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Integrating Knowledge Management and Competitive Intelligence into both the Retailing and Services Businesses

Retail businesses rely heavily on information from a variety of sources both internal and external to the business. Knowledge management (KM) is the process through which organizational performance is improved through better management of corporate knowledge. It looks at improving the management of internal knowledge processes so that all information required for corporate decisions can be made available and efficiently used. Competitive intelligence (CI) is a process for gathering usable knowledge about the external business environment and turning it into the intelligence required for tactical or strategic decisions. Although most information collected during a CI investigation is used in immediate decision making, it must be integrated into the internal knowledge systems in order to have long-term value to the firm.

While CI is concerned with gathering information from the *external* environment, in contrast with KM's focus on capturing the knowledge stored within the minds of individual employees, both KM and CI systems are designed to enhance the information resources of an enterprise. Management must recognize the synergies between KM and CI since they are two parts of the same whole, designed to apply enterprise knowledge of the internal and external environment for long-term competitive advantage.

Each retail and service organization has associated with it a particular context pertaining to customer attitudes, competitors' actions, regulatory patterns, technological trends, and so forth. An organization must continuously monitor the environment to determine the conditions under which it must operate. One statistic indicates that as much as 80 percent of the competitive knowledge that a firm requires to compete successfully is already present somewhere within the company and therefore can be gathered through the use of KM tools that probe internal sources. A majority of the remaining 20 percent can be located through the CI process. A well-structured KM/CI system that scans both internal and external sources simplifies this overall search and allows for faster decision making.

This paper lays out the background for KM and CI and illustrates how they are intertwined and why retail and service organizations should institute these processes. Examples of joint KM and CI systems are presented.