# Implementation of Competitive Intelligence in SME: Employee Participation as one of the Success Factors

## Masterarbeit

zur Erlangung des akademischen Grades „Master of Science (M. Sc.)" im Studiengang Wirtschaftswissenschaft der Wirtschaftswissenschaftlichen Fakultät der Leibniz Universität Hannover

vorgelegt von

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# 1  Introduction

In order to keep business stable and successful and to overcome its characteristic of unpredictability, many strategies are used under the definition „business strategy". Business strategy or strategic management refers to the organizational goals which are formulated and implemented through the top management based on the internal and external environmental situation and resources (Kreutzer et al. 2013; Nag, R., Hambrick, D. C., Chen 2007). The phrase business strategy immediately brings to mind terms like corporate strategy, competitive advantage, etc. which are important elements in creating and implementing business strategies. Competitive advantage is a term which represents the tendency to stay on top of competitors in the same market by means of superior ability and resources (Porter 1996). As the organizational environment is becoming more and more competitive nowadays, the maintenance of competitive advantage has also become both more difficult and more important. Furthermore, since strategies, knowledge and technology are improving every day, it is not recommended to continue using past strategies. Therefore, new strategies and innovations have to be obtained and implemented within organizations.

In order to handle the complexities of the era of Big Data and the increasing competition and in order to maintain one's market position and not to be left behind by the competitors, competitive intelligence (CI) plays a major role. Competitive intelligence is the process of collecting and analyzing internal and external information about the competitors and the economic and socio-political environment in order to be aware of the competitive environment and to be able to predict the competitors' next move to make strategic decisions (Nasri & Zarai 2013; Colakoglu 2011), and therefore, it has become an important component of modern management in organizations. CI is a critical component in organizations that aim to develop strategies and make decisions on a strategic basis. Due to the use of data collection it allows the company to be aware of the competitive situation of the market and environment and to predict the next actions of the competitor (Klein & J. S. Sorra 1996). CI helps a company to know about existing threats and opportunities early and therefore to position itself in the market based on said knowledge obtained through CI (Rouach & Santi 2001). Although the concept of Competitive Intelligence was introduced in Germany many years ago, its implementation has not been promoted yet. Since there are not many shared experiences about the use of CI in an organization, there is a lack of empirical knowledge and confidence about its Implementation. Hence, the first research question arises: how should CI be implemented in SME's?

This thesis represents the empirical experience of Competitive Intelligence implementation within a privately held medium sized enterprise based on the CI implementation process, which is described in the theoretical background of this thesis.

During the phases of CI implementation the importance of the human factor, including employee participation, as one success factor in many strategy implementations as well as in

CI implementation has been noticed. A successful CI implementation depends directly on employee participation, since a main part of the information needed for the CI implementation exists in employees' minds or because they are the gateway for gaining access to some information which does not exist in the external resources such as in the internet or in publications but instead in the heads of customers and competitors. However, based on experiences about the difficulty of making employees participate in implementing new strategies, innovations or projects, the second research question also arose regarding CI implementation. How is it possible to make the employees to participate in the implementation of CI?

A theoretical background about the concept of Competitive intelligence, including CI's history, objectives and benefits in addition to a literature review which shows the motivation and the theoretical relevance to the subject is given in chapter 2. In order to give an answer to these two research questions a single case study method is used. In the single case study the implementation of CI in the case company has been observed and described comprehensively in chapter 3. Furthermore, a solution to the challenge of employee participation is presented by finding out how it is possible to make them participate. A number of interviews in the case company and a workshop with a focus group are the main case study resources used in this thesis. The outcomes of each of these single case study techniques are analyzed separately in chapter 4. In chapter 5 the whole result discussion, which includes the main findings and limitations are represented. The thesis ends with the conclusion and outlook in chapter 6.

## 2 Theoretical Background

### 2.1 Competitive Intelligence

Competitive Intelligence (CI), as proposed by Porter (1980), is the knowledge which helps an enterprise in its decision making process, by knowing the opportunities and risks, to aim competitive advantages in today's hypercompetitive global market. CI collects all necessary data about the decisions, strategies, structure, culture, environment and actions which the direct or indirect competitor as well as customers and suppliers take (Saayman et al. 2008; Guyton 1962; Fair 1966; Grabowski 1987; Gilad 1989). And more importantly, CI analyses this data and transforms it into useful information. Collected and selected data become modified through human intelligence and the result will be information, which becomes exploitable information through analysis and synthesis (Rouach & Santi 2001). This exploitable information helps enterprises to find their optimal position in the market, make correct decisions and to estimate the best time to implement these decisions (Michaeli 2006).

Michaeli (2006) has also stated that in the CI process, information and data transform into knowledge through the following steps. Data is collected in many research phases; the

# 6  Conclusion and Outlook

The aim of this thesis was to build up the empirical evidence on the implementation of Competitive Intelligence (CI) in SMEs. In order to describe the implementation based on an empirical perspective, the process was carried out in a medium sized company in Germany that had planned to improve their competitive abilities. The implementation process began on the basis of studies and literature on the subject of Competitive Intelligence. Since there were a large number of studies on the theoretical background of Competitive Intelligence but little study about its empirical implementation, the thesis focused on the implementation of CI within a company on the basis of the knowledge existing in the literature.  Furthermore, it is generally not enough to know a strategy in order to become ready for improvements, but innovations and strategies have to be implemented in order to be able to represent their applicability, advantages and disadvantages. Therefore, in this thesis Competitive Intelligence is implemented in a company in order to empirically explain how it can be implemented. Success factors proved in the literature show which factors have to be considered during the implementation of CI. Within the implementation it becomes obvious that not all success factors have the same effects on the successful implementation, but there are some criteria which are not only a success factor, but also a critical component. One of these success factors is employee participation. The knowledge and information possessed privately by employees and their potential ability in monitoring the competitive environment is more than a success factor; it is absolute necessity for CI implementation, since one of the data resources within the process are internal resources. External resources are available for all, including competitors, and their accessibility may depend on the effort spent to find the information within publications, associations and in the internet. The kind of information that is not available for all is the internal resource: the information that the employees have collected consciously or unconsciously. In order to be able to implement CI properly, this information is needed. But the problem is that if the employees do not share their information, this resource will also not be available to the company. Hence, the employees have to participate in the implementation of CI within the company; however, it is often difficult to make them participate in a new project. Therefore, in this thesis solutions for making the employees participate within the context of the empirical implementation of CI in the company were sought.

By using a case study for the qualitative methodology in the case company, these two research questions could be answered. The applicability of the CI-process given in the literature was evaluated by implementing CI on the basis of the CI-process and it could be concluded that this way is applicable for SMEs; however there are some factors that are important in the implementation of CI and have to be considered. These factors are as follows: a) management's expectation from the results of CI, since the implementation process may differ depending on what is expected to be reached; b) the time in which results are expected; c) using both external and internal resources for the data collection; and d) using appropriate tools and methods in the analysis phase.

The way to make the employees to participate could be derived through interviews and a focus group workshop. In order to convince the employees to participate, they have to know in detail what the project is about and have to be sensitized to how important they are for its implementation. In addition to this, they have to know exactly how they can cooperate and participate. This is possible through training sessions and sensitization. Furthermore, the managerial support also plays a very important role in the persuasion of the employees to participate. The managers can exert their influence through effective communication and by expecting the employees to follow the project. Due to sensitization and good relationships, the employees may identify themselves with the project team and hence, become committed to participate.

These outcomes may help the case company as well as other SMEs, since the characteristic organizational structure of SMEs, plays a significant role in the acceptability to generalize the case study's outcomes. How to make employees participate in the project and similar projects can be the same in all SMEs, which mostly have similar organizational structure. But there are factors, such as the number of one SME's competitors and the market size, which may make the implementation of CI different for each company. Furthermore, the detailed steps in each CI-process phase may also differ when taking into account the management's expectations of the results of CI. Altogether, the applicability of the CI-process has been confirmed in this thesis and can be generalized for SMEs with some adaptations to the organizational structure.

The case company should apply the CI-process continuously with some changes in the future. The KITs[16] have to be different and entail more strategic perspectives, and in addition to external resources, internal resources have to be used through employee participation, which will be obtained from the measures set to make them to participate, and more strategic tools have to be used in the analysis phase of the CI implementation process, such as SWOT[17] analysis.

Further studies in this field may consider the role of other success factors in the empirical implementation of CI within a company and examine the extent of the effectiveness of the measures suggested in this thesis for persuading the employees to participate. Future studies can also examine to what extent the suggested measures can be generalized to similar projects that also call for the cooperation of the employees.

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[16] Key Intelligence Topics
[17] Strengths, Weaknesses, Opportunities, Threats