THE ROLE OF COMPETITIVE INTELLIGENCE IN THE COURSE OF BUSINESS PROCESS

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Abstract

Business being in the process of reorganization frequently experiences a lack of analytic data and managerial intuition. Working out and implementing business process capable of satisfying the needs of the market most completely presupposes a close cooperation and an active support on the part of the highest management strata of business organization. Basic changes in the attitude of management to the structure of business organization and information data basis is a prerequisite for achieving positive results. It is in this case only that competitive analysis and outside information is sure to become the main condition for accurate understanding of the possibilities of competitive intelligence and the risk of investments necessary for achieving the ultimate goal so that business organization after certain reconstruction could gain competitive advantage in the dynamically developing market economy. Some business organizations operating in western countries have implemented a similar model of business organization applicable to concrete kinds of production. The basic principles of this model have been verified and applied for a concrete section of the market, i.e. for evaluating the situation of competitiveness and applying basic economic principles in it. The principles of analysis of competitive intelligence embrace information about the rivalry situation on the market, the potential changes in the demand for different kinds of production, as well as about a comparative scenario in modelling going over from one system to another that would also embrace the analysis of a particular portion of the market.

Keywords: competitive intelligence, the structure of business organization, competitive analysis, business process.

Introduction

The corporation determined to create department of competitive intelligence inside its structure should answer certain questions and undergo certain stages. It is possible to single out the stages of initial preparation for the process of reorganization that would enable business organization to get ready for the implementation of the system of competitive intelligence inside its structure and a further employment of this system in the course of business process. The stages possible to be singled out are as follows:

- Collection of basic data about the structure available;
- Analysis of the basic data collected;
- Collection of information concerning the expectations and vision of the top managers of business organization and the analysis of this information;
- Collection and analysis of outside basic information about the current situation and the activities of the competitors;
- Preparation of a newly constructed model of business organization including or singling out the department responsible for competitive intelligence;
- Coordination of the expectations of the top managers of business organization and the newly constructed model of business organization;
- Preparation of the coordinated model of business organization for its implementation and its concrete putting into effect.

There is no single and clear-cut way to be followed in order to completely make use of the advantages of competitive intelligence and to implement it in the structure of business organization. A successful implementation and use of the advantages of competitive intelligence is therefore made possible only after putting into effect the stages enumerated above (Dumciuviene, 2009). Depending on the sphere of business activities the scopes of separate portions of business organization models have changed considerably. The strengthening of competitive struggle on the market has also added to this significantly. If in the year 1980 certain spheres of business were highly profitable this profitability had decreased over half in 1990 (Snieska, 2008). Therefore striving for a successful competition on the market and aiming at a successful survival in the competitive struggle one of effective means is creation of a competitive intelligence department or implementation of competitive intelligence functions by changing, complementing or reorganizing the structure of business organization.

The problem. In conditions of the ever strengthening competition and active globalization of the economy large corporations and individual companies striving to survive in the competitive struggle make
use of the various methods available. Still it is but rarely that a corporation manages to make use of the advantages offered by competitive intelligence.

The aim of the article is to establish the potential position of competitive intelligence in the process of business.

The research methods used were as follows: a systematic comparative and structural analysis of scientific literature on economics, logical analysis, qualitative and quantitative analysis.

Changes and Business Environment

Business is governed by a multitude of rules and one of them states that in conditions of active globalization and fierce competitive struggle it is not always that large corporations gain a victory over their smaller counterparts. Still the companies capable of adjusting themselves fast to business environment have considerable advantages over the companies that avoid changes. In other words, it is not always that big one beats the small one, but the fast one is sure to beat the small one (Pepper, 2004). According to Pepper, creation of the department of competitive intelligence has enabled the company to shorten the time of starting a new product on the market by 3-4 times. In order for such results to be achieved the activities of competitive intelligence should be directed along the following lines:

• The ways to be followed to obtain extra investments in order to achieve the tasks set;
• The methods to be used in order to identify the potential personnel by means of which the tasks set could be fulfilled;
• The means to be applied in order to make optimal use of information technologies in the sphere of communications both inside and outside the company.

To cite Bill Gates, “I am absolutely convinced of this simple but effective truth. The best way to distinguish oneself among the rivals and to break away from them is overall use of information” (Gates, 2004).

It is worth noting that some large corporations in the USA use the so-called “The Old World” and “The New World” models of competitive intelligence.

Variant 1

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<th>“The Old World”</th>
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<tbody>
<tr>
<td>Static analysis of competition;</td>
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<td>Current reports, passiveness;</td>
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<td>Responsibility lies but with the analysts of competitive intelligence;</td>
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<tr>
<td>Maximum centralization and maximum decentralization;</td>
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<td>Individual work and functional specialization;</td>
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<td>Need for knowledge;</td>
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<tr>
<td>Support on the part of the management of the highest rank – limited and incidental</td>
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Variant 2

<table>
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<tr>
<th>“The New World”</th>
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<tr>
<td>A dynamic model of reaction concerning the rivals;</td>
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<tr>
<td>Competitive intelligence is involved in working out the strategies and in the process of analysis of all the likely variants;</td>
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<tr>
<td>Responsibility lies with all employees of the corporation;</td>
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<tr>
<td>“Radial-axial” scheme (“Circle” scheme);</td>
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<td>“Team” work;</td>
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<tr>
<td>Need for sharing knowledge;</td>
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<tr>
<td>Management of the highest rank is constantly involved in the activities of competitive intelligence.</td>
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It should also be noted that “The New World” scheme is a considerably better one as regards achieving the tasks set. One point, however, concerning the so-called “group responsibility” remains questionable. In our opinion, specifying as to who is responsible and for what would provide a greater effect.

Another still unidentified but likely to arise problem is creation of “super comfortable” psychological atmosphere in the association of people, the atmosphere favorable to relaxation and providing no stimulus for gaining the goals set. In such a situation there always exists a probability that the employees will simply overlook important details concerning the actions of the competitors.
In a situation when attempts are made to start a new product on the market business or competitive intelligence has to proceed from simple analysis and spreading of information to such models of activities that would enable the corporation to put the information and knowledge available into effect thus gaining competitive advantage over its competitors.

Two or complete decentralizations extremes, either absolute centralization, are typical for most corporations. The so-called “radial-axial” scheme distinguishes itself by the fact that all resources, human resources among them, are included into the activities of a new organizational structure (“The New World”) subject to the needs and trends of development of the project. Consequently, the resources are used more rationally and effectively. Thus, the “radial-axial” scheme (‘Circle’ scheme) should look like as follows (Pepper, 1999):

![Figure 1. “Circle” scheme](image)

Such a scheme acquires particular importance when a corporation possesses a number of branches operative outside the boundaries of a single? Thus such a scheme contributes to optimizing the activities of the corporation. It is rarely that in “The Old World” version the information about the likely rivals and the activities of the personnel fulfill the same functions. It is also worth noting that the loss of control of streams of information may cause problems of security of information, such as “leak” of information beyond the limits of the corporation. Furthermore, there exists a strong probability that the competitors are likely to make use of the situation.

According to J.P.Cherring, a prominent expert in competitive intelligence, in order to start applying the methods of competitive intelligence in a corporation it is essential that the so-called ethics code, that would simplify team work, should be used. In the author’s opinion, such a code in future could help to avoid undesirable consequences that might arise in case ethical norms had been violated. Besides, such a code in future would help to avoid arguments as to what methods of pressure upon the competitors are permissible and what are not. Therefore some corporations in the USA resort to the so-called “Pilot project” in their work. In the opinion of experts, the project mentioned above should (Fahey, 1993):

- Demonstrate the benefit of “team work”;
- Propagate the methods of applying exchange of ideas between competitive intelligence people and executives of the corporation;
- Use the results of the work of already existing, if any, subunits of competitive intelligence;
- Render assistance in working out the most suitable model for a concrete corporation.

Thus, the model worked out looks like as follows:
Figure 2. „Pilot project“ model

The corporation that has installed the “Pilot project” in its structure should gain the following experience (Behnke, 2001).

- The subunit of competitive intelligence should be headed by one of executives of the highest rank;
- Multifunctional teams are operative;
- As verified in practice, consulting persons, experts in competitive intelligence and ethics code are beneficial;
- Authorities are in need of both strategic and tactical information;
- Competitive intelligence may constitute a part of changes in corporative culture;
- Active propagation of competitive intelligence within the corporation is necessary;

A question may arise – should competitive intelligence be orientated towards strategy or tactics? Since everybody, starting from ordinary agents and finishing with executives of the highest rank, needs information about the competitors this question should be formulated otherwise, i.e. how employees of all ranks could be provided with information obtained by competitive intelligence. Adaptation of information, as well as the form of its presentation, should also be taken into account. Thus, information about the likely strategy or tactics of the competitors may not be interesting or necessary to employees of lower rank. Likewise, the information by means of which unimportant current tasks are solved should not be presented to executives of the highest rank.

The next stage should embrace transgressing the boundaries of competitive intelligence. Therefore a programme of competitive intelligence should be formed.

The main principles of the programme are as follows:
1. The competitors:
   - Level of corporation;
• Level of departments.
2. The task:
   1) From executives of the highest rank;
   2) From heads of departments.

Realization:
1. The addressees – from executives of the highest rank to dealers;
2. The material presented – from strategic analysis to recommendations given to sales department;
3. The organization of access to special data bases.

The role of the department of competitive intelligence lies in managing, as well as working out the methods and means of creating proper strategies (Snieska, 2007). The competitive intelligence department also helps the management to take the right decision and to make offers to sales department. Thus, in the widest sense of the word, the process could be depicted according to the following scheme:

![Image of process diagram]

**Figure 3.** The virtual teams process

It has been found that even after performing the actions enumerated above it is not rarely that corporations find themselves faced with the following problematic areas that will have to be improved in future (Sliton, 1999):

• Keeping up personal contacts both within the corporation and beyond it;
• Improvement of professional skills of competitive intelligence by organizing programmes of theoretical instruction for practical workers engaged in competitive intelligence and giving them opportunity for promotion in the field of competitive intelligence;
• Strengthening of relations with subunits of competitive marketing and working out of common strategy;
• Fulfillment of inquiries of various level from the assessment of long-term strategy of the corporation to the latest developments within the corporation.

On the basis of the research done in exterior factors that expert a direct influence on the results of competitive intelligence, the following five factors, essential for achieving good results, have been singled out (Griffin, 1997):

• It is of particular importance for the chief of the corporation to realize and be personally interested in involving other executives of the highest rank in the activities of competitive intelligence. In such a case the goals set would be achieved much faster;
• A more complicated business situation presupposes optimization of the activities of competitive intelligence by involving all the employees of the corporation;
• It is recommended to make use of the experience of a variety of consultants by giving up the motto “everything that has not been conceived by ourselves is bad”.

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The so-called “Virtual teams” have come into existence as a means to protect oneself from the pressure of the competitors. As a rule, the employees of such teams work in different subunits, as well as have different training and experience. Thus they exchange information and ideas;

It is only by means of accurate, well-timed, objective analytical accounts and well-considered recommendations that specialists in competitive intelligence can achieve the goals set and win high appraisal on the part of executives of the highest rank.

Depending on the organization of competitive intelligence processes it is possible to distinguish the following five imperfections most frequently found in the activities of competitive intelligence (Bricing, 2000).

- The information presented is too superficial, mass media being the principal source of information. Therefore the information used may turn out to be not objective or even provided by competitors.
- The degree of validity of information, e.g. the information provided by a person who has no proper experience in a concrete sphere of activities, viz. a student of some business school.
- Information provided not in good time. It happens not infrequently that the user of information needs it namely today, whereas processing and presentation of information would take e.g. two days, so the information becomes of no value.
- The essential concentration. Most users of information believe that getting information that can be no longer affected by them or getting information of two hundred pages is not enough. Most of them prefer getting the analysis of information in two pages that would enable them to make the right decision.
- The addressees to whom the information is meant. Frequently ordinary employees come across information that, in their opinion, is important. Still they do not know with whom they could share this information and how the corporation could benefit from it.

On the other hand, specialists in competitive intelligence also encounter problems in providing information to its users. The following problems could be singled out:

- The absence of well-defined aims. Frequently information users do not let specialists in competitive intelligence know for what purpose the information requested will be used;
- Shortage of time for carrying out inquiries of all information users. Most frequently this problem arises when information users realize the benefit provided by competitive intelligence;
- Different requirements possessed by different users. Some users need exceptionally detailed and accurate information while others expect a brief analysis of the information;
- The volume of the information to be processed by the analysts is too great;
- Some employees of the corporation delay information and do not present it to their colleagues in good time. This problem is caused by the fear to turn out unnecessary after providing information and be given no reward for it;
- Poor organization, when it is not clear where one should apply for information in order to finish the project;
- It is not quite clear who is the actual user of information;
- Absence of feedback;
- Insufficient financing. Most corporations are rather interested in the current expenditure than in the likely profit. Therefore after cutting of financing competitive intelligence well-timed and qualitative information is lost;
- It is frequently complicated to get in touch with executives of the highest rank.

After analyzing the needs of some large companies and corporations most of them expect competitive intelligence to support the following business processes:

- Working out new products and introducing them into the market;
- Keeping up strategies, purchasing of new companies and mergers of business included;
- Sales and supply to the market;
- Human resources;
- Marketing communications.
Functions, activities and cycles of competitive intelligence

It is worth noting that there exists an opinion that 80 per cent of information is obtained by analysts of special service from public information sources and only 20 per cent – with the help of other special means. It could be maintained therefore that the results of the competitive intelligence department are directly dependent on the qualification of the employees available.

In a later stage the processes of competitive intelligence could be divided into five inseparable cycles (Galvin, 1997):

| Purpose- fullness and planning | Purpose- fullness and planning |
| Spreading of information | Purpose- fullness and planning |
| Gathering of data and analysis of data | Generalizations and accounts |
| Storing and processing of information | Storing and processing of information |

**Figure 5.** Five inseparable cycles

In carrying out competitive intelligence it is necessary to divide the spheres of responsibility on the level of corporation among its separate subunits:

**Table.** The role of corporation level and business subunits in the process of CI

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<tr>
<td>• Mediation in exchange of information between subunits</td>
<td>• Exchange of information within the subunit</td>
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<tr>
<td>• The analysis of the process of convergence</td>
<td>• The analysis of situation in the specific business sectors</td>
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• Organization and provision of data bases with CI information
• The analysis of normative regulation of separate branches of business
• Esurience of storing of documents and work of the special library
• Definition of CI needs
• Gathering of information through from different sources
• The feedback of CI results

Consequently, it is necessary to create such a situation that would ensure exchange of information between the employees and managers performing different duties within the corporation so that the manager could use the information for solving his tasks and achieving the goals set.

The competitive intelligence department can be an extremely effective means in ensuring prevention of “money laundering” or in providing support to services investigating financial crimes associated with “money laundering” (Gaidelys, Buciunas, 2009).

Conclusions

• It has been established that in order to gain appreciable benefit from the foundation of the competitive intelligence department the entire corporation should demonstrate a consistent and complex team work.
• Most of business organizations do not use competitive intelligence in the process of business.
• Separate, individual inquiries made by information users usually do not provide the result desired.
• Executives of the highest rank should be personally interested in the foundation and activities of the competitive intelligence department.
• The success of activities of the competitive intelligence department is directly dependent on the qualification of human resources.
• Competitive analysis and outside information is sure to become the main condition for accurate understanding of the possibilities of competitive intelligence and the risk of investments necessary for achieving the ultimate goal so that business organization after certain reconstruction could gain competitive advantage in the dynamically developing market economy.
• In order to obtain a positive result from the activities of competitive intelligence it is essential that all stages of preparation and foundation of the competitive intelligence department be implemented.
• The largest corporations of the world have their own competitive intelligence departments.

References

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