The Impact of Competitor Intelligence on Strategy Building

Authors
Emma Stenberg
Master’s programme in Strategic Entrepreneurship for International Growth with specialization in Strategic Leadership at Halmstad University school of Business Administration.

Xoan Vu-Thi
Master’s programme in Strategic Entrepreneurship for International Growth with specialization in Strategic Leadership at Halmstad University school of Business Administration.

Abstract
Previous studies have shown that information regarding competitors has great value for organizations, especially in terms of strategy, making strategic decisions, strategic plans, development of resources, innovation and change, etc. However, most studies tend to investigate competitive intelligence rather than competitor intelligence. Competitor intelligence may be an important factor for organizations to include in their strategy building but too few focus on its impact on such process. Therefore this paper modified one of the strategy tools which are utilized in the strategy building process of organization by including competitor intelligence, with the aim at having a better understanding how competitor intelligence has impact or contribution to the process of strategy building. The modified model shows that with the presence of competitor intelligence, the reliability and feasibility of strategic options are improved to achieve a competitive strategy, which facilitates to enhance competitive advantage and sustainability of the organization.

Keywords: Competitor, Competitor Intelligence, Competition, Strategy, Strategy Building, Strategic options, Strategy tools.

Introduction
Essentially, competitive intelligence, involves the legal collection of information on competitors and the overall business environment. The knowledge gained from this information is then used to enhance the organization’s own competitiveness. Competitive intelligence can be viewed as a subset of knowledge management, involved in the management of information from and about organizations’ external environment. Competitive Intelligence brings benefits to all types of organization, such as profit and non-profit enterprises, associations, and state-owned organizations. Competitive intelligence users are composed of all levels within the organization: from the management board to marketing or sales force, operations, etc. Competitive intelligence is used as an input in business aspects including strategic planning, benchmarking, investing, product planning, marketing, the sales process, which demands an informed decision on the external business environment (Weiss, 2002).

Organizations are now moving from being competitor aware to being competitor intelligent due to the increasing pressure of having competitive strategies over competitors (West, 1999). Competitor intelligence is considered the subset of competitive intelligence, the understanding of competitor intelligence’s role in such usage and usefulness of Competitor Intelligence is of high importance (West, 1999). According to Marfleet of JP Morgan (1997) competitor intelligence is ‘timely, accurate and relevant information about competitors to which value has been added’ (as cited by, Simmons, 1997). Competitors are recognized as
one of valuable sources of intelligence for those who attempt to define a winning strategy (West, 1999). “As for the future, there is no doubt that competitive pressure will continue to intensify in all markets” (West, 1999, p.150). The increasing need to have a competitive strategy has driven the pressure on organizations to move from being competitor aware to being competitor intelligent (West, 1999). In order to grow at their market, organizations need to be more aware of competitor’s activities and potential meanwhile they focus on being strategically inventive (Freeman, 1999). Information acquisition may have an affect on profitability and strategies for gathering information should take the level of uncertainty and non-sustainability in mind. Organizations that focus on these factors might have a greater chance to overcome organizations that are not focusing on those (Makadok & Barney, 2001). Scenario planning, SWOT analysis, Pestel analysis, Porter’s five forces, competitor analysis and gap analysis could be a possible tool for competitor intelligence specialists to identify future directions from analyses of competitor’s gaps or weaknesses (Freeman, 1999; Aldehayyat, Al Khattab & Anchor, 2011). However, few studies have investigated Competitor intelligence role especially in business strategy formulation. Therefore this study will investigate whether competitor intelligence has any influence on strategy building.

**Methodology**

The purpose of this study is to investigate how great influence competitor intelligence has on company’s strategy building. Since the study consist of data built on words rather than quantification and numbers it classifies as a qualitative research (Bryman & Bell 2015). The literature for secondary data were collected in the form of scientific articles from reliable sources such as Google Scholar, Halmstad University’s library database on Scopus, Web of Science, Science Direct and Emerald among others. Competitor intelligence, competitive intelligence, competitor, strategy, strategy building, were frequently used search words on the databases. The authors picked the articles with highest relevance for the study.

Quantitative researches are often evaluated with reliability and validity, but for qualitative research two different criteria’s are suggested, trustworthiness and authenticity (Bryman & Bell, 2015). This study achieves some of the criteria’s for measuring trustworthiness, transferability, and confirmability, these are similar to measurements of quantitative studies. Transferability of a study is when the culture are provided with a lot of details which give others the possibility to transfer the research to other environments (Bryman & Bell, 2015). It would be possible to transfer this study in other environments, so it achieves transferability. Confirmability ensures that the researchers have acted in good faith even though it is impossible to ensure complete objectivity in business research. In this study the researchers have been acting in good faith and therefore confirmability is achieved (Bryman & Bell, 2015). Authenticity are more concerned of political impacts of research, the criteria’s are fairness, ontological authenticity, educative authenticity, catalytic authenticity, tactical authenticity. This study achieve authenticity since it provides a fair representation of different arguments, provides a better understanding for the environment in competitor intelligence connected to strategy building, helps to a better understanding of the relationship of competitor intelligence and also influences others to use the result for their benefit (Bryman & Bell, 2015).

**Theoretical framework**

1. **Competitor intelligence and its impact**
   1.1. **Competitor Intelligence**

As mentioned above, competitor intelligence is part of competitive intelligence, which refers to the external ingredients of the market competition as a whole (Liu & Oppenheim, 2006).
Englade (1989) defined competitor intelligence as “Competitor Intelligence may also be known as corporate research, corporate intelligence, company tracking, market intelligence, and commercial espionage” (as cited in Desai & Bawden, 1993). Marfleet of JP Morgan (1997) sees competitor intelligence as ‘timely, accurate and relevant information about competitors to which value has been added’ (as cited by, Simmons, 1997), which is later on supported by Weiss (2002), stating that information is not intelligence if it reaches to decision-makers, telling a particular situation but then sits on a shelf gathering dust. Every amount of information regarding competitors needs to be of value for all organizations (Linn, 1994; Pettersson, 2001; Jenster & Soilen, 2008). Information is often collected in pieces that need to be put together in a summary. Summaries of the competitor will be kept in profiles, which can help prevent future actions from competitors (Craft, Fleischer & Schoenfeld, 1990). Competitor awareness is the first step of competitive intelligence and usually occur already in the beginning of a startup or when the organization is formed (West, 1999). Competitor awareness is when the main competitors are identified and some knowledge about their products, prices, customers, market sectors and staffs are known. In order to become competitor intelligent organizations first needs to be competitor aware and then competitor sensitive before they can accomplish competitor intelligence. Being competitor sensitive means that the organization is aware of possible damages caused by competitors to the organization and the need to win orders by competing more effectively.

Competitor intelligence is a more developed stage, here organizations pay more attention to recognising competitors actions and observing them. Competitor intelligence also includes identifying physical and intangible resources of competitors, through detailed observations of the competitor knowledge of strategies, potential plans, and threats can be identified and solutions made. (West, 1999). Information about competitors can be handled in different ways when an organization has chosen how to handle it and the information can be updated as frequent as it is needed. It is important to communicate the data collected to the rest of the organization and it can be done in different ways for smaller organizations, it can be communicating over a lunch and for larger organizations, or it can be presented in reports. Organizations that understand their competitors will be better prepared to compete with their competitors (Linn, 1994). To conclude, in combination of such process proposed by West (1999) as well as definition suggested by Marfleet (1997), the authors of this paper suggest to understand competitor intelligence as the process of achieving and completing information of competitors which is timely, accurate, relevant and adding values to the organization (as cited by Simmons, 1997).

At marketing department activities for competitor intelligence is mostly about information at product level (Freeman, 1999). In product-market competition the organization can observe their competitors recruiting activities since it reveals changes at the competitor and is of strategic value since it can be passed along and used in broader competitive intelligence analyses (Craft et al, 1990). Protection against threat, capturing market opportunities and advantages can only be achieved if the organization fully understands their own position and their competitor’s positions (Weiss, 2002). Competitor intelligence gathering can be seen as unacceptable or unethical behaviour (Rittenburg, Valentine & Faircloth, 2007; Pain, 1991). Managers have the possibility to eliminate the unethical feeling, by developing standards for ethics that works as supervisors for intelligence gathering and provide written guidelines and be sure to stick to the standards (Pain, 1991).

1.2. Competitor Intelligence impact

Included in competitive intelligence can competitor intelligence be seen as allowing organizations to build strategies in order to maintain and improve their competitive
advantages to be ahead of competitors (Weiss, 2002). Competitor intelligence can help an organization by making strategic decisions and plans, promote strategic thinking and behaviour. It can also support in development of resources, innovation and change. Organizations may engage in new ventures with the help of competitor intelligence (Desai & Bawden, 1993). Competitive strategies can be achieved faster with the theory and methods of competitor intelligence (Lui & Oppenheim, 2016). Competitor intelligence can work as an early warning system, preventing surprises as well as discover potential threats and changes discovering opportunities to prevent these (Desai & Bawden, 1993). It also gives organization’s lectures regarding marketplace, which can be helpful in future, situations (Desai & Bawden, 1993). According to Pateyron (1998) competitor intelligence minimizes the risks resulting from uncertainty and provides opportunities from the investigated and collected information. Organizations that include competitor intelligence can take advantage as first movers since they have a unique set up of information, and organizations that has identical information cannot enjoy competitive advantages (Barney, 1991).

2. Strategy building, definition and process

2.1. Definition

Porter (1996), suggests “The essence of strategy is choosing to perform activities differently than rivals do” (p. 64), by this he means “competitive strategy is about being different” from competitors, “deliberately choosing a different set of activities to deliver a unique mix of value” (p. 64). In order to achieve goals and objectives for the vision and mission of the organization formulated strategies provides directions and guides as well as the aimed future. There are three levels for strategy formulation, corporate, business and functional (Johnson, Whittington, Scholes, Angwin & Regnén, 2014). It is necessary to analyse the environment in which the organization is active in, to be successful in its strategy formulation. To do this the organization can have support from tools such as, SWOT analysis, Pestel analysis, Porter’s five forces, competitor analysis and gap analysis (Freeman, 1999; Aldehayyat, Al Khattab & Anchor, 2011) These tools are seen to provide the organization with a holistic view of the situation, competitive position, distinctive competencies and competitive advantage sources of the organization (Jenster & Søilen, 2008). Growing organizations need to have a strategy with a broader range of both internal and external information sampled and analyzed to sustain growing (Aldehayyat et al, 2011). Organizations that obtain information about opportunities has a greater possibility to implement strategies in order to achieve competitive advantages before others (Barney, 1991). Accordingly, strategy building, interchangeable with such words as strategy developing or strategy forming, can be understood as the process to realize a strategy which enables an organization to achieve their goals and objectives. From now on in this paper, the word strategy building will be used to refer to such process.

2.2. Strategy Building Process

Johnson et al (2014) dividend strategy development into deliberates strategy and emergent strategy and created a model that explains it as illustrated in figure 1. Deliberate strategy is when manager’s intentions end up in strategies compared to emergent strategy where strategies rather emerge in organizations over time as a result of actions within the organization (Johnson et al, 2014). Intended strategies as deliberate strategies can be established through strategic planning, which is when organizations develop strategies from analysis and exploration. Managers can understand strategic issues through overall objectives, promoting analytic tools and encouraging a long-term strategy view. If managers chose to see planning as learning they can also benefit from the process (Johnson et al, 2014). Deliberate strategies also might be experienced as the external imposition of strategy formulated elsewhere. Emergent strategies on the other hand are the strategies emerging from a pattern,
which becomes clear over time on the basis of a series of decisions and put together as strategies. Emergent strategies, rather than from the top management, may be more evolved within organizations from “logical incrementalism, strategy as the outcome of political processes, as continuity and, finally, as the outcome of organisational systems and routines” (Johnson et al, 2014, p. 410). The emergent strategy can be more formally described in strategic plans and annual reports, these strategy plans will however be enlightened from the emerged strategies rather than developed by plans similar to deliberate strategies (Johnson et al, 2014).

Strategies are the keys for organizations future survival and in order to have a strategy organizations need to analyse their surroundings and build up strategy plans (Johnson et al, 2014). SWOTs analysis and other tools such as Scenario analysis, Pestel, are used in the stage of strategy planning in the strategy development. SWOT provides an overview of strengths, weaknesses, opportunities and threats as presented in figure 2. This analysis can be used in building a strategy and finding strategic options. The environment of the organization is recognized and analysed in opportunities and threats, while strengths and weaknesses are presenting the organization's strategic capabilities. It is important for organizations to have competitive advantages over competitors and the SWOT analysis is most useful when compared to competitors (Johnson et al, 2014). The result from a SWOT analysis can be used to build TOWS matrix (Figure 3) in order to give the organization insight on future choices and what strategies they can proceed with. By combining the internal factors with the external once new options can be identified and there is a possibility of advantage in identified opportunities. TOWS matrix present strategic options for strengths and opportunities, weaknesses and opportunities, strengths and threats as well as weaknesses and threats. The bottom right shows option where the organisation avoid threats and also minimize weaknesses, meanwhile the upper right shows options of opportunities that minimizes weaknesses. In the bottom left threats are overcome with the organization's strengths while

Figure 1. Deliberate and emergent strategy development. (Johnson et al, 2014, p.403).

Figure 2.

Figure 3.
the upper left shows options for using strengths to take advantage of opportunities (Johnson et al, 2014).

**Figure 2.** SWOT analysis. (Johnson et al, 2014). **Figure 3.** TOWS matrix. (Johnson et al, 2014).

**Analysis**

Competitor intelligence is vital for organizations in order to achieve sustained competitive advantages (West, 1999; Freeman, 1999; Makadok & Barney, 2001). It is therefore an important part for organizations to deal with. Those that invest in investigation of competitors have a greater chance of protecting themselves against threats and seize opportunities (West, 1999; Barney, 1991). In order to achieve competitor intelligence organizations first need to be competitor aware and competitor sensitive (West, 1999). It is proven that it is possible to analyse and identify competitors resources and strategies as well as threats and possible outcomes (West, 1999; Weiss, 2002). One way to analyse the competitors, in order to achieve competitive advantage and understand their position, to achieve competitive advantages, can be by looking at their recruiting which is of strategic value for organizations (Craft et al, 1990; Weiss, 2002; Barney, 1991).

When organizations are aware of their competitors and their strategies they can take advantage through including that information in their strategy building. In order to build strategies there are some tools that can help organizations, like SWOT analysing and TOWS matrix (Johnson et al, 2014). Competitor intelligence can be used in exploring new opportunities and be aware of possible threats, the external components in the SWOT analysis (Barney, 1991; Weiss, 2002; Desai & Bawden, 1993; Pateyron, 1998; West, 1999; Freeman, 1999; Aldehayyat et al, 2011; Johnson et al, 2014). The analysis can later on be used in the TOWS matrix, to give insight in future choices and which strategies to proceed with by combining internal factors with external factors. By developing competitor intelligence, organizations can combine external facts regarding their competitors with internal facts in the best way (Johnsson et al, 2014; Barney, 1991; Weiss, 2002; Desai & Bawden, 1993; Pateyron, 1998; West, 1999; Freeman, 1999; Aldehayyat et al, 2011). By doing so it is
possible for organizations to recognise which strengths they can take advantage of in order to overcome threats from competitors and capture opportunities as well as which weaknesses they may have compared to their competitors. If they are aware of these things they can come up with strategies that protect and guide them in how to proceed in order to get competitive advantage. These strategies can be developed in terms of deliberate or emergent strategies (Johnson et al, 2014). Since competitors can change frequently and fast, emergent strategies are the most likely to be seen in organizations. These emergent strategies will probably be used for the daily changes in the competition environment meanwhile deliberate strategies will arise for the long run decisions.

Since it is proven that competitor intelligence can have a great influence on organizations strategic advantages and strategy development (Johnsson et al, 2014; Barney, 1991; Weiss, 2002; Desai & Bawden, 1993; Pateyron, 1998; West, 1999; Porter, 1996; Freeman, 1999; Aldehayyat et al, 2011), it makes sense to develop a specific model that includes competitor intelligence in strategy building. This article present a modified TOWS model that includes competitor intelligence in order to show how great influence it has on strategy building. The model present strategic options built on the organization's internal factors and external acknowledgements combined with competitor intelligence. The findings from the model can later on be used in the emergent strategy, since strategies concerning competitor knowledge probably will grow into the business rather than decisions from managers.

Figure 4. Competitor Intelligence TOWS matrix.
The suggested modified model presents the competitor intelligence influences on TOWS matrix. In the upper left box, CISO, strengths are used to create strategic options to take advantage of the opportunities explored or created in the environment that both the organization and its competitor are acting in. In this box the organization can recognize which strengths they can best take advantage of in order to exploit the discovered opportunities which differentiates them from the competitors. Similarly, the threats can be pretty much reduced and contribute more confidence to the organization's actions or decision making when its strengths are facilitated by the competitor intelligence, as shown in the bottom left box, named CIST. As a result, the organization can be aware of and prepared for potential threats from its competitors. The upper right box, CIWO, presents strategic options for which weaknesses the organization should improve in order to capture discovered opportunities identified in competitor analysis. In this box the organization have recognized which weaknesses they have compared to the competitor analyse, what they should do to make improvement in response in order to best capture the opportunities they are exposed to. The weaknesses identified and confirmed from competitor intelligence can be used in order to prevent possible threats discovered from competitors as well, the strategic options for this are presented in the bottom right box called CIWT.

Competitor intelligence, in fact will be reliable at a certain period of time (Simmons, 1997; Liu & Oppenheim, 2006) and information of competitors will fluctuate and therefore these strategies will probably be more spontaneous over time. Therefore, with acknowledgement to competitors’ changing behaviors and spontaneity of strategies, strategic planning should include steps to monitor progress and evaluate the impact of actions taken (Weiss, 2002). In addition, the modified TOWS should be revisited at a certain time basis. This will then require further information gathering and processing, and the lessons learned should be utilized as inputs for future plans. By so doing, competitor intelligence enables organizations to come up with emergent strategies over time, which can help maintain and enhance competitive advantage so as to stay ahead of competitors and the market. This is the ultimate goal of competitive intelligence, to which competitor intelligence make a huge contribution (Weiss, 2002).

**Conclusion and suggestions for further study**

Competitor intelligence are shown to have great impact on the organization and add value to their strategies. Organizations that studies their competitors can take advantage of the information and create options on how to handle and match their activities by effectively integrating the processed competitor intelligence as well as other intelligence such as market knowledge into the organization’s decision-making and strategic planning processes (Weiss, 2002). Since competitor intelligence reveals threats as well as opportunities it is of high importance for organizations to be aware of their competitors. Analyses of competitors also provide the organizations on which strengths and weaknesses they have in comparison to the competitors. All these findings work as a base for strategy building, if the organizations are well aware of their competitors they can create more precise strategies in order to sustain.

SWOT among the other tools, which are used in the strategic planning, is seen to enable organizations to analyse and come up with new strategies. Competitor intelligence makes their TOWS matrix more useful and the strategic options more reliable and feasible in order to achieve competitive strategy, which increases sustainability of the organization in the sector it services. In this paper, the SWOT analysis and modified TOWS matrix with presence of competitor intelligence can be seen as a representative model for the other analysis tools. The other analysis tools can be analysed and come up with a model with the
presence of competitor intelligence in a similar way. The modified TOWS matrix is suggested to be revisited regularly with updated competitor intelligence in accordance with the changing contexts where both the organization and competitor are active in. It thus can assure the ultimate goal of competitive intelligence in general and competitor intelligence in particular achievable through the time, i.e. to stay ahead of competitors and the market.

**Suggestions for further study**

Understanding the role of competitive intelligence, especially of competitor, is of high importance in the process of building strategy. However, information/knowledge about competitors can be useless for such process if the information appears to be wrong or useless (Weiss, 2002). Published information, for example, is often old and out-of-date by the time it appears. For early warning of competitor moves, waiting on such sources may be too late (Weiss, 2002). On the other hand, the extensive use and dispersion of ICT has created new dynamics of demand and a proliferation of information and misinformation (Lepère, 2010, as cited in Tarek, Adel & Sami, 2016). Or the growth of competitor intelligence can be inhibited by data protection legislation, fear that competitive intelligence is unethical, counter intelligence, etc. (West, 1999). West (1999) also posed that the strategic use of intelligence to position a company, which can help anticipate and counter the potential threats, is not well developed. The skills to use intelligence strategically are still not yet developed. Therefore, as a subset of knowledge management, competitor intelligence needs to be controlled in terms of quality, reliability, etc. and managed effectively with consideration of different and changing contexts, especially where the intensiveness, preciseness and reliability of information are of extreme significance such as pharmaceutical industry (Desai & Bawden, 1993).

Furthermore, besides the importance of competitor intelligence and the great benefits it can create for organizations, competitor intelligence gathering can be seen as an unacceptable or unethical behaviour (Rittenburg, Valentine & Fairclough, 2007; Pain, 1991). However, just few researchers have been investigating this aspect. Pain (1991), Rittenburg, Valentine and Fairclough (2007) have proposed some advice for managers to avoid unethical behaviours. Therefore, a suggestion for further studies can be the unethical aspects related to competitor intelligence, how to reduce unethical behaviors to increase the corporate social responsibility of organizations, which is nowadays one of the crucial factors for sustainability in the highly competitive environment that organizations are active in.

**References**


