Securi-Tronics and Competitive Intelligence

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SECU Ri - TRONICS AND COMPETITIVE INTELLIGENCE

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Securi-Tronics has been in the business of security consultants and manufacturers of alarm systems for over fifty years. During that time the company has acquired a successful working relationship with a number of large private corporations as well as a number of government agencies. During the last 18 months, however, the firm has lost 4 of its long-standing corporate clients to other companies. In addition, it has been consistently under-bid in its last six government contracts.

In the words of Securi-Tronics CEO, "The winning bids were only about $3,000 - $5,000 less than ours. That's the absolute minimum cut-off point for most agencies. We lock up our bids, but the prices are so consistent I can't help but think that somebody is getting inside information. We've hired a number of new people recently, but we review all of them carefully before we hire. I can't believe anyone is selling information out the door. What worries me more, though, is that our best people are constantly in danger of being hired away. In the long run, the loss of brain power will hurt us more than a few contracts."

With that in mind, your firm has been hired to determine how severe the information leaks are and how best to stop them. Further interviews with the president and top executive officers of Securi-Tronics have elicited the following as the top intelligence concerns:

1. Is it possible for a rival firm to determine the direction of new R&D ventures that the firm is undertaking? The marketplace in which Securi-Tronics operates is not only highly competitive, but also driven by research and development. As one executive put it, "Research now determines the entire competitive picture 3-5 years down the road. That's how long it takes us to bring a new system or product online. If the competition could get even a general idea about what we're planning to do, they might be able to head us off, or even beat us to the technology. It's especially bad because we're always looking for related new areas to exploit."

2. How is it possible for rival firms to consistently underbid Securi-Tronics? As the CEO mentioned earlier, the bids are coming in consistently at the minimum amount below Securi-Tronics to get the contract. Is it simply good intelligence from the competition?
3. Is there currently an active threat that one or more top researchers will be hired by Securi-Tronics' chief competitors? The CEO elaborated on this in the interview: "If even one of our top R&D people defected to our main rivals, somebody like Lucent Technologies or Sensormatics or even Diebold, it could be a serious blow to the firm."

Your job, based on these three questions and the accompanying material which has been gathered by your field operatives, is two-fold:

1. Address the three intelligence concerns. Is there sufficient information available to answer them? If so, to what degree, specifically, can the questions be answered?

2. Assuming there are information leaks, devise a plan for eliminating or at least minimizing them.
EXHIBIT 1 FIELD SURVEILLANCE REPORT 3/23/02

1005 Drove to 2248 Cienega Blvd. Parked in visitor's space and proceeded to enter the lobby of the building. The lobby does not have a receptionist. There is what appears to be a surveillance camera mounted high on the wall opposite the door, a small stand with a telephone, a chair and multiple copies of a sheet of paper containing names and telephone numbers. A second door leads from the lobby area into the main building.

I stood in the lobby for approximately ten minutes without having anyone come into the lobby to see what I wanted. At this point, I sat and picked up one of the phone sheets, called one of the extensions on the sheet at random. After I called, I folded the sheet up and placed it in my inside pocket. At least a dozen identical sheets remained in the pile I spoke with a Mr. Daniel Yashimoto (extension 7212) who answered. I apologized for calling at random with the excuse that I had been waiting for over ten minutes in the lobby. I explained that I was a cleaning supplies salesperson and wanted to speak with their purchasing representative and that I had been waiting. Mr. Yashimoto was very polite and excused himself from the phone to enter the lobby and speak with me. He explained that this was a research facility and that all purchases were handled through corporate headquarters in the industrial park just off I-5. I thanked him for his time and mentioned, as I was about to go, that I was surprised I had needed to wait with a security camera in the foyer. He apologized for making me wait but said that monitoring the camera was not a job duty that was specifically assigned to anyone. Most deliveries, he explained came in at the loading dock rather than the foyer. I thanked him for his time and picked both my catalog and the phone sheet underneath it and left.

The phone sheet is attached.
EXHIBIT 2: SECURITRONICS PHONE SHEET

2248 Cienaga Blvd.

Emergencies 399-7911

Allen, Kim S. 7108
Borthwick, Jonathan D. 7249
Collins, Catherine F. 7112
Chung, Lena T. 7193
Donohoe, Linda E. 7210
Girard, Gilbert W. 7133
Hobart, Everett R. Jr. 7259
Hu, Cynthia T. 7206
Katzer, Jennifer J. 7199
Kimball, Willam A. 7204
Klein, Harry E. 7205
Krutulis, Joseph G. 7231
Lawrence, Mary C. 7209
Montrose, Barbara H. 7167
Rosenbaum, Howard G. 7113
Schultz, Kevin P. 7148
Smith, Edgar B. 7136
Thompson, Robin M. 7111
Tseng, George T. 7206
Williams, John A. 7235
Yashimoto, Daniel 7212
Yen, Doreen H. 7212

Engineering Dept. 7100
Research Dept. 7200
Shipping & Receiving 7243

R&D Fax Line 399-7233
R&D Director Fax 399-7232
EXHIBIT 3: FIELD SURVEILLANCE REPORT 03/21/02

0700  Drove to vicinity of 2248 Cienega Blvd. Building on that site is listed on the sign outside as "Securi-Tronics – Research Center." I parked in a nearby lot at a 7-11 where I was able to observe the arrival of the work force at approx. 0800.

It should be noted that the 3 spaces closest to the front door of the building are clearly labeled: Reserved for Director of R&D, Reserved for Chief Engineer, Reserved for Assistant Director of R&D.

0738  Tan, 1999 Lexus arrived and parked in Director's space. Subject is Caucasian male, about 50, 5'10", 180 lbs. CA license GFR 788

0743  Blue, 1997 Jeep Grand Cherokee arrived and parked in Asst. Director's space. Subject is Caucasian male, approx. 60, 6'2", 210 lbs. CA license BAK 345

0755  White, 1999 Ford Taurus arrived and parked in Chief Engineer space. Subject is oriental male, approx 45, 5'9", 160 lbs. CA license DDH 119.

1003  Delivery truck with Motorola corporate logo stenciled on the side arrived at loading dock. Five cardboard boxes unloaded. It was possible to read one of the boxes using binoculars "Microchips, protect from heat and moisture."

1029  Delivery truck left. Did not appear to pick up anything from site.

1155  Truck arrived with "Rolling Diner" on side. Driver opened side panels of truck exposing a selection of food items. Workers began exiting building and purchasing food. No discernable exchanges other than money for food.

1220  Food truck departed

1455  Delivery truck with Sony corporate logo on side arrived. Two large boxes with the word "video components" written on the sides were off-loaded. No pickups. Driver entered building with clipboard.

1524  Driver left building and entered truck. Drove off.

No further activity in the building lot until 1700, at which time all of the cars left the parking lot to drive in various directions. No further individual surveillance was taken at this time pending further instructions.
EXHIBIT 4: LICENSE PLATE DATE FROM SECURITRONICS PARKING LOT

Plate: GFR 788
State: CA

Registered to: Klein, Harry Eric  
12-339 Jewell Drive  
Santa Monica, CA 90401

Plate: BAK 345
State: CA

Registered to: Hobart, Everett R., Jr,  
1108 Seaview Circle, 11-105  
Santa Monica, CA 90403

Plate: DDH 119
State: CA

Registered to: Securi-Tronics  
2295 Commercial Drive, Suite 11  
Santa Monica, CA 90409

(Solutions documents available upon request from the Editor).