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The need of complex competitive intelligence

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Abstract

The importance of competitive intelligence in companies is practically become widely accepted. Use of this tool has become a necessity of today. But the need for the introduction of a comprehensive (complex) competitive intelligence is penetrating into the foreground on the basis of the most important proven benefits to the enterprise, such as improved quality of information, faster decision making, systematic improvement of organizational processes, improvement of organizational efficiency, cost reduction, improvement of information dissemination, saving time, quicker identification of threats and opportunities. The main aim of this article is to assess the importance of competitive intelligence based on various surveys and especially to assess its complex integration throughout the entire enterprise, not just in the marketing departments.

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1. Introduction

If we examine today's excellent results of a particular enterprise, it is established that they are outcome of the correct management decisions in the past. If we want to make this enterprise successful in the future again, it is necessary to secure the correctly decisions right now. The most of companies neglect to this need of right strategic decision for creating favorable conditions which ensure future success in an even more challenging business environment because they solve today's very important and essentially existential problems. It is needed to realize that due to ongoing changes in paradigm of today's the competing for the future does not already mean the effort to increase market share, but it means the competing for a share of opportunities, because there is no point to talk about

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the market share in markets that do not yet exist. If the firm wants to elaborate future opportunities, it had to develop the ability of practical realization of these new markets creation. In general, we can argue that business success in a market economy is related to predictions of opportunity and timely solutions of potential issues. In economics there are significant problems, which are called crises and there exists the threats of existence of many businesses. But always there are enterprises which emerge much stronger from the crisis. These are the companies which make in time their new business ventures mostly based on the value or disruptive innovation by properly created intelligence and they are able to implement them on market by right competitive strategy. The concept of intelligence is defined either as the process by which strategy makers search, collect, analyze and provide information or as a result of this process (Lowenthal, 2006). Another view of intelligence is a view on a characteristic of the subject, product or business entity. From the perspective of cybernetics the intelligence organizations have these abilities (Schwaninger, 2008):

- ability to adapt to changing situations of external environment,
- ability to influence and shape the external environment,
- if it is necessary, ability to find new environment where they can work, ability to change in these new environments,
- ability to minister to sustainable development of larger units, which are part of.

According to Molnár (2012) this is just characteristic of the competitive intelligence, and it is also its main task - to create knowledge needed for intelligent performance of the organization. Because an intelligent business uses information obtained from various sources by internal analysis tools (e.g. VRIO) which are dealing with the analysis of competitive advantage in enterprise resources or by the analytical tools of the external environment (e.g. BCG model or competitor analysis). Growth-Share Matrix is only used to determine what priorities should be given in the product portfolio of a business unit. Competitive intelligence primarily solves the competitiveness of the organization as a whole and analysis of competitors is one of many components of CI, but not the main or not the only. Wright *et al.* (2002) differentiates competitor intelligence from competitive intelligence. According to her, competitor intelligence is defined as those activities by which company determines and understands its competitors, their strengths, weaknesses and expectations of their actions. Competitive intelligence on the other hand extends the role to include consideration of competitor responses to consumer/customer needs and perceptions and one's own responses in the strategic decision-making process.

The objective of this article is to confirm the importance of using competitive intelligence in any enterprise on the basis of secondary sources (surveys) and especially point out the necessity of competitive intelligence incorporating into the whole structure of enterprise, not only in marketing departments, as has been up to now. And thus create complex competitive intelligence of enterprise. The complexity of competitive intelligence in our context should be understood as a process of involving of every human resource and every department in the enterprise to competitive intelligence and so to be a part involved in building strategy and achieve business success. Building up a complex enterprise-wide competitive intelligence is only possible on the basis of a well-functioning knowledge management.

2. Definition and specification of competitive intelligence

The definition of competitive intelligence (CI) varies according to different authors and approaches in the field of business. Bartes (2010) defines CI as analogous to intelligence activities conducted by intelligence agency, which differs in that it uses only legal methods of work and legal information sources. Within the intelligence process there is CI information collected from legal sources on the basis of the layout, subsequently they are analyzed and presented with value-added to company management. According Bartes (2011) CI seeks to predict the future and on the basis of this predicting the strategic company decisions are based on. Another one of various definitions indicate the concept of CI as a system framework for process of definition, collection, analysis and distribution of information within the enterprise (Molnár & Štrelka 2012). According to the Czech terminology database library and information science by Šmejkal (2010) Competitive Intelligence is 'survey, monitoring and evaluation of the competitive environment (companies, organizations) to identify strengths and weaknesses of competitors,

recognizing its strategic objectives. It includes analysis and synthesis of data, respectively information that will be transformed into strategic knowledge, gathering information about competitors and monitoring entities of corporate environment (market, state, law and legislation, political and demographic context). Competitive intelligence focuses data and information from a very wide view, allowing enterprises to predict future events and use them for effective strategies in relation to the competitive environment, because every decision, especially strategic, is based on certain assumptions. Lesáková (1994) identifies with this characteristic which argues that competitive intelligence is creating of effective information system of competition and it is the basis of quality competitive analysis processing. Society of Competitive Intelligence Professional (SCIP) can be regarded as authority of the competitive intelligence issue and their definition of competitive intelligence in 2003 as a systematic and ethical program gathering, analyzing and managing external information that can affect your company's plans, decisions, and operations. Bill Weber, former president of the SCIP defines competitive intelligence as a dynamic business discipline for gathering, analyzing, communication and managing of knowledge about business environment, and for comprehension of competitive intelligence in the company strategy to ensure and sustain the competitive advantage (Kopeck, 2003, p. 8). Another important personality in the world of CI is Leonard Fuld, who has published several works on CI and is the founder and president of consulting firm Fuld & Company in USA. In 2003 he defined the following CI points as

- 'information that has been analyzed to the point where you can make a decision,
- a tool to alert management to early warning of both threats and opportunities,
- a means to deliver reasonable assessments,
- a way for companies to improve their bottom line,
- a way of life, a process,
- part of all best-in-class companies,
- is directed from the executive suite,
- is seeing outside yourself,
- is both short- and long-term.

According to Fleisher (2003, p. 4) competitive intelligence is the process by which organizations gather actionable information about competitors and the competitive environment and, ideally, apply it to their decision-making and planning process in order to improve their performance. Competitive intelligence is a cross-discipline, which seeks to achieve competitive advantage through targeted collection and analysis of partial (various locations) information about the market and competition (Tomek & Vávrová, 2011). The process of achieving of the competitive advantage (wisdom in the future) is shown in Fig. 1.

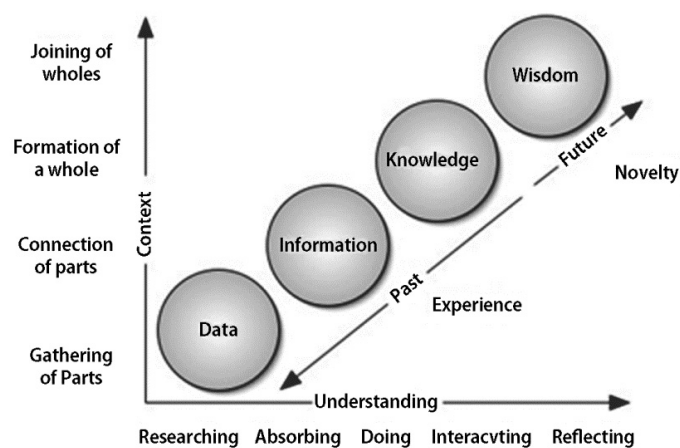


Fig. 1. Achieving of the competitive advantage

Data are seen as raw, while the processed data with value-added are transferred to information. Information together with the experience of company employees creates the knowledge. An enterprise can achieve success by sharing of knowledge within its structure by competitive intelligence. Information becomes intelligence only after it has been filtered, checked, analyzed and processed (Wright, 2013).

Bouthillier and Shearer (2003) summarize the issue of very large number of not very differing competitive intelligence (CI) definitions. They evaluate the definitions such as rarely comprehensive, generally vaguely speaking about competitiveness, ethics and legality of activities. Neither theorists nor practitioners do agree on a general definition

Let us to define the CI relationship to other disciplines. Bartes (2010) states that the competitive intelligence is usually understood like similarity with business intelligence or like a part of it. Business intelligence is also understood by several meanings. Much terminology fragmentation exists in this field. This definition seems to be the best of the available definitions of business intelligence. Business intelligence is a field of activity which is superior to all intelligence processes in the business segment. Here are monitored, collected, processed and analyzed data on the business environment as a whole, not only about customers, markets and competitors. The same term is used in relation to the administration, analysis, and evaluation of large amounts of data, usually in connection with the storage of raw data, the administration and data mining (Bartes, 2010). From this definition it implies the subordinate relationships of CI to the business intelligence that seems to be logical. Thus, we can say that CI is the part of business intelligence, which deals with competition.

Various authors distinguish between even three different views:

- Competitive Intelligence is equal to Business Intelligence,
- Competitive Intelligence is part of Business Intelligence,
- Competitive Intelligence is understood as relatively separate information system.

The first view is mainly encountered in American literature, where the two concepts are understood as synonyms. The second view presents, that CI is part of the parent category Business Intelligence, which is understood as a group of resources and ideas supporting all areas of management decision-making with an emphasis on improving the awareness of managers at all levels of management. It contains information that is not necessarily competitive and includes mainly news and information work, which is within the company. This view is shared by Zheng *et al.* (2011) which says that competitive intelligence has emerged as an important area within business intelligence where the emphasis is on understanding and measuring a firm's external competitive environment. The last is presented by Špingl (2007) and he says that while CI is more focused on external environment, primarily on the behavior of competitors, BI primarily on indoor environments. In other words, BI is working with information that is within the company (even the external environment). CI works mainly with information that is outside of the company. Thus we can find a difference in information sources.

We can also specify to the competitor intelligence, i.e. intelligence about competitors. Safarnia, Akbari, and Abbas (2011) reported that competitor intelligence is activity focused on the understanding of competitors, their strengths, weaknesses and expectations of their actions. CI is according to them wider and includes activities to understand the competitive environment in relation to own business, analysis of the impact of competition on business and possible actions and reactions of enterprise. Simply we can say that competitive intelligence is superior to competitor intelligence, and it gives it the added value, usually in the form of inputs for strategic decision making.

Of these approaches and definition of CI to other disciplines, we can create the following definition, with which we also operate in this paper. Competitive intelligence is the process of monitoring the competitive environment and competitors of enterprise, in which the definition, information gathering, analysis and distribution of the obtained results is carried out gradually so that they can support the efficient business activity and its ability to make qualified decisions, especially in relation to its competitors. Competitive intelligence deals with the collection and analysis of such information, which can generate ideas on future trends, draw attention to the potential risks and opportunities and their key characteristic is usability of this information for follow-up action.

3. Complex competitive intelligence

By Vejlupek (2001) the value of intelligence is based on three attributes: the content - the result of the analysis or the contents of the relevant report, form - express of the content easily understandable for the user, actuality - there is a principle rather on time and imperfect than perfectly and too late. The last phase involves using the CI in decision making. Experts recommend that the department carrying out the CI has been placed as high as possible within the organizational structure. The CI department is mostly directly under the chief executive officer (CEO). CI manager in large companies directly informs the CEO, so it is usually on head of the unit that is separate or integrated into the organizational unit responsible for business development and strategic planning (Špingl, 2007). There is a different opinion in Frost & Sullivan Company, which has conducted survey in cooperation with SCIP to understand the most pressing external and internal challenges shaping market research and competitive intelligence executives' 2011 planning. Target respondents (206) were Manager level and above market research and competitive intelligence executives from companies throughout North America, Latin America, and Europe. The survey identify that the CI department usually reports to the marketing department (see Fig. 2).

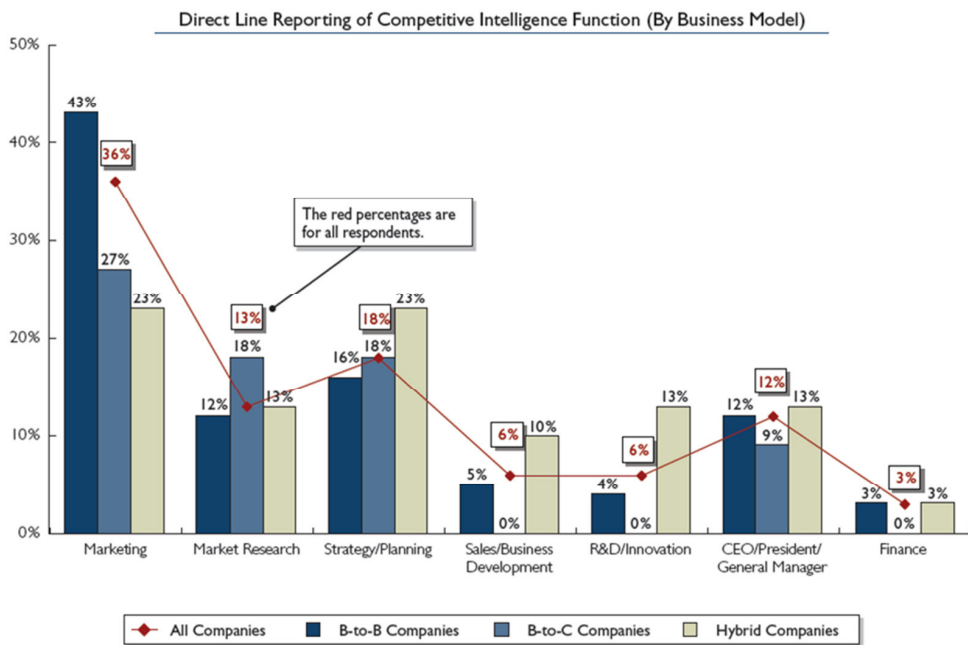


Fig. 2. Your CI department reports directly to what department?

Safarnia, Akbari, and Abbas (2011) suggest that competitive intelligence has been originated in marketing field and so it was originally known as "marketing intelligence" and has further developed. Therefore, it is still seen as part of the marketing department, but nowadays CI should be understood as a complex process. It becomes more efficient if a group of people involved in the process is larger and more diverse. According Michaeli (2008) the complex CI center has the biggest benefit measured by return on investment (ROI). The return on investment is the most commonly used financial measure of competitive intelligence project (Wu, 2000; Groh 2004; De Silva, 2005). ROI is a very popular indicator which is used in enterprise-wide scale for the assessment of individual investment projects. For the company as a whole, it is counted more from the perspective of the investor, which invested in the purchase of the company and now wants to find out what is the return on his investment. Calculation of return on investment is based on the ratio of the net project benefits and project costs. Net benefits are calculated as the benefits minus the costs of the project. Monitoring of project costs is an important step in the development of ROI

calculations. Every company is trying to minimize costs and increase revenues (Philips & Philips, 2008). CI center involves several persons from various departments forming CI network. This network has a greater chance to capture accurate and timely signals and also properly handle the information obtained as individuals. Fig. 3 shows the increase of the return on investment in the development of CI center.

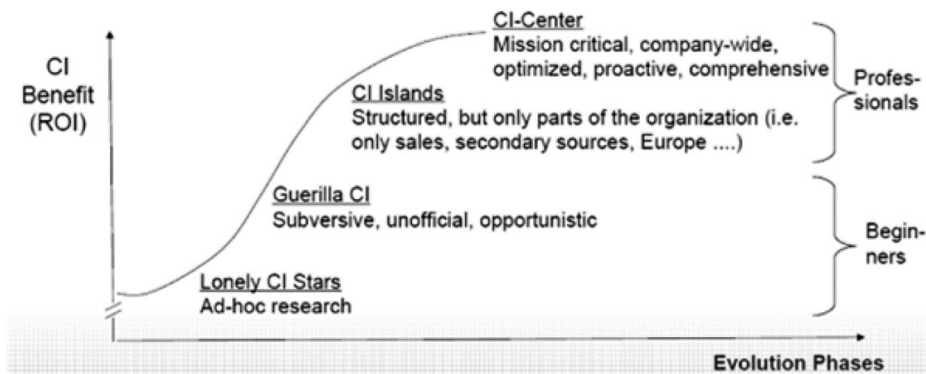
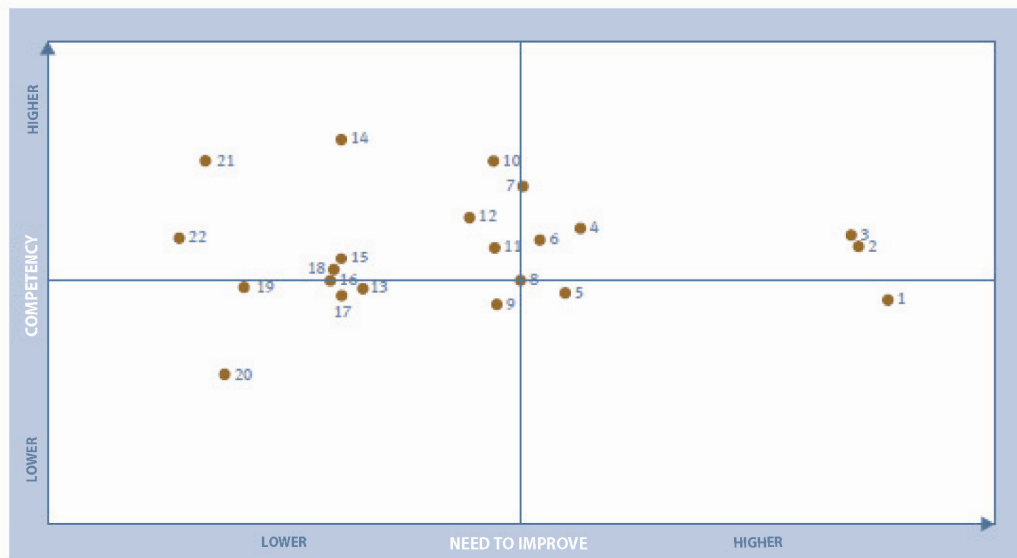


Fig. 3. The return on investment in the development of CI center

It is obvious that every business has different requirements Competitive Intelligence as well as the size of the department that deals with these questions will be different. As mentioned Molnár (2008) there are dozens of specialists in the largest globally operating companies who systematic deals with CI. The large companies generally have a number of them, typically two, of which one is director or manager. In the medium size company the only one employee who deals with CI is sufficient. For a fully functional CI in larger company you need to create a well-organized network of experts working on different parts of the process. There are specific success factors by cooperation in the development of this type of knowledge-based networks at the comprehensive level. First, there must be a clear definition of objectives, roles and responsibilities of participants in the network, and secondly, all participants must clearly understand the benefits it brings the presence of people in the process.

The results of several surveys prove that the emphasis is currently on the integrity of the correct and effective CI functioning, namely connections of others not only marketing departments in the process of CI. The survey, which dealt inter alia by identifying key priorities and key areas of financial activities was conducted in 2012 organization Protiviti. Protiviti is a global consulting firm that helps companies solve problems in finance, technology, operations, governance, risk and internal audit. Survey was attended by more than 100 financial officers, vice presidents, CFOs and controllers who represent a sample of all industries. Respondents were asked to assess, on a scale of one to five, their competency in 22 areas of process capabilities focusing on financial analysis, with one being the lowest level of competency and five being the highest. For each area, they were then asked to indicate whether they believe they possess an adequate level of competency or if they need to improve, taking into account the circumstances of their organization and industry. Fig. 4 depicts a comparison of „need to improve“ versus „competency“ ratings in a process capabilities landscape.

Survey respondents, especially financial managers, reported as the most important area that needs to be improved just competitive intelligence. Enterprise-wide competitive intelligence enables companies to review the external environment that managers need to identify new growth opportunities and minimize or void risk. Competitive intelligence must be understood as a complex process which becomes more efficient, if a group of people who are integrated in the process is larger and more diverse, and there is cooperation between them.



Number	Process Capabilities (Financial Analysis)	Number	Process Capabilities (Financial Analysis)
1	Competitive intelligence (competitor, customer, geopolitical, etc.)	12	Multiyear budget
2	Business intelligence (operations reporting)	13	Margin management
3	Executive dashboards/scorecards	14	Annual budget
4	Profitability analysis (product, customer, channel, etc.)	15	Ad hoc nonfinancial reporting
5	Profitability reporting – customer	16	Controls reporting
6	Strategic planning	17	Other statistical reporting
7	Performance management	18	Profitability reporting – segment
8	Profitability reporting – product	19	Project management
9	Profitability reporting – channel	20	COSO ERM framework
10	Periodic forecasting	21	Board of directors financial reporting
11	Ad hoc reporting	22	External reporting (10-Q, 10-K, 8-K, proxy and other shareholder)

Fig. 4. Perceptual map of process capabilities

In addition to the above trends of including the CI to other departments of the company, which are necessarily to the current market situation, there are also longer-term tasks. One of the roles of CI within the organization is systematically collecting information about the market, their organizing and sharing within the organization. This leads to a gradual build of corporate know-how and CI thus gets on the border of knowledge management. It is a rather narrowly defined area. Therefore, cooperation and achieving synergies using technology is an advantage to be used in other areas of knowledge management across the organization. Knowledge management is an important part of competitive intelligence (Liebowitz, 2006) and just its absence or malfunction is one of the main causes of inefficient intelligence. 'Knowledge can be viewed as value strategic asset with potential for influencing organizational future actions. Knowledge management is defined here as the management discipline concerned with the systematic acquisition, dissemination and responsiveness of knowledge in organizations, aiming to improve a firm's performance' (Hu, 2010). Efficient work with information in the company a savior have knowledge, know how to use them, does not mean that information must be of huge amount. It is important to know how to get the information and the knowledge that are scattered across the company to gain a competitive advantage. In general we

can say that a knowledge management is the management based on using of knowledge, which became the new productive economic resource. For its application, it is necessary to choose appropriate forms of communication, engagement and knowledge sharing. To put it simply knowledge management is effectively linking those who know with those who need to know. There are many other definitions associated with this term. Slavíček according Wiig (2011) defines knowledge management as a systematic and deliberate creation, updating and using of knowledge in order to maximize organizational effectiveness. Knowledge management is therefore the acquisition, creation, sharing and using of explicit and implicit knowledge. It is not a summary of what is known at certain point but it is the developing knowledge (Collison & Parcel, 2005). Knowledge can be seen as a valuable strategic asset with the potential to influence future business activities. Hu (2010) defined knowledge management as the discipline dealing with the systematic collection, dissemination and ability to respond on knowledge in organizations to improve business performance. For knowledge management is also possible to use a definition that is presented as the art of creating value from intangible assets. Processes in which creates this value become part of the flow of knowledge management and they aimed to build a new and strong competitive advantages.

Based on the definitions of CI and KM it can be argued that both aspects are based on purposeful management, creating, acquisition, sharing and using of knowledge. We can talk about complex competitive intelligence if the systematic and integrative process of management and coordination of a broad business activities is create to search and use of knowledge in order to generate future values.

4. Conclusion

Hypercompetition environment leads to the fact that the entities of competitive struggle do not compete with only the originality and quality of their products or their price, easy availability, quality of service, quality of management, using advanced technologies etc. Competing in the current environment of globalization passes to fight by all tools. This period therefore calls for complex competitive intelligence as a comprehensive approach to competitiveness. Competitive intelligence center (as the highest level of CI complexity) has precisely developed methodology to monitor competitors, including information networks and informants. For a fully functional CI in company you need to create a well-organized network of experts working on different parts of the process. We can talk about complex competitive intelligence if the systematic and integrative process of management and coordination of a broad business activities is create to search and use of knowledge in order to generate future values. There are specific success factors by cooperation in the development of this type of knowledge-based networks at the comprehensive level. Michaeli (2008) summed these key benefits from global CI complex operations in order of priority:

- Develop and maintain information networks
- Gain support of internal organizational units
- Excel in professional information management
- Confidentiality of intelligence products
- Implementation of escalation procedures
- Knowledgeable CI team
- Seamless integration of strategic decision-making
- Control CI unit's performance with a CI scorecard

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