

## Relationship between Competitive Intelligence and Competitive Advantage in Developing Countries (A Case study- Manufacturing Firms of Kurdistan Province)

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**Abstract Introduction:** The aim of this paper is investigation of relationship between competitive intelligence and competitive advantages. The sample of study includes 267 managers of Kurdistan province manufacturing firms. Data was gathered by questionnaire with KMO index (0.732), and Cronbach's alpha (0.858). Data analysis method is based on correlation coefficient test and structural equation. The result show there is significant relationship between competitive intelligence and competitive advantage.

**Key words:** *Competitive Intelligence; Competitive Advantage; Cost Leadership; Distinct*

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### 1. Introduction

Recently, competitive intelligence is regarded as an important concept of management and kneaded with giant companies (Kahaner, 1996). Competitive intelligence is considered as a key element of success in today uncertain market place environment. Also, it is a useful instrument in long-time strategies of business decision making procedures among top managers. So, such applications allow the firms to evaluate the industry competitive frame, gather, analysis, and propagate/disseminate information, as the urgent needs of the related firms (Sauter, 1999).

The rapid growth of economic competition has made the situation in which public organizations are very sensitive to satisfy market demands such as deflate currency/budget, requirement recognition, abilities investment (technology, resource, etc.). Meanwhile, private firms encounter the increasing competition. Therefore, one can say keeping the sustainable competitive advantage is very difficult (Maltsev and Novgorod, 2009). Competitive pressure in market, especially knowledge economy, has been increased. As a result, both factories and firms of all around the world have invested millions dollars on knowledge-based managerial systems regarding to competitive intelligence in order to manage their organization and make it ready for possible competition (Toit, 2003). Competitive intelligence allows the organizations to save and analyze the surrounding information in the market place. This information is very effective and applicable in the critical situation. These affairs accelerate data, information, and knowledge transmission and enhance the impact of thinking and decision making. As radar, competitive intelligence discovers new opportunity and warns threats, such that it allows the firms to detect their environment, correctly.

Ben Gilad, one of the most prominent intelligence theorist, declares, "the competitive intelligence, is the whole knowledge a firm accesses to it in his competitive environment, it is the result of continuous countless particle analysis of the information that bombards a firm daily routine. In the light of this knowledge, the near future complete image/ picture of the firm is made in front of the managers view, as a main component in the firm decision making procedure (Gilad, 1999). Competitive intelligence consists of collecting, saving, and analyzing the information, and communicating with a market information. It is regarded as an organized procedure in many today-firms. While in this procedure the main aim is to support the management decision making, having an arranged competitive intelligence system can act as a main key in revealing many problems.

Competitive intelligence is divided into four basic steps named competitive intelligence cycles. These steps include: gathering information, planning, distributing/publishing, and analyzing (Alexandru, 2004). So, one can say, one of the most successful characteristics of competitive intelligence includes flexibility, usability / applicability, on -timing and participating the dependant units. It is necessary to determine the events happening around us, and obtain the certain benefit for every government and organization. Understanding the customers wants and performance in front of the competitors is very critical in business advancements, that is competitive advantage. Competitive advantage increases globally (Ford & Stefanos, 2010). The importance of competitive intelligence in the organization based on network approaches in industrial strategies has been approved, explicitly. So, the necessity of participatory approaches in the network management and understanding the abilities and customers aim's and suppliers in the uniform

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firms, and the related environments is very necessary. At least, dynamic understanding on technology routes is very urgent in surrounding the industrial environment. So, in this regard, having no basic knowledge about changing the industry technical capacities and common frontier industries in making suitable strategies goes us nowhere. There is no matter how our firms can make technology, in which the other firms in which their common frontier industries create/produce technology. Such methods because the industry-based innovative procedures become out of practice. (Schlegelmilich and Öberseder, 2007).

Regarding to the competitive intelligence, Schlegelmilich and Öberseder refer to the role of effective technologic choices and suitable enjoyment of technology in obtaining the competitive advantages for the firms. In a research named "competitive intelligence" in the simple/small firms. Tarraf, Patrick and Molz (2003) conclude the competitive intelligence can get amplified value especially in small firms. They declare about 0/94 of small firms managers in us consider the competitive intelligence as one of the key elements of success in their market.

In defining the competitive intelligence one can say a factor of a compound of factors in a competitive environment make the firms to act more successful than other organizations and doesn't allow the other firms to imitate their competitors easily (Barney, 1999). In this way, there are two important power points.

The first is fellowship led to excellent performance and organization competitiveness. Second, because of environmental intricacy and severe competition, competitive advantage imitates easily by the competitors and/or from customers insights it soon become out of date. In this regard, new advantages should be replaced. So, organization should seek to find their competitive advantages (Sadri et al., 2001). The necessity of rapid information exchanges and its validity make a firm urgent to provide a rapid answer to the changing markets, products and services. Mainly, this procedure is based on the changes about increasing the international competition reducing the geographical distance and un-regulating in an open/free competitive environment (Diottoit, 2003). One of the main routes in obtaining the sustainable competitive advantages is to have a share in key resources. Key resources divide into two asset categories (evident and un-evident) and abilities relating to valuable, scarce un-imitable and unalterable and organizability and applicability. Note that evident assets in

Financial service industry includes the building land, equipment and employees (Clulow, 2003). So, in attaining the competitive advantages, an organization not only should take both his outer situation and abilities into consideration (Feurer and Chaharbaghe, 1995). Porter (1980) introduces the public strategies of cost leadership concentration and distinction. It is important to apply the cost

leadership phenomena in parallel of distancing the products and services. Concentration-based strategy acts successfully on some specified customers when a part of industry enjoys/ has sufficient space and potential growth. And this success seems small by the giant and competitor firms. In distinction strategy, various degrees of distinction appear. Being distinctive is not defined as competitive advantage enjoyment, especially if /whether the standard products can supply the customers demand (supply-chain) and/or competitive firms can easily imitate the firm with distinctive characteristics. The marketing prominent authors consider competitive advantages as organization ability in building the suitable strategies in which the competitors can't confront with them competitive advantage is the backbone of organization continuity and survive in the market place. If the organization watch its competitive approach / strategy with market variable situations, it can reach/attain to its goals, individually and keep its continuity in the market. The organization can reach (attain) competitive advantage and overcome its competitors in the market by the basic knowledge of competitors, marketing, activities, and comparing them with its activities and improving specific competitive mechanism (Auwah and Gebrekidan, 2008).

In competitive advantage evolution, Rikardo's relative advantage theory is based on the enjoyment difference of work power and he considers it as the universal success factor of industry (Porter, 1990). In production factor abundance /plentitude theory. Hetchker and Ohlin regard the competitive advantage as an outcome of production subject (Hill, 2003). The most important aim of national economy is to create/facilitate life high qualities for the citizens. This standard is determined in the light of applying the suitable resources in production and business. Actually, this factor determines the countries competitiveness situation in a specified industry, (Porter, 1990).

In production factors abundance theory, Hetchker and Ohlin consider competitive advantage as a result of production in the countries, (Hill, 2003). The most important economic aims of nations are to create high standard of life for citizens. In the light of productivity in applying the trade and production resources, this standard is determined. Actually, this factor determined the countries compatibility in a particular industry (Porter, 1990).

In a research done by Urban and Star (1991), the result shows the competitive advantage is possible from 4 points: technology priority, resource priority, demand patterns, commercial policies.

The result shows, when technology causes strong / serious competition, banks follow a marked-based approach in order to keep their position and specify their services. They think the successful approach in attaining the suitable position in competitive market, is to service their current and potential customers based on their demands. Regarding to the resources competitive advantages and investment drives in export-driven markets. Kalaka (2002) concludes the

resource various compounds, services and product advantage make sustainable relationships among customers and competitive advantage in the organization method. Regarding to the competitive intelligence, various models has been provided. Among them, one can focus on competitive intelligence. Cycle and current models define various aspects of competitive intelligence.

In this regard, some examples are:

Rauchand santi's organizational intelligence model,

Aston and stici's Commercial Intelligence Model, 40 procedure, Sip's Model and France management Faculty Model.

Also in evaluating the competitive intelligence, three determining domains include: Intelligence toward market, intelligence toward competing and technology- based intelligence. In Rach and santi's model, market intelligence includes intelligence in the field of need changes, customers preferences, and new markets intelligence toward the competitors structures and strategies, new products and new comers into the industry.

Technology - based intelligence includes analyzing the intelligence benefit cost based on the current and new technologies and predicting the technologic trends/procedures.

Hvman intelligence includes human-strategic intelligence and the related issues toward knowledge personnel/stuffs and organizational scholars (Rauch & Santi; 2010). On the other hand , Mauler (2009) introduces a competitive intelligence pattern as a key element in south-Africa Automative industry, and evaluates effective components on competitive intelligence in such industry. The competitive intelligence main components include:

Technology information pays close attention intra and intro organizational procedures, management attitude toward innovation and creativity. In this research, South-Africa automotive

industry depicts its crises toward competitiveness and competitive intelligence components. In this research, because of adaptability toward Iran firms situation and its simplicity and better component.

Understanding as research theoretical framework, porter competitive advantage common model and Deschamps & Rananuth Nayak's model Have been applied. In this regard, competitive intelligence aspects have significant connection and divide into three main criteria:

Deschamps & Rananath Nayak (1995) conclude competitive intelligence includes:

Awaring the market situation, awaring the competitors' situation awaring the technolox.

Porter (1980) concludes, there are three public /common strategies in cost, distinction and centralization.

Cost leadership: The main goal in this strategy is to attain competition priority by low cast production toward / gains the competitors.

Distinction: According to this strategy, some products and services in an industry are distinctive.

Centralization: This strategy concentrates on one or more particular products and services.

## 2. Secondary theories / minor theories

There is significant relationship between awaring the market awareness and competitive advantage in Kurdistan province productive units.

There is significant relationship between competitor situation awareness /awaring the competitor situation and competitive advantages in Kurdistan province productive units.

There is significance relationship between Technology awareness/ awaring the technology and competitive advantage in Kurdistan province productive units (Fig. 1).

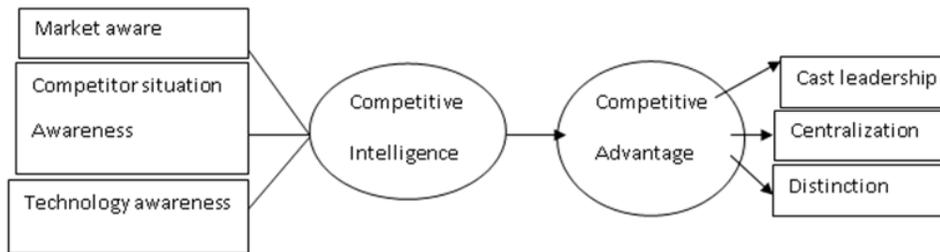


Fig. 1: relationship between Technology awareness/ awaring the technology and competitive advantage

## 3. Methodology

The research method is descriptive- correlative. The data have gathered by random-sampling method. In competitive intelligence measurement and competitive advantage in Kurdistan province productive units questionnaire was designed it consisted 32 quests. Quest 1-5 deals with

distinctive strategy toward/from competitive advantage variable, tests b-12 relate to the cost reduction strategy toward/ from competitive advantage variable, Quests 13-16 deals with centralization strategy from competitive advantage variable. quests 17-20 relate to the awareness aspect toward/from the marked competitive

intelligence variables, Guests 21-26 relate to competitors awareness aspect.

Gucst 23-32 deal with the awareness aspect of Technology from competitive intelligence variable. Questions currency consisted of descriptive and interpretative questionnaire and its validity was affirmed by authors.

Reliability is a mechanism employed to check the internal consistency of test questionnaire against every other test item when employed by different participations. 32 questionnaires were sent to managers. Overall, Cronbach's alpha for the sample was 0.858 which indicate an excellent level of statistical consistency. Sequentially, to increase the content validity of the research instrument the questionnaire was "pilot examined" by 267 managers in the manufacturing industry who agreed to fill the questionnaires and also to commend on the scales employed. Then, their suggestions were collected and some reformations were made to improve the validity of questionnaires.

In addition, for questionnaire validity and reliability, a discovery factorial analysis and KMO index (0.732) were applied.

**4. Results**

Hypothesis(H<sub>1</sub>):

There is significant relationship between awaring the market situation and competitive advantage in p Kurdistan province productive units

**Table 1:** The result of spearman correlation – coefficient test between awaring the market situation and creating the competitive advantage.

Awaring the market situation		
Competitive advantage	Spearman coefficient	0.565
	Meaning fullness level	0.000
	Number	350
		P < 10/01 **

(Source: research data)

According to Table 1, because the level of meaning fullness / signficance is less than 0/05, the H<sub>1</sub> is not accepted is rejected.

And, H<sub>1</sub>- as research hypothesis, beads on the relationship between market situation assumed and competitive advantage creation in Kurdistan province productive unit is accepted. Clearly, in 99% level there is significant relationship between market situation and competitive, and coefficient-correlation is %565.

so, one can say each variable increase or decrease cause the increase or decrease in another variable (s).

Hypothesis 2 (H<sub>2</sub>): There is significant relationship between awaring the competitor situation and creating the competitive advantage in Kurdistan province productive units.

**Table 2:** There result of Spearman correlation coefficient test between awaring the competitor, situation and creating the competitive advantage

Awaring the competitor situation		
Competitive advantage	Spearman correlation	0.624
	Significance Meaning fullness level	0.100
	Number	350
		P < 0/01 **

(Source: research data)

According to Table 2, because the level of signficance/ meaningfulness is less than 0/05, Ho is not accepted/is rejected And, H<sub>1</sub>-as research hypothesis, based on this relationship between awaring the market situation and creating the competitive advantages.

Kurdistan province productive units is accepted clearly, in 99% level there is Significant relationship between awaring the competitor situation and creating the competitive advantages and , correlation – coefficients %624.

So, one can say each variable's increase or decrease cause the increase or decrease in another variable (s).

Hypothesis 3 (H<sub>3</sub>): There is significant relationship between awaring the technology and creating the competitive advantages in Kurdistan proving productive units.

**Table 3:** The result of spearman correlation-coefficient between awaring the technology and creating the competitive advantage.

Awarin the Technology		
Competitive advantage	Spearman's correlation	0.548
	Significance level	0.000
	Number	350
		P < 10 **

(Source: research data)

According to Table 3, because the level of signficance is less than 0.05, Ho is not accepted is rejected, the H<sub>1</sub>-as the research hypothesis based on the relationship between awaring the technology and creating the competitive advantage in Kurdistan province productive units is accepted clearly, in %99 level, there is significant relationship between awaring the Technology and competitive advantage and correlation coefficient is 0.548.

One can say each variable increase or decrease cause the increase or decrease in another variable (s).

Research structural model is presented in (Fig. 2).

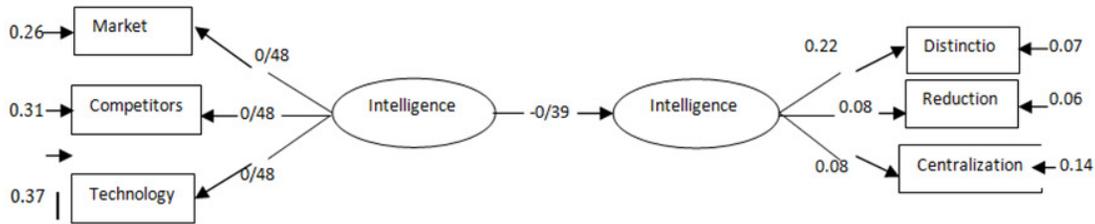


Fig. 2: Research structural model in standard estimation state

In research structural model-by means of structural equations at first, software output confirm the estimated structural model is suitable for Hypothesis test Because  $(X^2/df) < 3$ ,  $X^2$  is suitable. Also, RMSEA = 0/066 shows the estimated structural model is suitable.

On the other word, data shows the real logic in research conceptual model. There are significant relationships among all the factors. Owing to the

standardized factorial load, in the factors with greater load there are significant relationship with the related variables.

In addition, from the factorial load product in competitive intelligence and competitive advantage, one can calculated the relation between these two variables (Fig. 3).



Fig. 3: Research structural model in significantly number state Diagram

Research structural model in significantly number state Diagram shows the coefficient significantly and parameters of competitive intelligence structural model and competitive advantage.

As shown significance coefficient in structural model is 3.7. So, there is significant relationship between two variables.

## 5. Conclusion

The result show there is significant relationship between competitive Intelligence and competitive advantage in kurdisitan province manufacturing units, the result is in parallel with Drucker's concluding remarks. In addition to the knowledge role in organization valuation, Drucker (1998) refers to feedback role and information from the customers, buyers and other market elements in optimizing the organization performance and competitive advantage.

According to the result, It is necessary to take each competitive intelligence for granted.

Also, the studied firms/organizations should attempt to improve each competitive intelligence aspect.

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