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COMPETITIVE INTELLIGENCE FOR SMALL BUSINESS MANAGEMENT  
IN THE GLOBAL ENVIRONMENT

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ABSTRACT

The importance of competitive intelligence information for small business management has grown in the 1990s because of the increased complexity of the environment and tougher competition due to globalization of markets. Small businesses can purchase the competitive intelligence from outside experts or have its own competitive intelligence system. The internal system can be informal or a formal competitive intelligence system. The formal intelligence system can be analyzed in terms of its aggressiveness, which is the scope, time frame and the focus of threats/opportunities of the system; capability, which is the personnel, C.I. technology, and communication resources in the system; and the budget of the competitive intelligence function. The sources of the competitive intelligence data can be internal or external, field data or published data. Each have its own benefits.

INTRODUCTION

Many of the prime origins of threats and opportunities in the current complex and unpredictable business environment are from the firm's competitors, and because of the increased globalization of markets small businesses are at risk of having their markets taken away from them by either domestic and foreign competitors. An effective competitive intelligence system is an important tool for dealing with this business environment.

IMPORTANCE OF COMPETITIVE INTELLIGENCE IN THE 1990s.

Ulrich and Wiersema (33) argued that in order for small business organizations to succeed in turbulent environments, they must be constantly aware of their competitors' moves, products, strategic directions, and strengths. So they can anticipate and respond to competitors' strategic moves before discovering that competitors have made their products and procedure absolute.

The larger companies in the U.S. are aware of this fact, and they have recently developed competitive intelligence systems to anticipate and counter act strategic moves made by domestic and foreign competitors, and to evaluate their own strategies (28;9). Many academic researchers acknowledged the importance of competitive intelligence in small business (10; 8; 12; 25; 29). MacAvoy (23, pp. 192) acknowledged it when he wrote, "...It [competitive intelligence] is a vital and growing influence on the manner in which many firms position their businesses, spend their resources, and determine the level of performance that is reasonable to expect from their business units."

Some researchers went even further and claimed the analysis of competitors' marketing strategies to be the central aspect of small business policy making (2; 1; 17; 20).

Garsombke (11) concurred on the importance of competitive

intelligence in a global market place. Garsombke contributed the need for global competitive intelligence to the increased competitive intensity in the U.S. market, resulting in the need for competitive intelligence to defend against the strategic moves of foreign competitors, and aimed at weakening their home base. He thought offensive competitive intelligence was also needed for the purpose of exploiting export opportunities and markets abroad.

Another indication of the value and importance of competitive intelligence in the 1990s was the refocusing of the U.S. Central Intelligence Agency (CIA) and other U.S. intelligence agencies away from emphasis on intelligence on the political and military activities of the former USSR and its allies to intelligence on foreign competitors and their economies.

The future job of the CIA will be according to Mr. Gates: "to understand the [economic] plans, intentions, and strategies of foreign governments, as well as the economic pressures and opportunities faced by foreign leaders." In other words, to do competitive intelligence. This new assignment is because, U.S. policy-makers wanted to know about foreign penetration of U.S. markets and technologies, and because, "they place clear importance on understanding economic developments among our key competitors." The budget of the CIA will reflect the new mission of the Agency. In the 1993 budget, two thirds of the \$30 billion budget were used for intelligence on economic and business issues (18).

The importance of competitive intelligence in the 1990s presents a challenge for small businesses with limited resources, and small business management's struggles to build effective and efficient competitive intelligence systems.

#### THE SMALL BUSINESS COMPETITIVE INTELLIGENCE SYSTEM

After recognizing the need for competitive intelligence, the Management's first decision on the competitive intelligence system is a make or buy decision (13; 24). The management must decide if the firm is to have an internal competitive intelligence systems or buy the services from outside experts. A combination of both is also plausible.

The advantages of buying competitive intelligence is the outside expert's expertise and economies of scale. The experts may specialize in a certain competitive intelligence environment resulting in the leaning curve effect, and less overhead.

The disadvantages of buying competitive intelligence include: a loss of responsiveness, its often generic, and its not scarce. Other companies can purchase the same competitive intelligence. Hence it does not meet Porter's (26) scarcity test and it loses its value as a source of competitive advantage.

#### INTERNAL COMPETITIVE INTELLIGENCE SYSTEMS

The internal competitive intelligence systems can be an informal or formal system (21).

##### Informal Competitive Intelligence Systems

Informal competitive intelligence systems have no structure as to

scope, time frame, focus of threats/opportunities, or management's prime source of competitive intelligence. This is left up to the individual manager to decide on, and the manager's sources of competitive intelligence are mostly external to the organization, based on informal communication with colloquies and competitors, documentary sources such as the Wall Street Journal, and occasional observation by field trips and tours (19; 16).

### Formal Competitive Intelligence Systems

The formal competitive intelligence system involves formal analysis of the firm's competitive intelligence needs and objectives, competitive intelligence aggressiveness, competitive intelligence capability, and competitive intelligence budget.

Competitive intelligence needs are determined by the small business environment; it should be analyzed in terms of its complexity, speed of change, and predictability (3). In stable simple environments there is little need for competitive intelligence systems. Competitors are going to be the same and they pose little threat to the small business. However in complex changing environments the importance is high and an effective competitive intelligence system will lead to a competitive advantage (21; 6).

Competitive intelligence objectives determine the purpose of the competitive intelligence system, it should be analyzed in terms of the contribution of the competitive intelligence system to the firm's competitive advantage and success (26).

The prime objective of the competitive intelligence system for the small business is to provide management with information on:

- 1) What business should the small firm be in, and how to gain a competitive advantage in that business (26).
- 2) What business the small firm should not be in, and if it is in the wrong business when and how should it get out (26).

Secondary objectives of the competitive intelligence system for the small business include providing information to improve decision making on operations, production, marketing, strategy, and R&D (22). As well as securing the small business's proprietary information from its competitors (27; 30).

Competitive intelligence aggressiveness indicates the scope, time frame (31), and focus of threat/opportunities (15) of the competitive intelligence system.

The scope is the primary focus of the firm's competitive intelligence activity in terms of competitor's behavior, market dynamics, economic, technological, or ecological environments (21).

The time frame is the focus of the time horizon of the competitive intelligence activity in terms of past 0-5 years, present and next year, or future five years or more (21; 4). The time frame refers to the question if the competitive intelligence activity is primarily focused on historical behavior i.e. financial data, present behavior i.e. competitor's advertising, or plausible future behaviors i.e. strategic potentials of a particular environment.

The focus of threats/opportunities is what the competitive intelligence is trying to contribute to. Is it:

1. improvement in productivity
2. increase in market share

3. product improvement, market expansion, new marketing concepts
4. product innovation, new market entries
5. creation of novel markets, technologies, marketing concepts, entry into or exit out of businesses.

Competitive intelligence capability indicates the personnel, competitive intelligence technology, and communication resources, that are devoted to the competitive intelligence activity in the small firm.

Personnel is the of number of personnel or man hours devoted to competitive intelligence activity, and the competence of this personnel.

Competitive intelligence technology is the scanning technology used to collect competitive intelligence data, and the interpretation technology used to process this data into actionable information.

Communication resources refer to the resources devoted to disseminating the competitive intelligence information. The information can be disseminated by presentations, news letters, bulletin boards, directly to decision makers computer data bases etc.

Competitive intelligence budget is the budget exclusively earmarked for the competitive intelligence activity of the small firm. Some smaller businesses may not have a specific budget but, regardless of the competitive intelligence system applied, competitive intelligence costs money. If it is not in terms of direct cash outlays then in term of management's time. Figure 1 illustrates the components and the process in the internal competitive intelligence system.

#### THE SOURCES OF COMPETITIVE INTELLIGENCE FOR SMALL BUSINESSES

The sources of competitive intelligence data are internal or external to the small firm (32), this data can be field data or published data (26), and some of it is free for the taking and some needs to be paid for (11).

The small business needs to maximize its investment in competitive intelligence data and utilize the sources which have the highest marginal utility per dollar. Hence the use of exiting internal sources and free public sources are very important to the small business.

Internal field sources are a very valuable sources of competitive intelligence (26; 12; 14). Branch managers are knowledgeable about what is happening in their area, accountants talk to accountants and share information, purchasing is often in contact with the competitor's suppliers and know how they are doing, R&D staff and engineers are often up to date on advances in their fields, and the sales force has the pulse on new products in the market (7). These valuable sources of information are the first place the small business can use.

Competitive intelligence  
 need  
 Recognized  
 |  
 | Buy



External field sources are another source of competitive intelligence. The competitors often give information about their products, markets, and intentions freely and this source should be used. Moreover competitors can be observed, they can be talked to at trade shows, their products and promotion material examined, and their trade associations often provide information.

Consultants, bankers, security experts, advertizing agencies, and competitors' customers are sources of valuable competitive intelligence (19; 26).

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