

An empirically based model of competitor intelligence use

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Abstract

Top managers of industrial wholesale organizations ($N=172$) were surveyed to identify factors associated with implementation of competitor intelligence (CI) activity. Results of multivariate analysis generally supported a hypothesized model of CI linking environmental and organizational characteristics and perceptions of CI to level of CI activity. Level of competition was positively related to CI use, while the number of competitors was associated with lower use of CI. External diversity (number of clients) was positively associated with CI, while internal diversity (number of products) was associated with lower CI. There was a complex set of curvilinear relationships between organizational resources and use of CI; organization size exhibited an inverted U-shaped relationship, while marketing intensity exhibited a standard U-shaped relationship. Managers' positive perceptions of CI value and accessibility were associated with greater use of CI. Greater availability of CI information and greater allocation of organizational resources to CI activity were associated with greater use of information obtained through CI. Several factors had both direct and indirect relationships with CI use. © 2002 Elsevier Science Inc. All rights reserved.

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1. Introduction

Competitive behavior is a major focus of current managerial theory and practice. Competitive behavior is a response to an “enacted” environment (Weick, 1979). An organization competes with another because it identifies that organization as a rival. Thus, while many organizations could be defined as competitors from an analytic perspective focusing on niche similarity (e.g., selling the same kinds of products to the same potential customers), organizational strategy and tactics may not target all such companies. However, there should be substantial overlap between organizations meeting these two different definitions of competitors. For example, Chen (1996) found substantial agreement between organizational leaders' subjective definitions of rivals and an objective definition of competitors based on niche similarity. Peyrot et al. (1996) found that similarity in products and selling in identical

locations were primary criteria in leaders' identification of rivals. Competitive behavior among rivals involves head-to-head competition, in which an organization singles out another as an adversary, tracking that organization's action and engaging in counter-action, or using a more sophisticated approach, anticipating the counter-action of the identified competitor (Zajac and Bazerman, 1991). This competitive behavior may be offensive or defensive (Gilad, 1989), harmonious or belligerent (Couch, 1998). Examples of this type of competitive behavior include comparative advertising, price wars, copycat product introductions, and mergers/acquisitions.

This paper focuses on the practice of competitor intelligence (CI), a particular component of competitive behavior involving surveillance of the activities of rival firms. Specifically, our research question is: What factors are associated with organizations' gathering and use of information regarding the competitors that they have identified? Competitive intelligence is an extended and refined activity of information synthesis stemming from the earlier, more comprehensive, and less focused efforts of environmental and strategic scanning (e.g., Cyert and March, 1963). Recently, several writers have identified a need to go beyond the broad-based, qualitative environmental scanning

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approach to market and competitive intelligence (Beswick, 1999; Smith and Fletcher, 1999). They advocate a process to distill full value from the scope and variety of intelligence found in industrial markets, and an analytical knowledge–management approach to better integrate market and competitive intelligence. Walle (1999) has discussed application of military and political espionage techniques for interpreting environmental and strategic scanning outputs to yield more specific competitive intelligence, again emphasizing the need to transition analysis from the broad and strategic to the specific and tactical level.

Porter's (1980) seminal work on competitive analysis, which focused on tracking specific competitor behavior and linking competitor analysis to competitive strategy, touched off an avalanche of publications on CI. Most of these works were prescriptive or exhortative, focusing on information collection techniques (Band, 1986; Barndt, 1991; Cvitkovic, 1989; Eisenhart, 1989; Fuld, 1991; Gilad, 1989; Gilad et al., 1993; Keiser, 1987; Yavas and Eroglu, 1995). Much of the CI "research" consisted of anecdotal case studies of corporate CI activity in a variety of settings: a life insurance company (Fletcher and Donaghy, 1993), the forest products hardboard industry (Munk and Shane, 1994), electric utility regional cooperatives (Galing, 1995), banks (Boucher, 1996), the health care industry (Austin et al., 1995), and multi-industry examples (Lenz and Engledow, 1986; Ettore, 1995). There has been little quantitative empirical research on CI (Ramaswamy et al., 1994), and the published quantitative research has been largely descriptive in nature, describing the distribution of CI skills, resources, and capabilities across organizations (e.g., Peyrot et al., 1996; Prescott and Smith, 1989).

The current study examines CI practices among industrial wholesalers, a group that has received little attention in the empirical literature. Initial work in industrial CI identified it as a supplementary component of market information (Parasuraman, 1978; Goresky, 1983). Recent additions to the industrial CI literature include a suggestion to integrate patent information into CI (Keep et al., 1994), and discussion of the utilization of CI in the distribution channel by Japanese firms (Mellow, 1989; Taylor, 1992).

In an early empirical study, Prescott and Smith (1989) suggested that distribution channels engaged in low levels

of CI activity. Duncan and Lillis (1982) found that there was a lower interest in marketing research overall in the industrial sector, but Zinkhan and Gelb (1985) found equal or greater CI by industrial firms relative to consumer firms. In an earlier paper (Peyrot et al., 1996), we presented a detailed description of industrial wholesaler CI — including perceptions of CI and sources, types, and uses of information. We found that these organizations did engage in substantial amounts of CI, but that it was mostly tactical in nature, focusing on pricing, product lines, and identification of key clients and sales staff for possible recruitment.

We believe that industrial wholesalers represent an important opportunity for studying tactical CI among small firms, a topic that has itself received little attention. Unfortunately, there has been little empirical research analyzing the interrelationships among CI variables and relating them to organizational and environmental characteristics in this sector. Thus, our hypotheses regarding determinants of CI must be derived partly from studies of CI among organizations other than industrial wholesalers. Empirical analyses will allow us to determine whether these hypotheses hold true in a sample of industrial wholesalers.

1.1. Model and hypotheses

This paper develops and tests a hierarchical model of the determinants of CI use, which incorporates several components: (1) environmental characteristics (market competitiveness, environmental complexity); (2) organizational characteristics (size, marketing resources); (3) decision-maker perception of CI; (4) organizational resources devoted to CI; (5) amount of information obtained through CI; and (6) the ultimate dependent variable, level of use of information obtained through CI. The model postulates a causal chain in which factors earlier in the causal chain can affect those later in the chain (see Fig. 1). Thus, environmental factors such as complexity and competitiveness, and organizational factors such as size and marketing resources, can affect all CI factors. Moreover, managerial perception of CI can affect the amount of organizational resources devoted to CI, and in turn the amount of information obtained through CI and level of use of CI

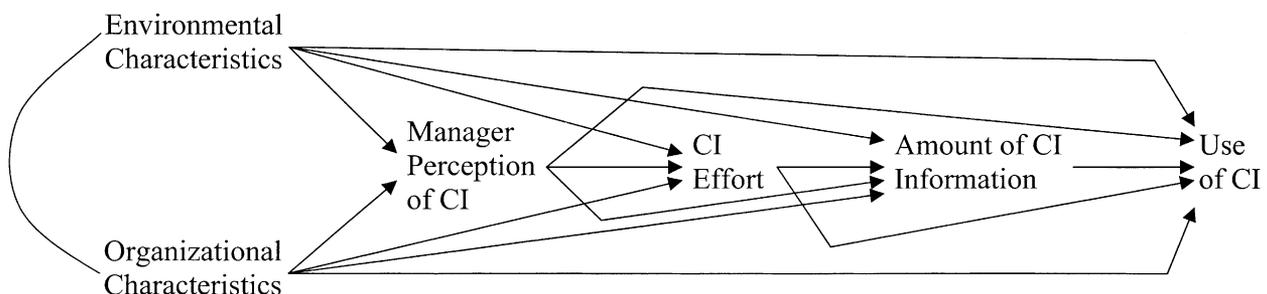


Fig. 1. Conceptual model of CI use.

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