collect the answer to an intelligence problem, such as their competitor's strategy or a description of the competitor's future product, has resulted in less emphasis being placed on the development of more creative intelligence assessment skills and techniques.

In fact, because so much intelligence can be collected directly, it has led to problems where Japanese companies have been tempted—as in the Hitachi-IBM industrial espionage case—to collect a competitor's proprietary information. This situation, however, is much more prevalent in Japan, as the recent Komatsu industrial spy scandal has revealed.

As competitor intelligence becomes more difficult to collect and as the amount of information that is publicly available grows through electronic data bases and public disclosure, the weaknesses in Japanese firms' intelligence analysis techniques are becoming more evident. The types of analysis that Japanese companies have concentrated on in the past have been mainly the examination and organization of large amounts of data to discern competitor trends and business strategies. However, in view of the increasing amounts of information and the complexity of available data, Japanese firms will have to place greater emphasis on more sophisticated intelligence analysis to reduce the large amounts of collected information and derive useful insights.

Japanese firms believe that although they have had an intelligence advantage over their foreign competitors in the past, they are currently falling behind, particularly in the areas of organized BI systems. They perceive that the US effort to organize competitive intelligence professionals (i.e., SCIP) is providing American companies with enhanced intelligence collection and analysis capabilities. This, in turn, has resulted in a major effort on the part of a number of Japanese business leaders and company officials, led by a major Japanese trading firm, to enlist the assistance of SCIP in organizing and developing the competitive intelligence profession in Japan.

Outlook: The Japanese are very good at acquiring, assimilating, and improving upon foreign business practices, as

their successful adaptation of American quality control theory proves. They will effectively adopt US BI methods and techniques to enhance their companies' overall competitiveness—probably sooner than most American companies.

Lessons for US Management

The Swedish and Japanese efforts to create modern BI capabilities for their companies evolved through two entirely different processes. However, in both cases, the results have generally been the same: Transnational companies systematically gathering BI on a global basis, using both employees and external sources of intelligence to create the knowledge-based advantage needed by their companies to outthink and outperform the competition.

US business leaders and government officials should learn three basic lessons from these best-in-class country examples:

1. American companies, particularly their senior managers, need to examine their contemporary need for BI and their current capabilities to produce it themselves. Unfortunately, few companies have dedicated the resources or created the necessary organizational capability to produce the kind of BI needed to compete in today's global business environment. Company executives will have to take the lead to see that their firms develop the appropriate capabilities and skills.

2. US companies and government agencies need to work together to create the BI capabilities that firms need to compete in today's global marketplace. The government can provide timely and cogent business information on foreign developments that affect industrial structures and markets; scientific and technical intelligence that have both government and business interest; and developments in foreign government policies and regulatory processes that af-

fect US corporations' ability to compete. All this can be done legally and ethically. With some organized effort on the part of the federal government, it can be provided equitably to all interested US firms. Government is capable of providing support, but the private sector will have to ask for it—otherwise the administration and Congress will not address the issue directly, fearing that each would accuse the other of interfering in the free market.

3. Finally, from the Swedish experience, professional education is necessary for both managers and practitioners. Unfortunately, US universities and business schools currently are unprepared to provide it. Lester Thurow, Dean of the Massachusetts Institute of Technology's Sloan School of Management, has lamented, "It should be noted that there are virtually no courses in business intelligence at American business schools. Sadly, that includes MIT." At present, there are only two or three full-time courses on the subject of competitive intelligence being offered at American universities.

Finally, US companies will probably have to carry the brunt of the effort themselves. The federal government has been hesitant to take the lead. And universities, particularly business schools, are not known for being leaders in new business practices.

Therefore, unless business leaders take the initiative, in 2000 we will be talking about how, during the early 1990s, American corporations missed the opportunity to adapt modern BI practices to their international business activities, just like they missed Deming's message on statistical quality control during the early 1960s. Of greater concern, it is all too likely that the result will be the same: US companies being outsmarted in the marketplace as a result of foreign competition using an American-developed business discipline more effectively than they have. ■

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