

INCREASING THE COMPETITIVENESS OF COMPANY BY COMPETITIVE INTELLIGENCE

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Abstract. The article defines three basic factors of the Competitiveness Innovation, competitive strategy and competitive intelligence and their common designation as Competitive Engineering. Furthermore, the article deals with the definition of the term of Competitive Intelligence with regard to its relationship to the concept of Business Intelligence. The author states that the definition of Competitive Intelligence is based directly on the principle of work of state intelligence services with the difference, that the Competitive Intelligence uses only legal sources of information and legal methods in its work. The starting point for support of his understanding of the concept of Competitive Intelligence is comparison of two fundamental meanings of understanding the actual concept of information. The author tends to the view that for the purposes of Competitive Intelligence it is necessary to understand the concept of information not only in its own content as an objective entity, but that it is necessary to combine this information with the recipient (analyst) who interprets the contents of this information on the background of his knowledge and experience. Herewith the author gets to his understanding of the concept of Competitive Intelligence as a prediction about the future state in the neighbourhood of the company. There is also referred the author's concept of Competitive Intelligence, which he understands as an application discipline of the system theory and his own definition of the term Competitive Intelligence. In the discussion is given attention to the existing departments of Competitive Intelligence in the industrialised countries, and to the departments of the Competitive Intelligence Center and Innovation Intelligence Center.

Keywords: innovation, competitive strategy, competitive intelligence, competitiveness.

Jel classification: D80, G14, M15

1. Introduction

Enterprises which want to play an important position in demanding markets in a world of globalization, start increasingly feel the need of specific information which go far beyond information gained from ordinary analysis. More and more often begins to confirm the fact that the current enterprise information systems usually register and evaluate past events for needs of corporate control of company plan.

These information systems do not enable to process information for needs of strategic decisions of operatives of top management. The creation of such materials is essential for a successful decision of top management on the demanding market.

The more importance these high-quality materials are for a strategic management decision in time of crisis. In the crisis there is a painful process of removing all the old and surpassed – that will not be enough in the new period!

It is a known fact from the business practice that in every crisis many enterprises left as losers, but always there were found many enterprises

which emerged from crisis much stronger – so victoriously.

It concerns enterprises which prepared in time their new business ideas based on well-formed intelligence. These new business ideas are based on value or disruptive innovations and enterprises were able to realize their business ideas by the right competitive strategy on the concrete market.

The aim of the article is to present Competitive Intelligence as one of the crucial factors of building up business competitiveness on demanding markets.

2. Method

The objective of the article is to show certain factors, in particular the competitive intelligence, which may significantly participate in the ensuring of undertaking competitiveness on the demanding markets.

In the processing of the article have been used these methods: analysis, synthesis, induction, deductions and comparison.

2.1 The default points of view

We understand the term “*competitiveness*” in conformity with the definition by World Economic Forum (WEF): “*The ability to fight on the arena of the global markets with strong rivals, compete and ensure at least medium-term prosperity*” (Jirásek 2008).

We also believe that the basic conditions to ensure a high level of competitiveness of the enterprise are given by his intellectual capital, capital and markets (by their return and size).

3. Results

It is clear that factors which will affect level of competitiveness of the company will be numerous, and they may change depending on time, place and field of expertise.

Our view on this problem is based on the basic condition of the market economy – if a company wants to be successful on the market, it must come up with a better offer than is the existing offer from its competitors and it must be able to enforce the benefit of this offer on a specific market.

This general concept of competitiveness of the company we can represent graphically on the following Fig. 1:

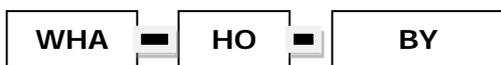


Fig. 1. Triad of the basic concept of the competitiveness of a company (Source: own)

Now we include into this basic schema of the concept of company competitiveness the specific activities, which we consider as their factual content:

What - innovation; How - competitive strategy; By what - Competitive Intelligence.

In the business practice comes to the front increasingly the need for solution of the tasks related to ensuring competitiveness of undertaking, on high level, at current state of scientific knowledge in the given field and with full usage of the creative activity of its executors. In the business practice is the required level filled by engineering activity.

According to prof. Ondráček (2008), professor Callaos defined the engineering activity as follows: “Engineering is a development of new knowledge, making things by new techniques with using new methods of work (practice), with a goal to create new useful products (artefacts) or services”.

That means that the creation of new innovation, competitive strategies, as well as of the intelligence should be included in the engineering

activities (Dostál *et al.* 2009; Chestnut 1967; Vlček 1984).

For this reason we use as a common name for the naming of three of the following key elements, which by their content fulfil the triad of the basic concept of the company competitiveness, the name **Competitive Engineering** (in any case, we don't want to claim that company competitiveness is depending only on the above mentioned key factors). See the following Fig. 2:

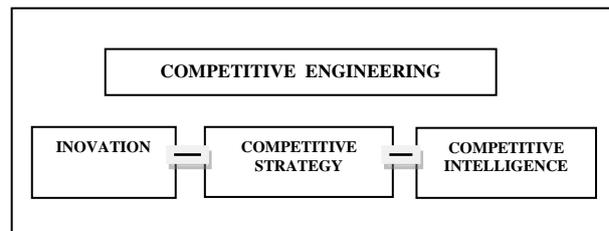


Fig. 2. The content concept of Competitive Engineering (Source: own)

Whereas the first two key elements of Competitive Engineering (innovation and competitive strategy) are in the current literature widely addressed (Bartes 1997, 2004; Drucker 1993; Gilad 2010; Krause 2010; Molnár 2007; Porter 1994; Zinecker 2011), we shall in the further discussion restrict only to the third key element, i.e. competitive intelligence.

3.1 Competitive Intelligence

Fayol (1949) puts among the basic functions of undertaking also *anticipating*. Businesses that want to play on a given market an important role, must be able to predict the future steps of the competition, must be able to predict trends of development in its field.

That means they must have a timely *intelligence* that goes far beyond normal information obtained from the analysis carried out in the process of creating corporate competitive strategies.

For this reason undertakings integrated into their organizational structure departments dealing with this issue, so-called the services of Competitive Intelligence (for the definition of the concept of Competitive Intelligence was used the English name for the subject of Competitive Intelligence because of the inconsistencies in use of the Czech equivalent. In the Czech translation is very often used the term “Competition reporting”, to which are in business practice certain comments, because of the inconsistencies of interpretation, which is rather understood as the term, which is very close to the concept of industrial espionage or is directly

the same, what stands in sharp contrast to the essence of the Competitive Intelligence).

From the analysis of available literature, relating to the job responsibilities and used processes of the workers in Competitive Intelligence is obvious that in addition to definition of the basic activities in different stages of news cycle, there does not exist any stable or standardised methodology. See for example publications from authors (Raudeliūnienė *et al.* 2012; Fuld 1995; Kahaner 1997; Liebowitz 2006; Hall, Bensoussan 2007).

In particular the publication from author (Carr 2003), describing the art of work of 15 leading experts in the Competitive Intelligence in the US. In this publication reputable experts describe the process of Competitive Intelligence very heterogeneously, as: cycle, a linear process, four point model, scientific method or even a pyramid.

These experts also don't give clear answer to questions: By what to start the work in Competitive Intelligence, and in what order is necessary to continue.

About the most important activity, this should be carried out in the framework of Competitive Intelligence, that means on the conversion of information in the intelligence are their testimony very sketchy, even vague. On the basis of the above, we believe that it is necessary to fundamentally change the approach to Competitive intelligence.

The basic starting point for our understanding of the Competitive intelligence is the fact that we understand it as the system application discipline (Bartes 2010).

As already mentioned above, in the business practice is increasingly coming to the front the need for solution of these tasks at a high level. In the business practice is the required level filled by engineering activity.

This definition of the engineering concept creates us in relation to the system application discipline a new understanding of the concept of Competitive intelligence. We understand the Competitive Intelligence in the modern world of business practice as a very demanding engineering activity.

For us it means that **senior management of the company must have in the right time very clear picture of competences, strength, potential, plans and competition intentions.**

In the normal management practice of our companies, the competitive intelligence is most often given in the context with the term **Business Intelligence** (abbreviation **BI**).

The term business intelligence introduced in 1989 Howard J Dresnar (Novotný *et al.* 2004), who defined it as: "*Set of concepts and methods for improving the quality of company decision*". Over time, the importance of this concept increas-

ingly expanded and today it is possible to identify a considerable diversity in its understanding. For illustration it is possible to specify several today used definitions of this concept:

a) **Business Intelligence** represents "*a complex of approaches and applications of IS/ICT, which almost exclusively support the analysis and planning activities of enterprises and organizations and they are built on the principle of multi-dimension, which we understand here as ability to look at the reality from several possible angles*" (Novotný *et al.* 2004).

b) **Business intelligence** is a "*set of processes, applications and technologies, with the goal to support efficiently and effectively decision-making processes in the company. They support the analysis and planning activities of enterprises and organizations and are built on the principles of multi-dimensional views on business data*" - the Czech society for system integration (ČSSI 2010).

c) **Business Intelligence** is a "*field of activity, parent to all the processes of intelligence in the business segment. Here are monitored, collected, analysed and processed data about the business environment as a whole, not only about the customers, the market or competitors. The same term is used in connection with the management, analysis and evaluation of large data volumes, mostly in the context with saving raw data, their administration and data mining*" (Business Intelligence 2010).

For the above mentioned reasons, there are in the business practice at least three different views on the definition of mutual relation between the concept of Business Intelligence and Competitive Intelligence. This relationship is usually stated with the following options:

a) **Competitive Intelligence** is equal to Business intelligence.

b) **Competitive Intelligence** is part of the Business Intelligence, when BI is the parent system CI and CI deals with obtaining the information that is not commonly identifiable in the market environment.

c) **Competitive Intelligence** is perceived as a relatively independent information system, which is focused on the external environment with an emphasis on obtaining information about the competition. Business intelligence is on contrary understood as a process, oriented on the internal environment. That is, it is working with the information, which are located inside the company, but may cover both internal and external environment (Brychta, Svirák 2010).

Competitive Intelligence is according to The Strategy and Competitive Intelligence Professionals (SCIP): "*a systematic and ethical program for*

the collection, analysis and decision making of external information, which may affect the plans of the companies, their decisions and control" (SCIP 2010).

In order to provide the correct definition of the interaction between the term Business Intelligence and Competitive Intelligence, we have to start from the requirement of the company management, concerning the nature of necessary information, which should be provided for their strategic decisions.

For a really successful and reliable use of Competitive Intelligence in business practice, it should be noted that this issue must be based **directly on the principle of the work of the intelligence services** (by understanding the actual essence of Competitive Intelligence we differ from most authors whose concept of Competitive Intelligence usually slips to some "external" form of the Business Intelligence), which is necessary for the support of decision-making at the state level, with the difference that the Competitive Intelligence uses only **legal information resources and legal methods for its work** (Bartes 2009).

For these reasons it is necessary to understand the mutual delimitation of the concept of Business Intelligence and Competitive Intelligence, as stated in point ad c), that **Competitive Intelligence** is a relatively isolated information system which is focused on the external environment with an emphasis on obtaining information about the competition.

For the definition of the actual concept of Competitive Intelligence so as to meet the above mentioned requirements it is necessary to deal with the concept of "information" itself. In the literature (Ehleman *et al.* 1994), there are different views on the explanation of the concept of information, at least in the following understanding:

a) the information is considered to be an objective entity, i.e. constant and independent of its beneficiary, where this information is actually a source accessible to anyone, where the crucial role is played by its availability or processing based on formalised procedures,

b) connection of the information with the beneficiary and the possibilities of his acting, where as fixed are considered only the data, which represent a form, the content of which interprets the beneficiary on the background of his knowledge and experiences. The information in this concept is gaining subjective dimension beside the problems with its transmission and transformation, its validity, competence of the beneficiary and of the sending person, etc.

When we compare these two basic approaches to the information understanding, so for

the need to secure successful activities of Competitive Intelligence is necessary to choose the concept of the information according to point b), that means during processing of the information obtained will be included in the solution of this issue not only the received information, but also the context of possible obtaining of a competitive advantage, which is given by the experience and knowledge of the competent employee, including his intuition and creativity.

Very instructive is in this case also the opinion of Mr. T. S. Eliot (1952): *"It's a case where it is necessary to take into account not only the concepts, trends, principles for this or that defined case, but to demonstrate the "universal intelligence", the ability of a broad understanding of the problem, the orientation in many directions with all the factors, all the terms, all the circumstances"*.

From the above mentioned is for us obvious that in nature, properly understood and in the business practice implemented Competitive Intelligence of a firm, means to create **"forecast of the future"**. **And in this and only in this concept, the Competitive Intelligence has its importance for the company!**

By understanding the real essence of Competitive Intelligence we differ from most authors whose concept of Competitive Intelligence usually slips to some "external" form of the Business Intelligence.

In this concept the new approach to the practical implementation of intelligence analysis in the business practice was designed and in practice checked.

Algorithm of the implementation of intelligence analysis of the information in the undertaking was described in the publication Bartes (2011) "Action Plan – Basis of Competitive Intelligence Activities".

This means that to the obtained information must be created in the process of so-called intelligence analysis an added value, by which the actual intelligence is created – that means the said forecast of the future, which constitutes the basis for strategic decisions of senior management of the undertaking! In general, the Competitive Intelligence is subject to the following requirements:

a) detect timely the key problems of the company, resulting from the corporate neighbourhood,
b) ensure possible ways of resolving these problems with information.

Subsequently we state also the actual definition of the concept of Competitive Intelligence (Bartes 2010):

"Competitive intelligence is a systematic, creative and ethical application of intelligence me-

thodology and of key methodologies, which by using team-work:

- finds, identifies the symptoms or data, and information resources,
- analyse obtained symptoms, data and information, and complete them, assess their meaning and form from them evidences of phenomena,
- from information it forms comprehensive hypotheses (forecasts of the future state) for changes and assess their contribution by the evidences and costs caused by changes, as effectiveness of these changes,
- carry out preparation of intelligence reports for decision making by the management of the company”.

4. Discussion

In industrialised countries, in any bigger business are the services for systematic monitoring of competitors, their business, research and even of human resources development, see (Kubát 1997).

4.1 Competitive Intelligence Centre (CIC)

The basic mission of the services of Competitive Intelligence centre is to provide in due time the necessary information, hence news for senior management of the company, which they need for decision-making in serious strategic issues, see (Kocmanová *et al.* 2010).

Their specific task is continuous monitoring of the relevant activities of the competition, of course by legal methods, not by spying. The centre of their attention is in particular on the construction of new industrial plants with the latest production technologies; see (Kocmanová, Dočekalová 2011).

The services CIC have precisely prepared methodology for monitoring the competition, including information networks and informants. Often there are working former experienced analysts or experts in the field of investigation cases, bordering with economic crime.

These people are well paid, they are close associates of top managers and they occupy in the corporate hierarchy relatively high place.

From the practice it is known, that the information from CIC brought many undertakings savings going to hundreds of millions dollars, since they allowed them in the final stage to obtain lucrative contracts and the markets.

In addition to the commercial and managerial information the staff of the CIC concentrate also on evaluation of the leading business personalities (so-called brain trusts of companies), on examination of their characters, looking for their motivational skills, positive and negative aspects.

4.2 Innovation Intelligence Centre (IIC)

These departments monitor innovative activities of competition, i.e. intentions of competing undertakings in the field of research and development, and again, only with legal methods.

The company's IIC has, however, not only information influence, but also initiation influence. In the company it is in charge of the Cabinets of competition, improving of the business and creative climate, and innovatory activities.

The benefit from activities of both centres is in particular informing of the senior management of the undertaking about the strategic and also of operational activities of the competition.

5. Conclusion

Information plays an important role and they are considered to be one of the most powerful contemporary and promising weapons. To sum up – who has the information in his hands, have relative advantage.

The question is whether he is able to effectively use this information in order to achieve superiority over the adversary.

Information are for those, who makes decision, becoming an advantage (weapon) only in the moment, when they will understand their importance in the context of the opportunity to obtain or create a competitive advantage for their business.

Competitive Intelligence plays one of the most important roles in the preparation of the decision of the company management when creating new conditions for securing the future success of the company in a demanding business environment, and it is considered as one of the most powerful prospective weapons in the hands of the company management (Hammer 2002; Gibbson 1996; Jirásek 2008).

On the basis of the experience with business practice it can be noted that the highest added value is created in the Competitive Intelligence in the trading companies in the process of strategic planning, as the main reason for the existence of Competitive Intelligence is next to ensure a good information, the ability to react in advance on the possible challenges in the future.

One can only regret that majority of Czech companies does not have in its organizational structure any service CI and they do not execute this activity (this knowledge is obtained from the cooperation of the author with the business practices of enterprises in the Czech Republic). According to a research, made for the purposes of SCIP (2010) there are mentioned: “...significant

relations between use of CI and economic results of the company.

Companies, which actively use CI, show better economic results. In terms of territory, the best prepared monitoring systems of competition companies they have in the USA.

From European countries the most advanced are companies from Great Britain and Germany". It is possible to believe that in the next period won't be successful that company, which will have its strategic decisions based on incorrectly processed reporting.

The author in his work created the so called "intelligence analysis information" having the task creating an added value to gained or processed information see (Bartes 2011).

The aim of his work is create a methodical procedure of identification and subsequent analysis of possible misinformation which can be created in the market environment to influence our decisions.

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