

Knowledge and Implementation of Competitive Intelligence Process

Nadia Hanif^{1*} and Syedah Hameeda Batool Gillani²

¹PhD (International Business) Scholar in University of International Business and Economics, Beijing, China.

²PhD (Islamic Banking and Finance) Scholar University of Management and Technology, Lahore, Pakistan.

*Corresponding Author Email Id: nadiahani77@yahoo.com

Abstract

The aim of research paper is to determine the knowledge and implementation of competitive intelligence process (CIP) in Islamic banks of Pakistan. A questionnaire survey is conducted in 2016 through personal visits and emails from top management officers of 5 Islamic banks operating in Pakistan to measure the knowledge about current competitive intelligence practices and processes; the response rate of the survey was 71.43%. The annual reports of Islamic banks were analyzed to evaluate the application of CI process through different strategic techniques such as SWOT analysis. Findings showed that all the Islamic banks are utilizing the techniques to analyze the external and internal organization environmental factors, which is the indicator of CI process implementation. All five Islamic bank's employees have knowledge about competitive intelligence process. Theoretical and practical implications are being discussed.

Keywords: Competitive Intelligence, Knowledge, Application and Pakistan.

Introduction

In today's global environment and escalating competition, the economy has truly become a global village (Fuld, 1995). The excess of information, the variable nature of market structure, the dynamic business environment as well as the unexpected challenges transfer the simple world business processes into technically interlink advanced processes. To be competitive in such an environment, the organizations in developed and

underdeveloped countries depend on their capacities to apply activities that create sustainable competitive advantage through transformation and innovation ([Canongia, 2007](#)). The organizations in developed countries maintain well-programmed function because the top level management is aware of the fact that tactical objectives would fail if they will not monitor their activities and actions. On the other hand, economies of the developing countries are caught in continuous, unexpected and undesirable changes in environment. They pretend that organizations here are yet not having knowledge about the advancement and even the basic concept of managing the intelligence activities ([Nasri, 2012](#)). The term competitive intelligence (CI) is a challenging and essential component for an organization's survival in the coming years, especially for the underdeveloped or developing countries ([Kalinowski & Maag, 2012](#)). CI is a strategic management tool through which organizations create, develop and enhance competitiveness to achieve a unique comparative advantage over the competitors. According to [Garelli \(2006\)](#) the main aim of competitive intelligence is to build up a distinctive inimitable advantage within the industry. This further allows organizations to work effectively, efficiently and increase their productive capacity. [Cetorelli \(1999\)](#) in her analysis on the US banking sector found that most of the banks in United States were utilizing competitive intelligence activities to collect information about the market competitors and environment. [Hawkins \(2004\)](#) highlighted that organizations should prefer formal intelligence processes in developing countries to remain competitive in this global world. [Ifan, Dou, Manullang, and Dou \(2004\)](#) identified that organizations in developing countries face challenges of innovation and competitiveness of their industries.

Problem Statement and Significance of the Study

CI furnishes Islamic banks with noteworthy information that can help them to develop effective strategies and make successful decisions despite consistent difficulties hurled by a dynamic, competitive and challenging market, increasing high customer 'customized' markets and constricting global boundaries. Another reason for CI is to gather data about local and international competitors to set benchmarks identify opportunities and manage a strategic distance from economic shocks. In the light of the

significance of CI in developing nations the expectation is communicated from the literature that CI isn't just a framework to enhance the basic leadership in organizations and districts, however, that it is a leverage to encourage the innovations and industrial developments for the companies in developing nations to compete locally and globally. As according to [Gross \(2000\)](#) the definitive goal of good CI work is the formulation of truth-based, sound and reasonable decisions so that an effective action can be taken. This study is intended to determine the competitive intelligence process knowledge and application in Islamic banking (IB) sector of Pakistan. Little research has been conducted with the reference of Pakistan while taking the current issue under consideration. In this study we focused on previous studies findings and instruments, and adapted a small questionnaire from these studies including ([Muller, 2007](#); [Wright & Calof, 2006](#)) to investigate about the knowledge and understanding of CI process among employees of Islamic banks. In addition we analyzed the annual reports of banks to highlight the disclosure of basic competitor analytical models being used by them such as SWOT analysis, ratio analysis in their reporting, which can be used as an indication of collection and analysis of information regarding internal and external environment of banking industry- a direction towards implementation of CI process-informally.

Literature Review

The decision makers study many proposals and reports on financial analysis before making business decisions, which often lead to the lack of competitive intelligence and excess of information to permit the proper interpretation and appropriate response ([Kalinowski & Maag](#)). Also, with the increased business environmental changes, both organizations and economies competitiveness depends on their ability to measure and adopt strategic information through environmental scanning to respond with proper counter measures ([Boyd & Fulk, 1996](#); [Viviers, Saayman, & Muller, 2005](#)). According to [Benny Gilad and Gilad \(1985\)](#) environmental scanning process is not only used for collecting information but rather used to identify and take necessary actions for the risks involved in it. As organizations need time flexibility to match the changing environmental challenges and competitive intelligence to recognize potential threats [Viviers et al. \(2005\)](#) commented that organizations with such formal scanning

processes that transfer information into intelligence can succeed in the current world ([Sewdass, 2012](#)). Competitive intelligence is the knowledge and information about the environment in which the organization is working and it enables the organization to gain a competitive advantage and compete against its competitors effectively. It is a systematic practice of planning, collecting, analyzing, communicating and monitoring external business environment information that may impact the organization operations, strategies and decisions of the Society of Competitive Intelligence Professionals ([SCIP, 2012](#)). Competitive intelligence is basically initiated by the companies to analyze their competitor's performance and at the same time able to gather information about the economic and socio-political environment of the particular countries in which they are operating ([Colakoglu, 2011](#)). Different researchers showed that competitive intelligence is important for organizations for their short term and long term objectives. Competitive intelligence foresight developing actions regarding the environment dynamics that used to enhance competitive advantage over the competitors. [Sager \(1988\)](#) in his study on the Australian retail banking assessed the competitive information systems as the banking industry transitioned to competition. In another study by [García-Ruiz and Valero-Garcés \(1998\)](#) on Spanish saving banks, he presented a strategic group analysis of intelligence models used by these banks. According to [Fitzpatrick and Burke \(2003\)](#) a number of competitive intelligence models are used by the banks in an effort to organize their intelligence activities.

The Competitive Intelligence Process

Competitive intelligence is a process consisting of many strategic steps and activities that should follow on from one another. Without a proper intelligence process and structure, it is difficult to develop intelligence. The companies and banks that have a competitive intelligence programs can better understand the competitive landscape ([Vedder & Guynes, 2002](#)). According to [Kahaner \(1997\)](#) many companies have started their own competitive intelligence systems to give better picture of environment changes to their executives and professionals for decision making. Following are the key activities that emerge in the early literature for proper competitive intelligence process: Planning and Focus - To be focused towards the matters that are of more importance to

management and in achieving organization goals and objectives ([Dong, Herring, & King, 1998](#); [Ben Gilad, 2003](#); [Vedder & Guynes, 2002](#)), Data Gathering - To be focused on gathering the most relevant and accurate information from internal and external sources for better understanding of issues and problems (Herring, 1998; Kahaner, 1997; Collins, 1997), Analysis - To convert the gathered information in to actionable intelligence so that tactical and strategic decisions can be made ([Britt, 2006](#); [Gray, 2010](#); [Kahaner, 1997](#)), Communication -To have a intelligence system that could inform the results to the senior management to act on the findings ([Kahaner, 1997](#)), Process and Structure - To have structure that guarantee accurate and proper performance of competitive intelligence process ([Kahaner, 1997](#)), Awareness and Culture - To have culture that intelligence is properly executed and that everyone in the organization has knowledge about it ([Bensoussan, 2003](#); [Kahaner, 1997](#)).

As competitive intelligence is a vital source of business planning and other activities ([Vedder & Guynes, 2002](#)), it should be integrated with knowledge management to improve quality and able the organization to respond more quickly to the environment changes ([Lee, Chung, & Park, 1990](#)). This is the very first step of competitive intelligence process planning and redesigning the processes, products and structure of organization ([Guimaraes, 2000](#)). Once an organization goes through this phase, it should start information scanning intelligence to gather and storing information to be available to firm's employees and management. The gathered information should be as per code of ethics and legal as per country's law ([Rouach & Santi, 2001](#)).

The third phase of this process is information analysis that is, interpreting and translating collected raw data into actionable intelligence ([Miller, 2001](#)). It is an essential step, and many authors believe that this is the stage from where the actual intelligence is formed ([Dong et al., 1998](#); [Benny Gilad & Gilad, 1985](#)). SWOT analysis, BCG portfolio matrix, VC analysis, PEST model, Porters Five Forces model, financial analysis and many other environmental scanning analytic tools are used in this phase ([Gray, 2010](#)). In order to successfully make use of collected information, it is important that every member of organization should aware of why information is needed, how it is acquired, what kind of information is used, and where it is located ([Fahey, 1999](#)). Thus, employees

should become increasingly aware of the necessity to remain informed of their competitive environment.

Research Methodology

Research Questions

This study was conducted to give the answer of the problems: what are different factors of competitive intelligence?, whether respondents know regarding competitive intelligence?, whether the banks are coping with the external environmental uncertainties?, and which basic competitor's analytical models are being used by Islamic banks in their annual reports?, in order to find the answers of the above mentioned questions a review of past literature was conducted to for this purpose a number of books and different articles were accessed to conduct the literature review, in second step the top management was asked what they knew regarding the CI, total 7 items were asked from the respondents to judge their familiarity and knowledge about CI, the third question was answered by asking the respondents that whether the bank is coping the external environmental changes in questionnaire and the analysis of annual reports from 2015-2016 and websites of all the five Islamic banks was conducted to know which CI technique they are using for fourth question, respectively. There are five basic competitor analysis models highlighted from literature such as ([Du Toit, 2013](#); [Gray, 2010](#)). Each IB is marked tick if it is using this model in annual financial reporting.

Population and Sampling

Islamic banking sector was the population of the study. Five Islamic banks operating in Pakistan, Meezan Bank Ltd, Al Baraka Bank, Bank Islami Pakistan Ltd, Burj Bank and Dubai Islamic bank. The sample is Islamic banks branches. In this survey only top management including IB branch managers, operations managers and customer care managers were asked to fill the questionnaires. A total of 70 questionnaires were distributed out of which only those included in analysis which were completely filled. We made sure that the questionnaire is only filled by the top management in the IB branch. The response rate of the survey was 71.43%. [Toit and Strauss \(2010\)](#) in their study of South Africa got 78 completed questionnaires and response rate of their survey was 59%.

Research Design

The basic research design was the literature review, survey, analysis of Islamic bank’s annual reports and websites. A questionnaire was mainly adapted from reference ([Muller, 2007](#); [Wright & Calof, 2006](#)), which consisted of 8 questions, the questions were asked about to achieve the above mentioned objectives.

Results

Table 4.1 One Sample T test

Q	Familiarity of CI among Islamic Banking Sector	Mean	Mean Diff	T	Sig	Std. Deviation
1	Our management understands what competitive intelligence is.	5.55	5.549	36.079	.000	1.296
2	Most of the employees understand what competitive intelligence is.	4.66	4.662	30.797	.000	1.276
3	CI can be used to create a competitive advantage.	5.83	5.831	38.505	.000	1.276
4	We make CI trainings (e.g. collection and analysis techniques) available to our employees.	4.24	4.239	21.860	.000	1.634
5	We have a long term competitive intelligence program.	4.20	4.197	23.597	.000	1.499
6	Competitive intelligence is a permanent activity in our bank.	4.52	4.521	28.203	.000	1.351
7	Our bank recognizes competitive intelligence activity for business.	5.27	5.268	32.834	.000	1.352
8	Our bank is coping with the external environment.	5.49	5.492	49.134	.000	0.112

Table 4.1 shows that all the items are significant at 5% level of significance. The mean values of all the items are above mean value 4 which is cut point here. 5.55 mean value show that Islamic banks management understands what CI is and 5.83 mean value shows that CI can be used to create a competitive advantage. 4.66 identified that most of the employees in Islamic banks understand what CI is. All the respondents stated that they are neutral about bank make competitive intelligence trainings (e.g. collection and analysis techniques) available to our employees. Mean value 4.20 shows that respondents confirm that their bank have a long term competitive intelligence program. Respondents confirm that Islamic banks use CI as a permanent activity. 5.27 mean value showed that Islamic banks give importance to CI activities for business.

Figure 4.1 Islamic Banks are coping with External Environment

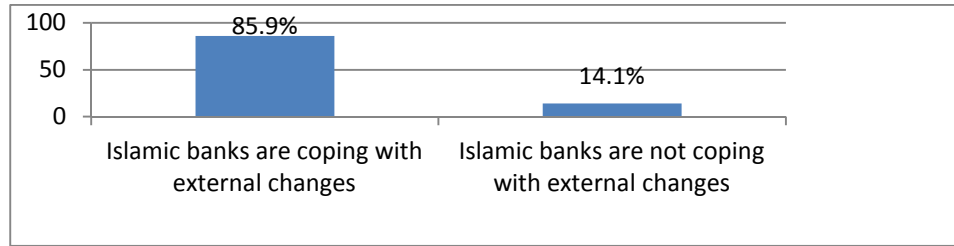


Figure 4.1 shows that 85% respondents confirm that Islamic banks are coping with the external uncertainties in order to remain competitive and obtain competitive advantage.

Table 4.2 Basic Competitor’s Analytical Models

	Meezan Bank	Burj Bank	Bank Islami	Dubai Islamic Bank	Albarka Bank
Ratio Analysis	✓	✓	✓	✓	✓
SWOT Analysis	✓				
Best Practices	✓	✓	✓	✓	✓
Competitor Analysis					
Market Analysis	✓	✓	✓	✓	✓

Table 4.4 indicates that all the Islamic banks are using ratio analysis and market analysis techniques in order to know financial performance, external and internal environment and customer needs, respectively. Only Meezan Bank is using the SWOT analysis to know its internal strengths, weaknesses, opportunities and threats. Some of the interesting items regarding intelligence has been discussed in Meezan Bank’s annual reports such as sustainability analysis, guidelines on whistle blowing, market and corporate communications, risk and opportunity reports, six years horizontal and vertical analysis and product information reports etc. Whereas, annual reports and websites showing that all the Islamic banks trying to use all the technology and knowledge (Best Practices) at one's disposal to guarantee success, sustainability and competitive edge. In addition, no single Islamic bank reported competitor analysis in its annual financial reporting. But the most of the employees in survey believe that their bank develop

strategies to compete its competitor with respect to quality, performance and market growth (see. Q41, Table 3).

Conclusion and Discussion

Pakistan is an Islamic country and most of its population encourages Shariah compliance products and services. People are more concerned about interest prohibited products in all of the financial activities. By focusing on this need Banking sector in Pakistan made its avenues from conventional banking to Shariah compliance products and services offering to its target Muslim population. Banking sector in Pakistan created two way competitions, among Islamic banks, and between Islamic and conventional banking sector. In order to achieve sustainability, competitiveness and success Islamic banks in Pakistan are involving into competitively intelligent activities to take advantage from market share and environmental needs from both conventional and rival Islamic banks. Islamic banks management understands what competitive intelligence is and believes that competitive intelligence can be used to create a competitive advantage. Most of the employees understand and have knowledge about what competitive intelligence is. All of the Islamic banks are coping with the external uncertainties in order to remain competitive and obtain sustainable competitive advantage. The quality of competitive intelligence use in annual reports can be judge as all the Islamic banks are using ratio analysis and market analysis techniques in order to know financial performance, external environment and customer needs, respectively. But banks need to focus competitor analysis for comprehensively for improving the quality of their CI process. Whereas, annual reports and websites showing that all the Islamic banks trying to use all the technology and knowledge at one's disposal to guarantee success, sustainability and competitive edge. In addition, as no single Islamic bank reported competitor analysis in its annual financial reporting which is other face of coin that Islamic banking sector is implementing CI but unknowingly or informally. Islamic banks should have competitive intelligence unit so that they can properly implement quality CI procedure to reap the potential benefits connected to CI activity. For achieving these strategic benefits Islamic banks in Pakistan involve themselves in gathering published and unpublished raw data about the internal and external environment have eye on the

competitor's (national and international) activities (such as which product they are offering, how they changing their procedures, their marketing activities etc), keenly focusing on marketing opportunities and customer needs etc. even Islamic bank focus on daily and hourly based updates about their performance and of the competitors, store the most important information, analyze with quick actions and then timely respond by changing their procedures and processes according to current needs- though they are using competitive intelligence cycle while meeting quality standards, especially Meezan Bank Ltd, but not through a CI unit. CI furnishes Islamic banks with noteworthy information that can help them to develop effective strategies and make successful decisions despite consistent difficulties hurled by a dynamic, competitive and challenging market, increasing high customer 'customized' markets and constricting global boundaries. Another reason for CI is to gather data about local and international competitors to set benchmarks identify opportunities and manage a strategic distance from economic shocks. In the light of the significance of CI in developing nations the expectation is communicated from the literature that CI isn't just a framework to enhance the basic leadership in organizations and districts, however, that it is a leverage to encourage the innovations and industrial developments for the companies in developing nations to compete locally and globally. As according to [Gross \(2000\)](#) the definitive goal of good CI work is the formulation of truth-based, sound and reasonable decisions so that an effective action can be taken. Organizations of all size whether small medium or large, should maintain some form of CI guided by a devoted CI unit. Significant decisions result when the tacit knowledge and background experience of colleagues couples with the computational effectiveness of technological information. The national benefits can be defined as; the utilization of CI by developing nations like Pakistan would upgrade their intensity in both home and host (international) markets which result in benefiting the progress endeavors of developing countries, including improvement in exports as the companies will know the needs of global customers, global markets environment, will understand suppliers and investors business requirements, the host country's institutions and regulatory rules and policies, trade policies etc. The study recommends Islamic banking sector executives to build a strategic competitive intelligence system among their employees through proper awareness and understanding. This study provides strategic

managers and decision makers professionals a better picture of key success factors and strategic benefits of utilizing quality competitive intelligence process to develop a functional intelligence program which will improve the quality of CI process in the Islamic banking sector. The most important finding is that the concept of "Competitive Intelligence" is new and challenging in the emerging countries especially in Pakistan. The survey is conducted only on Islamic banking sector. Furthermore, the analysis is exploratory, future researchers could study for impact of CI activities on performance by extending the survey to Islamic and conventional banking sector with large sample size.

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