Conceptual Model of Strategic Benefits of Competitive Intelligence Process

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Abstract
The paper aims to explain the process that is commonly used to create and maintain a competitive intelligence system in organizations and to provide the most common benefits of competitive intelligence for organizations. A review of literature on Competitive intelligence within organizations is reviewed to explore their current state, tools to collect, analyze, and communicate competitive information and the strategic benefits of the competitive intelligence process. The findings of this research suggest that organizations tend to focus on developing competitive intelligence processes. This process is able to provide the organization with sustainable competitive advantage. An empirical study can be undertaken to establish how competitive intelligence process influences the quality of intelligence information and how intelligence information subsequently influences strategic benefits expansion in organization.

Keywords – Competitive intelligence, competitive advantage.

1. Introduction
The rapid changes in the business environment have been viewed as a central problem of organization. This environment includes a rapidly changing where new competitors are entering the marketplace, and where current competitors are offering new products. In order to be effective and proactive, organizations must respond to the opportunities, challenges, risks and limitations posed by the external environment (Costa, 1995). To better understand the external forces of change and so develop effective responses which secure or improve their position in the future, organizations need to gather and analyze data and information about activities of competitors, business environment and business trends in order to fulfill the goals of organization (Kahaner, 1996). In this context, competitive intelligence may be regarded as the acquisition and use of information about competitors, new competitors, customers, suppliers, competing industries (substitution effects), in order to support decision making process for enhancing competitiveness of organization (Anica and Cucui, 2009). Competitive intelligence supplies the inputs that tell managers what they need to know about current and future competition, including their own organization’s strengths and weaknesses, financials, major clients, what detailed inspection reveals about existing products in the marketplace, what new technologies (particularly disruptive technologies) are on the horizon, how competitors responded to your previous initiatives, competitor strengths and weaknesses, and more (Gray, 2005). Competitive intelligence is conceptualized as a process of monitoring the competitive environment, with a goal to provide actionable intelligence that will provide a competitive edge to the organization (Kahaner, 1998). The dynamic process of acquiring, evaluating, integrating, deploying and exploiting information is critical to the development of organizational capabilities and the realization of competitive
advantages (Kogut, 1988). Competitive intelligence has attracted attention because of the explosion of information now publicly available through blogs, wikis, text messages, e-mail and other electronic communications, which form the basis for building meaningful competitive intelligence (Brose, 2007). Other causes of this importance is possibly the very nature of the times in which we now live, times of great worldwide political and social changes, increasing pace of business, increased global competition from new competitors, more aggressive competition, and rapid technological changes (Viviers et al., 2005).

The purpose of this study is to investigate theoretically how competitive intelligence process influence strategic benefits expansion in organization. This paper is divided into four sections. The first and second sections contain the introduction and the literature review that can be used to understand the process that is commonly used to create and maintain a Competitive intelligence program in organizations. The Third section presents strategic benefits of having a Competitive intelligence function and the conceptual framework. The fourth section consists of the conclusion of the research.

2. Competitive intelligence process

Competitive Intelligence can be defined as actionable recommendations arising from a systematic process that involves planning, gathering, analyzing and disseminating information on the external environment for opportunities or developments that have the potential to affect a company’s or countries competitive situation (Calof and Skinner, 1998). McGonagle and Vella, (1999) further defined Competitive Intelligence as the use of public sources to locate and develop data that are then transformed into information, generally about competition, competitors, and the market environment in the broadest sense. According to Poppa (2009), Competitive Intelligence is continuous process of gathering data, information and knowledge about actors (competitors, customers, suppliers, government etc) which interact with organization in the business environment in order to support decision making process for enhancing competitiveness of organization. Competitive intelligence is the use of public sources to develop data about competitors and the market environment and its transformation in usable information, thorough analysis. When thinking about Competitive intelligence, public information refers to the information that one can access legally and ethically. Competitive intelligence is not industrial espionage and one of key maxim of it is that 90 percentage of all information that a corporation needs to make critical decisions and to understand its market and competitors is already public or can be systematically developed from public data (Teo and Choo, 2001). All authors describe Competitive Intelligence as an ethical and legal business practice and focus on the gathering of information of the external business environment, which is converted into actionable intelligence and utilised in business decision making (McGonagle and Vella, 2002). Actionable intelligence information enables executive management teams to make strategic decisions and actions aimed at enhancing the competitiveness and overall innovation performance of a firm (Ferrier, 2001). The Competitive intelligence process consists in the following steps: monitoring business environment (external data, information and knowledge), gathering, analyzing, filtering and disseminating intelligence that will support decision making process in order to increase competitiveness and improve position of organization. According to Viviers et al (2002) the key operational areas of Competitive Intelligence are planning and focus, collection, analysis, communication, awareness and culture, and process and structure.

Competitive intelligence process

The Competitive intelligence process identified in the literature (De Pelsmacker et al., 2005, Viviers, et al, 2002; Wright and Calof, 2006; Hoffman, 2006; Viviers et al, 2005; McGonagle and Vella, 2002; McGonagle and Vella, 1999; Nolan, 1999) includes the constructs of planning and focus, collection,
analysis, communication, process and structure, and organisational awareness and culture. The planning and focus phase concentrates on the identification of needs in order to collect all relevant information, in the second phase. In the third phase all collected information must be evaluated to determine utility and factuality. This information is then communicated in an appropriate way to the relevant parties. The fifth phase requires the appropriate policies and procedures to be in place for CI to make a positive contribution to the organisation. This should be communicated effectively to employees in order to develop a culture of competitiveness and organisational awareness. All phases of the Competitive intelligence process are interrelated and therefore the success of the one will determine the success of the other (Strauss and Du Toit, 2010). We will briefly discuss each of these phases.

**Figure 1.** Adopted from Dishman and Calof, (p. 779, 2007)

**Planning and focus**

The planning phase is the most important step in the competitive intelligence process. An effective intelligence processes do not attempt to collect all information but focusing on issues of highest importance to senior (Daft et al., 1988; Gilad, 1989; Herring, 1998; Montgomery and Weinberg, 1979; Porter, 1980). This phase provides the necessary direction to the competitive intelligence effort, ensuring that the operation focuses on collecting and analysing only key data relevant to specific intelligence requirements (Viviers et al, 2005). Herring, (1999; 2000) developed a systematic KIT process for the identification of specific intelligence needs for organization. The Key intelligence Topics (KITs) were assigned to one of three functional categories: strategic decisions and action, including the development of strategic plan and strategic; early warning topics, including competitor initiatives, technological surprise and governmental actions; and description of the key players in the specific marketplace including...
competitors, customers, suppliers, regulators, and potential partners. Fahey (2007) has identified five strategic inputs an intelligence researcher needs to focus: market place opportunities, competitor threats, competitive risks, key vulnerabilities and live assumptions. He argues that each type of intelligence input requires considerable judgment value-added on the part of intelligence professionals. Herring (1998) and Gilad (1989) have emphasized the importance of planning and focus for the intelligence effort.

Collection
During this phase of the process, information is collected from variety of sources (primary and secondary) utilising a large number of available techniques. Primary sources include government agencies, employees (of both the firm and the firm’s competitors), suppliers, customers, conference…Some common secondary source include magazines, TV, radio, analyst reports… The choice of a particular source is directly related to the type of information focused; such factors as ease of access, ease of processing the source, cost, availability, quantity and quality of information will also probably impact on selection (Wanderley 1999). Rouach and Santi, (2001) indicated that 80% of the information required to create intelligence is already present within a firm, and that this information is not shared with the people who immediately require it due to geographic-, organizational- or communication barriers.

Analysis
The information collected during the collection phase is converted into “actionable intelligence” from which strategic and tactical decisions can be made (Kahaner, 1997; Calof and Miller, 1997; Herring, 1998). It is here that meaning is attached to volume of information and put in the adequacy context. The decision makers require for effective decision making. The analysis phase of the Competitive intelligence process is the most difficult part (Du Toit, 2003). A variety of analytical tools should be used to analysis information, including PEST (political/legal, economical, social-cultural, and technological analysis), Porter’s Five Forces Model, SWOT (Strength, Weakness, Opportunity and Threats) analysis, and competitor profiling. When applied correctly, these analytical models can convert disparate pieces of information into actionable intelligence. The analysis phase is finished by making some intelligence products which take the shape of some documents and activities as: company profiles, competitive benchmarking, market or industry analysis, customer or supplier profiles, technology assessments, daily reports, strategic impact analysis, risk and opportunities bulletin, daily Competitive intelligence bulletin. The analysis technique of choice depends largely on the nature of competitive intelligence (tactically centered or strategically centered, etc.). The ability to perform appropriate analysis and interpretation is a vital for the success of the process of competitive intelligence.

Communication
After the completion of the analysis phase, the intelligence products are formatted in presentable form and communicated to who requested it. The results of the intelligence process (or individual project) need to be communicated to those with the authority and responsibility to act on the findings. Often, communication of the findings takes the form of a report, a dashboard, or a meeting (Bose, 2007). Kahaner (1996) particularly emphasized the importance of proper communication of intelligence results to provide managerial decision support. The communication phase also includes the evaluation of the Competitive intelligence process, the assessment of its effectiveness in the decision making process. The decision maker is the responsible for the evaluation of the Competitive intelligence program. Feedback from the decision maker is also important in the development and improvement of future Competitive intelligence plans, as well as the review and reassessment of the organizational strategy (Fleisher 2001).
Process and Structure

The success of Competitive intelligence process requires appropriate policies, procedures, and a formal (or informal) infrastructure allowing employees to contribute effectively to the Competitive intelligence system (Viviers et al., 2005). Without visible support by management the function will never be viewed as priority in existing initiatives in larger organization. Such a formal structure would involve dedicating a Competitive intelligence manager to guide and drive the collection, analysis and dissemination of intelligence within organization. Such a person needs to be trained in developing and running Competitive intelligence and should be well respected at all levels in the company, preferably be a member of the executive team and needs to have an understanding of the industry and organization to also benefit from his/her contact network. Furthermore, Competitive intelligence is a strategic management tool and should therefore be situated as close as possible to the strategic decision makers and not in a line functional department (Viviers et al., 2005). An organisation’s structure is supported by the appropriate organisational culture (Dishman, 2007). Indeed, research undertaken by Wright et al. (2002) suggests that the overriding influence on successful Competitive intelligence activity is the existence of a management style, culture and structure which encourages trust, facilitate communication and encourage the easy flow of information.

Organisational awareness and culture

To utilize Competitive intelligence efforts successfully, there needs to be an appropriate organizational awareness of competitive intelligence (Viviers, 2005) and culture of competitiveness. Awareness of the importance of intelligence competitive needs to be created on organization. Without proper awareness and attitudes that favour information sharing, it is difficult to develop intelligence within an organization. Competitive intelligence is the ability to fully understand, analyse, and assess the internal and external environment associated with customers, competitors, markets, industry and use the acquired knowledge to find new opportunities and stay competitive. There should also be mechanisms in place to support employees in identifying intelligence that is of significance (Murphy, 2005). The heightened awareness of a firm’s competitive environment tends to be one of the bases for organizational learning theory (Garvin, 1993; Sinkula, 1994; Slater and Narver, 1995). To be successful, managers must create a culture within their organisations that promotes a culture of competitiveness and of exchanging knowledge and ideas among individuals and departments (Viviers, 2005).

Quality of intelligence provided

The value of the intelligence, produced through a Competitive intelligence process, can be measured across one or more of the following attributes (Eppler, 2003):

- **Accuracy** – does the intelligence normally prove to be accurate?
- **Clarity** - Is the information understandable or comprehensible to the target group
- **usability** – must be in a form that facilitates ready comprehension and immediate application;
- **Depth** – is the intelligence provided sufficiently detailed to facilitate the definition of counter measures?
- **Relevance** – does the intelligence cover topics that are relevant to the day-to-day management of our business?
- **Responsiveness** – when special requests are made does the system provide a response within an acceptable timescale?
- **Timing** – is the intelligence received with sufficient lead-time for the company to make effective plans?
Comprehensiveness – how frequently do events occur that were not flagged in advance by the Competitive Intelligence system? How frequently are we taken by surprise?

The final goal of Competitive intelligence process is the application of the Competitive intelligence results to strategic decisions and actions undertaken by the organization based on the intelligence information, as a response to changes in competitive environment. The ability of a firm to master information and knowledge constitutes an essential factor in business success (Lapointe, 1995; Porter, 1990). Information and the ability to exploit intelligence information are the means by which business are able to identify new opportunities and acquire new knowledge.

3. Strategic benefits of Competitive intelligence

The Competitive intelligence suggests that much benefit can be driven from using Competitive intelligence. Kahaner, (1996) consider that objectives of using an organized information system of competitive intelligence are: (1) discovering new potential competitors or customers and supporting starting of new businesses (2) identifying and analyzing new technologies, products and processes that influence organization’s activities and behavior; (3) identifying and analyzing political or legislative standards or regulations that influence organization’s activities and behavior; (4) identifying and analyzing situations, from competitors, customers, suppliers or other, that evolved into successes or into failures.

There are many empirical studies that support this claim (Miller, 2001). Executives at companies with top-notch Competitive intelligence programs that they have a better understanding of the competitive landscape such as having a universal view of where competitive threats and opportunities lie (Vedder et al., 1999). That helps them quickly get on the same page with regard to competitive understanding and move more quickly toward devising strategies and plans to maximize competitive advantage (Wright and Calof, 2006). Also, several theoretical approaches, such as competitive forces, the resource-based theory of the firm and the dynamic capabilities approach all support the idea that Competitive intelligence is able to provide the organization with sustainable competitive advantage (Santos and Correia, 2010).

3.1. Competitive advantage

The concept of competitive advantage has a long tradition in the strategic management literature (Ansoff, 1965; Porter, 1980; 1985; Amitt and Schoemaker, 1993; Conner, 1991). Ansoff (1965) defined it “to isolate characteristics of unique opportunities within the field defined by the product –market scope and the growth vector. This is a competitive advantage. It seeks to identify particular properties of individual product markets which will give the firm a strong competitive position”. Porter (1985) states that there are, in general, only two possible competitive advantage, a cost process or a differentiation advantage. Others, studies have extended the definition to include superior knowledge, competence, or capabilities in conducting and managing its business processes (Nonaka, 1991; Prahalad and Hamel, 1990; Teece et al., 1997; Winter, 1987) – producing quality products at lower costs and delivering the right products and/or service to its customers in the right place at the right price and time through the right channels.

The competitive advantage is born as soon as a firm discovers a new or a more efficient way to come into the industry and put the discovery in concrete form, than its competitors (Hasan et al, 2011). Identifying the source of innovation is equivalent to describing the ways to create competitive advantages. In this context, Competitive intelligence supports a competitive advantage and better organization performance by permitting better business planning; new product introduction success and new market development (Daft et al, 1988; DeWitt et al, 1997; Gordon et al, 1989; Porter, 1980). By analyzing the capabilities, vulnerabilities, intentions, and moves of the competitors, Competitive intelligence allows a company to anticipate market developments proactively – rather than merely react to them. This in turn allows a
company to remain competitive by improving its strategic decisions and leading to better performance against its competitors (Bose, 2007) and to be to create a defensible position over its competitors (Porter, 1985; Cardy and Selvarajan, 2006). Competitive intelligence activities provide actionable intelligence information that enable executive management’s strategic decision and action aiming at enhancing the competitiveness and overall innovation performance of a firm (Ferrier, 2001).

Competitive intelligence can assist marketing staff to establish how customer profiles change through time and how the relationship marketing concept, as advocated by Gummesson (1994) and Gronroos (1996), can be applied in order to ensure that customers engage in repeat purchase behaviour. Based on intelligence information the marketing manager should think about whether there is a way to differentiate the marketing mix. Marketing differentiation means that the marketing mix is distinct from and better than what is available from a competitor. Marketing differentiation often requires that the firm fine-tune all of the elements of its marketing mix to the specific needs of a distinctive target market. Sometimes the difference is based mainly on one important element of the marketing mix: product, price, advertising, sales force, and other unique marketing techniques. Marketing differentiation therefore should fuel growth in new markets and contribute to sales growth and market share growth (Hasan et al, 2011). The use of Competitive intelligence can also lead to save cost in business processes, to save time, to avoid cost and to enhance revenue (Harring, 1996). For example, Competitive intelligence benefits arise from a better understanding of customers' buying habits, prediction of customers' future needs, and introducing new products and services accordingly (Cottrill, 1998; Marin and Poulter, 2004; Cavalcanti, 2005; Fuller, 2006), can help in avoiding unnecessary costs regarding. Such benefits include reduction in the time to develop and deliver new products and services, providing customers with what they want, and reducing the cost associated with unhappy customers. Other example for benefits of competitive intelligence, customer segmentation, which is supported by Competitive intelligence process, enables organizations to reduce marketing costs by targeting customers more profitable. Moreover, Competitive intelligence information may help in improving resource allocation decisions and thus maximize investment into the most profitable purpose (Harring, 1996). The foundation of good intelligence process is to provide the necessary intelligence to the decision maker, in time to make a difference, and in time to take the correct actions (Nolan, 1999; Hoffman, 2006).

3.2. The conceptual model

Based on previous studies, we propose a conceptual model for strategic benefits of competitive intelligence process (Figure 2).
Based on the conceptual model, measurement instruments for constructs: planning and focus, collection, analysis, communication, process/structure, and organizational awareness and culture were developed in several empirical studies (Calof & Breakspear, 1999 and Calof & Dishman, 2002) in determining the state of Competitive intelligence in Canadian and South African firms. Quality of competitive intelligence process construct including: accuracy, clarity, usability, depth, relevance, responsiveness, timing and comprehensiveness were adopted from the study realized by Teo and Choo, (2001). Some constructs for strategic benefits constructs were developed by Chi and Yan, (2011) in determining empirically the impact of Competitive intelligence on executives' decision-making support and subsequently on strategic benefits expansion in organization and Hasan et al, (2011) in review of Competitive Intelligence & Competitive Advantage in the Industrial Estates Companies in the Kerman City. We will investigate the model in the direction of the analysis of the impact of competitive intelligence process: planning and focus, collection, analysis, communication, process/structure, and organizational awareness and culture on the quality of intelligence information and how intelligence information subsequently influences strategic benefits expansion in organization. An empirical research will be carried out to confirm the proposed conceptual model (links from the model between constructs).

4. Conclusion
The rapidly changing business environment, the need for timely information is recognized as essential for organizations to succeed and survive. In this context, Competitive intelligence represents a continuous process of gathering, analysing, and transmitting information and about actors (competitors, customers, suppliers, government etc) which interact with organization in the business environment in order to support decision making process for enhancing competitiveness of organization (Anica and Cucui, 2009). Some benefits derived from using Competitive intelligence process: innovation, marketing differentiation, anticipate new markets, avoiding cost, customer satisfaction, win market share, and revenue prospect. Competitive intelligence gives a big support on creation of competitive advantages and also improves the company’s performance as a consequence of a better business planning, new product introduction, new market developments and initiatives identified by this activity. The success of Competitive intelligence process will be dependant upon cultural awareness and organisational support for this function. This paper has sought to contribute further to the knowledge concerning competitive intelligence process and their strategic benefits for organization. Future research could also investigate the model in the direction of the analysis of the benefits strategic of competitive intelligence process:
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