

“QUAN QIU HUA” AND COMPETITIVE INTELLIGENCE

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Is there such a thing as a typical day?

Maybe, maybe not, but on any given workday you (the competitive intelligence practitioner) might wake up to the smell of coffee (only the best Brazilian blend) prior to brushing your teeth with a toothbrush made in Indonesia. First things first...boot up the computer (made in Taiwan) and learn that while you were sleeping, there was a fire in the Research and Development Center in Krakow, the power was out for three hours in the factory in Vietnam, and the call center handled 849 calls beautifully — from their offices in Madras.

The Chinese yuan appreciated another 0.1 percent, which translates into US\$20,000 this year (your company exports copper to China). The Japanese yen is now worth 121 to the American dollar, which is good for the Singapore branch but is cause for concern in Hong Kong. And on CNN International, you learn that 12 percent of all new patents belong to Chinese engineers. A military coup in Southeast Asia? Tune in at 10:00.

QUAN QIU HUA

Quan qiu hua means globalization. Some people say that globalization dates back to Marco Polo; others may argue

that the British Empire was its first manifestation. However, when people say globalization today, it carries more far-reaching, possibly sinister connotations — loss of jobs, unfair competition, or cheap labor markets.

Globalization has been with us for a while. As a child growing up in the 1970s, I could enjoy bananas from Mexico, sugar from Brazil. I could fill up my first car on \$0.37 a gallon gasoline from Saudi Arabia. Nobody thought globalization was such a threat then — in fact, we liked it! What changed? More important, what does it mean for competitive intelligence (CI) practitioners?

What globalization means for a practitioner working for a construction firm with interests in Iraq might be drastically different from what it means for a person working for the Bank of Japan in San Francisco. But be advised that every episode described above — *every* one — affects us as competitive intelligence practitioners.

Various trends in motion since the 1990s have contributed to the importance of a global view for competitive intelligence and its practitioners. Some should be obvious, others less so. As CI practitioners in China, a few things stand out to us at CBI Consulting. Below are what appear to be major trends in globalization from this end.

ACCURATE, INSTANTANEOUS, AND CHEAP COMMUNICATIONS

In 1860, it took six months for letters from England to arrive in Hong Kong. Telephones provided a good alternative by the 1950s, but at quite an expense. Air travel was costly and time-consuming — but a reasonable extravagance once or twice a year. Fax machines were the best alternative for many years, but Asia might receive a fax from Los Angeles in the middle of the night. Today, instantaneous communications are absolutely essential for a multinational business.

Messages used to be sold by the word (anyone remember Telex machines?), but can now be bestseller length and include graphics, photographs, and schematics. The print media, which might have published a quirky sidebar about some cultural relics found overseas twenty years ago, now publish hard facts that have an impact on your company online, in real time.

ACT ON WHAT IS IMPORTANT

For the CI practitioner, the mass of information available means that sorting out relevant information is more crucial than simply gathering it. We must decide what is important rather than what is simply being published. We must apply the information out there to our own companies.

Further, we must act on much of that information quickly. What is available to us is available to other firms as well. When your Singapore branch is telling you of a new innovation being developed in Kuala Lumpur, keep in mind that your competitors' Singapore branches are telling the same thing to their head offices.

We should be aware enough to understand how a rise in price of crude oil from the Middle East affects manufacturing in China. Will it mean that the price of your Wal-Mart undershirts will go up, or will it mean the next Chinese telecommunications satellite will be delayed?

These increasingly accessible and efficient channels make communication between home offices and service providers more effective. For example, being able to alter a power of attorney or verification certificate four times in the course of a single day to make sure it is perfect before being sent out, or examining samples obtained from a local marketplace or factory hours earlier in clear detail via e-mail, are luxuries unthinkable in the days of the Telex machine.

BETTER AND FASTER COUNTERFEITING

Communication channels have also enabled people on the other side of the equation (such as counterfeiters) to become more prevalent than ever before. Counterfeiters no longer need to work through arcane channels, selling only to a few trusted clients. Anyone with access to a computer and a phone line

or cable wire is now a potentially valued client. Goods can be purchased via the internet, paid for from a bank account in the Middle East, examined through a local broker who is only ever contacted via e-mail or (maybe) a phone call, and then shipped through customs to its point of destination without the real buyer ever meeting anyone who comes into contact with the producing factory *or* trading company.

Increased buyer efficiency and diversity has made counterfeiting more profitable and pervasive than ever before, and is a side of globalization that requires companies to take heed. Even if certain companies or CI practitioners are not making full use of globalization, their counterparts (and not just other CI practitioners) are, all of which makes this a non-optional transformation for any professional or company that does not want to be left behind.

INTELLECTUAL PROPERTY PROTECTION

Microsoft Vista is available in Beijing for US\$5. No, really, it is. I'm serious! Granted, it was copied from a copy of a copy of a copy of the original package and there may be problems getting updates (sometimes — only sometimes), but walk out on the street corner, and there it is.

This is the most challenging aspect of globalization. Newly emerging economies in Eastern Europe offer good infrastructure, a population educated in science and math, and access to the European Union. Several multinationals have taken advantage of these factors by locating research and development facilities in places like Prague and Krakow. But when putting your research in such locations, consider the need for intellectual property protection.

Many newly opened economies are more concerned with stopping their brain drain than protecting trade secrets. People in many Asian countries simply do not assign a value to trademarks. If I put “Dolce & Gabbana” on a sweater I make in my factory, who does it hurt? If I *know* that \$5 Microsoft Vista package is a copy, who is being cheated?

A typical comment overheard from a store owner at a fashion boutique in China while clothes shopping was, “This shirt is not very good. It does not form fit. Therefore it's cheap. It's only US\$3 or \$4 *and* it's a Tommy!” Consider the locale's attitude toward protection of intellectual property before you invest there.

CULTURAL AND ENVIRONMENTAL FACTORS

Who would have thought that Hugo Chavez could impact the U.S. energy market? Why should you worry about Fidel Castro's health?

The National Basketball Association, a mystery to the Chinese a decade ago, is now extremely popular thanks to Yao Ming. Now every Chinese kid not only wants to be Yao Ming, but Tracy McGrady and Allen Iverson as well — it's

got to be the stats. Has it occurred to your firm to position its product with the Chinese Basketball Association?

Don't discount the fact that economists attribute the cause of a significant brake on the economy of Bangkok to *traffic*. The infrastructure in Bangkok is so bad that gridlock actually prevents the international businessperson from attending more than one meeting per day.

Consider demographics when applying competitive intelligence. Is China an underdeveloped country? Yes. Speculation has it that five hundred million rural Chinese have never brushed their teeth? Probably true. So why bother with iPhones in China? After all, half the population of China has never made a single telephone call. Because if half the population of China has never used a telephone... that means that 700 million people in China (twice the population of the United States) *have*. Plus, their spending habits differ — while the per income capita of China is far lower than that of the United States, a surprisingly larger percentage of the urban population spends more money on certain products, like cell phones and skin care products, than in the United States. Spending habits are not homogeneous across cultures.

We have two offices in China and one in Taiwan. Of continuous concern to us is the changing, fluid, and opaque relationship between the two. When considering any competitive intelligence influencing one side or the other or both, we always point out to our clients the 2 percent chance that the situation could blow up, with no regard — *no regard* — for international opinion. For instance, how many of you studied the Tiananmen episode in 1989? Did you predict more political freedom for China? Less political freedom? A liberalized diplomatic effort? Did anyone predict what actually happened? I'll believe it when you e-mail me your 1988 reports!

Globalization is fact. Our sweaters are not going to be made in North Carolina — they are going to be made in Vietnam. Our American cars (well, most of them) might come off the assembly line in Detroit, but replacement parts come from Malaysia. Our checks are processed in Bangalore, our computer help desks are in Manila.

As CI practitioners, our challenges increase the farther from our home office our businesses take us. There are sources to consult. Various agencies provide intelligence reports regarding the political climate of a country. In-country CI practitioners are often there to help. Embassies consider the business environment as well as the diplomatic environment in their countries. But there is little substitute for doing your own homework as well.

Business has always been kindest to the companies that react quickly to changes in the environment, but never has the environment been so big. Today, your business environment is the entire world, and the commodity of value is information.

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