

Manage Competitive Intelligence for Strategic Advantage

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Abstract

The study seeks to determine why competitive intelligence is necessary in the manufacturing sector; to ascertain how to use competitive intelligence; to identify the costs for competitive intelligence; and to assess the nature of the relationship between competitive intelligence and strategic advantage. The study was carried out primarily through the survey method and interview of employees in three manufacturing firms in Nigeria. Secondary data were obtained through books, journals and internet. Empirical works of other scholars were consulted. Findings indicate that Competitive intelligence is necessary because of manager's need to increase the quality of products and services, strategic planning, and market knowledge. Competitive intelligence is used by gathering information, converting it into intelligence and utilizing it in business decision making. The costs for Competitive intelligence consist of time, money, and intellectual skills. There is a significant positive relationship between competitive intelligence and strategic advantage. In changing, highly competitive market, the firm with a successful, proactive competitive intelligence process will respond most quickly and wisely to changes in markets and competitors, and should thereby, succeed over the long term. Your company does not have all the best answers, other businesses can do some thing better, learn from them. Their manufacturing processes might be better. Their customers might be happier, their supply chain more streamlined. With competitive bench mark, you can find out and add competitor strengths to your portfolio. Adopt best practice and improve more quickly, more cost- effectively, with fewer mistakes.

Keywords: Competitive intelligence, Business Intelligence, counter Intelligence, and Strategic Intelligence

1. Introduction

Competitive intelligence is the action of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors and any aspect of the environment needed to support executives and managers in making strategic decisions for an organization. Organisations use competitive intelligence to compare themselves to other organizations (competitive benchmarking), to identify risks and opportunities in their markets, and to pressure-test their plans against market response which enable them to make informed decisions. Most firms today realize the importance of knowing what their competitors are doing and how the industry is changing, and the information gathered allows organizations to understand their strengths and weaknesses. With the right amount of information, organizations can avoid unpleasant surprises by anticipating competitors' moves and decreasing response time. Organisations must be careful not to spend too much time and effort on old competitors without realizing the existence of any new competitors. Knowing more about your competitors will allow your business to grow and succeed. The practice of competitive intelligence is growing every year, and most companies and business students now realize the importance of knowing their competitors (www.en.wikipedia.org/wiki/competitiveintelligence). Competitive intelligence is the purposeful and coordinated monitoring of your competitor (s) within a specific marketplace. CI has to do with determining what your business rivals will do before they do it: strategically, to gain foreknowledge of your competitor's plans and to plan your business strategy to countervail their plans (www.aurorawdc.com).

Competitive intelligence is a formal program of gathering information on a company's competitors. It is one of the fastest growing fields within strategic management (Wheelen, and Hunger, 2010). Competitive intelligence is the practice of examining the external competitive environment- direct rivals, clients, economic/regulatory matters, and

more, to support the development of more resilient, robust strategy and tactics. The intelligence outcome is meaningful, actionable, and provides an insight about change and future developments and their implications to the organization. Competitive intelligence improves tactical and strategic decision-making through understanding the competitive environment. No business is an island. To succeed, the business will need to deal with customers, suppliers, employees, and other organizations offering similar products. These other organizations are competitors, and their objective is the same. Effectively, the businesses are at war-fighting to gain the same resource and territory: the customer. It is necessary to understand the competitor: how he thinks, what his strengths and weaknesses are, where he is vulnerable, and where he can be attacked. By knowing your competitor, you may be able to predict their next moves, exploit their weaknesses, and undermine their strengths. Competitive intelligence is necessary because managers need to increase the quality of products and services, strategic planning, and market knowledge (www.xa.yimg.com). Firms can have competitive advantages simply because their rivals have erroneous beliefs about them (Ryall, 2003). This is why competitive intelligence has become an important part of environmental scanning in most companies (Wheelen and Hunger, 2010). Strategic intelligence is concerned mainly with competitor analysis or gaining an understanding of a competitor's future goals, current strategy, assumptions held about itself and the industry, and capabilities- diagnostic components. Intelligence about the firm's major customers, suppliers and partners is often also of strategic value. Counter intelligence is defending company's secrets. Every firm has competitors that are interested in knowing her plans as she is interested in knowing theirs. Business intelligence comprises applications and technologies used for accumulating, analyzing and providing access to data that facilitate quick and accurate decision-making (www.xa.yimg.com).

1.1 Objectives

The study has the following specific objectives

- (1) To determine why competitive intelligence is necessary in the manufacturing sector
- (2) To ascertain how to use competitive intelligence
- (3) To identify the costs for competitive intelligence
- (4) To assess the nature of the relationship between competitive intelligence and strategic advantage.

1.2 Hypotheses

The study proposes the following hypotheses

H₁ Competitive intelligence is necessary because of manager's need to increase the quality of products and services, strategic planning, and market knowledge

H₂ Competitive intelligence is used by gathering information, converting it into intelligence and utilizing it in business decision making

H₃ The costs for Competitive intelligence consist of time, money, and intellectual skills

H₄ There is a significant positive relationship between competitive intelligence and strategic advantage.

1.3 RESEARCH METHOD

The study was carried out primarily through the survey method and interview of employees in three manufacturing firms in Nigeria. Secondary data were obtained through books, journals and internet. Empirical works of other scholars were consulted. A sample size of 353 was obtained from the population of 3000 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula. 340 (96.3%) of the questionnaire distributed were returned while 13(3.7%) of the questionnaire distributed were not returned. The questionnaire was designed in Likert scale format. The researcher conducted a pre-test on the questionnaire to ensure the validity of the instrument. Data collected were presented in frequency tables. Chi-Square statistical tool was used to test hypotheses, 1, 2 and 3 while correlation coefficient was used to test hypothesis (4).

2. Literature Review

2.1 Objectives of Competitive Intelligence Programs

Organisations usually seek new ways to achieve sustainable competitive advantage and to counter aggressive competition. Organisations develop competitive intelligence programs with the following objectives in mind.

- To provide an early warning of opportunities and threats such as, new acquisitions or alliances and future competitive products and services.
- To ensure greater management awareness of changes among competitors, making the organization better able to adapt and respond appropriately.
- To ensure that strategic planning decisions are based on relevant and timely competitive intelligence.
- To provide a systematic audit of the organisation's competitiveness that gives the manager an unfiltered and unbiased assessment of the firm's relative position (www.imanet.org).
- To determine the competitor's strategies and objectives of the present and potential competitors and to study possible future actions.
- To investigate and to define the opportunities and threats of a sector or specified area of a business.
- To watch and to alert of any relevant changes in the related markets, clients, technologies, etc (www.xa.yimg.com).

2.2 Competitive Intelligence Benefits

- To reduce the risk of the possible failure of a project by developing a new product
- To improve the competitive position of the organization against its competitors
- Competitive intelligence program can offer additional benefits like protection of information.
- CI's real value is to provide managers with the organizational tool to learn what the competitor will do, not what the competitor has already done.
 - Companies with CI program have better knowledge of their markets, better cross- functional relationship between their business units and a greater ability to develop proactive competitive strategies (www.xa.yimg.com).

2.3 Who is a Competitor in Business: A competitor refers to other organizations offering the same product or service, other organizations offering similar products or services in the future, and Organisations that could remove the need for a product or service. Competitors will always hide their pricing details, sales prospects, strategic partners, marketing programs, top sales people, acquisition targets, competitive threats, patent submissions, unhappy customers, product deficiencies, trade mark infringement, and lawsuit filings (www.xa.yimg.com).

2.4 Competitive Intelligence Techniques

There are two types of competitive intelligence techniques: Battle field intelligence and Non- competitive intelligence.

Battlefield Intelligence: This is the most common type of competitive intelligence. Its purpose is to help you gather information that will lead to stealing market share from your competitor. To be successful, your intelligence must be actionable and contain enough information to help you develop better products, marketing and customer services. It might even require you to develop new products to match your competitor(s) one on one.

Non- Competitive Intelligence consists of strategies and techniques that do not necessarily impact your competitive stance. However, they are important strategies that lead to gathering important information to help you improve your internal processes. Non- competitive intelligence consist of

Forecasting and predicting

Describing your current business environment

Challenge existing assumptions

Identify your company's weaknesses and proposes solutions

Point to strategies that are outdated or that may need adjusting

Provide information to help you formulate intelligent questions for review and analysis.

2.5 Sources for Gathering Competitive Intelligence

There are many different sources of information and techniques for gathering it. There are electronic sources of information and manual sources. There are in-house assets as well out external assets that you may be able to query for actionable intelligence. Thus, your intelligence gathering may be ongoing or short term.

A means of gathering intelligence about the marketplace is market research: A market research team can ask consumers what they think about certain aspects of your business environment, including strengths and weaknesses of your product and that of your competitor's products.

You can collect the sales and marketing literature of your competitors which will give you some insight into how they are reaching their market and how they are communicating their own perceived strengths.

Academic libraries usually contain articles and abstracts written by industry professionals (www.reciprocalconsultingblog.com).

2.6 Managing for Competitive Advantage

Competitive advantage occurs because a particular firm has some specific value generating capability that other competing firms do not possess or cannot immediately replicate or substitute (Amason, 2011).

To survive and win, you have to gain advantage over your competitors and earn a profit. You gain competitive advantage by being better than your competitors at doing valuable things for your customers. The fundamental success drivers for competitive advantage are innovation, quality, speed, and cost competitiveness.

Innovation: Innovation is the introduction of new goods and services. Your firm must adapt to changes in consumer demands and to new competitors. Products don't sell forever, in fact, they don't sell for nearly as long as they used to because so many competitors are introducing so many new products all the time. Your firm must innovate, or it will die. Likewise, you have to be ready with new ways to communicate with customers and deliver the products to them. Sometimes the most important innovation isn't the product itself but the way it is delivered.

Quality: Quality is the excellence of a product or service including such things as attractiveness, lack of defects, reliability, and long-term dependability. The importance of quality and standards has increased dramatically in recent years. Customers now demand high quality and value, and will accept nothing less. Quality can be measured in terms of performance, reliability, conformance to standards, durability, and aesthetics.

Speed: Fast and timely execution, response, and delivery of results. Speed often separates the winners from the losers in the world of competition. Speed entails how fast a company can develop and get a new product to market. How quickly can a company respond to customers' requests. You are far better off if you are faster than the competitors and if you can respond quickly to your competitors' actions.

Cost Competitiveness: Keeping costs low in order to achieve profits and be able to offer prices that are attractive to customers. Managing your costs and keeping them down requires being efficient: accomplishing your goals by using your resources wisely and minimizing waste (**Bateman and Snell, 2009**).

3. Results and Discussion

This section presents the analysis of data collected in the course of this study. Data were presented in tables for analysis. Hypotheses 1, 2, and 3 were tested by chi-square test statistics, while hypothesis (4) was tested by correlation coefficient using SPSS.

Table (1) Why is Competitive Intelligence Necessary in the manufacturing sector

S/N		AGREEMENT	DISAGREEMENT	TOTAL
1	Competitive intelligence is necessary because of manager's need to increase the quality of products and services.	330(315)	10 (25)	340
2	Competitive intelligence is necessary because of manager's need for strategic planning.	315 (315)	25(25)	340
3	Competitive intelligence is necessary because of manager's need for market knowledge.	300(315)	40(25)	340
Total		945	75	1020

Source: Field Survey, 2013

H₁ Competitive intelligence is necessary because of manager's need to increase the quality of products and services, strategic planning, and market knowledge

Table (2) Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	120.590(a)	6	.000
Likelihood Ratio	115.272	6	.000
Linear-by-Linear Association	41.678	1	.000
N of Valid Cases	1020		

Source: SPSS Version 15.00

Table (2) shows the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies, and with the response options of agree and disagree based on the responses of the research subjects from the three manufacturing firms in Nigeria. Pearson Chi-Square computed value ($X^2_c = 120.590$) is greater than the Chi-Square tabulated value ($X^2_t = 12.59$) with 6 degrees of freedom (df) at 0.05 level of alpha ($X^2_c = 120.590, p < .05$)

Decision Rule

The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than the tabulated Chi-Square value, otherwise, reject the alternate hypothesis and accept the null hypotheses.

Result of Testing Hypothesis (1): Since the Pearson Chi-Square computed $X^2_c = 120.590$ is greater than Chi-Square table value $X^2_t = 12.59$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that Competitive intelligence is necessary because of manager's need to increase the quality of products and services, strategic planning, and market knowledge. According to survey of competitive intelligence professionals, the primary reasons for practicing competitive intelligence are to build industry awareness (90.6%), support the strategic planning process (79.2%), develop new products (73.6%), and create new marketing strategies and tactics (Madden and Wright, 2006), cited in Wheelen and Hunger, 2010.

Table (3) How could Competitive Intelligence be Used

S/N		AGREEMENT	DISAGREEMENT	TOTAL
1	Competitive intelligence is used in gathering information.	280 (311.6)	60(28)	340
2	Competitive intelligence is used in converting information into intelligence.	335(311.6)	05(28)	340
3	Competitive intelligence is utilized in business decision making.	320(311.6)	20(28)	340
Total		935	85	1020

Source: Field Survey, 2013

H₂ Competitive intelligence is used by gathering information, converting it into intelligence and utilizing it in business decision making

Table (4) Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	165.304(a)	6	.000
Likelihood Ratio	170.076	6	.000
Linear-by-Linear Association	70.806	1	.000
N of Valid Cases	1020		

Source: SPSS Version 15.00

Table (4) shows the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies, and with the response options of agree and disagree based on the responses of the research subjects from the three manufacturing firms in Nigeria. Pearson Chi-Square computed value ($X^2_c = 165.304$) is greater than the Chi-Square tabulated value ($X^2_t = 12.59$) with 6 degrees of freedom (df) at 0.05 level of alpha ($X^2_c = 165.304$ p < .05)

Decision Rule: The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than the tabulated Chi-Square value, otherwise, reject the alternate hypothesis and accept the null hypothesis.

Result of Testing Hypothesis (2)

Since the Pearson Chi-Square computed $X^2_c = 165.304$ is greater than Chi-Square table value $X^2_t = 12.59$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that Competitive intelligence is used by gathering information, converting it into intelligence and utilizing it in business decision making.

Table (5) What are the Costs for Competitive Intelligence

S/N		AGREEMENT	DISAGREEMENT	TOTAL
1	Competitive intelligence that transforms gathered competitors and market information into actionable knowledge about competitor's capabilities cost time.	310(313)	30(26.6)	340
2	Competitive intelligence that transforms gathered competitors and market information into actionable knowledge about competitor's capabilities cost money.	300(313)	40(26.6)	340
3	Competitive intelligence that transforms gathered competitors and market information into actionable knowledge about competitor's capabilities cost intellectual skills.	330(313)	10(26.6)	340
Total		940	80	1020

Source: Field Survey, 2013

H₃ The costs for Competitive intelligence consist of time, money, and intellectual skills

Table (6) Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	160.877(a)	6	.000
Likelihood Ratio	156.062	6	.000
Linear-by-Linear Association	23.021	1	.000
N of Valid Cases	1020		

Source: SPSS Version 15.00

Table (6) shows the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies, and with the response options of agree and disagree based on the responses of the research subjects from the three manufacturing firms in Nigeria. Pearson Chi-Square computed value ($X^2_c = 160.877$) is greater than the Chi -Square tabulated value ($X^2_t = 12.59$) with 6 degrees of freedom (df) at 0.05 level of alpha ($X^2_c = 160.877$ p < .05)

Decision Rule

The decision rule is to accept the alternate hypothesis if the computed Chi- Square value is greater than tabulated

Chi-Square value otherwise reject the alternate hypothesis and accept the null hypothesis.

Result of Testing Hypothesis (3) Since the Pearson Chi- Square computed $X^2_c = 160.877$ is greater than Chi- Square table value $X^2_t = 12.59$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that the costs for Competitive intelligence consist of time, money, and intellectual skills

Table (7) What is the Nature of the Relationship between Competitive Intelligence and Strategic Advantage

S/N		AGREEMENT	DISAGREEMENT	TOTAL
1	There is a significant positive relationship between competitive intelligence and strategic advantage.	330(221.6)	10(118)	340
2	There is a significant negative relationship between competitive intelligence and strategic advantage.	15 (221.6)	325 (118)	340
3	Intelligence about the firm's major competitors, customers, suppliers, and partners is often of strategic value.	320 (221.6)	20(118)	340
Total		665	355	1020

Source: Field Survey, 2013

H₄. There is a significant positive relationship between competitive intelligence and strategic advantage.

Table (8) Descriptive Statistics

	Mean	Std. Deviation	N
Competitive Intelligence	1.4441	.85521	340
Strategic Advantage	1.4176	.80686	340

Table (9) Correlations

		competitive intelligence	Strategic advantage
Competitive Intelligence	Pearson Correlation	1	.983(**)
	Sig. (2-tailed)		.000
	N	340	340
Strategic Advantage	Pearson Correlation	.983(**)	1
	Sig. (2-tailed)	.000	
	N	340	340

**Correlation is significant at the 0.01 level (2-tailed).

Table (8) shows the descriptive statistics of the competitive intelligence and strategic advantage. With a mean response of 1.4441 and standard deviation of .85521 for competitive intelligence and also a mean response of 1.4176 and standard deviation of .80686 for strategic advantage, the number of respondents is 340. By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table (9) shows the Pearson correlation coefficient for competitive intelligence and strategic advantage. The correlation coefficient shows 0.983. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant positive relationship between competitive intelligence and strategic advantage ($r = .983$). The computed correlations coefficient is greater than the table value of $r = .195$ with 338 degrees of freedom ($df = n-2$) at alpha level for a two-tailed test ($r = .983, p < .05$). However, since the computed $r = .983$, is greater than the table value of $.195$ we reject the null hypothesis and conclude that there is a significant positive relationship between competitive intelligence and strategic advantage ($r = .983, P < .05$). According to Ryall, 2003, cited in Wheelen and Hunger 2010, research indicates that there is a strong relationship between corporate performance and competitive intelligence activities.

Concluding Remarks

In changing, highly competitive market, the firm with a successful, proactive competitive intelligence process will respond most quickly and wisely to changes in markets and competitors, and should thereby, succeed over the long term. Your company does not have all the best answers, other businesses can do some thing better, learn from them. Their manufacturing processes might be better. Their customers might be happier, their supply chain more streamlined. With competitive bench mark you can find out and add competitor strengths to your portfolio. Adopt best practice and improve more quickly, more cost- effectively, with fewer mistakes (www.aqute.comblog).

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