

Kingston University London

Doctor of Business Administration Thesis

DO SMALL ENTERPRISES STUDY THEIR COMPETITORS?

A Case Study Analysis of the Competitor Study by
Dutch Business-to-Business Small Enterprises

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Abstract

The purpose of this study is to address the knowledge gap regarding competitor study practices in small enterprises, to develop new theory, and to present ‘best competitor study practices’. It uses a cross-sectional qualitative multi-case study methodology to study these practices of 7 small Dutch business-to-business enterprises. The study reveals that the SE’s life cycle stage development is not related to the development of competitor study activities. The pace and intensity of these activities is dictated by the external environment’s competitive intensity. SE owner-managers play leading roles and are fully involved in this competitor study. Other SE managers are only partially involved in operational study. SE owner-managers with Business Administration educations use more data sources than those without this discipline. The research uses strong, stable and weak relative competitive market positions to categorize the 7 SEs, and discovers relationships between SE competitor study activities and these positions. SEs with strong positions place a low importance on competitors, and they do not cooperate with them. These SEs study new technology, and they are neutral or negative about the usefulness of competitor study. Their subjects are strategic, and they use the highest number of sources, personal sources, external sources, and external direct data sources. SEs with weak positions place a high importance on competitors and cooperate with them. They focus on tactical competitor subjects, and they are positive about its usefulness. These SEs use the lowest number of sources, personal sources, external sources, and external direct data sources. They are also responsible for most of the discovered unethical and illegal data collection practices. SEs with strong or stable relative market positions improve their market positions with developed absorptive capacities, whereas SEs with weak relative market positions do not. The implication of these outcomes is that they establish the new theory regarding SE competitor study. The main limitations of this cross-sectional study are the use of only a selected, non-random small number of Dutch business-to-business small enterprises in a small geographical region and in various industry sectors. The study’s implication for practice are 3 ‘best practice’ competitor study recommendations sets relative to the 3 SE relative competitive market position categories. Finally, the study presents recommendations to the Dutch government how to it could improve the law against illegal data collection and how it could communicate this law to Dutch SMEs.

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Chapter 1 – INTRODUCTION

1.1 Chapter guide

This chapter discusses the origin of this study: the changing character of global competition, the resulting growth of competitor study activities, and the lack of knowledge about these activities in small and medium enterprises, SMEs. It presents the 2 purposes of the study: 1) to address the knowledge gap about SME competitor study, and 2) to address the research methodology gap regarding SME competitor study research by adopting a qualitative research methodology. Finally, the chapter presents a summary of the research aims and research questions of this study, and concludes with an outline and summary of the contents of the chapters of this thesis.

1.2 The origin of the study

Due to the changing character of global competition, in combination with a new era of slower market growth, marketing itself has moved on from a customer-focused marketing stage to a much more aggressive stage: one of marketing warfare (Kotler and Singh, 1981). Kotler and Caslione (2009: 183) however, noticed that ‘doing business, isn’t warfare’, pointing at the various roles competitors may fulfil for a firm. Nonetheless, they concluded that ‘one of the major changes in the marketing environment is the ability of competitors to copy a new product or new service faster. As a result, the innovator’s capability to obtain a return on investment due to this competitive advantage is reduced’ Kotler and Caslione (2009: 156). This stage therefore requires the development of special marketing strategies centred on dealing with competitors. As a result, one activity, which has grown fast in large organizations, is the study of competitors (Subramanian and IsHak, 1998; Prescott and Miller, 2001). The growth of the competitor study practice has even resulted in an entirely new business discipline, now known as ‘competitive intelligence’ (Lewandowski, 1999). Competitor study may be just one element of market intelligence, but it can be a powerful practice since it tries to understand and predict the actions of competitors. Companies collect and analyse information about their

competitors, and the resulting intelligence can be used by these companies to improve their tactical and strategic business decisions. This may be necessary, since Kotler and Caslione (2009: 15) noticed that ‘in normal times, [companies] compete with a combination of offensive and defensive manoeuvres, but is likely that they won’t earn a high profit’. Competitor study may offer a solution, since it potentially offers competitive advantage opportunities to its users – and in particular when these users confront non-users. Unfortunately, competitor study practices have hitherto been ignored as an area of academic interest and research (Wright *et al.* (2002).

SMEs account for 99 % of all firms in the global economy, and ‘small business research is now a well-established area of social and business enquiry’ (Curran and Blackburn, 2001). Unfortunately this is not the case for the study of competitor study practices of SMEs. Competitor study in SMEs lacks empirical investigation. Knowledge regarding these practices in SMEs, including possible ‘best competitor study practices,’ is almost completely lacking in literature. Moreover, theory regarding these SME competitor study practices is also wholly lacking. This is an unfortunate and potentially disadvantageous situation for SMEs. The study and understanding of competitor study activities may be critical for SMEs since the timely and accurate knowledge of their external environments and their competition is a major element of the small firms’ success (Pearce *et al.*, 1982).

Furthermore, almost all previous studies regarding these practices have used quantitative research methodologies (Ganesh *et al.*, 2003). As a result, the analyses and findings of these studies lack description and an in-depth understanding of SME competitor study practices. Qualitative research is almost completely absent in these previous studies. Quantitative research appears to be less suited to understand the SME competitor study practices than qualitative research, and the latter research methodology is necessary to address the SME competitor study knowledge gap.

1.3 The purpose of the study

1.3.1 Address the SE competitor study knowledge gap

Competitor study in small and medium firms lacks empirical investigation as well as theory. This study identifies the *knowledge gap* in the extant literature regarding small enterprise (SE) competitor study practices.

This study aims to address that gap, and intends to explore, describe, and understand what SEs do regarding competitor study; why and how they use competitor study practices; and how they benefit from these practices.

The study's description and understanding will include the extent to which SEs are constrained by their internal and external resources, as well as the role of the SE owner-manager for the SEs' competitor study practices.

The original contributions of this study consist of an understanding of SE competitor study practices, as well as the building of SE competitor study theory. A practical contribution, based on the study's findings, is the presentation of possible 'best SE competitor study practices' to SEs.

1.3.2 Summary of the research objectives

A summary of the research objectives of this study are as follows:

1. To investigate competitor study practices in SEs.
2. To provide an analysis of competitor study in SEs.
3. To understand what competitor study means in SEs.
4. To develop new theory regarding competitor study in SEs.
5. To present 'best practice' competitor study recommendations to SEs.

1.3.3 Thesis outline and summary chapter contents

Chapter 1: explains the origins, the aims, and objectives of the study. It outlines the structure of the thesis, and presents summaries of the content of the study's chapters.

Chapter 2: reviews the extant literature on competition, business warfare, competitor study, and competitive intelligence.

Chapter 3: reviews the extant literature on SME competitor study. It identifies and presents the research gaps within literature, and presents research questions.

Chapter 4: presents the research justification and the research aims of this study. It discusses the selected research methodology, including the data collection, data processing, data analysis, and theory-building methodologies.

Chapter 5: presents and discusses 7 within-case analysis reports of the researched SEs, extensively using quotes from the interviews. The reports present a structured and standardized description of the individual SE competitor study practices.

Chapter 6: presents a cross-case analysis report with a combined analysis of the competitor study activities of the 7 researched SEs. It links these activities to the extant literature and presents the discovered underlying SE competitor study patterns.

Chapter 7: presents a conclusion to the research. It debates the research findings, and links these to the extant literature and research questions. It uses the outcome to present the new theory generated from the study.

Chapter 8: uses the research findings, as well the discussions about the research findings with practitioners, to present the implications of this study for practice and the professional development of SEs – including 'best competitor study practice' recommendations. It presents the limitations of the study, as well as possible future research directions. Finally, it also presents recommendations to governments.

Chapter 2 – THE ORIGIN OF COMPETITOR STUDY

2.1 Chapter guide

This chapter presents the origin of competitor study, discussing the concept of competition, the emergence of marketing warfare and the need to outmanoeuvre business opponents. Furthermore, it clarifies the connection between competitive intensity, company strategy, competitor study, and offers definitions of environmental scanning, market research, marketing research, market intelligence / marketing intelligence, competitor study / competitor analysis and competitive intelligence. As well as this the difference between these concepts and commercial, industrial and corporate espionage is discussed. Next, the competitor study's intelligence cycle is presented and explained. The chapter concludes with the rise of competitor study in large companies during the 1980's, and the lack of knowledge about competitor study in SMEs. Due to the scarcity of literature regarding this particular subject, the decision was taken to include older, but nonetheless relevant, publications in this chapter.

2.2 Competitors, competition, and competitive intensity

The first issue within research regarding competitor study is the necessity to clarify what competitors are and what competition is. Porter (1980) describes competitors as rivals with his framework of 5 forces that shape and drive competition within an industry: suppliers, customers, rivals, potential new entrants, and substitutes. Kotler (2001) says that competitors are rival companies which offer comparable products and services to clients in one or more markets. Sørensen (2009: 740) defined them 'as firms offering products or services that are close substitutes, in the sense that they serve the same customer need'. Other researchers add the 'place' where competing companies fight each other, and instead of describing this as a general 'industry,' they describe this more specifically as the 'same industry,' 'market' and 'market segment.' Weitz (1985: 229) recognized different markets within an industry, stating that 'competition is a process by which independent sellers vie with each other for customers in a market.' Business competitors, according to Chen (1996: 19) are rivals - as in sports - and can be defined 'as firms operating in the same industry (market

commonality), offering similar products, targeting similar customers’, as well as using identical resources. Hill and Jones (2008: 45) defined competition within a business environment as ‘the intensity of rivalry among established companies within an industry’, and as a ‘competitive struggle between companies to gain market share from each other’ (Jones and Hill, 2010: 46).

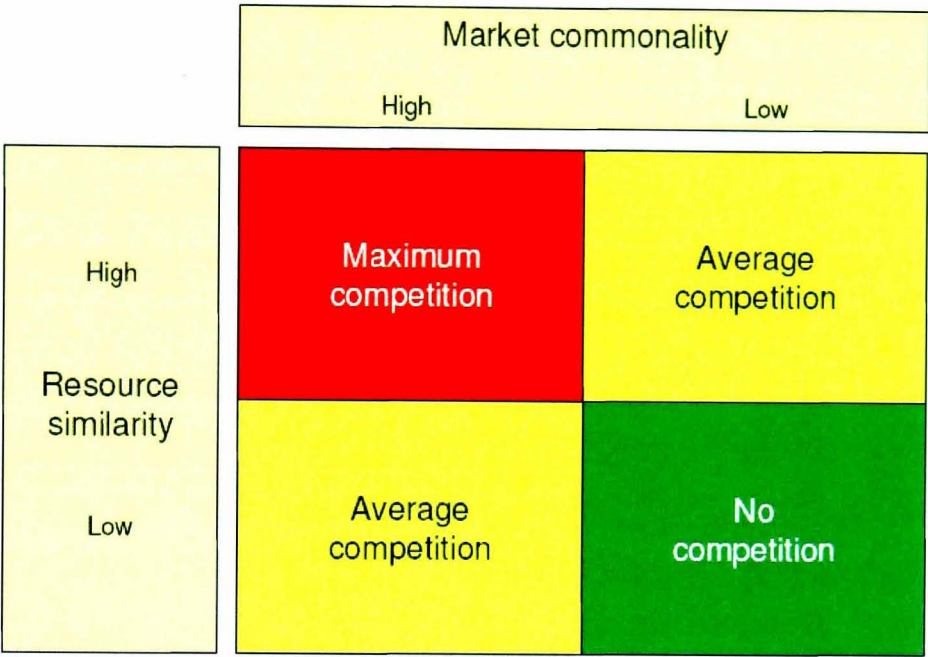


Fig. 2.1: Chen (1996) states that the level of market commonality and resource similarity of competing companies in a market defines the competitive intensity level in that market.

Other researchers added that the competitive intensity in a market depends on the characteristics of a market. The industry structure, according to Ferrier (2001: 872) ‘is a key driver of the intensity of competition’. Johnson and Scholes (1989: 66) listed the key market conditions which determine the degree of rivalry in markets as: a) the extent to which one competitor in an industry tries to gain dominance over other competitors, b) the stage of the market, c) high fixed costs in industries, d) the level and development of the supply or production capacity, e) the level of product and service differentiation, and f) the height of the exit barriers in an industry. The researchers also related the increasing competition in a market also to the development stage of the market, concluding that particularly mature [market] stages result in increasing competition. Jones and Hill (2010: 47) noticed that the ‘intensity of rivalry among established companies within an industry is largely a function of 4 factors: industry competitive structure, demand conditions, cost conditions and the height of

exit barriers in the industry'. Offstein and Gnyawali (2006) on the other hand, presented a firm-level composite construct which determines competitive intensity. It encompasses the following elements: a) competitive propensity (the firm's likelihood to undertake a large number of competitive actions), b) repertoire complexity (the firm's likelihood to undertake a wide variety of actions), and c) competitive magnitude (the firm's likelihood to undertake more strategic – rather than tactical – actions). Firms with a high competitive intensity launch a large number of actions, those actions are novel and cover a wide range of competitive spectrum, and the actions are of great magnitude or are more strategic in nature' (Offstein and Gnyawali, 2006: 252). The active presence of competitors makes it necessary that firms continue to improve the products and services which are offered to the customers. Buckley *et al.* (1988) noticed that this superior value (and lower costs), embedded in products and services of superior quality, can be measured as a company's 'competitiveness'. These researchers assessed firms with competitive measures: a) competitive performance, b) competitive potential, and c) management process, but also concluded that these competitive measures fail to 'provide insights into the sustainability of [a company's relative competitive] performance', and 'ignore margins' (Buckley *et al.*, 1988: 177, 184). Kotler (2001: 91) noted that 'the marketing concept states, that to be successful, a company must provide greater customer value and satisfaction than its competitors do.' Weijun and Ming Nie (2008: 210) stated that innovation plays an important direct and indirect role in enhancing firm performance. Like Kotler, they regard competition as a healthy factor, concluding that 'high intensity of competition may be more likely to force firms to heighten the need to innovate'... This innovation advantage is only temporary. Bretherton and Chaston (2005: 276) added that 'the ability of an organisation to sustain its competitive advantage over time is dependent on the speed at which competitors can identify, replicate it and imitate the strategy'. Kahaner (1996: 22) illustrates the rivalry process in markets where companies lack competitiveness and fail to differentiate themselves with their products and services, concluding that such a 'commodities market usually is a zero sum game – somebody wins when somebody loses.' It is this fear of ending up empty-handed, because of a zero sum game that causes most companies to regard competitors as a threat (Porter, 1985). Contrary to uncontested Blue Ocean markets (where demand is created rather than fought over), companies in the same markets 'try to outperform their rivals to

grab a greater share of existing demand. Products become commodities, and cutthroat competition turns the Red Ocean bloody (Chan Kim and Mauborgne, 2005: 4).’ Jones and Hill (2010: 59) also concluded that ‘as an industry enters the shakeout stage, rivalry between companies becomes intense’. In such markets, often the only way for companies to continue to achieve their future growth objectives, is at the expense of their competitors (Caudron, 1994). However, not all competitors in a market segment are direct competitors. Porter (1985) already made a distinction between ‘good’ competitors and ‘bad’ competitors. Good competitors actually serve a number of strategic purposes which may increase the sustainable competitive advantage of a company and improve the structure of the entire branch. These strategic purposes include absorbing market demand fluctuations, serving unattractive market segments, and offering possibilities to differentiate. ‘Bad’ competitors do not serve this purpose.

Literature indicates that the competitive intensity in a market is determined by either a) the similarity of the products and services, b) the level and character of the behaviour of rival companies, or c) the development (maturity, decline) and structure (open access, high cost) of the joint market. However, it is the combination of these drivers that determines the competitive intensity in a market. Hence, it is likely that this competitive intensity increases to a maximum when a combination of 2, or even 3, interrelating drivers are effective at the same time, and in the same market.

2.3 Blind spots, competitor study and company strategy

Zahra and Chaples (1993) discussed potential blind spots in a company’s perception: a) misjudging industry boundaries, b) poor identification of competitors, c) overemphasis on a competitor’s visible competence, d) overemphasis on where – not how – rivals would compete, e) faulty assumptions about competitors, and paralysis [of management decision-making] by continuing analysis. Fortunately, these blind spots can be taken away with timely and relevant information about the competition, and businesses have followed the lead of the military in this respect. As early as the 4th century BC, Chinese military strategists were the first to stress the importance of using processed information – intelligence – to act swiftly and conclude successful battles in war. The Chinese general Sun Tzu ‘emphasized that meticulous planning, based upon

sound intelligence, is the key to victory in war' (Sammon *et al.*, 1984: 19). Giles (1998: 24) quoted the writings of Sun Tzu about the importance of understanding your own company and studying the competition: 'if you know the enemy and know yourself, you need not fear the result of a hundred battles.' Applied to a business environment, Menon and Varadarajan (1992: 53) concluded that a 'better and effective use of information is viewed as critical [for companies] to being more market-oriented and to succeeding in an intensely competitive business environment.' Ferrier (2001) also suggested a relationship between the intensity level of competition in a sector and the scale and scope of competitor study activities by firms; the more intense the competition in the sector, the higher the likelihood that environmental scanning and competitor study activity will be found. Businesses have to scan their external environment because their 'competitive aggressiveness and adaptation are influenced by a top management team's ability to scan and interpret signals from the competitive environment' (Ferrier, 2001: 871). Nonetheless, competitor analysis is not even a common practice in large firms yet. Brummer *et al.* (2006: 35) studied 23 of the largest mining firms, and concluded that 'the fact that [these] ... firms are more often than not being surprised by a competitive force might indicate that they are strongly focused on internal operational issues and to a degree may have a laissez-faire approach towards their competitive environment ...'. Furthermore, the above usefulness or necessity of competitor information is not undisputed. Waarts (2005) questioned the benefits of timely competitor information, suggesting that such information could even result in a worsened decision-making by managers. Furthermore, the firm's business environment as well as the need to study competitors also appears to be related. Hough and White (2004) discovered that sales and marketing managers desired more [market] information in their daily stable and dynamic environments than in a moderate environment. They therefore suggested firms in moderate environments to allocate their resources to manufacturing, product development, and general market scanning – and not to sales and marketing.

According to Kotler and Singh (1981: 41) 'companies must know each competitor's plans and resources in selecting their own target markets and objectives,' adding that a company will only be able to achieve its objectives if it 'also knows how to outmanoeuvre its competitors in the same task'. Porter and Rangan (1992) concluded

that business decisions such as setting prices, choosing research and development projects, and targeting customers, are all dependent on a company's study of its competitors. Fahey (1999: 23) therefore included outwitting an opponent, outmanoeuvring an opponent, and ultimately outperforming an opponent. Speed is a critical element in the outmanoeuvring of competitors, and Ferrier (2001: 859) points at the relationship between business success and the importance of taking swift action in a competitive environment, stating that 'the more actions a firm carries out and the greater the speed of execution the better its profitability and market share.' Kotler and Caslione (2009: 45) also suggested firms to use speed to benefit from opportunities, react to counterattacks of competitors, and use surprise to improve the company's chances to achieve a superior position at the expense of competitors. A critical first step in this process however, is the collection of competitor data. Rindova *et al.* (2004: 677) states that 'as attention and resources inside a firm shift to focus on an enemy-rival, the firm is likely to intensify its competitive activity targeted against the rival.' According to Lauzen (1995: 190), 'as members of an organization view their [external] environment as more complex or more turbulent, the importance of [external] environmental issues in [their] strategic decision-making becomes more important.' Hambrick (1982) clarified that competitor study is connected to a business-level strategy, describing it as how a firm competes in a given business. Environmental scanning and competitor study behaviour of firms could be related to the strategy of firms in general, and the generic strategy of firms in particular. The idea of generic strategies has been conceived by Porter (1985), who stated that all companies have to make a clear choice between 2 opposite generic strategies: a cost-leadership strategy (achieve the lowest possible cost of products and services) or a differentiation strategy (use unique characteristics of a company, products and services to compete). Companies who fail to make this choice between the 2 strategies, according to him, would be 'stuck-in-the-middle' and would lose their competitive advantage. Bretherton and Chaston (2005: 285) studied 10 New-Zealand SME wineries, and they confirmed the importance that firms define their strategic intent. Once this intent had been developed, these firms could develop and/or access the necessary resources and capabilities for successful implementation. Other studies also indicate a possible relationship between competitor study activities and company strategy. Zinkhan and Gelb (1985: 274) discovered a relationship between the

versatility of intelligence activities and the character of the strategy of a company, stating that 'business units trying to build market share and / or to implement an offensive strategy gather more competitive information and employ more differentiated intelligence gathering methods than those with less aggressive strategies.' Hagen and Amin (1995) searched for a relationship between the generic strategies of Egyptian and Jordanian firms and their competitor study activities. They received survey responses from 97 Chief Executive Officers, CEOs, with a differentiation strategy, and from 129 CEOs with a cost-leadership strategy. The 'differentiation strategy CEOs' were more interested in the evaluation of market opportunities and the attitude of customers, whereas the 'cost-leadership strategy CEOs' were more interested in the threat-evaluation of competitors, including the tracking of policies and tactics of competitors.

Literature appears to struggle with the question whether or not competitor study is useful or not. On the one hand, the proponents strongly suggest firms to always use this practice and to benefit from it. On the other hand, the opponents point at the possibly detrimental psychological effects of competitor study on managers, and they (re)introduce the condition of the market as a variable element to commence this study. Both viewpoints are not necessarily conflicting, and both may be true. Firms with similar products and services that have to compete with very active other firms in mature or declining markets simply may not have another alternative than the study of competitors to defend themselves. Literature also indicates that business units trying to build market share and / or to implement an offensive strategy have to gather more competitive information and have to employ more differentiated intelligence gathering methods than firms with less aggressive strategies. However, when active in less contested markets the same firms may switch from this tactical 'fight' mode to a strategic 'development' mode, using their resources to develop new products and services. Hence, firms may continuously change their competitor study behaviour.

2.4 From environmental scanning to industrial espionage

Globalisation and internationalisation, according to Garsombke (1989: 43), have fuelled ‘the need and desire for information regarding competitors in countries and regions all around the globe’, particularly since Porter (1986: 5) noticed that the globalisation of competition has become the rule rather than the exception. As a result, the use of competitor information has grown in businesses. Competitor study, according to Porter and Rangan (1992), is essential for the assessment of a company’s current and intended positions and capabilities relative to its competitor’s position and capabilities. It is an element of the thorough competitive analysis of its business environment, which, according to Zahra and Chaples (1993: 8), is ‘the process by which a company attempts to define and understand its industry, identify its competitors, determine the strengths and weaknesses of its rivals, and anticipate their moves.’ Competitor study is now regarded as the front-end input process for the strategic company processes (Saxby *et al.*, 2002), although Hershey (1977: 19) prudently added that it ‘refers to only one aspect of the total market research function’. Heppes and Du Toit (2009: 52) expected firms to move through 3 progressive competitor stages: a) competitor awareness, including some competitor knowledge and ad-hoc tactical decision-making, b) competitor-sensitive, including an awareness of the damage competitors can inflict on its business and the need to win orders by competing more effectively, and c) competitor-intelligent, including the clear allocation of competitor study resources and the structured use of competitor information in a firm’s decision-making process.

Unfortunately, the competitor study literature does not offer the above 3 clear stages. Instead, it offers a wide variety of overlapping activity descriptions and definitions for this particular discipline. Williams (2003: 52) studied the export preparation of SMEs, and already noticed that ‘the respondents consistently exchanged marketing research for market intelligence, and often had unclear definitions as to the differences between these activities.’ Therefore, it is important to clarify these differences.

Market research is the thorough, in-depth study of markets. The research often consists of a macro-environment, project-related study (Porter, 1985).

Market intelligence overlaps market research (Cavalcanti, 2005). It is a structured, focused and pro-active intelligence activity of collecting and studying data of relevant players in the market's meso- and macro-environments. Rodenberg (2007: 25) is critical about this activity, stating that 'it is still practised in too many cases as market research "plus", lacking the future overview of the competitive landscape.'

Marketing research, or **marketing intelligence**, is used to understand the effect of marketing activities, and uses this understanding to devise an effective marketing plan.

Environmental scanning is the scanning for market information about commercial opportunities, technology, and competitors (Pearce *et al.*, 1982; Raymond *et al.*, 2001). According to Albright (2004: 40), it is 'the internal communication of external information about issues that may potentially influence an organisation's decision-making process.'

Competitor monitoring is an element of the environmental scanning. It is a fast and daily, proactive or reactive, scanning of the competitors' market behaviour.

Competitor study, or **competitor analysis** is an in-depth study, which includes competitor data collection and analysis, as well as the dissemination of an interpreted intelligence product to the company's decision-makers, influencing a company's tactical and strategic decision-making (Albright, 2004). Wilson (1994: 24) stated that it 'seeks to enable decision makers [in a company] to understand the competitive situation and the problems faced, decide how and against whom to compete, cope with change, reinforce intuition, prepare for contingencies, learn from competitors, stay competitive and survive.' This definition is identical to the later description by Brummer *et al.* (2006: 28) of **competitive analysis**; 'the analysis of any particular competitive force active in the competitive environment'.... Rodenberg (2007: 28) however, is critical about this activity, adding that 'in a majority of cases the result is [only] a random picture which is updated once a year.'

Competitor intelligence, or **competitive intelligence**, **CI**, on the other hand, is a structured and continuous activity, although Zinkhan and Gelb (1985: 269) regard it as a part of marketing research. Kahaner (1996: 16) defined CI ‘as a systematic program for gathering and analysing information about your competitors’ activities and general business trends to further your own company’s goals.’ Fuld (1992: 63) positions CI as a strategic activity, saying that it ‘means targeting the competition, then setting out to discover from public sources everything about it: product development skills, marketing strategies, strengths and weaknesses of key decision makers, budgeting and financial viability information.’ McGonagle and Vella (1998) described CI as the use of public sources to locate and develop data, which are then transformed into information, generally about competitors. Wright *et al.* (2002) placed the activity in a larger perspective than competitors, and therefore added strategic planning. Brummer *et al.* (2006: 27) agreed to this approach, and stated that ‘knowledge management and competitive intelligence are ... 2 important strategies or practices through which organizations could foster insight in order to ease the complexities of strategic decision-making’. With regard to the benefits of CI, Brummer *et al.* (2006: 28) noticed that it leads firms to act rather than react to events and risks, helps firms to capitalize on external business opportunities, and helps the firms’ managers to achieve and maintain the firms’ competitive advantages. Bose (2008: 511) concluded that ‘the most common benefit of CI ... is its ability to build information profiles that helps a company identify its competitor’s strengths, weaknesses, strategies, objectives, market positioning and likely reaction patterns’.

Giese (2002) added that top executives, directors and managers all seek market and competitor information to fulfil their **strategic intelligence** needs. This strategic intelligence, according to Sawka (2004: 16), ‘addresses competitive circumstances likely to affect an organization two or more years out.’ Operational employees and frontline sales staff on the other hand, seek competitor information to fulfil their tactical intelligence needs. **Tactical intelligence**, according to Sawka (2004: 16), ‘addresses immediate questions managers are facing now, e.g. how to differentiate from competitors and how to sell against competitors, key competitor clients, current products and services, current marketing campaigns, etcetera’.

Commercial, industrial, or corporate espionage finally, includes illegal actions to collect commercially valuable data. Klebe, Trevino and Weaver (1997) discuss unethical and/or illegal intelligence gathering methods, which include misrepresentations of identity, bribery, or plying with liquor to obtain confidential information, covert surveillance, blackmail, and theft. The competitive intensity in markets influences this behaviour. Kotler and Caslione (2009: 203) concluded that ‘in turbulent times, there is a tendency to put all promises and payment schemes aside and to do everything that’s possible to stay afloat’. Unfortunately, the Dutch Code of Penal Law lacks explicit paragraphs regarding commercial espionage, and a conviction of industrial spies depends on the use of less explicit general law articles 310 (stealing goods) and 311 (burglary to steal).

The literature about competitor study offers at least 10 marketing-related, overlapping definitions. These definitions can be ‘positioned’ in a 3-dimensional definition grid. One axis is the marketing research – market research axis, another axis is the environmental scanning – competitive intelligence axis, and the last axis is related to the level of study activity; ad hoc to continuous. Unfortunately, some definitions are almost fully overlapping, e.g. environmental scanning entails a ‘fairly general’ monitoring of commercial opportunities, technology, and competitors. The actual intensity of this process however is not fixed, and it could range from a passive to an active process. And if the focus is on competitors, it could range from competitor monitoring (scanning) to competitor study (in-depth study). The implication of this overlap is that there is no definition unity in literature. Therefore it is necessary for researchers to dissect every definition that is used in a paper and/or book and to assess the definition’s elements first before it can be used in a literature discussion.

2.5 Knowledge, absorptive capacity, and the intelligence cycle

Knowledge is characterised by an amount of information that is necessary to function and achieve, the capacity to make information from data and to transform it into useful and meaningful information, and it is an attitude that makes people want to think, interpret and act (Beijerse, 2000). Knowledge management ‘is ... how to manage the resulting knowledge to gain meaningful insights (Weiss, 2001b).’ Cohen and

Levinthal (1990: 128) developed a learning organization concept to relate the investment in research and development to the knowledge underlying technical change in an industry: a firm's absorptive capacity. It is a function of the firm's level of prior related knowledge, and it describes the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends and develop a firm's innovative performance. Mueller (2007: 356) stated that [this] 'new knowledge may lead to innovations and is capitalized by transforming it into new products, processes, and organizations'. Zahra and George (2002: 186) refined absorptive capacity as 'a set of organizational routines and processes by which firms acquire and assimilate (potential absorptive capacity), and transform and exploit knowledge (realized absorptive capacity) to produce a dynamic organizational capability'. This knowledge also includes competitor knowledge. Cohen and Levinthal (1990: 141) stated that a firm's absorptive capacity is fed with the competitor's spillovers, and that it results in the exploitation of the competitor's research findings. Knudsen *et al.* (2001) however, concluded that the process how firms build their absorptive capacity is unknown. They suggested researchers to survey absorptive capacities through process studies in companies, but they would have to find an answer to the question *how* to measure the firm's absorptive capacities when its processes are focused on the study of competitors. Jianwen *et al.* (2003: 72) also added that 'empirical studies related to the concept do not always capture the multidimensionality of the construct.' Muscio (2007: 5) stated that 'one of the major shortcomings of [the extant] literature is the fact that only a few attempts have been made in measuring [absorptive capacity] outside of the R&D context,' concluding, that 'there is no consensus among researchers on how [to] identify it and measure it.' Kahaner (1996) described the study of competitors with an organized intelligence activity: the 'intelligence cycle'. It includes: a) the planning and direction of required intelligence, b) the collection of data, c) the analysis of data, and d) the dissemination of the intelligence product to decision-makers. The process provides managers with the analytic conclusions that are actionable and related to their intelligence problems, as suggested by Bose (2008: 511). Beng Hui and Idris (2009: 15) concluded that the flow of knowledge is crucial for sustaining innovative capabilities, but the development of new knowledge depends on access to, and availability of, information (Pemberton and Stonehouse, 2000). Tunc Bozbura (2007) discovered that the senior managers / owner-managers of 76 Turkish

manufacturing SMEs did not share their knowledge, and this resulted in a complete blockade of the firm's data flow. Too much information however, is also a problem, and Nascimento Mélo and de Medeiros (2007: 210) suggested firms to organize their intelligence activities with data providers, data analysts, decision makers and system administrators to deal with hyper-information.

Surprisingly, Kahaner's description of the intelligence cycle overlaps the process of absorptive capacity, and it offers a solution to its measurement problem. However, the number of intelligence steps will have to be increased to cover all the competitor study steps, and the activity levels will have to be added as well to assess the quality of every step. It is expected that in an optimal functioning intelligence cycle / absorptive capacity process, the activity level of every intelligence step will have to be at an acceptable level. If the flow is disturbed, the entire process will come to a halt.

2.6 Global competition and the danger to SMEs

Increasingly, competition is becoming an international affair, and this, according to Porter (1986: 1), 'has become one of the most important issues facing firms and governments today'. He noted that a number of forces, e.g. growing similarity of countries, fluid global capital markets, falling tariff barriers, as well as a restructuring and integrating role of technology, have triggered shifts in international competition and have resulted in a markedly higher intensity in competition. Kotler and Caslione (2009: 32) listed the important factors that lead to an increased company risk: technological developments and the information revolution; disruptive technologies and innovations; the emerging new economies; state investment funds; the environment; customer emancipation; and hyper competition – meaning an intense and ever-present competition. Global competition, according to Zahra and Chaples (1993), has created a much larger and very competitive arena, and Kotler and Caslione (2009: 20) noticed that 'hyper competition is everywhere, [and] also in normal times'. Matthews (1992) concluded that rivalry has intensified due to the changing character of competition itself; companies are confronted with numerous competitors that are evenly balanced in size and capabilities, as well as with expansion-minded competitors who trigger fights for market share. This creates unstable markets where competitors

run head-on into each other. Companies therefore, according to Ogilvie (1995: 37), must 'conquer and keep a place between the competition on a market and offer products and services a market needs.' Kotler and Caslione (2009: 166) agreed, and they suggested firms to work actively on the increase of their regular client segments at the expense of weaker competitors. Kotler and Singh (1981) were among the first researchers who realized that firms would have to move on from a previously customer-focused stage to a much more aggressive stage: one of business warfare - which includes the development of special strategies, centred on dealing with competitors. They suggested firms to start providing [more] attention to the role and actions of competitors. Ries and Trout (2006: 4) agreed, and they stated that 'to be successful today, a company must become competitor-oriented. It must look for weak points in the positions of its competitors and then launch marketing attacks against those weak points.' Nascimento Mélo and de Medeiros (2007: 206) stated that 'globalization has caused competition to be a constant concern of organizations, by increasing the need for continuous evaluation of the competitive environment and the information coming out of it'. Zeng Zhou *et al.* (2007: 307) noticed that 'from information about its competitors, a firm can understand how others configure their value chains and secure scarce resources'...., and 'thus, by learning from the success and failure of its rivals, a competitor-oriented firm can better reconfigure its value chain to manage uncertainty, mitigate the influence of scarce resources, and achieve higher levels of performance'. Mueller and Gemünden (2009: 541, 542) regard this orientation as the 'sourcing information on competitors, competitor's activities and offerings, and market potentials', adding that it includes 'understandings of strengths, weaknesses, capabilities and strategies of key and key potential competitors'. Sørensen (2009: 740) added that 'the purpose of a competitor orientation is to provide a solid base of intelligence pertaining to present and potential competitors for executive actions'. Chen (1995: 456) described the daily practice of these executive actions. He noticed the continuous game character, and concluded that it 'is a dynamic process by which market participants engage each other through a series of moves and countermoves.' Ries and Trout (2006: 40) however, warned that 'competition is getting brutal,' and added that 'the name of the game has become taking business away from somebody else'. On the other hand, the success of a competitor orientation may also be related to the maturity of the markets, and Zeng Zhou *et al.* (2007: 303,

316) therefore stated that ‘a competitor orientation is more effective in leaner markets that are economically developing, have poor local business conditions, and face resource scarcity’. Unfortunately, the necessity to develop strategies, centred on dealing with competitors may not have been recognized yet by all companies. Zahra and Chaples (1993) said that many established companies believe that they are well protected in their own markets because of their current resources and reputations. Consequently, they added, these companies fail to identify their competitors. Upham (2000) argued that companies that are unaware of innovative new technologies and emerging new players on their markets are particularly endangered, whereas Sammon *et al.* (1984) described the potentially fatal results of this lack of awareness. They showed that companies that failed to recognize the emerging pattern of international competition during the post-war period were either forced out of business or (at least) lost a sizeable share of their domestic and international markets. Clark and Montgomery (1999) stated that firms will have to face smaller, same-size and larger competitors, successful and unsuccessful competitors, more important and less important competitors, as well as current competitors and potential future competitors.

In 1986, the large U.S. firm Motorola was the first (large) company to make competitor study a continuous activity, and relate to its decision-making. The sudden interest in competitor study resulted in the establishment of the Strategy and Competitive Intelligence Professionals, SCIP, in 1986, with more than 6,500 members worldwide in 1999 (Lewandowski, 1999). Prescott and Miller (2001) concluded that 70 % of the U.S.-based multinationals have established competitor study functions. Subramanian and IsHak (1998) discovered that 24 % of the large U.S. firms have also developed advanced competitor study activities (e.g. war gaming, scenario building, psychological profiling). The 1998 survey by The Futures Group revealed that 82 % of the largest U.S.-based multinationals had organized competitor study units (Prescott and Miller, 2001). Bose (2008) noticed that 55 % of the 2006 Fortune 500 companies used competitive information in the composition of their business strategy, and Calof (2008) expected that corporate spending on this activity would increase tenfold to \$ 10 billion. Heppes and Du Toit (2009: 50) also concluded that ‘before 1980 CI focused on the gathering of competitive data to be used for tactical decision-making. Today top management regards CI as a core capability, which should be practised as a normal

function in an enterprise [...], specifically to direct strategic decision-making'. Furthermore, the firms of the People's Republic of China, since 2010 the number 2 global exporter, add to global competition, and Kuan Yew Wong (2005) stated that it is necessary for a successful knowledge management that [Chinese] firm managers develop 'a compelling and shared vision for pursuing knowledge management'. Not surprisingly, Chinese firms use competitor study practices. Grawe *et al.* (2009: 291) surveyed 304 Chinese companies (80 percent large firms), and they discovered relationships between customer orientation, competitor orientation and service innovation as well as market performance in these firms. They also discovered that these firms gave a very high positive agreement score to the survey question 'we frequently track the market performance of key competitors'.... Sammon *et al.* (1984) stated that even those companies that are aware of the changing character of global competition on the other hand, may have other difficulties to cope with this situation. They may lack the proper resources to study their competitors, and it is in this respect that company size may be relevant.

A survey by the ENSR, the European Network for SME Research (2002), among 7,669 SMEs in 19 European countries, revealed that over the period 1995 - 2000 half of the SMEs faced an increase in competition from domestic enterprises. A later survey by The Gallup Organisation (2007) among 16,339 SMEs in 25 European countries revealed an *increasing* competition; 60 % of the respondents indicated that their competition had increased during the past 2 years. Furthermore, 22 % of the respondents in the 2002 ENSR survey also faced more competition from foreign enterprises, adding to the conclusion of Yeh-Yun Lin (1998) that SMEs face an increased – and dangerous - competition from international-scale, large enterprises with superior resources. Consequently, SMEs, and particularly the less-structured independent SMEs, could be in serious danger. Gray (2006: 346) concluded that 'SMEs also face tougher competition for necessary competences and skills in local labour markets due partly to a poor supply of such skills and partly to intensified competition from larger firms'. Hence, large companies often have an ample supply of resources, but SMEs may only have limited available resources. Pollard and Hayne (1998: 70) concluded that 'with the introduction of micro computers, file servers and networks, small firms [now] have the potential to take advantage of the same

technology that large business has access to,' although these firms have a low level of information technology expertise, and information overload is a big problem for the small business (Hoare, 1999). A study by O'Regan and Ghobadian (2002: 670) of the practices of 194 UK electronics/engineering SMEs also revealed an unstructured planning process in independent firms, compared to a more structured process in subsidiary firms. Gray (2006: 348) therefore stated that one of the major challenges SMEs face is to acquire new knowledge, adding that 'the management of knowledge acquisition and use to remain competitive [is] crucial to the SME's growth or survival'. Etemad (2005: 146) added that SMEs will have to 'become at least as competitive as the global competitors in order to survive in their own home markets'. He therefore suggests SMEs to 'assess the basis on which competitors' strategies and consequent behaviour are based in order to either become as competitive in the chosen competitive space, or avoid those competitors and their corresponding economic space, within which they compete' (Etemad, 2005: 147, 148). Zinkhan and Gelb (1985) surveyed 151 U.S. firms, and they discovered that it was the large firms, active in industry sectors with many competitors, who were likely to be most versatile in gathering their intelligence. Wright and Calof (2006) on the other hand discovered a clear gap between the frequent attention large companies give to competitor study and the limited attention to this activity by SMEs. Strandholm and Kumar (2003) studied the environmental scanning practices of 221 small and large commercial U.S. hospitals. The smaller organisations in their research performed worse than the larger organisations, and considered frequent and broad environmental scanning an unnecessary expense. Apparently, SMEs are vulnerable and more 'exposed' to changes in the marketplace (Westhead and Storey, 1996). Ries and Trout (2006: 23) stated that 'no other principle of warfare is as fundamental as the principle of force,' adding that 'the big fish eat the small fish, and the big company beats the small company.' Mueller (2007: 357) on the other hand, does not believe in the danger to SMEs by large firms. Instead, she points at innovative start-ups (e.g. independents without staff), because she regards these as great challengers of incumbent firms. In addition, Aragón-Sánchez and Sánchez-Marín (2005: 305) surprisingly concluded that the most innovative SMEs in their sample of 1,351 Spanish SMEs could be placed 'at the level of large firms as far as the link between strategy and result is concerned [and]

obtaining sustainable competitive advantages based on their flexibility and innovation’.

The implication of an increased global competition, literature indicates, is that it is likely that SMEs will experience an increasing local competition, including foreign competitors. Literature therefore suggests firms to give attention to their competitors, but particularly small firms either fail to take action or may not be able to action due to their limited size and resources. Most studies therefore conclude that large firms appear to have a competitive advantage due to their structured knowledge management and competitor study practices compared to the lacking or unstructured SME activities. However, this conclusion may be premature, since literature doesn’t take the SME’s unique characteristics into account, e.g. the SME’s relatively protected niche position, the SME’s personal relationships with customers, or the SME’s customer focus with adapted products and services. These characteristics may result in an asymmetric competition with large firms, even though these firms use more developed knowledge management processes. If this conclusion is true, SMEs may be in less danger than the literature indicates. If, on the other hand, large firms are dangerous to SMEs, it is possible that the small firms will have to develop a competitor study knowledge capacity to restore the balance.

Chapter 3: SME COMPETITOR STUDY

3.1 Chapter guide

This chapter discusses the literature about SME competitor study. It explains the importance of SMEs and elaborates on the difficulty in studying SMEs. Next, the SME marketing activities are presented and related to life cycles stages. The activities include environmental scanning and competitor study practices. The initiation and development of these practices in SMEs is also presented.

The chapter presents a discussion of the role of the SMEs' managers in SME competitor study. It elaborates on the role of these managers in competitor study, including their motivation and perception of these activities as well as their perception of its ethics and legal aspects. In addition to this, attention is given to the cooperation of SME managers with competitors, their awareness of the law regarding cartel agreements and the relationship between these activities and knowledge and competitor study. The chapter discusses the data security concern of SME managers and their motivation for competitor study. In addition to this, the formal/informal and direct/indirect competitor study data networks of SME managers are presented. The chapter discusses the competitor study organisation of SMEs and how the SME's resource scarcity may play a role in the deployment of its competitor study activities. The literature study is concluded with an assessment of the possible relationship between SME competitor study, decision-making and firm performance.

The conclusion of this chapter integrates the intermediate conclusions of the literature study paragraphs SME competitor study and it uses these to point at the SME competitor study research gaps. Next, these literature study conclusions as well as the gaps in literature are used to define clear research questions. Finally, due to the scarcity of literature regarding this particular subject, the decision was taken to include older, but nonetheless relevant, competitor study publications in this chapter.

3.2 Researching SMEs

The importance of SMEs to global economies is reflected in the following statistics. 99,7 Percent of the 6 million U.S. firms are SMEs, and these firms employ 120 million people (www.sba.gov/advo/research/data.html). 99,8 Percent of the 20 million firms in 19 European countries are SMEs, and they employ 80 million people (*ENSR survey 2002*). In The Netherlands, 786,000 SMEs account for 99,7 % of all firms, and they employ 59,4 % (4,4 million) of all Dutch employees. 28 Percent of these SMEs have 1 - 9 employees, 40 % have 10 – 99 employees, and 11 % of the SMEs have 100 – 249 employees. The remaining 21 % is a fast-growing group of independents without staff (<http://www.mkb servicedesk.nl/569/informatie-over-mkb-nederland.htm>).

The above vast number of SMEs is a first factor that complicates SME research. First, statistically valid quantitative SME research requires large sample sizes, often surpassing several hundred respondents. Second, SMEs lack a global definition, which makes the direct comparison of worldwide SME research outcomes quite difficult. Globally, there is a wide variety of SME size definitions. The European Union, the EU, classifies SMEs as follows. Micro firms (93 % of the EU firms) employ less than 10 employees, and they have a maximum annual turnover of € 2 million, as well as a maximum balance sheet total of € 2 million. Small firms (6 % of the EU firms) employ 10 - 49 employees, and they have a maximum turnover of € 10 million, as well as the same maximum of € 10 million for their balance sheet total. Medium firms (0,8 % of the EU firms) employ 50 – 249 employees. Their turnover is maximized at € 50 million and their maximum balance sheet total is € 43 million (*European Committee, May 6, 2003*). Large EU firms have 250 or more employees. However, SMEs outside the EU have different sizes; Malaysia: less than 150 employees; Chili: less than 200 employees; Korea: less than 300 employees; USA: less than 499 employees, and Russia: less than 500 employees (*Office of Advocacy of the U.S. Small Business Administration, 2006; Beal, 2000; Audretsch, 2002*). The third factor that complicates SME research is the difficulty to isolate a homogenous SME research group due to the variation of SME firm characteristics and the enormous diversity of SME activities. SMEs range from part-time businesses with no employees at all, to full-time manufacturers employing hundreds of people. They range from fast growing firms to

private firms that have not changed much for decades and from independent businesses to stand-alone businesses (APEC, 2003: 174). The fourth factor that complicates SME research SMEs is the wide variety of business activities in manufacturing, service, wholesale, business-to-business, business-to-retail, and retail-to-consumer sectors (Deakins and Freel, 1998). Chen (1995) used organizational size and industry market shares to categorize SMEs, but the U.S. Small Business Administration characterizes a small business as an independently owned company, independently operated, and not dominant in its market (Beal, 2000).

Carson (1990: 8) used an expanded set of characteristics to define SMEs:

- a) The management of the firm has to be independent,
- b) The capital is supplied and the ownership is held by an individual or a small group,
- c) The area of operations has to be mainly local, and
- d) The relative size of the firm within its industry must be small (sales volume, number of employees, other significant comparisons) when compared with the biggest units in the field.

McNamee *et al.* (2000) further complicated SME research, adding behavioural and motivational elements in the following 5 SME characteristics:

- a) A short-run focus rather than a strategic focus,
- b) An entrepreneurial / opportunistic orientation rather than a planning orientation,
- c) A sales-growth orientation rather than a marketing orientation,
- d) Cash and liquidity considerations rather than sustained returns considerations, and
- e) A sense of insecurity rather than a sense of certainty.

Ultimately, according to APEC (2003: 174), the ‘only really common characteristic of SMEs is that they are “not large”; whether a firm is really a SME or not is relative.’

3.3 SME marketing and life cycle stage development

Marketing is a critical success factor for companies. Tauber (1975: 69) concluded that 'post-mortem studies of why new products fail reveal a variety of issues related to marketing' whereas Smallbone *et al.* (1995: 44) discovered clear differences with respect to the approach to product and market development between high growth firms and other [non-high growth] firms in a sample of 306 UK manufacturing SMEs. Carson (1990) distinguished 3 marketing activity levels: a) little or no marketing activity, without customer knowledge, b) implicit and simple marketing activity, consisting of fragmented and instinctive marketing due to a lack of resources and expertise, and c) explicit and sophisticated marketing activity, consisting of co-ordinated, integrated marketing activities. The basic principles and concepts of marketing, according to Carson and Gilmore (2000), also apply to SMEs, although SME marketing does not 'conform to the conventional marketing characteristics of marketing textbook theories' (Gilmore *et al.*, 1991: 7). Instead, they said that the SME's marketing is determined by its inherent limitations in combination with the characteristics of the SME's owner-manager (Gilmore *et al.*, 1991). In addition, SME owner-managers often lack a clear knowledge about marketing. Martin and Chapman (2006) concluded that 'many owner-managers (in a sample of 260 UK SMEs) tend to confuse promotion and sales with marketing and [they] do not have a view of the benefits that good contemporary marketing could provide in meeting their aspirations to develop the business' (Martin and Chapman, 2006: 166).

A substantial amount of the literature assumes all companies, including SMEs, to grow and to mature in a predictable way, although companies are social environments, specifically constructed by humans to generate profit. Scott and Richard (1987) stated that SMEs move through 5 life cycle stages: inception, survival, growth, expansion, and maturity. Hill *et al.* (2002) reviewed this growth model and concluded that the development area 'sales activities' played a particularly important role during the early evolution of the SME. Marketing was less important at this particular stage and it was limited to an operational character and support of the SME's sales activities. Scott and Bruce (1987) noticed that marketing gradually becomes more pro-active and professional once the SME moves from one life cycle stage to the next, and Carson

and Gilmore (2000) stated that the SME's type of marketing is dictated by both its industry norms and its company life cycle development. As the SME's business becomes more established, the marketing develops from a reactive and uncontrollable marketing to a circumstance where each marketing aspect is relatively controlled. This life cycle development theory however, is disputed. A study of 306 UK manufacturing SMEs by Smallbone *et al.* (1995: 48, 49) revealed that the SME growth often is a discontinuous process, and one reason for this is that 'not all small businesses are growth-oriented'. In addition, periods with what the researchers describe as 'sluggish [SME] performance, or even apparent decline,' could be followed by growth, and they pointed at change in leadership, change in management composition, and a sharp external shock (e.g. a marketing crisis, like the loss of a major customer). Deakins and Freel (1998) also concluded that it is possible that SMEs remain in one life cycle stage for a prolonged period of time, SMEs may skip one or more life cycle phases, the SME's movement from one life cycle to the next may only be one of the possible SME behaviours, or it may consist of spurts of growth or growth jumps. Raymond *et al.* (2001: 125) concluded that 'SMEs do not necessarily evolve linearly from stage to stage, meaning that certain stages can be bypassed when a rapidly changing situation requires it.' Gray (2006: 350, 353) added that 'the older the firm, the stronger [its] desire to maintain their status quo, possibly a sign of increased risk aversion'.

Literature concludes that there is a difference between conventional, textbook marketing and SME marketing. The reasons for this difference are the SME's inherent limitations, as well as the characteristics of the SME's owner-manager. Furthermore, a part of the literature suggests firms to grow according to a predictable life cycle stage model, including a predictable development of the firm's marketing. Another part of the literature however, concludes that the SME's growth often is a discontinuous process, because of a lacking growth-orientation, change in leadership and management composition, or an external shock. The implication of this conclusion is that it is not necessarily true that neither SME marketing, nor SME environmental scanning and competitor study activities will follow a predictable growth path.

3.4 SME environmental scanning and competitor study practices

According to Pearce *et al.* (1982), timely and accurate knowledge of the external environment and the competition is a major element of the success of small firms. It must be noted however, that not all of the literature about SME environmental scanning is helpful in generating an understanding of SME competitor study activities, because competitor study may not be included in the environmental scanning, unless explicitly described. Raymond *et al.* (2001) presented 4 progressive environmental scanning – the study of the external environment - phases to small firms: a) a primitive phase, with no specific environmental scanning effort, b) a situational phase, with an awareness of the need to scan the environment by the firm, but no formal systems introduced, or [at best] sporadic scanning, c) a reactive phase, with unplanned and unstructured environmental scanning activities, and d) a pro-active phase, with rigorous and intensive environmental scanning practices. This progressive structure suggests that SMEs upgrade their environmental scanning activities along the way during a movement from one life cycle stage to the next. As an example, a study by Lim *et al.* (1996) about the environmental scanning activities and the export behaviour of 438 U.S. manufacturing SMEs revealed that high-involvement exporters were more likely to have formal environmental scanning systems than low-involvement exporters. Strandholm and Kumar (2003) stated that the monitoring of external threats is critical because unexpected competitors could take away the SME's (limited number of) large clients. Hendry *et al.* (1995) studied 20 UK SMEs and discovered that 10 companies had grown on the back of just one significant market lead or client. Gaskill *et al.* (1993) concluded that a key failure factor of 91 discontinued U.S. SMEs had been their inability to compete successfully with large discount stores and with competitors in trade areas. In addition, environmental scanning can also be beneficial. O'Regan and Ghobadian (2004a: 405, 419) studied the performance of 194 UK electronics/engineering SMEs, and they concluded that an internal orientation is associated with improving [only] short-term performance, but an external orientation is associated with long-term performance, strong strategy characteristics, as well as strong leadership and culture styles. Kenny and Reedy (2006: 130) studied 25 manufacturing SMEs and they discovered that market and customers were the biggest drivers of innovation. Jing Zhang and Yanling Duan (2010) surveyed 227 Chinese

manufacturing firms (57 % SMEs). Their research indicated that market orientation (a customer and a competitor focus) is a critical determinant of new product performance and product innovation.

SMEs are aware of their competitors. Robson and Bennett (2000) described a large-scale survey of 2,474 U.K. SMEs, 58 % active in manufacturing, and 42 % active in business services, in 1997 by the Centre for Business Research of the University of Cambridge. On average, every respondent in this survey was *aware* of their competition, and regarded a surprisingly high number of 15,7 competitors as serious competitors. Bennett (2005) studied 172 UK charities and discovered that 55 % of these organisations experienced competition from 1 – 3 other charities, 25 % from 4 – 6 other charities, and 20 % from more than 6 other charities. Fann and Smeltzer (1989) expected that competitor information would be most welcomed in start-up new businesses and in SMEs who considered expansion in declining markets, adding that it is likely that SMEs use competitor study during the stages when they fight competitors to grow or to consolidate their market shares. Long (2000) agreed. He studied the business and management practices of starting SMEs and concluded that these starting firms should know all about their competitors.

Unfortunately, almost all literature reveals a different practice. Ganesh *et al.* (2003: 2) concluded that ‘competitive intelligence in small firms is practiced in an ad hoc way, if at all.’ One of the possible reasons, according to Hendry *et al.* (1995), may be that the business environment of SMEs is quite different from that of large corporations. They noticed that SMEs often serve local or niche markets with a limited number of clients and a limited number of competitors. SMEs focus on their day-to-day business activities, leaving little time for market study, competitor study, or strategic planning. Smeltzer *et al.* (1988) studied the environmental scanning practices of 88 small SMEs, and their research showed that the environmental scanning practices of the owner-managers in these companies did not include the study of competitors. As an example, Goodwin and Hodgett (1991) discovered that 46 % of 152 Australian SMEs either did not plan at all, or used a maximum planning time of just one year. Fuller (1994: 46) noticed that it is necessary for a small firm to base ‘it’s marketing on a realistic view of its environment and have an adequate information system to update this picture.’ He

studied the marketing practices of 5 Irish furniture manufacturing firms and concluded that the 3 firms with explicit-sophisticated marketing activities all knew their markets quite well and 1 firm had even ‘identified the relative strengths of its main competitors in Ireland and the United Kingdom’ (Fuller, 1994: 10). The other 2 firms with simple-implicit marketing activities however, only had a limited understanding of their competitors - although 1 firm had gathered market information through visits to exhibitions, studies of its competitors’ catalogues and contacts with its retailers. Hall and Bensoussan (1997, 2003) studied the perception of market risk and market complexity by 139 Australian companies. Surprisingly, 65 % of these firms regarded competitors as either a large risk or a very large risk, but less than half also considered it necessary to monitor competitors. Beijerse (2000) studied the knowledge management practices of 12 Dutch firms, including 11 SMEs, and they concluded that these firms lacked explicit, systematic policies that are targeted at strategic and tactical knowledge management. Farhad and Azhdar (2002) even concluded that the smaller the company, the less likely environmental analysis activities will occur. Not surprisingly therefore, Wood (2001) discovered that only 31 % of 52 small and medium U.K. firms, active in hospitality and tourism, gathered competitor information – and even if they did, they did so in an ad hoc way. Farhad and Azhdar (2002) studied 132 UK high-tech electrical and electronics SMEs and they discovered that no less than 40 out of a total of 43 CEO’s in medium and large enterprises (100 – 499 employees) regarded environmental analysis as essential for their firms’ strategic management processes. The smaller SMEs however, offered a wholly different outcome; only 1 out of 8 CEO’s of the micro enterprises regarded environmental analysis as essential. A study by O’Regan and Ghobadian (2004b: 74) confirmed this finding. SMEs with more than 100 employees were more likely to emphasize an external orientation than SMEs with less than 20 employees, indicating that the environmental analysis activities of the smallest SMEs were even weaker than those of medium SMEs. Saayman *et al.* (2008) also found support for this notion that the firm’s size influences the success of the CI process. Wright *et al.* (2002) studied the attitudes of 31 U.K. companies towards competitor study practices, and they concluded that only 3 firms demonstrated a complete and fully developed competitor study approach. Research by Viviers *et al.* (2002) revealed that only 23,5 % of 120 South African SMEs deployed formal, part-time competitor study activities, and most of these

activities had only been in operation between 1 and 4 years. Another survey by Johnson (2004) regarding the competitive intelligence activities of 242 world wide active firms (including 104 firms with less than 500 employees) showed that 28 % of the respondents completely lacked formal competitive intelligence programs. Pelsmacker *et al.* (2005) studied a sample of 292 Belgian and 309 South African exporting companies, over 70 % SMEs. In practice, they concluded, these companies only had a superficial interest in the strategies and actions of their competitors. 64 % of these firms lacked any organised CI activity, and most of the organised CI activities were in operation for less than 5 years. Radzevičiene (2008: 678) studied 42 Lithuanian SMEs, and discovered that the majority of these enterprises lacked competitor information and knowledge. Marasini *et al.* (2008: 641-642) studied the adoption of internet technologies of 32 UK SMEs, and they concluded that SMEs tend to favour the improvisational model of technology adoption over the classic, structured change model. Finally, competitor study activities may not even be planned or controlled at all. This is because it is an encompassing social process within a firm, as well as between a firm and its external environment, and such processes often have a blind dynamism (Goudsblom, 2005).

Other literature that shows SMEs to be active in environmental scanning and competitor study is very scarce. Kitchen and Dawes (1995) tried to understand how 65 small U.K. building societies were gathering information on their environments. Surprisingly, 76 % of these firms kept a close eye on competitors. O'Regan *et al.* (2005a: 391) discovered that SME leader type firms were much smaller than laggard firms and on average employed 17 people. These small firms, the 'leaders', 'focus more attention on sales, marketing and advertising compared with laggards', which 'indicates a greater external (market) orientation' (O'Regan *et al.*, 2005a: 392).

An analysis of the literature about environmental scanning and competitor study theory and SME practice reveals a quite contradictory outcome. On the one hand, the theory literature shows that SMEs benefit from an external and a market orientation. Almost all practice studies on the other hand, reveal that SMEs are aware of their competitors, but they also reveal that many SMEs are not interested in the study of their external environment and/or their competitors. If anything, the scarce competitor

study activities appear to be informal, ad hoc and unstructured. However, another reason may be that SMEs either cannot study their competitors or they could study competitors, but they are simply not interested. Unfortunately, literature doesn't offer possible answers to the question why SMEs either cannot or don't study competitors.

3.5 SME competitor study motivation and decision

Literature does not offer much insight why SMEs start, or why they don't start, with competitor study activities. However, this is a list of possible motivational issues for or against competitor study:

a) SMEs may have a negative motivation for competitor study following a *negative attitude towards competition in general*. E.g. a study by Van Eijk (2004) revealed that the Dutch population regards competition as an unwelcome characteristic of the competitive environment in the USA, and it is opposed to this environment.

b) SMEs may have a negative motivation for competitor study because they regard it as an *unethical, illegal activity*. Sammon *et al.* (1984: v) concluded that 'most managers in most [U.S.] companies regard competitor intelligence' as 'unethical behaviour and illegal spying.' Unfortunately, ethics is a vague concept. Weiss (2001a: 20) describes it as 'a "do as you would be done by" approach.' Rothwell (2008: 34) adds that ethics often is 'a matter of company and personal comfort and culture', whereas Klebe, Trevino and Weaver (1997: 65) notice that 'to a large degree, ethics is about obligations and responsibilities and the conflicts between them.' Fehringer (2008: 37, 38) describes an ethical dilemma as 'a situation that involves a conflict between moral imperatives', that 'lies in the grey zone between right and wrong'. Prescott (2006: 7) is aware of the thin line between unethical and illegal behaviour in this grey zone. He says: '[it is] in reality, our global economy, comprised of diverse cultures with their own perspectives regarding ethics and competitive intelligence, [which] most likely results in the commitment of minor ethical violations daily,' even adding that 'ethical violations are a matter of degree.'

c) SMEs may have a negative motivation for competitor study because they are *concerned about the data security* of collected competitor data. SME literature is lacking, but this concern has been cited as a competitor study implementation barrier in large companies. Gelb and Saxton (1991) discovered that respondents in large U.S. companies were concerned about internal data leaks, and recommended additional security measures prior to the development of competitor study activities.

d) SMEs may have a negative motivation for competitor study because they maintain *friendly relationships with competitors*. Gilmore *et al.* (2001) discovered that 45 SME owner-managers in Northern Ireland and Australia maintained an active communication, mutual support, and co-operation with competitors; relationships which had often started in trade associations. A study by O'Donnell and Cummins (1999) of 60 SMEs in Northern Ireland confirmed these findings. 'Many of the interviewed owner-managers added that they knew their competitors personally and stated they would have no hesitation in contacting them for help or advice' (O'Donnell and Cummins, 1999: 87). Jones and Hill (2010: 48) noticed that 'companies must be careful, for explicit face-to-face price fixing agreements are illegal'. Nonetheless, there are recorded SME collusion cases, and Fuellhart and Glasmeier (2003) revealed these infringements of the European Union rivalry law.

e) SMEs may have a negative motivation for competitor study because they have an *immune attitude*. The top management regards the SME as so small, so big, or so special, that it enjoys immunity from competitors and therefore regards competitor study a waste of time (Wright *et al.*, 2004).

f) SMEs may have a positive motivation for competitor study because they have a *growth strategy* and they want to expand their business in current and/or new markets. Hence, the SMEs want to study the competition in these markets as an element of their marketing preparation.

g) SMEs may have a positive motivation for competitor study because they intend to *improve the decision making processes* (possibly including benchmarking with

competitors) through gaining a better understanding of their competitor and the competitor's possible future plans or actions.

h) SMEs may have a positive motivation for competitor study because SME is confronted with *a marketing crisis* (Scott and Bruce, 1987), e.g. 1) a reduction of market demand, 2) stronger or more numerous competitors, or 3) a loss of the SME's product and service uniqueness.

The above possible motivational reasons show that the SME's decision for or against competitor study will be influenced by 2 factors: **choice** and **necessity**. The definition of choice is, that, as long as the influence on the 'process of choice for or against competitor study' of the factors internal SME condition (e.g. financial situation) and/or the external market situation (e.g. competitive intensity) is negligible, SMEs will be *free* ('nice to have') to make a choice for or against competitor study following their attitude and/or perception of this activity. The definition of necessity however, is the stronger factor of these 2 factors. Necessity means that even those SMEs that are against competitor study at a perception or attitude level, *must* ('need to have') deploy competitor study activities because of the overriding influence of the internal SME condition (e.g. a deteriorating financial situation) and/or the external market situation (e.g. marketing crisis) on the SME's decision process for or against competitor study.

The above analysis results in the 4 new competitor study *decision* categories:

- a) Negative choice + negative necessity: the SME's decision is not to deploy competitor study.
- b) Positive choice + negative necessity: the SME's decision is to deploy competitor study, albeit it is expected, it will probably not do this at a maximum activity level.
- c) Negative choice + positive necessity: the SME's decision is to deploy competitor study, albeit it is expected, it will only do this reluctantly and not at a maximum activity level.
- d) Positive choice + positive necessity: the SME's decision is to deploy competitor study at a maximum activity level, and it will allocate the necessary resources to it.

3.6 SME managers and competitor study

It is estimated that families control 77 % of the 45,000 Dutch SMEs with 10 to 100 employees. This ownership percentage is expected to be even higher in smaller companies, but reliable data for this company category are lacking (*Intermediar*, August 12, 1994). Often, SMEs are led by owner-managers, who play a decisive role in all SME actions and decisions. In local markets, Idenburg (1990) added, the SMEs' entrepreneurs combine commercial feeling with job-related know-how, and, according to Verrijn Stuart and Wijtvliet (1992), they also add specialisation. In addition, Deakins and Freel (1998: 145) concluded, that '...qualitative research methods are revealing that small firm owners and entrepreneurs do have greater sophistication of knowledge and understanding of strategic decision making than they have previously been given credit for.' Curran and Blackburn (2001: 45) added that 'because the business is small, owner-managers' motivations, aims and the 'logics' they construct, upon which they run their businesses, are very important in determining the performance of the business.' O'Regan and Ghobadian (2002: 665) nonetheless stated that 'the impact and influence of ownership on the strategic planning process in SMEs is far from clear', although Gray (2006: 357) concluded that the SME owner-manager's strategic objectives and the subsequent SME culture (the desire to win as the main driver of innovation) are crucial factors for SMEs. If these factors are directed towards achieving sustainable growth in sales and profits, then the development and use of innovation will follow from the drive to compete successfully with other similar firms.' Man *et al.* (2008: 254) confirmed this finding. They studied a sample of 153 SME owner-managers, and discovered evidence for the entrepreneur's role in affecting the long term performance of their SMEs. This role included a) forming the firm's competitive scope, b) creating its organizational capabilities, and c) setting goals and taking action. Wijewardena *et al.* (2008) studied the mentality styles of 168 SME owner-managers in Sri Lanka, and discovered that the owner-managers with an entrepreneurial mentality were much more likely to achieve a higher firm performance than those with merely an administrative mentality. Moreover, Omerzel and Antoncic (2008) concluded that 18 percent of the performance of a sample of 168 Slovenian SMEs could be accounted for with the knowledge of the firm's entrepreneur, adding that 'successful entrepreneurs constantly develop their

competences, skills and techniques, and acquire specific knowledge in order to survive and innovate new entrepreneurial opportunities in their industries' (Omerzel and Antoncic, 2008: 1184). Penrose (2009) stated that entrepreneurs are essential for the growth of their firms, since they use their imagination and vision with respect to the opportunities of the firm. According to Hill and Wright (2001), the SME owner-manager also drives the SME's marketing behaviour, and Pearce *et al.* (1982) pointed to the critical role of owner-managers regarding the SME's environmental scanning activities, stating that these activities are only likely to be deployed if the important persons embrace these activities. Smeltzer *et al.* (1988) gained an insight into the importance of owner-managers for the SME's environmental scanning and competitor study activity. They studied the behaviour of 88 owner-managers in small U.S. firms, and discovered that 36 % scanned their environments periodically. 45 % even scanned continuously. 37 % of the SME Chief Executive Officers in the study of Viviers *et al.* (2002) was also responsible for competitor study activities *themselves*, and this was confirmed by Saayman *et al.* (2008: 409) that concluded that 'in smaller companies, it is often the business owner who also fills the role of the CI professional'. However, Fann and Smeltzer (1989: 44) also concluded that 'small business owner-managers may not be using competitor analysis to the extent advocated in the business literature'. They studied the extent to which 48 owner-managers of small businesses used competitor information for their decision-making. Their study indicated that owner-managers did not gather extensive competitor information for their long-range planning or operational decision-making activities. Informally, however, the owner-managers gathered competitor information, but they placed little importance on this information, and a systematic analysis of competitors was lacking. Competitor information ranked 3rd place as an important source for their operational decision-making and 4th place for their long-term planning.

Raymond *et al.* (2001) studied the technological and environmental scanning practices of 324 owner-managers of Canadian SMEs. They discovered that the owner-managers with a higher level of education used more diverse methods of information gathering, analysis, and dissemination, and were more sophisticated in the management of their technological scanning activities. Indeed, Chaston *et al.* (2001) noticed that entrepreneurs with a higher-order approach to learning appeared to be particularly

good at knowledge management. Gray's research (2006: 352) used the findings of UK quarterly surveys, and he found that owners with technical and vocational qualifications appeared to be the most growth-oriented. Furthermore, SME owners with higher academic, professional and technical qualifications also attended more formal training (important for the development of the SME's absorptive capacity), and they provided their staff with a wider range of business related development courses. Martin and Chapman (2006: 162) also discovered that the SME's readiness to recruit marketing graduates increased when the SME owner-managers were themselves academically or professionally qualified. Mueller and Gemünden (2009: 550) discovered that 'the IQ of the founders in new software ventures has considerable and highly significant effects on customer orientation and competitor orientation'.

Important as the role of the owner-manager appears to be, the role of the other SME managers should not be excluded - although these other managers only play a secondary role in the firm growth theory of Penrose (2009). She regarded these managers as resources, in service of the firm, and only added that these resources are not fully utilized in small firms. She also failed to notice the qualitative input of these other managers for the growth of firms, in terms of entrepreneurship, imagination and drive to take action. Lenox and King (2004: 343) concluded that the SME's other managers present an important internal network, since they 'directly affect a firm's absorptive capacity by providing information to potential adopters in the organization.' Pelham and Clayson (1988) revealed that 156 managers of U.S. SMEs had a positive perception towards competitor study, and considered market intelligence (including competitor information) to be significantly more important than consumer research. Moreover, all SME managers – including the other managers - regarded competitor study as crucial for their firms' short-term sales support activities. Not surprisingly therefore, Woods and Joyce (2003) discovered that 51 % of the other managers of 513 very small UK businesses used competitor study activities, compared to only 34 % of their owner-managers. Pelsmacker *et al.* (2005) studied a sample of 309 South African exporting companies and they also discovered that half of the managers in other departments were responsible for CI. Grawe *et al.* (2009: 285) explicitly stated that 'in a competitor-oriented firm, competitive assessment is not solely the responsibility of senior management. Employees throughout the

organization participate in the development of intelligence regarding [direct and indirect] competitors' new products and services'. Offstein and Gnyawali (2006: 248) however, concluded that 'while other strategy research streams have embraced the importance of [the SME's CEO], research on firm competitive behaviour and inter-firm dynamics has yet to explicitly incorporate the effects of the [other] human assets on firm's competitive moves'. Unfortunately, Konorti (2010) discovered that 60 per cent of a sample of Canadian SMEs had difficulties attracting and retaining professional managers because of the limited career advancement opportunities.

Literature shows that the knowledge, motivation and characteristics of SME owner-managers play a decisive role in all SME decisions and actions. And although there are questions regarding the extent of these relationships, literature reveals relationships between their knowledge, their understanding of strategy, their entrepreneurial activity, and the SME's performance. The scarce literature about this subject also suggests possible relationships between the SME owner-manager's IQ as well as education, and the development of the SME's marketing activities, environmental scanning and competitor study activities. SME owner-managers apparently play a role in their firms' environmental scanning and competitor study activities, but it is unknown to what extent. Looking at the intelligence cycle, their involvement could range from the definition of the research questions, the collection of data, the analysis of the collected data, and the subsequent dissemination of the intelligence within their SMEs. Nevertheless, a clear outcome regarding the SME owner-manager's involvement in the SME's competitor study appears to be lacking in literature. In addition, the importance of the competitor study role of the other SME managers is also not clear. Some studies suggest a limited role, e.g. the collection of data on behalf of the SME owner-manager, but research outcomes about their involvement in SME competitor study appear to be lacking.

3.7 SME competitor study data sources and data networks

It is important to clarify the distinction between data sources and data networks before we take a look at the SME data collection practice. A data source is an access opening to data and information (which directly or indirectly may come from the competitor's

management, strategy, organisation, clients, and products). Data sources can be found inside or outside SMEs, and they can be personal (e.g. customers, suppliers) or impersonal (e.g. computer database, branch magazine). Data networks consist of personal relationships between a network-owner (e.g. the SME owner-manager) and internal sources (e.g. SME sales reps) and/or external sources (e.g. suppliers). Networks are used for the exchange of data and information between the network members, all acting as personal data sources. Cohen and Levinthal (1990: 134) stated that an organisation's absorptive capacity is strengthened if it develops 'a broad and active network of internal and external relationships', and they also noticed that the size of a firm's internal and external data networks is positively related to the strength of a firm's absorptive capacity. Matusik and Heeley (2005) added that the number and type of ties within these networks are positively related to assimilating the knowledge and practices within the networks. Mohannak (2007: 236) studied how Australian ICT SMEs overcame the difficulties of their own limited resources by using knowledge clusters and localised knowledge networks. They argued that inter-firm cooperation and linkages involving SMEs has a strong impact on their growth and performance, and that these networks help SMEs to develop their capabilities and learning.

Curran *et al.* (1993) studied the *data network composition* of 45 UK SMEs. They discovered that the SME owner-managers tended to have relatively small and non-extensive networks with little resort to expected external contacts. Fuellhart and Glasmeier (2003) also showed that one of the first and most important sources of business information was the experience of the manager, although it is open for dispute if experience can be categorized as data or information. Smeltzer *et al.* (1988) asked the opinions of 88 U.S. SME owner-managers about the importance of *personal* sources and *impersonal* sources for their environmental scanning practices. They discovered that personal sources, defined as direct contact with other people on a regular basis, were considered significantly more important than impersonal sources. Another study by Fann and Smeltzer (1989) confirmed that SME owner-managers used personal sources of information more often than impersonal sources, because personal sources can give immediate audio and visual feedback, which reduces a possible data misinterpretation. Hill and Wright (2001: 434) added that personal contact networks should be regarded as fundamental to the way SMEs do business,

since they allow ‘for decision-making shortcuts to be taken with relative confidence’. SME owner-managers consistently rank personal sources, such as customers and suppliers, as more important sources than impersonal information network sources, like trade publications and trade associations (Fann and Smeltzer, 1989). Specht (1987) studied 109 small firms, and they also noticed that these firms’ strategic planning groups used personal sources of information more often than impersonal sources for their decision-making. Viviers *et al.* (2002) confirmed this finding. They discovered that 35 % of the information collected by young South African firms had been obtained from external personal networks. Williams (2003: 48) even stated that ‘the preference of SMEs for informal, direct and personal information sources may be the most distinctive feature of marketing information acquisition by SMEs.’ O’Donnell and Cummins (1999) discovered that small firms gathered much information about competitors through their membership of trade associations where they interacted with competitors. Another variable may also be the SME’s age. McGee and Sawyerr (2003) studied how the managers of 153 small high-technology U.S. manufacturing firms used environmental scanning to cope with strategic uncertainty. Surprisingly, the managers of the older firms relied on impersonal sources of information (e.g. company reports and databases), whereas the managers of the younger firms relied on personal sources of information (e.g. subordinates, superiors and peers) to deal with technology and competitor sectors.

Johnson and Kuehn (1987) studied the *frequency of data source usage* of SME data sources by the business owners of 123 small U.S. companies, and the most often used sources are customers, suppliers, distributors, as well as subordinates. Smeltzer *et al.* (1988) on the other hand, discovered that owner-managers use informal personal sources (e.g. family, customers, and friends) more *frequently* than formal personal sources (e.g. accountants, bankers, and lawyers), and they also use written sources (magazines, journals, books) more *frequently* than the use of oral information (trade shows, seminars, workshops, and suppliers). North and Smallbone (2000: 147) discovered that about two-thirds of 330 rural UK SMEs used trade literature and attended trade fairs and exhibitions, and Mosey *et al.* (2002) stated that most of the 30 medium-size UK SMEs in their study had purchased and studied their competitors’ products, attended trade shows and used the internet to search for relevant market

information. Mohannak (2007: 248) also noticed that information from competitors ‘concerning new products or processes was gained from ... fairs and exhibitions’. Gray (2006: 349) also concluded, that ‘increasingly, the internet helps SMEs to participate in useful networks or to pursue commercial and industrial linkages without a strong need for spatial proximity’. Rhee (2005) studied how firms use the Internet to reduce uncertainties in their international expansion. He noticed that the internet adds to the already existing information overload, making it important to focus on knowledge management (Rhee, 2005: 282). A study by Wright and Calof (2006: 458) of the CI practices of 45 UK SCIP members revealed that these *large* firms used Internet websites, industry reports, national newspapers, and trade magazines as data sources. They also communicated with customers to gain information. Another study of the practices of 227 European SCIP members, also mainly *large* firms, showed that two-third of these respondents used databases, newspapers, business periodical, trade shows, and conferences to collect their data. Another 13 % also debriefed new staff previously working for competitors; a hitherto unknown data collection practice.

However, the frequency of use of a data source is another issue than the *importance of a data source*. Brummer *et al.* (2006: 31) stated that ‘a firm’s own staff is the most important source of information about to events happening in the competitive environment’, although Offstein and Gnyawali (2006: 251) added that the internal staff is a potent contributor to a firm’s competitive advantage, providing that the staff communicates and cooperates. Pelsmacker *et al.* (2005) studied a sample of 292 Belgian and 309 South African exporting companies, and they identified a mix of important internal and external data sources: the company’s staff, the personal external contacts and the external distribution channels. Von Ledebur (2007) suggested firms to use (new) employees, suppliers and customers as important sources of new knowledge and innovations. Baranauskas (1998) concluded that customers are the most important external data source to gather information about markets, clients and competitors. Indeed, Terziovski (2003) showed customers and suppliers to be the most valuable sources of information about technological, market, and competitor developments in Australian and New Zealand SMEs, and Fuellhart and Glasmeier (2003) also confirmed that customers and suppliers are the SME’s most important information sources. Much less is known about the importance of the external data source

competitors, although Fuellhart and Glasmeier (2003) discovered that SMEs were reluctant to share information with their competitors, and regarded information from this source as less relevant and less credible (and therefore less important) than information from non-competitor firms. Out of a list of 14 networks, Mohannak (2007) discovered that SMEs ranked the importance of the network 'other firms in the same industry' as 5th place, although it is not clear if these firms actually include competitors. Nonetheless, out of a list of 12 information sources, competitors and suppliers were regarded as equally important data sources, ranking 6th place (Mohannak, 2007: 247).

Literature describes how SMEs depend upon the personal internal and external data sources in their data networks for information about the developments in the external environment. SMEs *frequently* use a wide variety of data sources to obtain their information, but it appears that personal networks are considered more *important* than impersonal networks, whereas SMEs also consider a mix of personal *internal* sources (their staff) and personal *external* sources (customers and suppliers) as the most important data sources. Competitors are also used as a data source, but the literature indicates that SMEs regard this source as less credible. Increasingly, the internet is used too, but its importance is not clear yet. Unfortunately, there appears to be no clear literature about which internal and/or external data networks and data sources SMEs are using for competitor study activities - if any. Moreover, knowledge is lacking about how SMEs assess the importance of these data sources for their competitor study activities. The *importance* of a data source could describe the quality - to what extent the information from a particular data source answers the SME's competitor study research question or helps the SME to achieve its tactical and strategic objectives, as well as the timeliness of the information - how fast information about decisions and events becomes known - of the competitor study information.

3.8 SME competitor study organisation

Bergstrom (1992), Kahaner (1996), Ettorre (1995) and Codogno (2001) strongly advised large companies that intelligence programs require independent intelligence units with continuous intelligence activities. Hughes (2005) even warned that 'firms

that do not commit themselves to developing and deploying experienced competitive intelligence units may ultimately find themselves at a competitive disadvantage during the strategy development process.’ All researchers suggest the establishment of new intelligence departments within existing organisations. Research however, reveals a clear difference between theory and practice. SCIP surveyed its more than 6,500 members (including SMEs and large companies). The outcome of this study was that the competitor study undertaken by most members did not take place in independent intelligence units, but rather in classic departments like planning and marketing departments (Kahaner, 1996). This is not surprising, since Homburg *et al.* (1999) noticed that marketing and sales departments play a leading role in the assessment of a company’s competitive position, and that they directly influence the decision-making processes of strategic business units. Wright *et al.* (2002) received questionnaire answers from 45 SCIP members, and 38 % of these stated that they believed that there was a relationship between the lack of a specialized competitive intelligence unit and the limited size of their companies, suggesting that these would have been bigger and more successful with such a unit. Sørensen (2009:740) on the other hand, noticed, that ‘traditionally, it has been the responsibility of the marketing function to generate customer intelligence for the purpose of feeding a firm’s strategic and tactical/operational decisions’, adding that ‘an essential feature of a market-oriented firm is the organization-wide generation of intelligence Consequently, it is not exclusively the marketing function’s responsibility to generate intelligence’. In addition, a study of Viviers *et al.* (2002) revealed that 68 % of 120 South African SMEs indicated that their competitor study was conducted by either one or a few people - and only part of the time. It also revealed that 53 % of the respondents still deployed these activities in regular sales and marketing departments. Saayman *et al.* (2008: 409) added that the employees’ CI involvement differs between large and small firms, and notes that ‘smaller companies face a bigger challenge in building and developing an effective CI programme than larger companies do’.

The analysis of the scarce literature about the organisation of competitor study activities within firms reveals a clear difference between a proposed best practice in theory and the actual practice in firms. Theory suggests firms to establish and use independent intelligence units, but research reveals that (in particular large) firms

undertake competitor study in classic departments like planning, sales and marketing. However, it is unknown how many people in these classic departments are busy with it. The quite scarce research in SMEs on the other hand, reveals that only one or a few people deploy competitor study activities, and this knowledge again raises questions regarding a possible competitive disadvantage of SMEs towards large firms due to a lack of, or only a limited, SME competitor study activity.

3.9 SME resource scarcity and competitor study

Pearce *et al.* (1982) studied the small firms' environmental scanning capability and they concluded that 'small businesses lack the capital and human resources that many [environmental forecasting] techniques require' (Pearce *et al.*, 1982: 30). They also noticed the difficulty for small firms to select and modify relevant scanning techniques. In addition, Smeltzer *et al.* (1988) suggested that the limited availability of resources could also be one of the reasons for the limited use of formal networks by SMEs. Buckley *et al.* (1988: 190) agreed, and he concluded that the competitiveness of firms suffers from a lack of capital, access to cheap raw materials, and skilled labour. Fuld (1995) recognized the lack of skills. According to him, many companies lack the knowledge resource of how to harness their competitor data, how to analyse their competition and how to apply their findings. Lybaert (1998: 346) noticed that 'SMEs must often contend with the same problems and decisions as big companies, but without the advantage of expert personnel and with fewer resources'. Pearce *et al.* (1982) also noticed the difficulty for small firms to select and modify relevant scanning techniques, and Lybaert (1998) concluded that SME owner-managers often lack the means to analyse the collected data, and to apply the analyzed result. Wong and Radcliffe (2000) concluded that SMEs often suffer from resource (e.g. staff, knowledge, money, and time) poverty, and Brandau and Young (2000) agreed that small firms are often constrained because of limited financial and human resources. Wright *et al.* (2004) studied 178 U.K. organizations, and they concluded that the main obstacles in the deployment of environmental scanning activities consisted of a combination of motivational problems, lack of resources, and organizational problems. McGee and Sawyerr (2003) noticed that small firms neither possess a large pool of analysis experts nor the required elaborate management information systems, and

Demers (2003) concluded that SMEs have difficulty in keeping up with, and handling, the large amounts of information. Unfortunately, Nascimento Mélo and de Medeiros (2007: 207) concluded that ‘hyper-competition requires much more than close monitoring of competitors’ behaviour and predicting their future actions. Hyper-information makes keeping up with information simply by reading impossible’. Sørensen (2009: 740-741) also noticed that it would also be necessary to compile and store ‘the intelligence in a meaningful and efficient way’, and to disseminate it to the firms decision-maker(s). SMEs may be constrained in this respect, since an effective intelligence cycle requires a steady flow of data, data storage, data retrieval, and data analysis. SMEs may lack the staff and the knowledge how to deal with this, but the modern IT systems may offer a solution to SMEs. Fink and Disterer (2006: 621) studied 8 Austrian and German SMEs, but found that ICT infusion into business activities that rely heavily on personal interactions, both internally and with the environment, is low for micro and small enterprises, but higher for medium enterprises. Unfortunately, Fink and Disterer (2006: 609) also concluded that this is a persistent problem, since ‘[small business] system management is different to large organisations who can afford to hire specialists and managers to maximise the use of their information system resources’. Potočan and Mulej (2009) recognized that SMEs face internal and external obstacles, since they have ‘smaller and less human resources than the bigger enterprises’. Singh *et al.* (2008: 527) noticed that ‘the rise in global competition has compelled [SMEs] to increase performance standards in many dimensions’ but that SMEs ‘may have constraints due to the scarcity of resources, flat organizational structure, lack of expertise, paucity of innovation, [and] occurrence of knowledge loss’. Unfortunately, SMEs have to deal with no less and often even more market pressure than bigger enterprises (Potočan and Mulej (2009: 17). The Gallup Organisation (2007) surveyed 14,683 SMEs in 27 EU countries, and they concluded that SME’s capability to deal with the *increasing* market pressure was growing worse, since SMEs are constrained by *increasingly* scarce resources, e.g. limited access to finance (21 % of the respondents), labour force too expensive (33 %), and a lack of skilled labour (34,8 %).

If there are resource bottlenecks, there are also alternative solutions. Aragón-Sánchez and Sánchez-Marín (2005: 288) were interested in the factors that really explained the

competitiveness and competitive success of 1,351 Spanish SMEs, adding that these provide them with advantages against large firms. The factors included cooperation with other SMEs as well as alliances with other firms, which gave these SMEs access to major external resources. Furthermore, Muscio (2007) agreed, and added that SMEs overcome their often limited internal knowledge resources by networking with external organisations. Strandholm and Kumar (2003) also suggested smaller organizations to simply organize the available information, and to take advantage of the expertise of the SME's managers by assigning them specific scanning tasks based on their functional expertise, although such an approach would be a departure from the current practices of many smaller organizations where information-gathering responsibilities are concentrated in only one or two individuals.

Other studies suggests that the assumed resource scarcity may not be the key issue at all in SMEs. Saayman *et al.* (2008) believed that all bottlenecks relate to the *availability*, not necessarily the scarcity, of required resources, including time, finance, people, and the acquisition of CI tools. Actually, SMEs may be wasting their valuable, but available resources. O'Regan and Ghobadian (2004b: 71) studied a sample of 194 UK electronics/engineering SMEs, and they discovered that smaller firms used (and wasted?) the available resources for fire fighting. Furthermore, it could all be about the SME's management's decision regarding priorities, and what to do with the available resources. Scupola (2003) studied the adoption of a new business practice, e-commerce, in 7 small Italian businesses. He discovered that the decision how to allocate the firm's resources was related to *how convinced* the SE manager was of the perceived future benefits of e-commerce. Since the 7 SE managers were convinced of the future benefits of e-commerce, they had raised this new activity to the top of their priority lists, and they had committed their resources.

A final issue regarding SME resource scarcity is their lack of knowledge about the cost of competitor study and the SME's incapability of organizing this activity. Lee (1990: 29) remarked that 'many small firms also refrain from competitive intelligence gathering in the *mistaken* assumption that such [an] activity is too costly.' Surprisingly, Wright *et al.* (2002) discovered that 25 % of the competitor study (!) employees in 45 companies perceived competitor study as too costly, and that 31 % of

these employees believed that extra human resources would be necessary. In addition, Lybaert (1998) states, SME managers also assume that their firms are not able to support competitor study activities – although this is not true. SMEs without competitor study capability could also hire external experts. Metayer (1999) discovered that companies which had successfully implemented competitive intelligence (CI) activities had hired CI teams. Lee (1990: 29) offered this option to small businesses as a cheap competitor study solution, adding that ‘a small [external] market-research firm can provide a continuous data flow about a company’s competition for [just] \$ 3,000 to \$ 5,000 a year.’ Sørensen (2009: 740-741) on the other hand pointed at practical collection problems, concluding that ‘employees outside the marketing/management departments are seldom aware of the value of the information they hold, [and] ... if an employee’s position in a firm relies on specific customer intelligence (e.g. sales people), that employee has little incentive to share the intelligence and thus can impede the firm’s market orientation’.

Many studies in literature indicate that SMEs are constrained by actual or perceived resource scarcity, including available time, money, and staff. In addition, these firms also have to cope with a combination of motivational, organizational, and knowledge problems, e.g. SMEs may not know how to build a useful IT network to store, retrieve, and analyze the collected competitor data. Other researchers however, present alternative solutions. They suggest SMEs to cooperate with other firms, to share their networks, to organize the available information, and to use the SME managers’ expertise. One study indicates that SMEs may be wasting their scarce resources, but another study suggests that SMEs actually do not have scarce resources, but only other priorities. The possible conclusion therefore could be that once SMEs are convinced of the benefits of competitor study activities, they will allocate their resources to it.

3.10 SME decision-making, performance and competitor study

Demers (2003: 45) concluded that ‘the most frequently used leverage for maximizing knowledge management within SMEs is the business network’, although ‘much of the (tacit) information to be managed is stored in places that are not readily accessible ... the employees’ brains Demers (2003: 44).’ Nonetheless, Sawyerr *et al.* (2003)

discovered a positive relationship between the SME's use of internal networks and the SME's financial performance. Firms, in which decision makers responded to the environmental uncertainty with greater internal networking, experienced better financial performance than firms without such a networking activity. Beng Hui and Idris (2009: 21) concluded that 'knowledge acquired externally through employees, financial system, market place, human capital, partnership with others, and R & D is very likely to be channelled into product innovation, process innovation, strategic innovation, behavioural innovation and market innovation'.

According to Metayer (1999), the success of the competitive intelligence function depends on its connection to decision-making. This statement means that intelligence should be used in a company's decision-making process in practice, and it means that a positive relationship between competitor study and improved decision-making in SMEs is crucial if competitor study is to be regarded as a useful business activity. The assumed positive relationship is that competitor study could result in useful intelligence, which could be used to improve the tactical and strategic decision-making processes. The resulting actions may lead to a strengthening of the competitive advantage of a company, which could result in an increased turnover and profit. Literature however, offers a wide variety of outcomes regarding this assumed positive relationship between competitor study and improved decision-making, because of the following problems. First, Krause (1997) stated that all organisations seek and use data as a basis for their decision-making and actions, but Hill and Wright (2001: 434) pointed to the lack of professional research and planning in SMEs, stating that 'the decisions on research and planning in SMEs will be characterized as largely confused, chaotic, unstructured, certainly non-linear and definitely time-compressed.' In addition, Mohan-Neil (1995) noticed that small firms utilised less marketplace information for their decision-making processes than large firms.

Steiner and Solem (1988) compared the individual sales growth of 22 U.S. manufacturing companies (including small companies) over a 3 year period with the average sales growth of all firms within their industries. Apart from the key SME success factors of specialization and low cost, they concluded that the successful small companies knew how their competitors were positioned and what they were doing.

Elenkov (1997: 117) studied 226 Russian companies (including SMEs), and concluded that 'the results of the study indicate that better performing firms gain a competitive advantage by using more sophisticated scanning systems.' Lybaert (1998: 346) studied the effects of the general use of information by 208 Belgian SMEs, and concluded that 'the more frequently entrepreneurs used information, the better their results became'. Analoui and Karami (2002) studied a possible relationship between environmental scanning and business performance in 132 U.K. SMEs in the electrical and electronics industry. Their respondents prioritised the impact of competitors on their firm's decision-making process as a number two priority, second only after the impact of technological changes. Moreover, the respondents regarded rivalry among existing firms as the second most important factor for their firms' strategy formulation processes, after the bargaining power of customers. Pointing to these outcomes, the researchers concluded that there was a strong and positive relationship between these firms' performances and the presence of formal environmental scanning systems in their survey; 92 % of the 'high performance firms' had such a system, compared to only 67 % of the 'low performance firms' (Analoui and Karami, 2002). Fuellhart and Glasmeier (2003) studied 750 U.S. SMEs, *and* they presented a positive relationship between competitor information and improved decision-making in the following disciplines: 62 % of their respondents stated that competitor information had changed their production technology, 61 % had changed their suppliers, 59 % had changed their pricing policies, and 57 % had changed their customer mix. Half of all the respondents had also changed their marketing strategies and product mix. Zahra *et al.* (2002) were confident about the existence of a positive relationship between competitor study and company results. They surveyed 228 new, small U.S. ventures, and concluded that 'an effective competitor analysis system can help identify areas where a firm can differentiate from its rivals and explore ways to make it difficult for the competition to imitate products and strategic moves', and added that 'effective competitor analysis ... protects the firm's competitive advantage' (Zahra *et al.*, 2002: 2). Knight and Kim (2009) used case study interviews to study the internationalization of 16 U.S. SMEs (on average, these 'medium' SMEs – U.S. definition – had 291 employees and \$ 54 million in annual sales) and how specific factors support the superior performance of these SMEs abroad. The SMEs that succeed internationally leverage fundamental, intangible resources such as international orientation,

international market orientation (the 2 most important dimensions), international marketing skills, and international innovativeness (Knight and Kim, 2009: 269). Their study showed that internationally active SMEs are successful if they collect and use information about customers and competitors. Sørensen (2009: 754) studied 308 Danish manufacturing firms, and he concluded that 'the significant positive effect of competitor orientation on a firm's market share confirms that higher levels of competitor orientation lead to higher market share'. Mueller and Gemünden (2009: 550) discovered a linear, positive and significant relationship between competitor orientation and technological success in 101 German software ventures.

Nonetheless, many questions about the assumed relationship between competitor study and company results still lack answers. Zahra *et al.* (2002) concluded that little was known about how the new ventures in their study were using their competitor analysis systems to study their competition, or how these analysis systems were used in their possible strategic planning processes. Furthermore, other researchers are not convinced about a positive relationship between competitor study and business performance. Hall and Bensoussan (1997) studied 139 Australian firms, and did not find a relationship between competitor study and the short-term growth of sales or turnover. They stated that 'intelligence is only one of a number of factors that determine the competitiveness of a firm,' adding that 'although we would expect a positive link between intelligence and competitiveness, we would not expect there to be a strong link' (Hall and Bensoussan, 1997: 50). Simon (1998) agreed that competitor information is only one of the decision-making factors. A remarkable study by Badr and Wright (2004) revealed that even the competitor study practitioners of 251 small, medium and large companies doubted a positive relationship between competitor study and business performance; 87 % only felt that competitor study activities helped their companies' strategic planning. Even more surprising, 41,6 % added that they did not know how competitor study contributed to the setting of their companies' marketing objectives.

Further complicating the research for a relationship between competitor study and business performance is the inconsistent quality of some studies. Groom and David (2001) surveyed the extent to which a group of 139 U.S. small service organisations

was engaged in competitor study activities, and how these activities were assessed. They conclude that 32 % of the respondents gathered information about the activities of competitors, and that 41 % of the respondents was satisfied with this information. Unfortunately, their hypotheses were based on a literature study of these practices in *large* companies, they had included *churches* in their sample, and they had actively *influenced* their target group to respond. Gadenne (1998) studied 74 small, Australian, manufacturing firms and discovered a so-called ‘competitive advantage factor,’ which was significantly related to the return on investment of small firms. One of the elements of this factor was the SE’s gathering of knowledge about competitor activities. However, he neither explained how and why his particular sample had been selected, nor how (and if) the research variables were linked to a preceding literature research. Miller (2000) concluded that successful SMEs were using and examining their competitor’s products, and were learning from competitor study activities. However, he only used a superficial survey of a wide variety of 43 U.S. small firms. Finally, Hewitt-Dundas *et al.* (1997) surveyed 200 U.K. manufacturing sites, along with the IBM Consulting Group and the London Business School. Their conclusion was that companies that take the performance of their competitors into account in the formulation of their own strategic plans are likely to be 8 times more successful than companies who do not do this. Unfortunately, it is unknown how the researchers have measured the relationships between competitor performance, strategic planning and firm performance. Furthermore, the outcome of the study was not explained in explicit, measurable terms of above-average profitability, sustainable competitive advantage or company survival. A final open question is the direction of the assumed positive relationship between competitor study, decision-making, and successful companies. Is the first factor the determining variable for the second and third factors – or is it that successful firms can afford to spend their resources to study competitors?

Literature is divided about a possible positive relationship between competitor study and firm performance. One group of researchers is convinced of this relationship, another group is not convinced, and a third group thinks that there are at least benefits of competitor study, if not an implicit or indirect possible relationship with firm performance. The reason for this division is as follows. It is difficult to prove a causal relationship between the independent variable ‘competitor study’ and the dependent

variable ‘firm performance’ because of the indirect, ‘long’ assumed relationship trail. This trail starts with the positive outcome of the correct quality and the required quantity of a firm’s competitor study collection and analysis activities, the potentially useful intelligence, and this intelligence is to be used to reduce uncertainty during the decision-making process of the firm’s managers. Assuming that these managers are capable of coming to the right – meaning potentially beneficial for the firm – decisions, their decisions will have to be transformed in a tactical and/or strategic action plan. Next, this plan will have to be implemented in the firm, and it will have to be executed in the market. This market activity will have to motivate clients to endorse the adjusted and/or new propositions, and the result of the clients’ approval will have to be visible as a clear, financially measurable outcome (e.g. increased turnover and profit, increased market share, etcetera). Obviously, this indirect, ‘long’ assumed relationship trail is the key obstacle to prove a relationship; first, because of its indirect character, and second, because of the countless possible internal and external variables that will influence the path’s variables. An example of this could be the influence of the strength of the firm’s market position as well as the firm’s capability to successfully implement a plan, even if the input consists of irrefutable, fine intelligence (e.g. the information that a competitor will introduce a new product in the firm’s market within a month). Unless the firm is in a position (e.g. it has access to the right distribution channels, it offers alternative products and services, and its actions will not be blocked by the competitor, etcetera), it is unlikely that the firm will be able to gain the maximum benefit from its splendid intelligence. As an example, even if a man knows that it will be raining soon, he will still get wet if he has to leave his home without having an umbrella to protect him against the rain. Literature presents a variety of examples of more or less successful use of absorptive capacity, environmental scanning and competitor study activities. However, the potential *usefulness* of these activities is not the same thing as the assumed *relationship* with firm performance. Finally, there even appears to be a paradox between competitor study and firm performance, because it is possible that the more a firm needs to use competitor study for its survival, the more it also appears to lack the necessary sustainable competitive advantage - in terms of unique products and services - to attract clients, grow its business, and thus secure its long-term survival.

3.11 Conclusions, knowledge gaps and research questions

3.11.1 Introduction SME competitor study literature and research questions

There is little attention in literature for competitor study (Wright *et al.*, 2002; Sørensen, 2009), and only a few university courses are devoted to this topic (Calof, 2008). Fortunately, there is an increasing academic interest in this subject. The number of indexed competitive intelligence articles and books in Google Scholar has tripled to 6,830 since 2000 (Calof, 2008). Knowledge about this subject is particularly necessary for SMEs, because it could be used to strengthen the market position of SMEs. Therefore, it is critical to study this subject 'if researchers are ever to understand how small firms achieve competitive success' (Chen, 1995: 456). Literature about this subject however, reveals a multitude of partial or full knowledge gaps, and it often shows only implicit and inconclusive, fragmented outcomes.

This study therefore aims to find answers to the knowledge gaps regarding SME competitor study practice. It uses research questions that are the result of the analysis of the extant literature about this subject, and it uses these research questions to search for new knowledge and insights. Consequently, these research questions, presented in this paragraph, create the link between the extant literature and the empirical work in this study.

3.11.2 Knowledge gap market-related reasons why SMEs do or do not study competitors

There is a knowledge gap in theory regarding the reasons why SMEs do or do not study their competitors. Literature indicates that the competitive intensity in a market is determined by either a) the similarity of the products and services of the suppliers in a market, b) the level and character of the behaviour of rival companies, or c) the development and structure of the market (Johnson and Scholes, 1989; Carson and Gilmore, 2000; Kotler and Caslione, 2009; and Jones and Hill, 2010). In addition, Scott and Bruce (1987) concluded that SMEs will be confronted with marketing crises (e.g. products and services losing uniqueness and competitive advantage, unexpectedly

decreasing markets), and Deakins and Freel (1998) noticed that SMEs will react to such critical events. It is the combination of the above drivers that determines the competitive intensity in a market. Hence, it is likely that this competitive intensity increases to a maximum when a combination of 2, or even 3, interrelating drivers are effective at the same time, and in the same market. SMEs with similar products and services (losing uniqueness) that have to compete with very active other firms in mature or (rapidly) declining markets simply may not have another alternative than the study of competitors to defend themselves, and it is therefore expected that the SME's competitor study decision will be influenced by the factors choice and necessity. A preliminary analysis of possible reasons has resulted in 4 possible competitor study decision categories: a) SMEs with a negative choice and a negative necessity for competitor study will decide not deploy this activity, b) SMEs with a positive choice and a negative necessity will decide to deploy competitor study, although this deployment will probably not be at a maximum activity level, c) SMEs with a negative choice and a positive necessity will decide to deploy competitor study, but they will only do this reluctantly and not at a maximum activity level, and d) SMEs with a positive choice and a positive necessity will decide to deploy competitor at a maximum activity level, and they will allocate the necessary SME resources to it.

Therefore the 1st research question is: what are the external, market-related reasons why SMEs do, or do not, study their competitors?

3.11.3 Knowledge gap regarding large competitors and SME competitor study

There is a knowledge gap in theory regarding a possible relationship between the activity of large firms and the SME's competitor study activities. SMEs face an increased competition from large firms (Yeh-Yun Lin, 1998), and these large firms can defeat SMEs (Gaskill *et al.*, 1993). One of the reasons for this, according to Wright and Calof (2006) is the clear gap between the high level of attention (Prescott and Miller, 2001; Subramanian and IsHak, 1998) large companies and the limited attention SMEs give to competitor study. Etemad (2005: 146) therefore concluded that SMEs will have to 'become at least as competitive as the global competitors in order to survive in their own home markets'. As a result, it is possible that SMEs will have

to study their large competitors to defend themselves, although Mueller (2007: 357) does not believe in the danger to SMEs by large firms.

Hence, the 2nd research question is: is there a relationship between the activities of large competitors and the reasons why SMEs study their competitors?

3.11.4 Knowledge gap SME life cycle development and competitor study activities

There is a knowledge gap in theory regarding a possible relationship between the development of the SME's life cycle and the SME's competitor study activities. A part of the literature suggests SMEs to grow according to a predictable life cycle stage model, including a predictable development of the firm's marketing (Carson, 1990; Carson and Gilmore, 2000). Another part of the literature however, Smallbone *et al.*, (1995; Deakins and Freel (1998); and Raymond *et al.* (2001), states that SMEs do not necessarily evolve linearly from one life cycle stage to the next, and that it is possible that SMEs remain in one life cycle stage for a prolonged period of time. Unfortunately, knowledge about a possible relationship between the development of the SME's life cycle and the SME's competitor study activities is lacking.

Therefore the 3rd research question is: do the SME's competitor study activities evolve according to the SME's life cycle stage development model?

3.11.5 Knowledge gap regarding SME strategy and SME competitor study

There is a knowledge gap in theory regarding a possible relationship between the SME's strategy and the SME's competitor study activities. Literature indicates that firms trying to build market share, implement an offensive strategy, and active in foreign markets (Lim *et al.*, 1996) have an external orientation (O'Regan and Ghobadian, 2004a), and that these firms have to gather more competitive information. Hence, it is expected that SMEs will increase their competitor study activities to support growth strategies in current and in new markets.

Hence, the 4th research question is: what is the relationship between the SME's strategy and the SME's competitor study activities?

3.11.6 Knowledge gap regarding the character of SME competitor study activities

There is a knowledge gap in theory regarding the character of SME competitor study activities. Knudsen *et al.* (2001) stated that the process how firms build their absorptive capacities is unknown, but Fuller (1994), Hendry *et al.* (1995), Wright *et al.* (2002), Hall and Bensoussan (1997, 2003), and Ganesh *et al.* (2003) concluded that the SME's marketing activities, environmental scanning activities, and competitor study activities, are often informal, ad hoc, and unstructured. The literature shows that SMEs benefit from an external and a market orientation, are aware of their competitors, but it also reveals that many SMEs are not interested in the study of their external environment and/or their competitors. Knowledge about the character of the SME's competitor study activities, its intelligence needs, its possible use of elements of the intelligence cycle, and the SME's competitor study organisation (e.g. which SME departments are involved in competitor study) is lacking.

Therefore the 5th research question is: what is the character of the SME's competitor study activities?

3.11.7 Knowledge gap regarding competitor study role of the SME's managers

There is a knowledge gap in theory regarding the role of the SME's managers for their SMEs' competitor study activities. SME owner-managers (Pearce *et al.*, 1982; Smeltzer *et al.*, 1988; Fann and Smeltzer, 1989; Hill and Wright, 2001; Viviers *et al.*, 2002, Saayman *et al.*, 2008) as well as the SME's other managers (Pelham and Clayson, 1988; Woods and Joyce, 2003, Pelsmacker *et al.*, 2005; Grawe *et al.* (2009) play a role in their firms' marketing, environmental scanning and competitor study activities but it is unknown to what extent (Offstein and Gnyawali, 2006). Literature (Raymond *et al.*, 2001; Gray, 2006; Mueller and Gemünden, 2009) also suggests a relationship between the SME's owner-manager's IQ and education and the SMEs competitor study activities.

Hence, the 6th research question is: to what extent are the SME's owner-managers and the SME's other managers involved in the SME's competitor study activities?

And the 7th research question is: is there a relationship between the education of the SME's owner-manager and the character of the SME's competitor study activities?

3.11.8 Knowledge gap SME competitor study data networks and data sources

There is a knowledge gap in theory regarding the data sources SMEs are using for their competitor study activities. In general, SMEs regard personal data sources as more important than impersonal data sources (Specht, 1987; Smeltzer *et al.*, 1988; Fann and Smeltzer, 1989; Hill and Wright, 2001; Williams, 2003). External data sources are important (O'Donnell and Cummins, 1999; North and Smallbone, 2000; Mosey *et al.*, 2002), and these include customers and suppliers (Terziovski, 2003), competitors (Mohannak, 2007), and the internet (Rhee, 2005; Gray, 2006). Internal, personal data sources are valid as well (Pelsmacker *et al.*, 2005; Brummer *et al.*, 2006; Offstein and Gnyawali, 2006). Unfortunately, it is not clear which data networks and data sources SMEs are using for their competitor study activities, and how these firms assess the importance of these data sources.

Therefore the 8th research question is: which data networks and data sources do SMEs use for their competitor study activities, and how do they assess the importance of these data sources?

3.11.9 Knowledge gap SME competitor study resource constraints

There is a knowledge gap in theory regarding a possible relationship between the SME's resources and the SME's competitor study activities. Literature suggests that SMEs are constrained by actual resource scarcity (Pearce *et al.*, 1982; Smeltzer *et al.*, 1988; Lybaert, 1998; Brandau and Young, 2000; Wong and Radcliffe, 2000; Wright *et al.*, 2004; the Gallup Organisation, 2007, Potočan and Mulej, 2009), or perceived resource scarcity (Lee, 1990; Lybaert, 1998; Metayer, 1999; Wright *et al.*, 2002). However, literature also indicates that SMEs overcome resource limitations by

networking with other organizations (Aragón-Sánchez and Sánchez-Marín, 2005; Muscio, 2007). A part of the literature (O'Regan and Ghobadian, 2004b; Saayman *et al.*, 2008) suggests that SMEs may be wasting their resources, but Scupola (2003) suggests that SMEs do not have scarce resources, but only other priorities. In addition, SME employees outside the marketing/management departments may not be aware of the value of the information they hold (Sørensen, 2009).

Hence, the 9th research question is: is there a relationship between the SME's resources and the SME's competitor study activities?

3.11.10 Knowledge gap regarding SME competitor study and SME performance

There is a knowledge gap in theory regarding a possible positive relationship between SME competitor study and SME performance, and the literature about this relationship is divided. Steiner and Solem (1988), Mohan-Neil (1995), Elenkov (1997), Lybaert (1998), Analoui and Karami (2002), Zahra *et al.* (2002), Fuellhart and Glasmeier (2003), Knight and Kim (2009), Mueller and Gemünden (2009) present positive relationships between SME competitor study activities and SME benefits. Further complicating the research is the inconsistent quality of other studies (Hewitt-Dundas *et al.*, 1997; Gadenne, 1998; Miller, 2000; Groom and David, 2001), as well as the lack of measured SME competitor study results. Hall and Bensoussan (1997), Simon (1998), and Badr and Wright (2004) also point at the numerous influencing factors within the SME's internal and external environments that make it impossible to find a direct relationship between its competitor study activities and any competitor study results.

Therefore, the 10th and final research question is: is there a relationship between the SME's competitor study activities and the SME's performance?

Chapter 4 – RESEARCH METHODOLOGY

4.1 Chapter guide

This chapter presents a research justification and the research aims of this study. It discusses the research methodologies which have been used in the past to research SME competitor study activities, and discusses what the benefits are of the alternative, case study analysis methodology. It also explains why this methodology is better suited when applied to this subject. Following this, the purpose and the setting of the study, the time horizon, the research design, and research paradigm are presented.

The chapter explains the search process for the SME research candidates of this study, and explains how and why the research sample of 7 small Dutch business-to-business enterprises was selected. As well as this, the units of observation and analysis of the study are presented. The selection of the data collection methods – face-to-face and telephone interviews, as well as the review of secondary evidence sources - is discussed, explaining how attention was given to the relevant ethical issues during the actual data collection process. The chapter also discusses how researcher bias was limited during this data collection process. It chapter also presents how the data were transcribed, processed, and stored in a digital case database. Furthermore, the data coding and data retrieval process, using Qualrus CAQDAS software, is presented. Finally, the data analysis process is presented and discussed.

4.2 Research justification and research objectives

4.2.1 Research justification

This research is important for the general small business literature, as well as small business competitor study practices literature. There is a clear knowledge gap in literature, since it lacks an in-depth understanding of SME competitor study practices, including small enterprises. Academic theory regarding these practices is lacking. It is important to close this gap; Chen (1995: 456) states that ‘if researchers are ever to understand how small firms achieve competitive success, they must look in detail at

how such firms fight their day-to-day battles and how they engage in the process of competition.’ It is also quite important to share this knowledge with SMEs in general, as well as small firms in particular. These firms are vulnerable and more ‘exposed’ to changes in the marketplace (Westhead and Storey, 1996). A high percentage of large firms are active in competitor study (Prescott and Miller, 2001; Subramanian and IsHak, 1998). SMEs are facing increased competition from large firms (Yeh-Yun Lin, 1998), and these large firms can defeat SMEs (Gaskill *et al.*, 1993).

Hence, this research is important, because it is possible that it will discover that small enterprises have to learn how to study competitors, and have to use this knowledge to defend themselves against large companies. It is also possible that small firms already study competitors, and will be able to use the research recommendations, e.g. small firm competitor study ‘best practices’, to improve their own competitor study practices - and reduce the vulnerability of their small enterprises, SEs, in the marketplace.

4.2.2 Research objectives

A summary of the research objectives of this study is as follows:

- To investigate the competitor study practices in SEs.
- To provide an analysis of competitor study in SEs.
- To understand what competitor study means in SEs.
- To develop the new theory regarding competitor study in SEs.
- To present ‘best practice’ competitor study recommendations to SEs.

4.3 Research methodology description

4.3.1 Previous competitor study research methodologies

The 17 studies regarding environmental scanning and networking practices in small and medium firms, identified and discussed in the literature review, include 4 studies (Farhad and Azhdar, 2002; Strandholm and Kumar, 2003; Mohan-Neil, 1995; and Elenkov, 1997) with a sample group which consists of small, medium, and large firms.

The remaining 13 studies (Smeltzer *et al.*, 1988); Curran *et al.*, 1993; Fuellhart and Glasmeier, 2003; Baranauskas, 1998; Johnson and Kuehn, 1987; Sawyerr *et al.*, 2003; Specht, 1987; McGee and Sawyerr, 2003; Lim *et al.*, 1996; Raymond *et al.*, 2001; Wright *et al.*, 2004; Analoui and Karami, 2002; and Lybaert, 1998) all discuss the environmental scanning and networking practices of only SMEs. In addition, 26 studies regarding SME competitor study activities have been examined. These studies include 2 quantitative analyses of competitor study activities by large firms (Prescott and Miller, 2001; and Subramanian and IsHak, 1998), 8 quantitative studies about small, medium and large firms (Johnson, 2004; Wright *et al.*, 2002; Zinkhan and Gelb, 1985; Hagen and Amin, 1995; Viviers *et al.*, 2002; Steiner and Solem, 1988; Badr and Wright, 2004; Hewitt-Dundas *et al.*, 1997), and 12 quantitative studies which refer only to SMEs (Robson and Bennett, 2000; Zahra *et al.*, 2002; Wood, 2001; Mosey *et al.*, 2002; Kitchen and Dawes, 1995; Woods and Joyce, 2003; O'Donnell and Cummins, 1999; Pelham and Clayson, 1988; Fann and Smeltzer, 1989; Fuellhart and Glasmeier, 2003; Groom and David, 2001; Gadenne, 1998). Qualitative studies appear to be scarce; the review found only 4 studies which use qualitative (case study analysis) research methodologies (Carson, 1990; Fuller, 1994; Deakins and Freel, 1998; Miller, 2000).

4.3.2 The benefits of qualitative case study research

Stake (1995) explained the main differences between quantitative and qualitative research methodologies. He stated that 'quantitative researchers have pressed for explanation and control, [whereas] qualitative researchers have pressed for understanding the complex interrelationships among all that exists (Stake, 1995: 37).' Quantitative research is therefore an excellent methodology to reveal and describe the relationships between variables, whereas qualitative research is necessary to explain *what* it is that is happening in a firm, as well as *how* and *why* it is happening. Furthermore qualitative research is necessary for obtaining background information, when nothing is known about a problem, and may reveal behaviour patterns.

It was decided to use case study analysis for this research, and the reasons are as follows. Corbin and Strauss (2008: 325) described a wide variety of cases, mentioning

that ‘a case can also be a study of a business organization,’ which is precisely what this study employs. Yin (1994) stated that case study analysis is the best way to study how and why thinking, behaviour, and actions change over time in companies, adding that by knowing what the underlying motive of the change is, an understanding can be created about what has happened and why it has happened. According to Swanborn (1996), case study analysis ‘illuminates’ management decisions, and enables an understanding about why decisions were taken, how these were implemented, and with what results. Seale (1999: 39) stated that ‘the qualitative alternative [of case study analysis] has been presented as a vehicle for answering questions about what is happening in a particular setting.’ And Eisenhardt (Huberman and Miles, 2002: 8) described case study research as ‘a research strategy which focuses on understanding the dynamics present within single settings.’ She added that case studies can provide a description of what is happening in a company. Stake’s (1995: 39) view is that ‘quantitative researchers regularly treat uniqueness of cases as “error”, outside the system of explained science, whereas ‘qualitative researchers treat the uniqueness of individual cases and contexts as important to understanding.’ He added that ‘the real business of case study is particularization, not generalization. We take a particular case and come to know it well not primarily as to how it is different from others but what it is, what it does (Stake, 1995: 8).’

The case study sequence is as follows. First, a social, contemporary event is studied intensively in order to obtain detailed knowledge regarding this event. Second, the event is studied within one interactive group (e.g. one SME) within its own specific natural, local and dynamic environment. Third, the original history of a social event, as well as the further changes and developments and the entire complex structure of the event, are described and explained through intensive research, by giving simultaneous attention to a large number of variables (Swanborn, 1996). Yin (1993, 1994) however, remarked that the dynamism of the natural environment of businesses makes the building of simple, causal relationship models quite difficult. He added that this difficulty necessitates an integrated, all-over approach by studying the entire case.

Another advantage of case study analysis, according to Eisenhardt (Huberman and Miles, 2002: 29), is ‘its likelihood of generating novel theory’. Seale (1999: 109)

mentions that case study analysis could ‘be useful in leading to general theoretical principles’, and that the novel, resultant theory has a high likelihood of being empirically valid, because evidence and theory-building process are intimately tied together. This emergent novel theory is likely to be empirically valid, according to Eisenhardt (Huberman and Miles, 2002), and is also likely to be testable with constructs that can be readily measured. Finally, it is this proposition of novel ideas, which, according to Lincoln and Guba (Huberman and Miles, 2002: 209), is one of the key characteristics used to judge the quality of the case study outcome, since ‘it should go a step beyond present constructions and understanding.’

4.3.3 Justification of case study analysis for SME competitor study research

Case study analysis is regarded as suitable for the research of competitor study practices in SMEs. There are 4 reasons for this.

First, competitor study phenomena are difficult to research because competitor study practices are directly related to a firm’s strategy and marketing activities. These activities are often regarded as confidential. Hence, the external observation and understanding of these activities is quite difficult and the information required, to understand these activities, will have to be obtained from internal sources. Understandably, these sources may be quite reluctant to offer information about these practices. However, qualitative research is well suited to overcome this reluctance, since it allows researchers to come close to the research participants (O’Donnell and Cummins, 1999). Easterby-Smith, *et al.* (2004: 87), assessed the usefulness of the qualitative research semi-structured and unstructured interview data collection tools, and deemed these to be the most appropriate research methods when ‘the subject matter is highly confidential or commercially sensitive.’

Second, previous research, undertaken to understand SME behaviour, has shown the potential benefits – e.g. theory building – of case study analysis when researching SMEs. Merrilees and Tiessen (1999) used case study analysis to study 12 SMEs and used its findings to build an international marketing activities model. These researchers pointed to the usefulness of the case study methodology for building

theory, stating that this methodology ‘is a particularly rich way of understanding marketing behaviour in a situation that has not previously been well articulated or generalized (Merrilees and Tiessen, 1999: 327).’

Third, Ganesh *et al.* (2003) pointed to the critical necessity of case study methodology in competitor study research. They expected that this particular kind of qualitative research would allow researchers to develop the currently missing theories and frameworks in competitor study. Stake (1995: 44) concluded that ‘all research is a search for patterns, for consistencies.’ It is precisely the reason why case study research methodology is appropriate for the study of firm competitor study practices. According to Ganesh, *et al.* (2003) this methodology includes the SME’s context in the data collection and analysis, and this is necessary to discover the underlying patterns. Ganesh, *et al.* (2003) added that it would also be necessary for the future growth of the entire competitor study research area, to adopt systematic methodologies, such as case study analysis, that allow for replication and credible generalisations.

Fourth, the focus of this research was to gain an understanding of Small Enterprise, SE, competitor study practices. Its main data source consists of 21 interview texts with the narrative descriptions of 3 managers per SE of what competitor study practices are used by their SEs, as well as why and how these practices are used. These narratives were double-checked with 126 secondary evidence data sources. The combination of interviews and secondary data enabled a clear benefit of case study methodology: data triangulation within every SE. This triangulation is necessary to secure the study’s validity basis, and, according to Miles and Huberman (1994: 267) ‘is a way to get to the finding in the first place – by seeing or hearing multiple instances of it from different sources by using different methods and by squaring the findings with others it need to be squared with.’ Stake (1995: 112) describes it as a protocol ‘to demonstrate commonality of an assertion’, and ‘to see if the phenomenon remains the same at other times, in other spaces, or as persons interact differently’.

Based on the above discussion, the case study research methodology has been selected for this study, because it is regarded as the best systematic methodology for the development of theory regarding SME competitor study practices and phenomena.

4.3.4 Purpose of the study and study setting

The purpose of this multi-case study approach is to undertake a descriptive, relationship, and analytical study about how the phenomenon SE competitor study varies according to different SE environments. According to Stake (2006: 27) ‘one of the most important tasks for the multi-case researcher is to show how the phenomenon appears in different contexts.’ The study describes the competitor study practices of 7 small Dutch business-to-business enterprises in their current and non-contrived, natural environments where these practices are expected to occur. These contexts, according to Stake (2006: 27) are expected to influence the cases’ activities and therefore ‘need to be studied and described.’ A descriptive study is particularly useful for this, since it describes the relevant aspects of this phenomenon from individual, organizational, industry-oriented, and other perspectives (Sekaran, 2003). The study identifies and delineates the important variables that are associated with the SMEs’ competitor study practices as well as the causality of these variables, and offers explanations for this causality. In addition, it is also an analytical study, since it is used to study a new area of organizational research, to comprehend the nature of SME competitor study, and to use this knowledge to build theory (Sekaran, 2003). Analytical studies are particularly useful when knowledge about a situation is limited, and when an explanation is necessary regarding *how* and *why* a situation occurs. SE competitor study practices fulfil these criteria; the research area lacks empirical investigation, is underdeveloped, and is under-theorized. Hence, this study seeks explanations about why SEs study their competitors, how SEs study their competitors, and what the possible ‘best competitor study practices’ of SEs are. It also investigates if and how the SE’s resources constrain its competitor study practices, as well as the role and background of owner-managers in these practices. Ultimately, the objective of this study is to build new theory about SE competitor study practices, and as such it is an ‘instrumental’ case study, since ‘the purpose of [this] case study is to go beyond the case’ (Stake, 2006: 8).

4.3.5 Time horizon of the study

This study is a cross-sectional study, and the reasons for selecting this - where data collection was undertaken at a single point in time, as opposed to a longitudinal study with multiple instances of data collection - are as follows. The first reason was based on this study's research questions: *what* is it that SEs do regarding competitor study practices, *why* do they do this, and *how* do they do this? It was expected that semi-structured in-depth face-to-face interviews with relevant informants (the units of analysis) within the SE (the unit of observation) would result in useful answers about these practices. Since these practices were not expected to change over time, a 'snapshot' data collection process was regarded as a useful way to explore and describe these practices. One episode of fieldwork, according to Ritchie and Lewis (2007: 53), is appropriate 'if the focus of the study is on the current manifestation of the research subject, [and] if what is being studied is expected to be relatively stable.' Indeed, the SEs' competitor study activities were expected to be stable. Conversely, a prolonged study of the SE's movement from one competitor study stage to a next competitor study stage - probably with changing competitor study practices - would require a longitudinal study. However, such a study lies outside the purpose of this study and is not included in the data collection design. The second reason for the selection of a cross-sectional study was the limited time available to the informants. They were willing to supply data in one face-to-face interview, but most of them added that they would not have the time for a second interview, and any additional questions would only be answered by e-mail or by phone.

4.3.6 Research paradigm

Perren and Ram (2004) present 2 dimensions to provide a map of the paradigms underlying case-study method in SMEs: a) the dichotomy between researchers with an objective perspective (which view the social world as a hard, external, objective reality), and researchers with a subjective view (which are interested in 'understanding of the way in which the individual creates, modifies and interprets the world'), and b) whether the researchers focus on some form of 'milieu of social actors' or the individual 'entrepreneur/owner-manager' (Perren and Ram, 2004: 84). They describe

4 case study research paradigms, and these are discussed here to explain the choice for the underlying case study method for this particular study:



Figure 4.1: The multiple stories milieu explanations research paradigm of this case study research, as shown in the model of Perren and Ram (2004), is based on the subjective perspectives of 3 social actors per SME in all 7 studied SMEs.

1. **‘Objective’ milieu cases** focus on both the SME as the primary ‘unit of analysis’ and a specific theme. The selection of cases depends on case typicality and representativeness, imposing a conceptual framework. Perren and Ram (2004: 88) add that this ‘seemingly aids the process of comparison, but may blind the researcher to nuances and other explanations outside the imposed conceptual framework’. This paradigm is regarded as unsuitable, since the criteria case ‘typicality’ and ‘representativeness’ are unknown in this exploratory study, and this paradigm is unsuitable, since it strips the complexity and features of the 7 SME cases. However, this complexity and these features are required to describe, explore and understand the competitor study practices of SMEs.

2. **‘Objective’ entrepreneurial narrative explanations** focus on both the entrepreneur as the primary ‘unit of analysis’ and a ‘theme linked to some form of [entrepreneurial] success or failure’ Perren and Ram (2004: 91). The aim is to try to understand the entrepreneur’s subjective interpretation of reality or to view the entrepreneur’s actions through a conceptual lens. However, the SME is the primary ‘unit of analysis’ of this study, although it is interested in the owner-manager’s competitor study role. In addition, the study is interested in SME competitor study practices, and not in entrepreneurial success or failure. Hence, this paradigm is regarded as unsuitable for this study.
3. **Entrepreneurial personal story exploration** uses the entrepreneur’s interpretation of events, although this ‘is only one subjective account amongst the many different accounts from social actors sharing the world’ (Perren and Ram (2004: 93). This study uses the accounts of owner-managers, since they are expected to be involved in SME competitor study activities. However, one of the disadvantages of this paradigm is that a focus on only the entrepreneur’s narrative may inhibit the views from other social actors, who are also familiar with the SME’s competitor study practice. This could be disadvantageous because it could result in patterns being missed in the case studies.
4. **Multiple stories milieu case studies** use the subjective, different perceptions and interpretations of individuals, within a shared social milieu, of their social world. These multiple stories help to ‘avoid the trap of over-simplified models or answers’ (Perren and Ram, 2004: 91). Researchers using this paradigm, introduce ‘flexible, general, organizing constructs that allow complexity and contingency to be mapped, rather than more prescriptive and deterministic models’ (Perren and Ram, 2004: 90). This paradigm has been selected as the appropriate paradigm for this exploratory study, because of two key reasons. First, 3 individuals per small enterprise offered their subjective accounts, and second, flexible constructs were used to search underlying patterns in all cases – a key objective of this study.

4.3.7 Research design

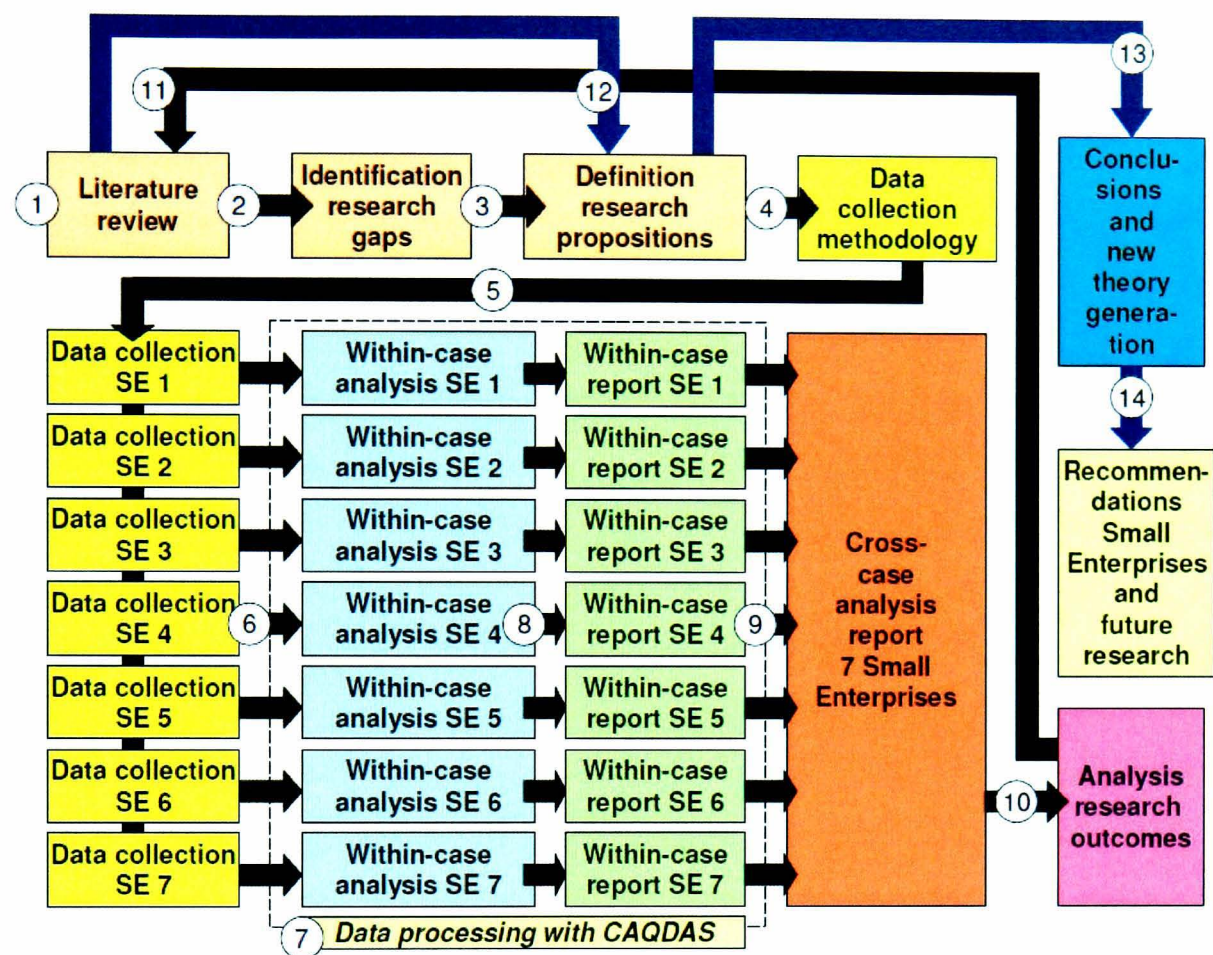


Figure 4.2: The research design of this study, based on Stake (2006: 40 – 41), shows the research steps, the direction of these steps, how these steps are related to each other, the sequence of these steps, as well as the intended output.

The research design of this study is a qualitative multi-case project for closely examining a sample of 7 mature, surviving Dutch business-to-business small enterprises, SEs. The emphasis is on adding to knowledge. The research is phenomenological, and it is based on an analytical interpretation of the multiple realities within these firms. The primary field research studies how respondents within these firms see different worlds and how this perception changes their realities. Therefore, this research has an ontological stance. This research is also interpretative and inductive, because it aims to find facts and develop patterns in the competitor study practices within, and between, these firms, and use these patterns to generate the lacking theory about small enterprise competitor study practices.

4.4 Research participants

4.4.1 Research participants search process

Stake (1995: 4) suggested case study analysis researchers: ‘if we can, we need to pick cases which are easy to get to, and hospitable to our inquiry, perhaps for which a prospective informant can be identified and with actors (the people studied) willing to comment on certain draft materials.’ For this study it was expected that this ‘easy to get to’ would be quite possible, taking the researcher’s Dutch SME business network into account. However, ‘hospitable to our inquiry’ was another matter. Literature shows competitor study to be a sensitive, obscured set of activities, directly related to a firm’s strategy and its marketing activity. Hence, it was expected that the key challenges would be to find SMEs willing to share information about their competitor study practices, and to find a sufficient number of suitable SMEs. Eisenhardt’s (1989: 545) already stated: ‘with fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing. A number between 4 and 10 cases usually works well’. Stake (2006: 22) agrees: ‘the benefits of multi-case study will be limited if fewer than, say, 4 cases are chosen, or more than 10.’ Hence, the decision was made to search for at least 4 active SMEs, willing to share information. Consequently, the study describes surviving enterprises only.

Furthermore, SMEs can be categorized in *business-to-consumer* SMEs and *business-to-business* SMEs. Taking the researcher’s two-decade practice knowledge about Dutch business-to-business SMEs into account, the decision was made to study only business-to-business SMEs. Preferably, the suitable SMEs would have to be independent companies, although subsidiaries of domestic or international SMEs were acceptable. Suitable SMEs would have to be either managed by owner-managers, or by long-term managing directors. It was expected that the participant search process would take quite some time, and the search therefore started as early as possible during the DBA study. Interviews with the researcher, asking for SME research participants, were published in 7 Dutch SME business-to-business branch magazines between 2002 and 2004. As a result, 19 Dutch SMEs expressed their interest, hoping to benefit by learning about best-practices.

4.4.2 Selection units of analysis and research generalizability

However, by the time the field research was prepared at the beginning of 2007, 3 of the 19 SMEs had already gone bankrupt. Furthermore, following the multiple stories milieu case studies paradigm, the researcher considered the stories of 3 managers per SME a prerequisite for the participation of SMEs. Only the data collection from 3 managers would enable a proper data triangulation within each SME, even though secondary evidence sources would be used to double-check their narratives. Unfortunately, the interested managers of 9 SMEs were unable to convince their fellow-managers to participate, and these 9 SMEs therefore had to be excluded from the study. This left a theoretical convenience sample of 7 enterprises.

Enterprise	Province	Activity	Product	FTEs	Turnover
Alphasoft BV	Noord-Holland	b-to-b services	Software	37	€ 3,2 million
Bravosweet BV	Noord-Holland	b-to-b products	Sweets	12	€ 2,0 million
Charliebelt BV	Noord-Holland	b-to-b products/services	Belts	49	€ 6,6 million
Deltafilter BV	Limburg	b-to-b products/services	Machines	17	€ 3,0 million
Echostaff BV	Zeeland	b-to-b services	Flex working	20	€ 13,0 million
Foxtrotmetal BV	Zuid-Holland	b-to-b products	Machines	35	€ 14,0 million
Golfadvice BV	Utrecht	b-to-b services	Inspection	12	€ 1,0 million

Table 4.1: The general characteristics of the 7 available Dutch business-to-business SEs.

A key objective of this study was to secure the representational generalizability of what is found in a suitable sample group to the parent population, thus securing the theoretical generalizability of the study, using its findings to draw principles, statements and theoretical propositions (Ritchie and Lewis, 2007: 264). A first assessment showed that all 7 firms were small enterprises, SEs, using the EU number of employee criterion, Although the annual turnover of 2 firms exceeded the € 10 million EU annual turnover small enterprises criterion (see table 4.1). Balance sheet data, the 3rd EU company size assessment criterion, could not be obtained. The situation confirmed the statement of Curran and Blackburn (2001: viii) that ‘newcomers to small business research ... are often disconcerted by how difficult it seems to be to construct and access a representative sample of small businesses for a research project.’ Nonetheless, it was concluded that the size of most firms in the sample group was small, although a few firms were at the brink of a medium enterprise status.

Furthermore, it was necessary to select a case sample which would be representative of the parent population, including what Ritchie and Lewis (2007: 269) describe as ‘inclusivity; whether the sample provides ‘symbolic representation’ by containing the diversity of dimensions and constituencies that are central to explanation’. Stake (2006: 23) gave the 3 criteria which were used to assess the suitability of the 7 firms: ‘a) is the case relevant to the phenomenon, b) do the cases provide diversity across contexts, and c) do the cases provide good opportunities to learn about complexity and contexts?’ Stake (2006: 1) also noticed that: ‘for multi-case research, the cases need to be similar in some ways,’ although Eisenhardt (1989: 537) adds that ‘it makes sense to choose cases such as extreme situations and polar types in which the process of interest is “transparently observable”.’ The researcher concluded that the sample group contained a sufficient number of polar SE types (e.g. different products and services, different geographical locations within The Netherlands), but that it was also similar enough (company size, annual turnover, ownership structure, customer category) to compare the SEs’ competitor study practices, as well as to build theory.

Category	Micro firms	Small firms	Medium firms	Large firms
Number of employees	1 - 9 employees	10 - 49 employees	50 - 249 employees	250 + employees
Business-to-business firms		Research sample group		
Business-to-consumer firms				

Table 4.2: The research sample in this study consists of 7 small business-to-business firms.

The sample group offered the clear potential to discover the phenomena, which would similarly be found in the parent population (Ritchie and Lewis (2007: 265) - securing the external generalisation (Huberman and Miles, 2002: 53), or external validity, of the study. Consequently, the 7 small Dutch business-to-business enterprises were accepted as *units of analysis* in February 2007. However, it must be noted that the decision to use small enterprises also means that this study does not offer outcomes with regard to competitor study by micro or medium enterprises (see table 4.2).

4.4.3 Selection units of observation

Bryman and Bell (2006: 500) described how a study with semi-structured interviews showed how interviewees ‘may be selected purposively on the basis of their likely ability to contribute to theoretical understanding of a subject.’ Hill and Wright (2001), Pearce *et al.* (1982), Smeltzer *et al.* (1988), Viviers *et al.* (2002), and Fann and Smeltzer (1989) concluded that that SME competitor study practices, as well as operational management and marketing activities, can be expected at the level of SME owner-managers. Curran and Blackburn (2001: 5) add that ‘much small business research concentrates on the motivations and actions of just one person, the entrepreneur or owner-manager’, adding that ‘invariably others are involved who also shape the enterprise and its destiny’. Indeed, the first contact persons within the 7 SEs were the owner-managers and managing directors, and they appointed 2 other directors or managers in their SEs as additional informants in this study.

The *units of observation* in this study consist of:

- 1) European directors, owner-managers, managing directors, directors, and general managers.
- 2) Sales managers and commercial coordinators.
- 3) Marketing managers.
- 4) Project managers, internal projects managers, and quality managers.

4.5 Data collection methodology

4.5.1 Data collection methodology selection

A key decision in qualitative research is the selection of an appropriate data collection methodology. Possible methods include observation, mail questionnaires, direct observation, personal interviews, written questions, and the reviewing of documents which ‘serve as substitutes for records of activity that could not be observed directly’ (Stake, 1995: 68).

Direct observation was considered unsuitable for this study, because: a) this study is cross-sectional and not longitudinal, b) the limited time available to the SE respondents, c) the absence of fixed competitor study activity planning in SEs, and d) the difficulty of observing how such activities apply in practice outside SEs.

Mail questionnaires were also considered unsuitable, because a) these could result in a high rate of delay or non-response due to the sensitivity of the subject, and b) a fixed questionnaire structure would constrain the ‘fact-finding’ objective of the study, leaving little opportunity to elaborate on unforeseen, possibly relevant issues.

Personal interviews and *written questions* on the other hand were considered as quite suitable data collection methods, since all SE respondents expressed their willingness to be interviewed, answer additional questions, and to free the required interview time. Face-to-face interviews are a particularly useful way in which to explore and collect in-depth data about the relatively unknown aspects of SE competitor study activities. Stake (2006: 29) mentions that ‘the details of life that the researcher is unable to see for himself’ ‘are found by interviewing people who did see it or by finding documents recording it.’ Bryman and Bell (2007: 504) pointed out the usefulness of these narratives of interviewees: ‘qualitative research frequently entails the reconstruction of events by asking interviewees to think back over how a certain series of events unfolded in relation to a current situation.’ Furthermore, parts of any SME competitor study activities may occur outside SME departments or SMEs, and ‘interviewing can allow access to a wider variety of people and situations (Bryman and Bell, 2007: 506).’ Nevertheless, a possible disadvantage of using interviews was that there would be a chance that the interviewees would not be able to recollect how decisions had evolved. Reviewal of documents was considered partially suitable. Documentary evidence data could be collected from external sources (e.g. websites, general databases, annual reports), but there was no access to the SMEs’ databases. Part of the competitor information pieces was stored in customer-related electronic databases, but the respondents did not allow access to these databases. Finally, an important element in the decision to select these data collection methods was the limited available time of the single researcher, working full-time as sales and marketing director of a Dutch business-to-business SME during this study – but still conducting all the case studies.

As Stake (2006: 21) already noted: ‘other than for a dissertation, a single multi-case researcher seldom does all the case studies.’

4.5.2 Face-to-face interviews

4.5.2.1 Preparation of the interview questionnaire

The main data collection method used in this thesis is a generative method which consisted of individual one-on-one, face-to-face interviews. Based upon Silverman (2006) the first objective of interview data, according to positivism, has been to gain access to ‘the competitor study facts’ in the SEs. The second objective, according to emotionalism, has been to generate data which would give an authentic insight into the interviewee’s competitor study experiences. A semi-structured questionnaire with predefined half-open and open-ended questions was selected to keep a focus on the central research problems, to limit possible subjectivity, and to generate a set of comparable answers. In 2002, the Strategy and Competitive Intelligence Professionals, SCIP, published a summary of this research’s proposal in SCIP Online, April 21, 2002, 1(7), which resulted in contact between the researcher and 9 experienced competitive intelligence practitioners, all members of SCIP and active in SMEs. A list with relevant research questions related to this research’s propositions, as well as questions related to the expected eventual data coding was finished in September 2006. The list with questions was e-mailed to the 9 CI practitioners, and their e-mail feedback was used to create a first semi-structured questionnaire draft. The draft questionnaire used a funnel approach, presenting questions regarding potentially ‘sensitive’ issues (e.g. personal ethics regarding competitor study) at the end. Following the methods of inductive research, the semi-structured nature was expected to enable a clarification or rephrasing of the questions, ensuring that the interviewees understood all questions. Furthermore, it was also expected to enable an immediate clarification of all potential ambiguities within the answers or questions during the upcoming interviews.

4.5.2.2 Testing and improving the interview questionnaire

The draft questionnaire was e-mailed to 3 fellow-DBA research associates in November 2006, asking them for additional suggestions and possible improvements. Next, the questionnaire was tested in practice during pilot interviews with 3 MBA students at Webster University in Leiden in January 2007. The outcomes were used to clarify the question (e.g. removal of branch and competitor study jargon), and the funnel structure was also improved in February 2007. All these measures helped to secure the replication and external validity of this data collection method.

Nonetheless, an unexpected event occurred when the first interviews were conducted at Charliebelt; the interviewees revealed a collusion case, as well as unethical / illegal competitor data collection practices. Corbin and Strauss (2008: 28) had also experienced unexpected revelations during their research, albeit at the end of their interviews and with the recorder turned off, and they noticed that ‘the interview process provides participants with an opportunity to talk in depth about issues that they hadn’t talked much about before.’ The unexpected revelations at Charliebelt resulted in the study of the literature about collusion as well as about unethical / illegal data collection practices, before the interview sessions were continued. This part of the literature study resulted in 3 improvements. First, a description of business espionage was added to the definition paragraph in chapter 2. Second, additional questions about these subjects were added to the interview questionnaire. Third, the additional interview questions were e-mailed to the interviewees at Charliebelt, and their answers completed the data collection in this SE. Next, the design and contents of the questionnaire was ‘frozen’, and the questionnaire was consistently used during all the remaining interviews. The interview transcriptions show the consistent use of this questionnaire during all interviews.

4.5.2.3 General information regarding the conducted interviews

November 2006	January 2007	February 2007	February 2007	February 2007	March - Sept 2007	April - Sept 2007	April - Sept 2007	April - Sept 2007
Design draft questionnaire with 3 DBA students	Test draft questionnaire with 3 MBA students Webster University	Design final version of interview questionnaire	Anonymized SME company name	Anonymized SME interviewee	Interview dates	Interview times	Interview type	Face-to-face interview language
Finished	Finished	Finished	Alphasoft BV	Alex	6-Apr-07	08.30am	Face-to-face	Dutch
				Anthony	6-Apr-07	11.30am	Face-to-face	Dutch
				Adrian	6-Apr-07	13.30pm	Face-to-face	Dutch
			Bravosweet BV	Benjamin	23-Mar-07	10.00am	Face-to-face	Dutch
				Brenda	23-Mar-07	09.00pm	Face-to-face	Dutch
				Brian	23-Mar-07	11.30am	Face-to-face	Dutch
			Charliebelt BV	Christopher	19-Mar-07	16.00pm	Telephone	English
				Charles	22-Mar-07	09.30am	Face-to-face	Dutch
				Colin	22-Mar-07	11.00pm	Face-to-face	Dutch
			Deltafilter BV	Damian	30-Mar-07	09.30am	Face-to-face	Dutch
				David	30-Mar-07	11.00am	Face-to-face	Dutch
				Diana	7-May-07	11.00am	Face-to-face	Dutch
			Echostaff BV	Evan	12-Apr-07	10.00am	Face-to-face	Dutch
				Eric	9-May-07	08.00am	Face-to-face	Dutch
				Edward	5-Apr-07	09.30am	Face-to-face	Dutch
			Foxtrotmetal BV	Frank	24-Apr-07	09.30am	Face-to-face	Dutch
				Felix	24-Apr-07	11.00am	Face-to-face	Dutch
				Frederick	24-Apr-07	13.00pm	Face-to-face	Dutch
			Golfadvice BV	Gabriel	5-Jul-07	09.30am	Face-to-face	Dutch
				George	20-Sep-07	09.00am	Face-to-face	Dutch
				Garrett	20-Sep-07	11.00am	Face-to-face	Dutch

Table 4.3: The table shows the preparation sequence of the interview questionnaire, and provides detailed information with regard to the date and time of the SEs’ interviews.

E-mails with suggested available interview dates were sent to 21 interviewees during the second half of February 2007. The researcher’s objective, if possible, was to talk to the 3 research participants of each SE on the same day. This approach would reduce travel time, but, much more important, it was also expected that this approach would enable the researcher to become quite familiar with each case within a short time period. Indeed, this was what happened, although the interviewees of only 3 SEs could be interviewed at the same day. Starting March 19, 2007, 18 respondents of 6 SEs were interviewed within a period of 2 months. However, it turned out to be difficult to find suitable interview dates with the last respondents in the 7th SE, and these last interviews were conducted September 20, 2007. This resulted in a total of 20 Dutch-language face-to-face interviews and 1 English-language telephone interview (see table 4.3). The interview languages were the native languages of the respondents, so that their abilities to communicate effectively would not be impaired. Furthermore, all interviews were conducted during working hours in a non-contrived setting, e.g. in quiet meeting rooms in the SME offices or, alternatively, in public restaurants. None of the interviews was interrupted, and only the interviewer and the interviewee were present during the interviews. However, all respondents indicated that they lacked the

time for more than one interview. Hence, they were interviewed only once, but without a pre-set time limit. Every interview typically lasted up to two hours.

4.5.2.4 Structure and contents of the interviews

The interviews started with a discussion of the interviewee's position in the SE, as well as a general description of the SE, its activities and its objectives. Emphasis was placed on developing a rapport between the interviewer and the interviewee. This set the stage for a non-threatening discussion of the SE's practices. Each part of the interview began with broad questions about a particular issue; e.g. company strategy, market developments, marketing strategy, etcetera. Following this, probing questions and specific questions were used to obtain additional insights - based on the flow of discussion about the SE's markets, competitors, and cooperation with competitors. Furthermore, the SE's competitor study perception, activity and organisation were discussed. This was followed by the SE's possible limitations regarding competitor study. After an assessment of the SE's competitor data collection and data storage, the interviews continued with a discussion of the SE's data analysis, intelligence dissemination and decision-making process. In addition, the possible benefits of competitor study for the SE's processes were discussed. By allowing ample opportunity for the interviewees to elaborate on their specific situations and actions 'outside the pre-defined research questions of the questionnaire,' more valuable information was collected about the SE's competitor study practices. All interviewees were given ample chance to talk freely about their behaviour and attitudes (positivism) as well as their own authentic experiences (emotionalism). This was done to gain a perspective of what the interviewees thought about current events, past events, and their SEs' competitor study activities. As well as this, the opinions, understandings and perceptions of these activities were also sought. Interpreting questions were used to understand and confirm their answers. A final set of questions investigated the interviewees' personal perception of ethical and legal issues about competitor study.

4.5.2.5 Interview transcriptions

Prior to the start of an interview, all 21 interviewees agreed to have their interview recorded with a digital voice recorder. The audio recordings were found to be of excellent quality, and all recordings were fully transcribed from June to August 2007 (see the planning table 4.4). The written transcriptions (a total of 247.074 words) were also double-checked, by proofreading the texts and simultaneously listening again to the recordings from July to September 2007. The double-checking procedure was used to prevent any mishearing (which could hinder the content analysis), to spot all intonations and hesitations of the interviewees (required for a discourse analysis), and to understand the proper meaning of the words used by the interviewees (e.g. interviewees used the word ‘competitors’ to describe direct competitors, indirect competitors, or fellow-manufacturers with fully different products and services).

Time schedule June - Aug 2007 July - Sept 2007 Oct 07 - April 2008						
Researched SME companies	Anonymized SME contact person	Make Dutch / UK language transcriptions	Check Dutch / UK language transcriptions	Number of words original language transcriptions	Translation of Dutch language transcriptions text into UK language	Number of words translated transcriptions
Alphasoft BV	Alex	Finished	Finished	21029	Finished	20603
	Anthony	Finished	Finished	18294	Finished	18091
	Adrian	Finished	Finished	10340	Finished	10448
Bravosweet BV	Benjamin	Finished	Finished	10474	Finished	10035
	Brenda	Finished	Finished	5041	Finished	4974
	Brian	Finished	Finished	9948	Finished	9735
Charliebelt BV	Christopher	Finished	Finished	8013	No action	8013
	Charles	Finished	Finished	7808	Finished	7607
	Colin	Finished	Finished	10488	Finished	10156
Deltafilter BV	Damian	Finished	Finished	12816	Finished	12401
	David	Finished	Finished	10969	Finished	10584
	Diana	Finished	Finished	7652	Finished	7546
Echostaff BV	Evan	Finished	Finished	12509	Finished	12611
	Eric	Finished	Finished	12256	Finished	12216
	Edward	Finished	Finished	8748	Finished	8749
Foxtrotmetal BV	Frank	Finished	Finished	10689	Finished	10600
	Felix	Finished	Finished	16477	Finished	16604
	Frederick	Finished	Finished	9452	Finished	9574
Golfadvice BV	Gabriel	Finished	Finished	17688	Finished	17726
	George	Finished	Finished	13135	Finished	13087
	Garrett	Finished	Finished	13248	Finished	13471
				247074		244831

Table 4.4: The table shows the sequence of the SMEs’ interview transcriptions and translations, and provides the number of words of both original and translated transcriptions.

Next, the transcriptions were set up for data analysis, and paragraph headers, researcher remarks, clarifications and explanations were added to them. As an extra action to validate the research, all transcriptions were e-mailed twice to the

interviewees, with an accompanying letter, asking them to check their transcriptions for any remaining mishearing or misunderstanding. 16 Interviewees responded, and their remarks were used to finish the transcriptions.

4.5.2.6 Translation of interview transcriptions

Although a majority of the interview transcriptions was written in the Dutch language, it was still decided to translate all transcriptions into the English language, enabling academics full access to the full interview texts. Literature however, is not very positive about translating transcriptions. Corbin and Strauss (2008: 320) noticed that ‘as a general rule, too much valuable time and meaning can be lost in trying to translate all the research materials,’ adding that ‘many of the original subtleties of meaning can be lost in translation.’ Bell and Bryman (2007: 496) were also aware of this, and they added that ‘differences in the meaning of words between the two languages may mean that the translation process leads to some distortion of the data;’ hence, they suggested ‘to back-translate the transcript into the primary language and compare the back-translation with the original version.’ Nonetheless, the translation of the interview transcriptions was inevitable in order to come to a standardised English text in all data sources, which was also necessary for the computer-assisted coding and subsequent analysis of all data. Nonetheless, Corbin and Strauss were quite right about the use of valuable time for this translation, since it took 7 months (see table 4.4) to translate all transcriptions into the English language, a total of 236.818 words.

During this process, every precaution was taken to prevent a possible loss of valuable data and meaning as a result of the translations (see the planning table 4.5). The researcher translated and back-translated all transcriptions to secure a precise translation. All translations were proofread and checked for grammatical errors by an UK PhD graduate student. This student’s remarks were double-checked again by the researcher. The possibly distorted parts of the grammar-checked translations were back-translated into, and compared with, the original language transcriptions, and again translated as precisely as possible. Finally, all transcriptions were anonymized.

Time schedule		May 2008	May 2008	May 2008	May 2008
Researched SME companies	Anonymized SME contact person	Check of transcription texts by interviewees	Grammar check translated UK transcriptions	Add NL and UK text corrections to NL text and UK text	Double-check UK translations regarding proper meaning & contents
Alphasoft BV	Alex	Finished	Finished	Finished	Finished
	Anthony	No response	Finished	Finished	Finished
	Adrian	Finished	Finished	Finished	Finished
Bravosweet BV	Benjamin	Finished	Finished	Finished	Finished
	Brenda	Finished	Finished	Finished	Finished
	Brian	Finished	Finished	Finished	Finished
Charliebelt BV	Christopher	Finished	No action	Finished	No action
	Charles	Finished	Finished	Finished	Finished
	Colin	Finished	Finished	Finished	Finished
Deltafilter BV	Damian	Finished	Finished	Finished	Finished
	David	Finished	Finished	Finished	Finished
	Diana	Finished	Finished	Finished	Finished
Echostaff BV	Evan	No response	Finished	Finished	Finished
	Eric	Finished	Finished	Finished	Finished
	Edward	Finished	Finished	Finished	Finished
Foxtrotmetal BV	Frank	No response	Finished	Finished	Finished
	Felix	No response	Finished	Finished	Finished
	Frederick	Finished	Finished	Finished	Finished
Golfadvice BV	Gabriel	No response	Finished	Finished	Finished
	George	Finished	Finished	Finished	Finished
	Garrett	No response	Finished	Finished	Finished

Table 4.5: The table shows the sequence when the contents of the SEs’ interview transcriptions and translations were checked by both interviewees and researcher.

4.5.2.7 Ethical issues regarding the data collection

The ethical guidelines from the Market Research Society in the United Kingdom were used as the basis for the ethical practice and behaviour in this study. The following actions have been taken to embed these guidelines. The confidentiality of the collected data was secured by legally binding verbal ‘gentleman agreements’ between the interviewer and the SE informants prior to the start of every interview. The confidential character of the interviews was explicitly stated because this was regarded as a prerequisite for the full cooperation of the informants. Prior to the start of the interviews, all informants were informed about the purpose of the data collection, the contents of the interview and the expected length of the interview. They were asked for their approval about making a digital audio recording of their interviews. All interviewees agreed to this. Furthermore, all interviewees were informed that they were free to withhold answers to all questions, without further explanation. Two interviewees of one SE used this option when they were asked about their company’s turnover. All interview transcriptions were e-mailed to the interviewees, asking for

further comments. 16 Interviewees responded. One of them again asked for written data confidentiality, and the researcher has confirmed this confidentiality by e-mail.

4.5.3 Documentary evidence sources

Using the company and event names mentioned by the interviewees as search words, independent documentary evidence sources were searched on the internet between September 2007 and May 2008. These sources included: a) the databases of the Dutch Chamber of Commerce and Lexis Nexis Academic, b) and the internet websites of the 7 SEs, suppliers, competitors, clients, trade shows and branch organisations. In addition, the SEs' leaflets and annual reports were used as sources. In total, 126 documentary evidence sources were unearthed. The researcher also translated the Dutch texts of 53 documents into the English language, and all documents were also anonymized. The 7 lists of documentary evidence sources could *not* be anonymized.

4.5.4 Precautions limiting researcher bias

Full attention was given to the precautions of limiting researcher bias. The precautions were based on the 3 issues of Hill and Wright (2001), and these were taken into account in both research design and collected data interpretation.

The 1st issue was that of ontology. 'In terms of ontology it is necessary to consider how people view their world and to understand what they see as reality (Hill and Wright, 2001: 437).' In this study, the researcher did his utmost to understand the reality of every single interviewee, repeatedly asking how the interviewee perceived his or her reality, and trying to look through the interviewee's eyes during the data collection and the data analysis.

The 2nd issue Hill and Wright (2001) presented, was the epistemological question, which describes the nature of the relationship between the researcher and the research subjects. They advised SME researchers to minimise the distance between themselves and their research subjects. Indeed, the research distance in this study was minimal. Almost all SE informants were interviewed face-to-face, and although this enabled a

hands-on data collection process, it could also have resulted in potential researcher bias. The 1st bias could have been that the interviewees were unknowingly influenced during the interviews, e.g. in the way questions were asked, or due to the interviewer's body language and facial expression during the discussions. The 2nd bias could have been the potential danger of case-contamination; a situation where informants in SE X could learn about the interview answers given by informants in SE Y – obviously influencing their own unbiased answers. The following precautions were taken to limit these potential researcher biases. First, a semi-structured questionnaire was used consistently during all interviews. Second, prior to the data collection it was checked that the 7 SMEs were all active in very different markets, reducing the chance that a discussion trailed off in the direction of another participating SME. Consequently, the cases and the collected data remained fully separated.

The 3rd issue, which potentially could have biased this study, is that of the axiological issue. This is the role that is played by the researcher/interviewer's own personal values and biases during the research process and during the writing of the data report. A positive attitude of the researcher regarding SE competitor study during the interviews could have resulted in what Stake (2006: 86) describes as a 'confluence' of interest, where a researcher hopes to find such activities working and is 'disposed to see evidence of success.' This potential researcher bias was prevented by the researcher's consistent use of an 'objective' questionnaire during the interviews, but the researcher was also continuously aware of this issue during the analysis process.

4.6 Data analysis methodology

4.6.1 Digital data source database

Prior to the start of the data collection process, a digital data source database was developed to store all collected data and to increase the reliability of the research outcomes. Silverman (2006) suggests that researchers select particular texts relevant to their research problem, and the full text of the 21 interviews was considered as very relevant. As well as this, relevant parts of text were selected from the 126

documentary evidence sources. The thoughts and remarks of the researcher were added to these files, but they also remained visible as such between the actual data.

Time schedule		June 2008	June 2008	June 2008	July 2008
Researched SME companies	Anonymized SME contact person	Collect and add documentary evidence source files to Word documents	Translate Dutch language documentary evidence source files into UK text	Transform all word files into .txt files prior to input into Qualrus CAQDAS	Enter .txt files into Qualrus with unique SME file names
Alphasoft BV	Alex	Finished	Finished	Finished	Finished
	Anthony				
	Adrian				
Bravosweet BV	Benjamin	Finished	Finished	Finished	Finished
	Brenda				
	Brian				
Charliebelt BV	Christopher	Finished	Finished	Finished	Finished
	Charles				
	Colin				
Deltafilter BV	Damian	Finished	Finished	Finished	Finished
	David				
	Diana				
Echostaff BV	Evan	Finished	Finished	Finished	Finished
	Eric				
	Edward				
Foxtrotmetal BV	Frank	Finished	Finished	Finished	Finished
	Felix				
	Frederick				
Golfadvice BV	Gabriel	Finished	Finished	Finished	Finished
	George				
	Garrett				

Table 4.6: The table shows the processing sequence of the SEs’ documentary evidence source and interview transcription files, prior to the use of these files in Qualrus CAQDAS.

Furthermore, all data source files were ‘broken up’ into 5-sentence paragraphs to enable an easier line-by-line coding and tagging. However, before all data source files were entered in the database all HTML and Word files had to be transformed into Rich Text Files to enable the data source import into the qualitative data analysis software in June and July 2008 (see table 4.6). The source files were stored in the database with unique file names, relating every single file to a SE, as well as to the appropriate data source and the date of the data retrieval. Next, the decision was taken to make memos with researcher remarks and insights. Memos, according to Corbin and Strauss (2008: 118) ‘move the analysis forward and as such are just as important to the research process as data gathering itself.’ These memos were used to assess, compare and discuss the data and offered the building blocks for the final analysis reports.

4.6.2 Computer assisted qualitative data analysis software (CAQDAS)

Barry (1998) noted that CAQDAS helps to speed up the coding process and eases the extraction of small bits of significant material. Consequently, CAQDAS was used in this study to enable a structured coding, tagging, analysis, storage and retrieval of the research data. Lewins and Silver (2007) discussed the most important current qualitative data analysis software, e.g. ATLAS.ti5, MAXqda2, NVivo7 and Qualrus. After comparing the main characteristics of this software, MAXqda2 was not selected for this study because it was not necessary to add 'weight' to coded segments. NVivo7 was not selected for this study because no complex matrix searches were expected. Finally, the capabilities of ATLAS.ti5 and Qualrus appeared to be similar, and Qualrus was selected, because of the following reasons:

- One of the positive characteristics of Qualrus, as stated by Lewins and Silver (2007: 270), is that 'much information is automatically generated without having to construct complicated search expressions' which 'facilitates comparison and cross-checking' of the data within every SE and between SEs.
- Qualrus is useful software for theory building – one of the objectives of this study. It presents marked and coded text segments from all data source files, code links and relationships, and it generates and presents reports upon request, which helps researchers to prepare their analyses and build theory.
- Qualrus software files are 'portable' from one computer to other computers - working with both Windows XP and Vista software. This enabled the researcher to work on multiple computers, as well as the creation of several back-up copies.
- And finally, a Qualrus software license key, as well as the necessary training and support by Professor Dr Stephen Gourlay, were available at Kingston University.

4.6.3 Data coding design

Qualitative coding, as stated by Lewins and Silver (2007: 81) is used 'to identify segments of data from across the whole dataset as relating to themes or categories.' Hence, a cross-sectional code and retrieve method was designed with a common system of categories. This design was applied 'across the whole data set and used as a means of searching for and retrieving chunks of labelled data (Ritchie and Lewis, 2007: 203).' It must be noted that the design of the qualitative coding scheme in Qualrus was set up from the beginning to enable both *a cross-case analysis* of the combined competitor study data of all 7 SEs and *within-case analyses* of these data in every single SE. 'The overriding aim of coding,' Lewins and Silver (2008: 83) mentioned, 'is to facilitate a detailed understanding of the phenomena - in this case cross-case and within-case SE competitor study phenomena - which the data are seen as representing.' Every segment of the data source files received a unique code which connected it to the proper SE - in order to be retrieved together at a later stage. Miles and Huberman (1994: 57) defined these codes as 'tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study', and they also identified the three levels of coding which have all been used during the coding process in this study:

- a) *Descriptive coding*, which means that the coding is done on the surface on recognition of phenomena - namely facts and concepts.
- b) *Interpretive coding*, which investigates the factors underlying the act or event to try to discover motives and other explanatory variables.
- c) *Pattern coding*, where emergent themes, configurations or explanations were identified.

Miles and Huberman (1994) also added that a successful application of these three coding levels would lead to obtaining more insights into the data. This study was therefore set up from the start to use these three coding levels. The decision was taken to start coding the interview data source files first, since these files contained the

richest data about the SE competitor study practices. It was expected that the labelling of the data in these files would also generate a first meaningful set of codes, prior to a further improvement of these codes at a later stage.

Silverman (2006) suggested researchers to construct a coding scheme that fits both theoretical considerations and [collected data] materials. However, meaningful codes and their relationships to the data (the elements of the phenomena in the theory) were expected to be discovered *during* the actual analysis process (Lewins and Silver, 2007). As a start, the decision was made to generate a first set of codes deductively ‘according to the predefined areas of interest (Lewins and Silver, 2007: 84).’ Among the reasons to take such a deductive coding approach, according to Lewins and Silver (2007: 85), is that the researcher simply knows what he is looking for. This was indeed the case, since the direction of the data search in this study was guided by the outcomes of the literature study and the research propositions. Hence, an extensive list of possibly relevant ‘working’ codes was compiled *before* the beginning of the data coding process. The revision and completion of this first coding scheme however, was an inductive process which actually occurred during the coding process of the data segments in the data source files. Stake (1995: 78) already noted that ‘we can look for patterns immediately while we are reviewing documents, observing or interviewing – or we can code the records, aggregate frequencies, and find the patterns that way. Or both.’ The decision taken in this study was to do both.

4.6.4 Data coding process

All data source files were entered into Qualrus, and, following the suggestions of Silverman (2006), the data source files of one of the SEs were used to build, test and revise a preliminary pilot coding frame. Barry (1988) mentioned that qualitative analysis software provides a more complex way of looking at the relationships in the data. It also aids the conceptual and theoretical thinking about the data, and offers better opportunities for replication. Consequently, related codes were connected to code ‘groups,’ which were used to create coding families. These families moved from lower level codes to higher level codes with more explanatory power within a code

hierarchy. This hierarchy was entered into Qualrus (see table 4.7), including the visual links which showed the assumed relationships between all codes in the hierarchy.

3 Coding levels (Lewins and Silver, 2007: 84 – 85; Corbin and Strauss, 2008: 198) were used for the analysis:

- a) *Open coding*: breaking data apart, delineating concepts to stand for blocks of raw data, and coding the data with descriptive and conceptual information.
- b) *Axial coding*: similar codes are grouped together and either merged into higher-level categories or subdivided into more detailed ones, relating concepts and categories to each other.
- c) *Selective coding*: illustrating themes, concepts, relationships and presenting core categories.

Time schedule		July 2008	July - Aug 2008	Sept 2008	Sept 2008	Sept - Oct 2008
Researched SME companies	Anonymized SME contact person	Acquire general knowledge about Qualrus software	Design and enter structured coding pyramid into Qualrus	Code 2703 data segments in Qualrus interview source files	Code data segments in Qualrus secondary evidence source files	Execute 397 Qualrus queries per subject per SME + save as HTML reports
Alphasoft BV	Alex	Qualrus lecture Professor Dr Stephen Gourlay, July 5 and July 6, 2008 at Kingston University	Finished	Finished	Finished	Finished
	Anthony			Finished		
	Adrian			Finished		
Bravosweet BV	Benjamin			Finished	Finished	Finished
	Brenda			Finished		
	Brian			Finished		
Charliebelt BV	Christopher			Finished	Finished	Finished
	Charles			Finished		
	Colin			Finished		
Deltafilter BV	Damian			Finished	Finished	Finished
	David			Finished		
	Diana			Finished		
Echostaff BV	Evan			Finished	Finished	Finished
	Eric			Finished		
	Edward			Finished		
Foxtrotmetal BV	Frank			Finished	Finished	Finished
	Felix			Finished		
	Frederick			Finished		
Golfadvice BV	Gabriel			Finished	Finished	Finished
	George			Finished		
	Garrett			Finished		

Table 4.7: The table shows the sequence how the researcher acquired and used Qualrus CAQDAS knowledge on behalf of both coding and processing of the collected data.

The 1st level of open codes consisted of 350 descriptive and interpretative codes. The 2nd level consisted of 70 axial, subcategory codes, and these were subsequently

categorized in a 3rd level with 20 selective, concept, category codes. This code hierarchy was tested during the coding of the data source documents of one of the SEs, and this resulted in the following improvements:

1) *Irrelevant coding sub-groups were removed*: the competitor positioning grid code sub-group was removed, since most of the interview respondents lacked a clear competitor positioning knowledge, and the competitor study implementation requirement sub-group was removed, since none of the SEs appeared to be in the middle of a structured, planned competitor study implementation process.

2) *Descriptive codes changed places between coding sub-groups*: the codes 'competitive advantage' and 'technology development' were removed from the sub-group 'company objectives', and they were added to the sub-group 'company characteristics'; and the codes 'sustained financial returns' and 'cash and liquidity' were removed from the sub-group 'management strategy', and they were added to the sub-group 'company objectives'.

3) *Descriptive codes were added to coding sub-groups*: the code 'decision makers' was added to the sub-group 'general company characteristics'; the code 'unknown number of relevant competitors' was added to the sub-group 'number of relevant competitors'; the code 'unknown' was added to the sub-groups 'competitor study frequency' and 'competitor study duration'; and the code 'no analysis collected data' was added to the sub-group 'general characteristics data analysis'.

4) *Descriptive codes were improved*: the codes with 'access to storage place competitor data' were changed into 'retrieve and add competitor data' within the sub-group with that particular header; the code 'other internal reasons' was changed into 'other negative internal reasons' within the sub-group 'internal reasons no competitor study activity'; and the code 'other external reasons to deploy competitor study' was changed into 'other positive external reasons to deploy competitor study' within the sub-category 'external reasons for competitor study'.

The final set of codes was used to label all data source documents of the SEs. Ultimately, 2,703 text segments were tagged with one or more Qualrus codes.

4.6.5 Data retrieval

Time schedule		Oct 2008	Oct 2008	Oct 2008 - Jan 2009	Oct 2008 - Jan 2009	January 2009
Researched SME companies	Anonymized SME contact person	Transform HTML Qualrus output reports into Word subreports	Copy Word reports into 7 SME Query compilation reports and print 2255 pages	Highlight SME paragraphs in SME Query compilation reports and add preliminary analyses	Copy highlighted SME paragraphs into proper SME memos and add preliminary analyses	Make Word tables per SME with memo summary answers & conclusions
Alphasoft BV	Alex	Finished	Finished	Finished	Finished	Finished
	Anthony					
	Adrian					
Bravosweet BV	Benjamin	Finished	Finished	Finished	Finished	Finished
	Brenda					
	Brian					
Charliebelt BV	Christopher	Finished	Finished	Finished	Finished	Finished
	Charles					
	Colin					
Deltafilter BV	Damian	Finished	Finished	Finished	Finished	Finished
	David					
	Diana					
Echostaff BV	Evan	Finished	Finished	Finished	Finished	Finished
	Eric					
	Edward					
Foxtrotmetal BV	Frank	Finished	Finished	Finished	Finished	Finished
	Felix					
	Frederick					
Golfadvice BV	Gabriel	Finished	Finished	Finished	Finished	Finished
	George					
	Garrett					

Table 4.8: The table shows the sequence how the output of the Qualrus queries was processed to retrieve and gain a structured access to all relevant data, prior to the data analysis.

The search for the core categories - the main themes or phenomena in the data (Corbin and Strauss, 2008: 266) - was a key element of the data analysis design. The first step in this search was to obtain the SEs’ relevant competitor study data in a structured way. For this purpose, Qualrus’ QTools software was used to execute 397 queries with one or more codes (see table 4.7), retrieving the labelled data per theme or concept out of the data source documents. The data of these queries was sorted and collated as theme reports per SE; in total 2,255 text pages in 7 combined query reports (see the process steps in table 4.8). Every single text page was scrutinized to find the potentially useful SE competitor study activity text segments. Once discovered, these segments were marked and copied into an appropriate subject-specific Word memo per SE. Once processed and finished, the 7 reports, which had been executed with Qualrus QTools, were saved as PDF files.

4.6.6 Development and use of analysis instruments

The literature does not offer many models or instruments which have been used for the specific analysis of the competitor study activities of firms. Therefore, the decision was taken to use existing instruments if possible, and to use adapted instruments as well as newly developed analysis instruments whenever necessary:

Existing analysis instruments. Porter (1980: 4) presented the 5-forces model with rivalry, customers, suppliers, new entrants and substitutes for the structural analysis of a firm's industry, as well as the PEST structure with the political, economic, socio-cultural, and technological analysis of a firm's macro-environment. Kotler (2001: 180) presented the life cycle stages concept, describing the stages through which a firm passes as it matures over time. Chen (1996) presented an analysis model which describes the market commonality and resource similarity of competing firms.

Adapted analysis instruments. Kahaner (1996: 44) describes the intelligence cycle as a process of 4 ongoing intelligence steps: a) planning and direction, b) data collection, c) data analysis, and d) intelligence dissemination. This model was adapted in 2 ways:

- The number of intelligence steps was increased to 8 steps, consisting of the definition of research questions, data collection internal network, data collection external network, the use of ethical and legal standards, saving and retrieving of the collected data, the analysis and interpretation of data, the intelligence dissemination and the use of intelligence in decisions.
- The activity level was added to every intelligence step, categorizing it as never, sometimes, frequently, most times, or always. This frequency categorisation is regarded as a valid scale to assess the quality of every step. Cohen and Levinthal (1990: 134) already noticed that 'in learning by doing, the firm becomes more practiced and hence more capable at activities in which it is already engaged.'

The application of the adapted intelligence cycle model resulted in the development of ‘spider web’ diagrams, which were used to analyse the number and level of the intelligence activity steps and absorptive capacity of the researched SEs.

New analysis instruments. Chan Kim and Mauborgne (2005) discussed the differences between competition in Red Oceans and Blue Oceans. Unfortunately, and contrary to Porter (1980: 153), they did not present graphical maps as analysis tools. Hence, a special graphical map was developed to show the relative competitive market positions of the researched SEs in a Red Ocean – Blue Ocean graphical map.

In addition, a 3-dimensional model of the competitor study activities in the SE organisations was developed, consisting of 3 axes: 1) competitor study activity level, 2) competitor study organisations, and 3) competitor study subjects.

Furthermore, new analysis tables were developed with a) the daily competitor study activity of firms, b) the special defensive competitor study tasks, and c) the special offensive competitor study tasks.

The existing, adapted and new analysis models were consistently used to interpret and understand every code, subcategory, and category conclusion of the 7 SEs. This resulted in a ‘holistic’ company-level analysis, overseeing the SEs’ cases and giving full attention to a holistic interpretation of all the data and the patterns (Barry, 1998). The outcomes are presented in 7 narrative within-case reports in chapter 5.

4.6.7 Within-case data analysis process

‘Part of the analytic process’ according to Ritchie and Lewis (2007: 210) ‘requires searching through the data set for defining characteristics, clusters, associations’ between phenomena within every single SE case. In this exploratory study *content analysis* (‘what is it that the people said’) was selected as the main method of textual investigation of the retrieved data set. *Conversational analysis* (‘how are the people talking’) was expected to be less useful, since all interviews had been one-to-one

conversations with the interviewer. Nevertheless, the reactions of the interviewees (e.g. surprised reactions, refusals to answer, hesitations, etc.) were used in the analysis.

Prior to the analysis, the structured competitor study data in the memos of the 7 SEs was copied into specially designed data matrices. Next, the content analysis followed the Qualrus code hierarchy, and this was done one SE at a time, in order to become, what Eisenhardt (1989: 540) describes as, 'intimately familiar with each case as a stand-alone entity'. First, the descriptive and interpretive code data were analysed, and the integrated conclusions were added to the relevant subcategories. Second, the axial – subcategory - code data were analysed, and conclusions were added to the proper categories.

4.6.8 Cross-case data analysis and theory-building process

Stake (2006: 6) noticed that 'if the study is designed as a qualitative multi-case study, then the individual cases should be studied to learn about their self-centring, complexity, and situational uniqueness. Thus each case is to be understood in depth....' Once all within-case analysis reports were finished, the next step was to search for thematic categories and patterns across all 7 cases (Ritchie and Lewis (2007: 210). Miles and Huberman (1994) mentioned that 'one aim of studying multiple cases' is 'to see processes and outcomes across many cases'. The objective of such a cross-case pattern search, according to Yin (1994), is to discover causal relationships, 'whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.'

Using the methodologies of Stake (2006: 51) and Miles and Huberman (1994: 176), a meta-matrix contrast table was constructed, stacking all the comparable descriptive and interpretive code data of the 7 cases. The outcomes of the subcategory and category analyses of the 7 within-case reports were added to the preliminary cross-case report. Miles and Huberman (1994: 175): noticed that 'many researchers approach cross-case comparison by forming types or families', inspecting 'cases in a set to see whether they fall into clusters or groups that share certain patterns or configurations'. Miles and Huberman (1994: 195) also suggested to 'take a few

‘exemplary’ cases where the variable is present in high or low form and contrast several attributes of the basic variable’.

Based on the analysis of the 7 SE cases, a flexible analysis construct was developed with SME clusters that share certain patterns or configurations: a) AHEAD SEs with strong relative competitive market positions, b) MIDDLE SEs with stable relative competitive market positions, and c) BEHIND SEs with weak relative competitive market positions. This construct was refined during the data analysis and data processing of the 7 SE cases, which resulted in a list of 24 similarities and differences between the above 3 SE categories. In addition to this, the code data, subcategory conclusions, category conclusions, tables, spider web intelligence cycles, competitor assessments, and intelligence organisation models of the 3 clusters were compared in contrast tables, and used to ‘look for within-group similarities, coupled with intergroup differences’ (Eisenhardt, 1989: 540).

Ritchie and Lewis (2007: 75): stated that ‘the value of comparison lies in understanding rather than measuring difference’. Hence, the aim of this associative, ‘holistic’ cross-case analytical comparison of the SE cases and SE cluster data was to search for, and understand, underlying patterns. Stake (1995: 78) concluded that these ‘patterns will often be known in advance, drawn from the research questions, serving as a template for the analysis,’ although ‘sometimes, the patterns will emerge unexpectedly from the analysis.’ The patterns were not known in advance in this research, but they indeed began to emerge from the cross-case analytical comparison. Furthermore, the emergent patterns were compared systematically with the evidence from each case in order to assess how well or how poorly it fitted with the case data (Eisenhardt, 2001: 541). In addition, the outcomes of the 15 propositions were analysed at the level of the 7 SEs, as well as the 3 SE categories. All patterns were compared with the extant literature, and the outcome of this comparison was used to build the theory regarding the competitor study activities of SMEs ‘in order to address the questions that triggered the research in the first place,’ and ‘to account for issues and patterns of behaviour which arose from the research itself (Ritchie and Spencer, 1994: 191)’. Finally, word processing software was used to present the relevant data, outcomes, patterns, and constructs in the cross-case analysis report in chapter 6.

4.6.9 Discussion of research analyses, outcomes, and recommendations

The outcomes of this research were presented at the 2009 European Summit of the Strategy and Competitive Intelligence Professionals, SCIP, at the Krasnapolsky hotel in Amsterdam, November 5, 2009 (www.scip.org). 25 Competitor study practitioners, with a wide variety of nationalities (e.g. U.S., German, Dutch, Israeli), attended this presentation. Their remarks have been used to improve this research's general and best practice recommendations to SEs, as well as the recommendations to the Dutch government, and to future research.

Furthermore, 2 ½ years after the interviews in 2007, the researcher again contacted the 7 researched SEs. The 2 AHEAD SEs and the 2 MIDDLE SEs appeared to be prospering, but the situation was less positive for the 3 BEHIND SEs. SE 3 had been sold to a local, medium size, competitor, November 5, 2007. SE 5 made a loss in 2007, and its managing director had been fired in December 2007. SE 7 had gone bankrupt, May 31, 2009. The researcher met 7 managers of MIDDLE SE 1 and AHEAD SE 4, October 30, 2009, and of MIDDLE SE 2 and BEHIND SE 3, November 6, 2009, for face-to-face discussions of this research's outcomes. These 7 managers had also been interviewed in 2007, and all of them again agreed to have these 4 post-research discussions recorded with a digital voice recorder. Their remarks resulted in minor amendments of their SEs' analyses outcomes, and they have been used to improve the tailor-made, category-specific, recommendations to SEs.

4.7 Conclusion

This chapter presented a justification of SME competitor study research. It explained and justified the selected qualitative research methodology, case study analysis, used within this thesis. The purpose of the study and the study setting are presented. It also discussed the research paradigm, as well as the research design of the study. Furthermore, the search and selection process of the SE research participants is presented, and the research generalizability of this sample – the units of analysis - is discussed. In addition, the selection of the units of observation is explained. This is the starting point for the presentation of the complete research track – in terms of planning and actions – of the study, as well as the encountered difficulties during this process. The chapter discussed the data collection methodology, and showed that the ethical guidelines from the Market Research Society in the United Kingdom were strictly adhered to during the data collection. It explained how researcher bias was limited during this data collection. Following this, the difficulties and choices with regard to the transcription and translation of the face-to-face interviews were discussed, followed by an explanation how Qualrus CAQDAS was used to enable a structured coding, tagging, storage, and retrieval of the research data. The chapter presented a description of the data analysis methodology used during both within-case and cross-case analysis process, and explains how the theory was built. Finally, it presented the post-research discussions of this research with competitor study practitioners, as well as SE managers.

Chapter 5 – WITHIN-CASE DATA ANALYSIS REPORTS

5.1 Chapter guide

This chapter discusses the 7 Dutch business-to-business SEs which have been researched within the context of the Dutch economy. It presents 7 standardized within-case data analysis reports with a structured analysis of the external and internal environments of the SEs. Every report uses a standardized set of well-known models (5-forces model of Porter, 1985; model Chen, 1996;), as well as specially designed models to analyze the SE's competitor study behaviour (Red & Blue Ocean model; 3-dimensional competitor study organisation model; absorptive capacity / intelligence cycle spider web model). The objective of this structured analysis per SE is to find and retrieve the relevant SE competitor study information out of the collected data. The information is presented with interviewee quotes and secondary evidence source data. This information is necessary to fill the competitor study contrast table, which is the fundament for the cross-case analysis report in chapter 6. Finally, the within-case reports also discuss the individual SE analysis outcomes, and link the conclusion per SE to the extant literature.

5.2 The Dutch market in which the SEs have been researched

Geographically, the Netherlands is located in the north-western part of Europe, with Belgium and Germany as its direct neighbours. The population size of this densely populated country (global ranking in square kilometres size 134th place) is 16,7 million people (global ranking in population size 59th place). The Dutch economy has a GDP of \$ 673.5 billion (\$ 40.500 per capita) per annum, and it ranks 21st place globally. It is an open, stage 3 innovation-driven, economy with a highly developed service sector. The GDP division is: agricultural sector 1,7 %, industrial sector 25,5 %, and service sector 72,8 %. The annual unemployment rate is a mere 4 %. The Netherlands fully benefits from their EU membership due to its excellent infrastructure and innovative products. Hence, the Dutch are now the number 8 exporter globally with an export of \$ 531,7 billion per annum (<https://www.cia.gov>).

At the time of the field research in 2007, the Netherlands ranked 9th place on a global competitiveness index ranking of 125 countries. This index consists of 9 criteria: institutions, infrastructure, macro economy, health and primary education, higher education and training, goods market efficiency, technological readiness, business sophistication, and innovation (*Global Competitiveness Report 2007*). Dutch firms have an excellent base to compete internationally due to the high development levels of these external variables, but foreign entry into the open Dutch economy is also easy.

The 786,000 SMEs account for 99,7 % of all Dutch firms. 40 % of these SMEs have 10 – 99 employees (<http://www.mkb servicedesk.nl>). The 7 researched Dutch business-to-business enterprises, SEs, in this study are part of the small enterprise category. The 7 firms offer a wide variety of products and services, including software, sweets, transportation belts, filtration equipment, flex working services, metal processing machines, and environmental inspection services. The firms are not connected whatsoever; they neither operate in the same markets, nor do they offer competing products or services. Prior to the final discussion of the research outcome, none of these firms was aware of the existence of the other researched firms.

The 7 within-case reports in the rest of this chapter discuss the following enterprises:

5.2.1 SE 1 Alphasoftware BV

5.2.2 SE 2 Bravosweet BV

5.2.3 SE 3 Charliebelt BV

5.2.4 SE 4 Deltafilter BV

5.2.5 SE 5 Echostaff BV

5.2.6 SE 6 Foxtrotmetal BV

5.2.7 SE 7 Golfadvice BV

5.2.1 Within-case report of SE 1 Alphasoft BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Alex (m)	Commercial coordinator	Operational level	Sales	23	5	Polytechnic	Limited
Anthony (m)	Owner-manager (past)	Management team	General affairs	58	28	Academic	Extensive
Adrian (m)	Owner-manager (present)	Management team	General affairs	33	approx 5	Academic	Average

Table 5.1: The details of Alphasoft BV’s managers who were interviewed.

5.2.1.1 General company description

The privately-owned, Dutch, business-to-business, SE Alphasoft BV was established September 1, 1979. Anthony explains how: ‘we went to the notary then and we said: we would like to start a company.’ In 2007, it is a firm with 37 FTEs and an annual turnover of € 3,2 million. Adrian: ‘the original founding father is out (now), ex[it], and I am [owner] together with my brother-in-law.’ Another son is commercial coordinator.

Alphasoft supplies software solutions, and, according to Adrian, intends ‘to serve one market multiple times’. Alphasoft’s added value, according to Alex, is ‘the branch knowledge’. Anthony adds that the company has ‘decided to focus completely on Microsoft technology’, adding that Microsoft also shares its knowledge and that of its dealers. Alex however, concludes that the drawback is that ‘we are now dependent on Microsoft’.

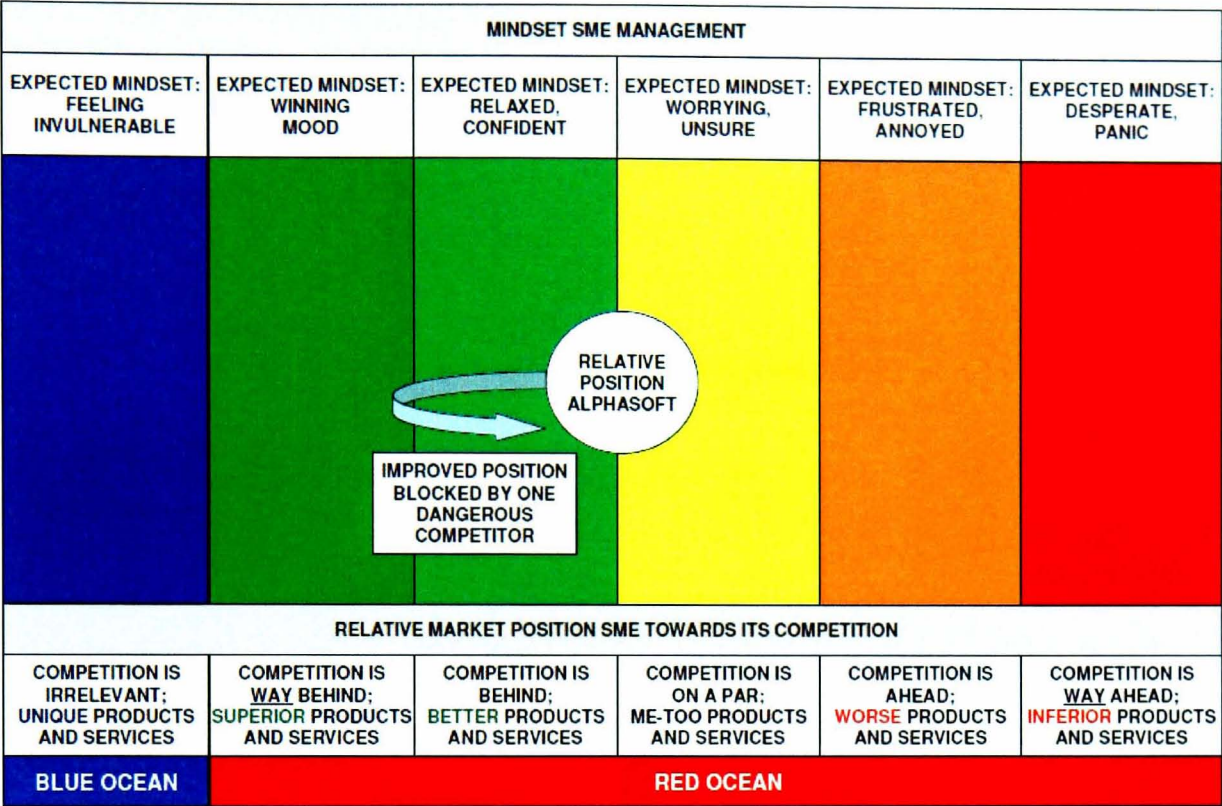


Fig. 5.1: Alphasoft BV aims to improve its relative market position by becoming the software standard in its markets. However, the intended improved position is blocked by one dangerous competitor (concept based upon Blue Ocean Strategy, 2005).

Alphasoft strives to build a sustainable competitive position, and Alex wants to become ‘the market standard’. Anthony explains that Alphasoft ‘has got 5 - 6 clear markets we are really going for’. It has a long-term planning horizon, and it uses a differentiation focus strategy. Anthony confirms that they ‘are not going to deploy new activities, unless it’s in those vertical markets’. Alphasoft is stuck in the mature life cycle stage, and he concludes that ‘it has actually seen a standstill for 10 years’. Adrian states that ‘there is clearly the wish, need, urge for some reorganization’; Alphasoft is ‘somewhere between 80 and 90 %’ of its target’. He notes that they ‘are lagging behind in the market’, because they ‘aren’t focusing enough on new business’. Anthony adds that ‘a clear choice has now been to go for growth’, adding that ‘the objective has been to come to € 4 million’. Unfortunately, Alphasoft’s growth in one of its critical markets is blocked by a competitor. Alex: ‘we are not succeeding, because we bump into a wall’.

5.2.1.2 General market description

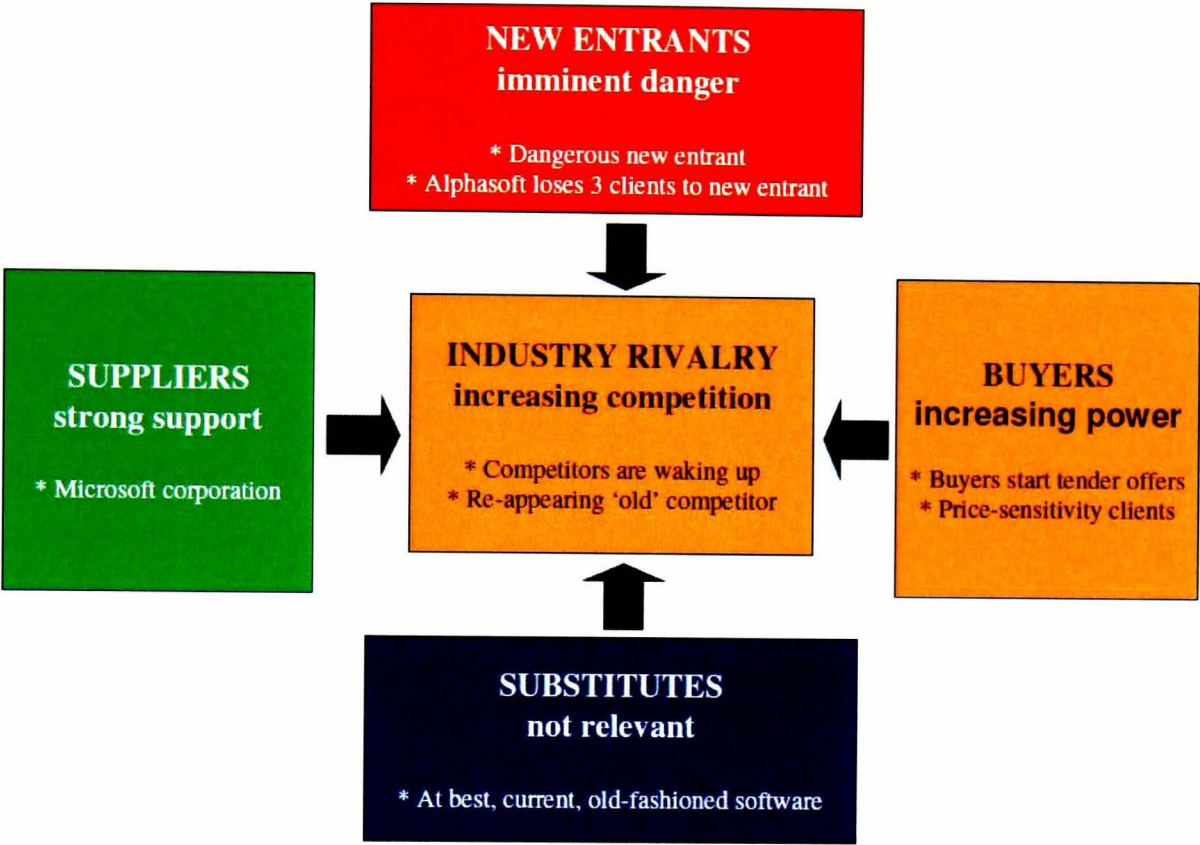


Fig. 5.2: The 5-forces model of Alphasoft BV reveals a highly competitive business environment; the industry rivalry increases, and buyers start to tender offers.

Adrian explains that Alphasoft focuses on ‘markets, which are standing still regarding growth’. Alex thinks that his key market ‘is gradually shrinking’, and ‘the competitive pressure obviously increases’. Adrian on the other hand, believes that Alphasoft can set its own future, independent of its external environment. He also thinks that they are close to victory; ‘we will have to strike a mortal blow, and then we will be finished’. Furthermore, there is one positive external political market driver. Alex: ‘subsidies are more and more declining’. Potential clients will have to improve their automation to achieve their objectives, and Alphasoft supplies the necessary software. Unfortunately, he adds that ‘the power of customers is actually quite big’; they ‘ask for discounts’. Anthony confirms this power, and says that ‘companies are obliged to start requesting something with a tender’. Finally, Alphasoft faces a dangerous new entrant.

5.2.1.3 General competitor description

Alphasoft’s competitors are all SMEs. It has a high market commonality with 11 Dutch competitors and a high resource similarity with 3 dangerous competitors. The other competitors, according to Alex, ‘are incapable of getting along with the new technologies and possibilities’, adding that ‘every party (competitor) that’s got more than 5 customers, I consider interesting to keep a keen eye on’. He distinguishes 2 categories: ‘I have got competition in sales trajectories’..., but ‘one also encounters them in selection trajectories [by customers]’. Company size is one of the selection criteria. Anthony: ‘when that company is as big as ours, I tend to think pretty soon: that might be a serious competitor’. Adrian regards one new entrant as very dangerous; ‘that’s the player who’s bothering us most at this time’. Alex confirms this: ‘we have just tangibly lost 3 customers to them, and that’s quite annoying’.

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
Maritime segment	1	none	none
Music Schools	2	none	none
Centers for Arts	3	2	includes one very dangerous new entrant
Orthopaedics	1	1	reanimated old competitor
Regular courses	4	none	none
Remaining market	not relevant	none	none

Table 5.2: An assessment of the character of the competition in its markets shows that Alphasoft BV has to cope with 3 dangerous competitors in 2 niche markets.

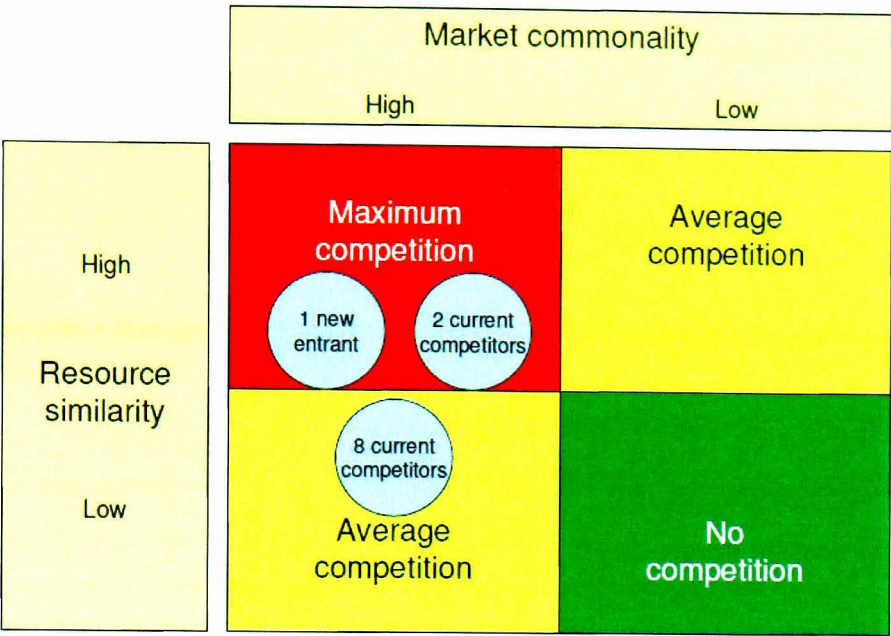


Fig. 5.3: Chen’s model (1996) shows that Alphasoftware has high market commonality and high resource similarity with 3 dangerous competitors, and a high market commonality with 8 other competitors.

5.2.1.4 Environmental scanning and marketing activities

Alphasoft is a mature company, but its management orientation is still entrepreneurial and opportunistic. Anthony explains why: ‘that’s somewhat my character, I suppose, to do it like that.... are there opportunities, are there possibilities?’ Adrian on the other hand, is moving towards market focused units, adding that ‘[it] has cost a lot of effort, a lot of time, but also reorientation in one’s marketing’.

The environmental scanning is reactive. Anthony notes that ‘whether or not we check it all systematically – I don’t think so’. Adrian reveals the subjects: ‘trends, developments, players, suppliers. But also customers, competitors, suppliers’, adding that ‘we do [the scanning] fairly frequently’. Alphasoftware’s marketing is implicit and simple, but developing. Adrian: ‘we have got a marketing plan that’s made with a great deal of opportunism and positive feeling’, although, he adds, ‘marketing is becoming professionalised indeed’. Alex is confident that Alphasoftware is ‘busy with marketing in a very structured way’, because ‘we are periodically sending newsletters by e-mail’. Finally, Anthony states that Alphasoftware is in a position that it does not have to compete on price, saying that ‘we do not want to be the cheapest’.

Reason competitor importance	Decision-making level	Explanation reason manager perception competitor importance
Grow market	Strategy	Competitor helps to create general product awareness among potential clients in market
Get recognized	Strategy	Competitor helps to establish Alphasoft as serious market player among potential clients
Block entry	Strategy	Alphasoft keeps weak competitor alive, blocking potential entry more dangerous competitor
Assess position	Tactics	Alphasoft needs knowledge competitor capabilities to assess own strengths and market position
Win orders	Tactics	Alphasoft needs competitor knowledge to defeat competitors and win orders

Table 5.3: The 3 strategic (market-level) and 2 tactical (sales-level) reasons why Alphasoft BV perceives its competitors as very important.

5.2.1.5 Management’s perception of the importance of competition

Alex perceives competitors as very important, because ‘the competition is helping us to clarify in the potential client group: guys - what you are doing right now isn’t ok’. He adds that Alphasoft and its competitors ‘are actually waking up the market together’. Alphasoft’s market status also grows, ‘because that competitor consistently labels us as a competitor’. Adrian considers competitors as very important, ‘because they take away money that’s ours’. Anthony is less impressed: ‘we can even push away the large competitors’.

5.2.1.6 Internal and external reasons for competitor study

Alphasoft decided to study its competitors because of its stagnating growth. Adrian explains that ‘the telephone wasn’t ringing anymore, and therefore we had to start looking for customers’. Hence, Alphasoft had to penetrate existing markets, and enter into new markets. Alex scrutinized competitor sites ‘from which one can deduce who the customers are’. Alphasoft also needed strategic information in new markets, because, as Anthony says, ‘one has to position oneself’. Nowadays, Adrian says, competitor study ‘has just become an element of one’s business strategy’. He uses this knowledge to neutralize competitors; ‘one tries to close the net around such an organisation’... Alex notes that competitor study has improved the strategic decision-making; ‘one knows then strategically that it is perhaps better to exit, or start doing

some other nice things’. It has also improved the tactical decision-making, and it helps to obtain tactical advantages. Alex: ‘what are the weak spots in the [competitor’s] story and how can I handle these in my sales trajectory?’ Furthermore, ‘the fact that one knows the competition gives the picture that one has a larger understanding of the market, and reinforces one’s own name within it.’

Alphasoft	Daily activity			Special task	
	Day-to-day operation SME	Market behaviour opponent	Client loss danger / event	Planned entry into new market	Possible acquisition competitor
Competitor study activity level					
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.4: As a daily activity, Alphasoft BV monitors the activity of its competitors. In-depth competitor studies are only triggered by either a critical event (e.g. client loss), or by a special task (e.g. preparation for a possible market entry).

One of the external reasons is Alphasoft’s increased market activity. Alex: ‘we became active, and we therefore suddenly bumped into [a competitor] because he also became more active’. Alphasoft also studies competitors because, according to Alex, ‘it makes it easier to operate in that, without suddenly being confronted with surprises afterwards’, and ‘no other parties enter the field of sight or playing field unnoticed’. Anthony uses the study to benchmark; ‘by studying those competitors too for once, one sometimes gets quite nice reasons why one’s own product is so good’. Finally, he is also looking for potential co-operation and acquisition candidates.

5.2.1.7 Competitor study activity, frequency and duration

Anthony regards competitor study as a process used to understand markets, and ‘the entire company is thinking about it now’. Nevertheless, Alphasoft’s daily competitor study is informal. Alex says that ‘one frequently just has 10 minutes on the phone, [or]

a quarter of an hour discussion about pending issues’, adding that they ‘don’t really plan moments for it’. Adrian searches for new competitor figures, and this ‘occurs 2 – 3 times a month’. Both men spend ‘half an hour to 1 hour’ on it. However, in-depth competitor study is almost non-existent, although the recent loss of 3 clients has triggered such a study.

5.2.1.8 Competitor study subjects

Competitor study subject Alphasoft	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Understand financial health
Strategy						Important to founder-director
Management						Only sales dept is interested
Organisation						It's difficult to obtain data
Market						Competitor's markets irrelevant
Customers						On top of the subject list
Suppliers						Suppliers not relevant in branch
Product / Service						Product application is relevant
Success / Failure						Search for and use weak spots
Competitive advantage						
Capabilities						
Tactics						
Behaviour in market						
Quotations / Prices						
Other competitor study subjects						Competitor's vision

Table 5.5: Alphasoft BV's competitor study subjects show a focus on sales growth by using the competitors' weaknesses to target and win the competitors' customers.

With regard to the competitor study subjects, Anthony is interested in the competitor’s strategy and size, because he wants ‘to buy him out of this market piece, or push him out’. Adrian is interested in: ‘what is their annual turnover? How are their projects going? How is it going with the things they’ve got in their portfolio?’ He is not interested in which markets the competitors are active. Alex considers the competitor’s ‘clients to be very interesting’. He also wants to know ‘what kind of a man is that [competitor’s] director’. He regards their visions as quite important, because it enables him to predict the sales stories competitors are likely to tell their customers, adding that ‘it is quite powerful then to tell a story that surpasses that’.

5.2.1.9 Competitor study in the organisation

Alphasoft, Anthony says, does 'not have a marketing department, because we are still relatively small for that'. According to Adrian, it 'is still decentralized with 3 business units'. Its managers, project managers, consultants, and sales men need information, and they report to the management. Anthony says that 'it is a primary responsibility that the business unit' studies competitors, with 'a secondary contribution by the sales and by the management'. Alex, Adrian and Anthony decide which competitor to study, but Adrian adds that 'it'll often happen in dialogue' with the business units and the sales unit.

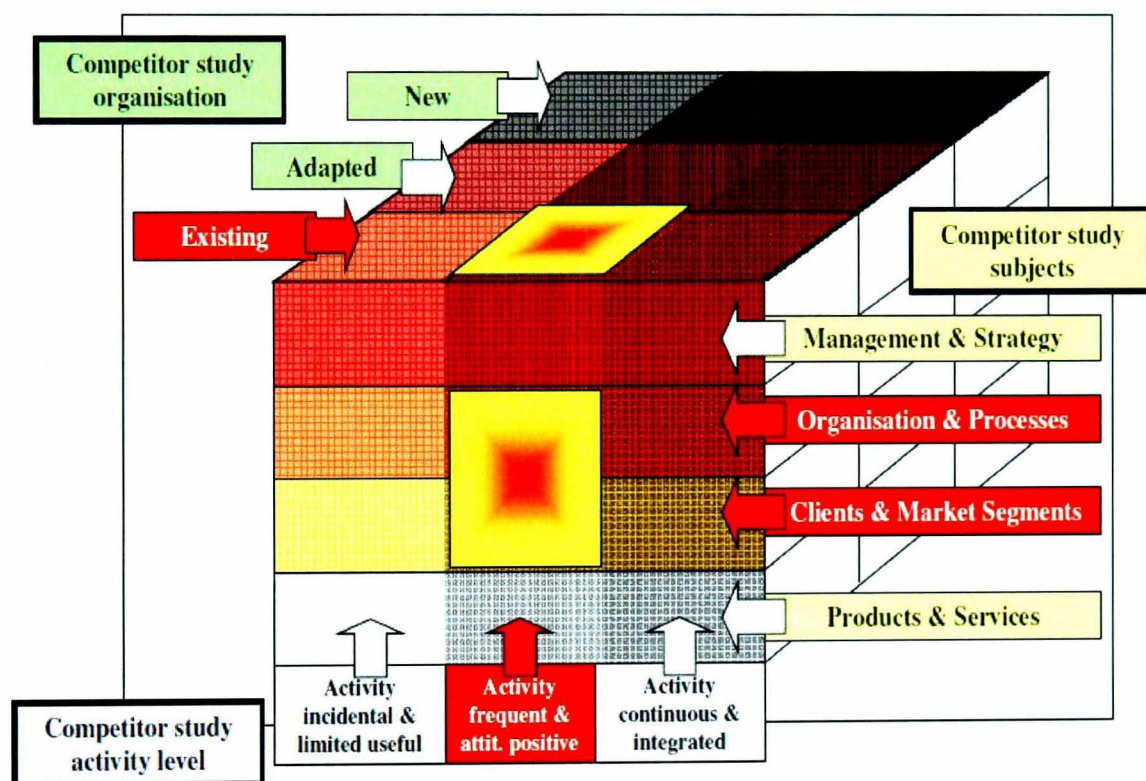


Figure 5.4: A 3-dimensional model shows that Alphasoft BV uses its existing organisation to frequently study competitors. The competitor information is used to understand the competitors' processes and to win the competitors' customers.

5.2.1.10 SE owner-manager role in competitor study

Anthony used to formulate competitor study research questions, and to instruct his ‘guys just [to] have a look at it’. He listed sources and collected data. ‘My technique’, he says, has been to ‘sit in particular in networks [and] talk ... to people who are involved’. He disseminated analysed data with suggestions of how to make use of the

data. His successor Adrian however, does not use research questions, and does not make a list of data sources. Adrian notes: 'I have got it in my mind'. The commercial coordinator Alex's interest focuses on potential customers. He studies competitor websites, looking for information like 'this is [the competitor's] new customer, or just reference list; obviously, those kinds of issues are fairly interesting to me as salesman'. Adrian, Alex, and a financial director, undertake analyses and interpret results, but Alex admits that it is possible that '[following this] I don't do anything with it then'.

5.2.1.11 SE owner-manager education, experience and knowledge

Anthony studied at a technical university, and has a vast experience and knowledge. He doubts that there is a possible relationship between this and competitor study: 'I find it very difficult to point to something very tangible there'. Alex has a polytechnic education, and Adrian – the current owner-manager - has an academic (business administration) education, but their experience and knowledge are limited. Adrian thinks that there is no relationship between this and competitor study, although, he says, 'I do think [there is] regarding level – strategic level – without a doubt'.

5.2.1.12 Competitor study research questions

Alphasoft does not formulate specific competitor study research questions. Anthony: 'no, it isn't planned'. Alex adds though: 'I do think though that all 3 of us have got the same research question in our minds'. Adrian says that he 'wants to know everything' – and not just one thing. Furthermore, Alphasoft will continue to search for data with a new, specific research question when its initially collected data is incomplete.

5.2.1.13 Competitor study data sources

					Data sources Alphasoft										Remarks				

discussions [there]’. Alphasoft’s important and useful *external impersonal* direct sources are: the competitor internet sites and competitor offers. Indirect sources are the Chamber of Commerce, although Anthony admits that the information ‘isn’t very tangible’. The general internet, however, he adds, ‘helps enormously’.

5.2.1.14 Ethical and legal data collection

Alphasoft rejects illegal data collection. Alex states: ‘particular ethics that is very strongly present at our place’. Adrian notes: ‘we apply a high framework of norms to ourselves’. Alphasoft has also made the choice not to monitor the online use of its software by their competitors, and even feels ashamed about one occasion when one manager anonymously attended a competitor presentation. Alex says that this ‘was close to the edge for me when one discusses ethics’. Nonetheless, Alphasoft is willing to sacrifice its ethics to obtain orders. Adrian gives an example: ‘we have done a splendid demo about [software product] functionality we do not have at all... by just faking (!) that, we have killed the unique selling points of the other guy quite a bit’.

Alphasoft		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	Anonymous visit competitor presentation	yes			yes
TOTAL # UNETHICAL	1	1	0	0	1
Recorded illegal data collection cases	None				
TOTAL # ILLEGAL	0	0	0	0	0
TOTAL #	1	1	0	0	1

Table 5.7: An assessment of Alphasoft’s possible unethical and illegal data collection practices reveals only one planned unethical data collection case.

5.2.1.15 Competitor study data storage and access

Alphasoft stores information in a digital client database, which can be accessed by all employees. Competitor information however, is unstructured, scattered and incomplete. Adrian notes that ‘we do not yet have a very structured way of registering it’. Alex states that ‘it is not in a fixed place’. Anthony suggests that ‘it’s better to take a look at [the competitor’s] website than to put it in our own system’. He adds: ‘I do

have a drawer though where I’ve got a bunch of files with competitor data hanging. However, I don’t look at it very often, because it usually becomes outdated again’.

5.2.1.16 Competitor study data analysis

Alphasoft double-checks its collected data. Anthony mentions that this ‘verification point ... is quite surprising sometimes compared to what one occasionally hears in the external environment’. Adrian, Alex and the financial director analyze the data. Adrian states that the ‘product contents analysis [is] in particular done by the consultants’, but he adds that ‘I don’t want to say that our analysis is executed perfectly’.

5.2.1.17 Competitor study intelligence dissemination

Alphasoft’s intelligence dissemination is informal and there are no written dissemination reports. Adrian says that it is ‘verbally’. Anthony: ‘we talk about it in our sales meeting; usually one just talks about what one has retrieved’. Unfortunately, potentially useful data sometimes remains unused. Alex gives an example: ‘it has already been in my wallet for 6 weeks, and I haven’t taken the trouble yet to implement it’.

5.2.1.18 Competitor study resource constraints

Competitor study resource constraints Alphasoft	Not mentioned	No limitation	Small limitation	Big limitation	Remarks
Company values block competitor study					Ethical self-constraint -> some resources not used
Employees no analysis knowledge					Quality analysis possibly not at maximum level
Employees no ethical / legal knowledge					
Employees no source knowledge					
Insufficient number of employees					Occasional use of student for competitor study
No available money					The issue is not money, but position on priority list
No available time					The issue is not time, but position on priority list
No external network					
No internal network					
Staff scepticism about competitor study					Management sceptical what one can do with it
Understanding employees company					
Other perceived resource limitations....					Consultants & unit managers technical focus

Table 5.8: Alphasoft BV’s competitor study resource constraints show that its managers are insufficiently motivated to give competitor study a top position on their priority lists.

According to Adrian, there are ‘no’ competitor study limitations at Alphasoft. However, Alphasoft’s management lacks competitor study motivation. Alex explains that ‘all 3 managers’ have ‘the continual scepticism [about] what one can really do with it’, adding that there is no need ‘to really know a lot of things on a very detailed level’. He also notes that the ‘stricter norms and values’ can be a limitation now and then, because Alphasoft ‘walk[s] only on the allowed [data collection] paths to find information’. Anthony adds that ‘the company size does play a part’, and its consultants and unit managers, ‘are busier with the contents and not with all the external surroundings’. Nonetheless, Alex notes, there are no real limitations; ‘if we can see the importance of it, we would also be able to free money for it, and hire third parties for it’.

5.2.1.19 Assessment of the usefulness of competitor information in decision-making

Alphasoft’s managers use competitor information in their decision-making processes. Alex concludes that competitor information is ‘somewhere in between completely useful and completely useless’. He notes that information about competitors’ offers and propositions is useful in sales trajectories because ‘[one can] assure oneself that one offers the best solution’. He uses this to hold his ground in discussions with potential customers, and has ‘to yield much less regarding discount’. In addition, he says, ‘one also adjusts one’s ambition’, and ‘one absolutely also benefits somewhat from that strategically’. Anthony confirms that Alphasoft has ‘collected a lot of information with which one can do something’, adding ‘that’s how we took a competitor out of the market’. Adrian says that ‘if you use it for yourself, it is quite useful’, although he is reluctant to use the information in client discussions, afraid that he ‘will be accused of throwing mud’.

5.2.1.20 Measurement of competitor study results

Alphasoft’s management does not measure the result of its intelligence-based actions, but Anthony believes that ‘it’s about to pay itself back; I am indeed convinced about that’. He notes that a past conversation with a competitor ‘will probably result in about

10 customers in the next 3 years’. Adrian concludes that ‘the efforts we have invested in [competitor study] have certainly led – a 100 % – to a better net result.’

5.2.1.21 Competitor study activities of Alphasoft BV and extant literature

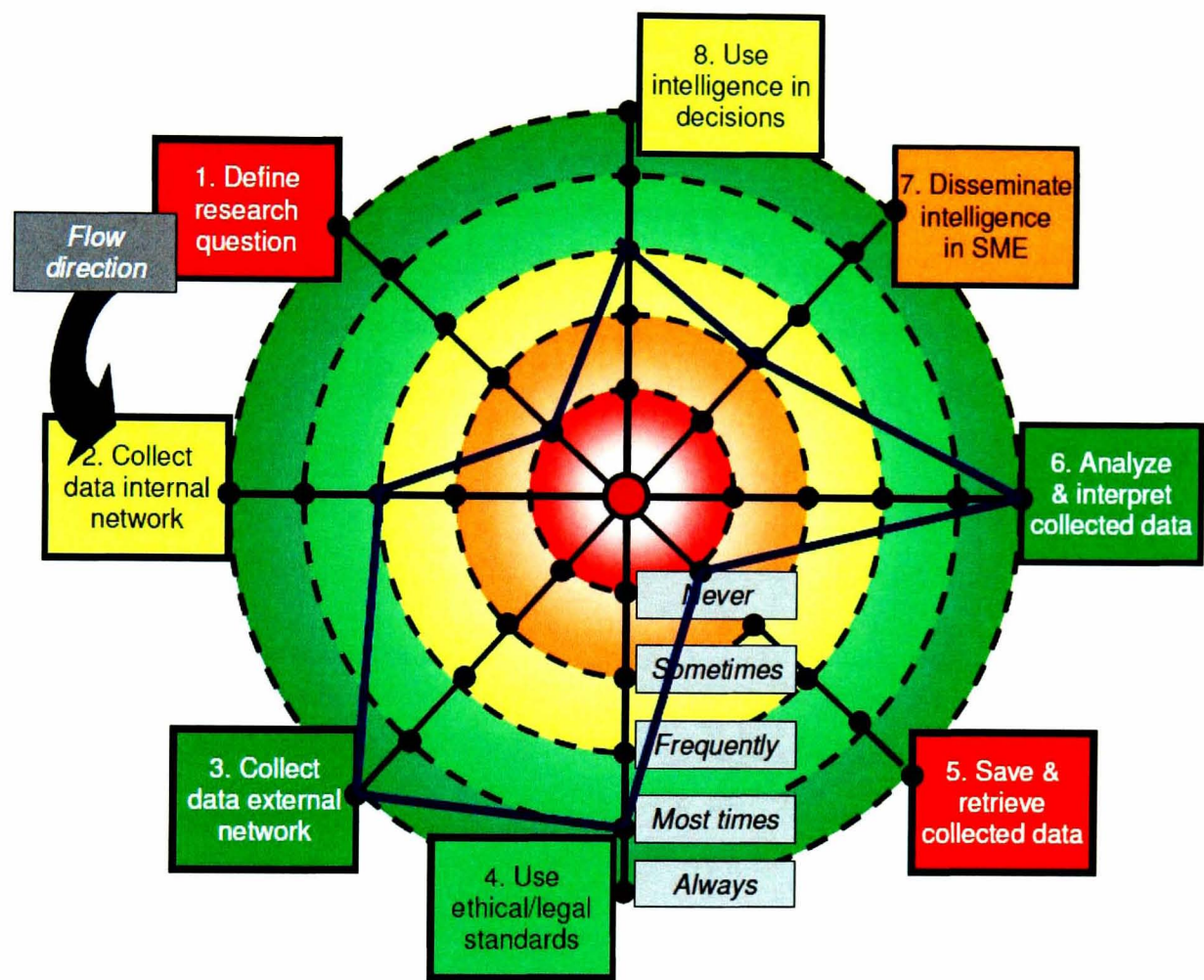


Figure 5.5: Alphasoft BV's spider web model shows that 2 steps in its absorptive capacity are always used. 2 Steps are rarely used, and these steps are intelligence process blockades.

Alphasoft BV is already 10 years in a mature life cycle stage, but it is still a small company, which supports the findings of Deakins and Freel (1998). The environmental scanning is reactive, but frequent - which contradicts the research by Farhad and Azhdar (2002). They expected small companies to have few environmental analysis activities. Alphasoft's marketing is implicit and simple, which, contrary to Scott and Bruce (1987) and Carson (1990), has not developed into a pro-active, professional activity. The informal competitor study level supports Ganesh *et al.*

(2003). Alphasoft studies competitors because of its stagnating growth in a shrinking market, and prior to its entry into new markets. This supports Fann and Smeltzer (1989), as well as Lim *et al.* (1996). Using the categorization of Wright *et al.* (2004), the competitor study attitude is task-driven. Alphasoft cooperates with competitors, and there is no negative attitude towards competition. The owner-managers are involved in competitor study activities, as stated by Hill and Wright (2001) and Viviers *et al.* (2002). The other manager, a sales coordinator, is active in sales-related competitor study, which supports Pelham and Clayson (1988), and Woods and Joyce (2003). The owner-managers' understanding of strategic decision making is at the professional level Deakins and Freel (1998) described. Contrary to Raymond *et al.* (2001), they do not believe in a relationship between their polytechnic or academic education and Alphasoft's competitor study level, although education appears to be related to the strategic thinking of the past owner-manager. The owner-manager doesn't use research questions. He collects data within the small, non-extensive networks, Curran *et al.* (1993) discovered. As stated by Johnson and Kuehn (1987), Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003), customers and suppliers are important sources. These personal sources, Fann and Smeltzer (1989) mentioned, are indeed more important than the impersonal internet source, described by Mosey *et al.* (2002). Trade associations are non-existent. Alphasoft's managers are aware of legal and ethical data collection issues, and, contrary to Sammon *et al.* (1984), they are positive about competitor study. They are not concerned about competitor data security. The data storage is unstructured and incomplete, making it difficult to tap into the available information, as suggested by Strandholm and Kumar (2003). And although Lybaert (1998) suggested otherwise, the owner-manager's analysis capability is quite sufficient. Management doesn't have a negative competitor study perception, but it is sceptical about what one really can do with the information. Hence, it is not on the top of the priority list, which confirms Scupola (2003). Nonetheless, and contrary to Wright *et al.* (2002), the study has still been embedded in Alphasoft's organisation. The management concludes that competitor study has improved its strategic and tactical decision-making, which confirms the findings of Fuellhart and Glasmeier (2003). Unfortunately, Lybaert's (1988) relationship between information use and business performance could not be substantiated.

5.2.2 Within-case report of SE 2 Bravosweet BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Benjamin (mr)	Owner-manager	Management team	Sales	36	4	Vocational	Average
Brenda (ms)	Manager Quality	Operational level	Quality control	31	approx 5	Vocational	Limited
Brian (mr)	Owner-manager	Management team	General affairs	50	approx 30	Vocational	Extensive

Table 5.9: The details of Bravosweet BV’s managers who were interviewed.

5.2.2.1 General company description

The privately-owned, Dutch, business-to-business chocolate sweets manufacturer SE Bravosweet BV was officially established in 1988. In 2004, Brian and Benjamin took over the company. It now has 10 to 15 FTEs, and an annual turnover of € 2 million. According to Brenda, Bravosweet offers a combination of ‘unique’ product quality, company flexibility, and low-cost production. Brian wants to be the ‘specialist which is the largest in the world of its kind’. Bravosweet sells globally to importers and agents, who distribute the products to the retailer. They sell to the final consumer. The main markets are Germany (50 % turnover share) and The Netherlands (10 % turnover share). Last year, Benjamin says, Bravosweet ‘made it to a 98 or 99 per cent’ of its target, and the profit is ‘quite nice’. Bravosweet combines cost leadership focus and differentiation focus strategies. It is in a mature life cycle stage, and wants to remain small to keep new entrants out. Brian says: ‘we absolutely do not want to become so big that we get a product that is too interesting, where we think: well, competition will come’. Unfortunately, there is an urgent marketing crisis in Bravosweet’s key market. Benjamin explains why: ‘our German partner finds it quite difficult to manage in the German retail market.... and we concluded that [he] can’t get it done’. This development has blocked Bravosweet’s growth.

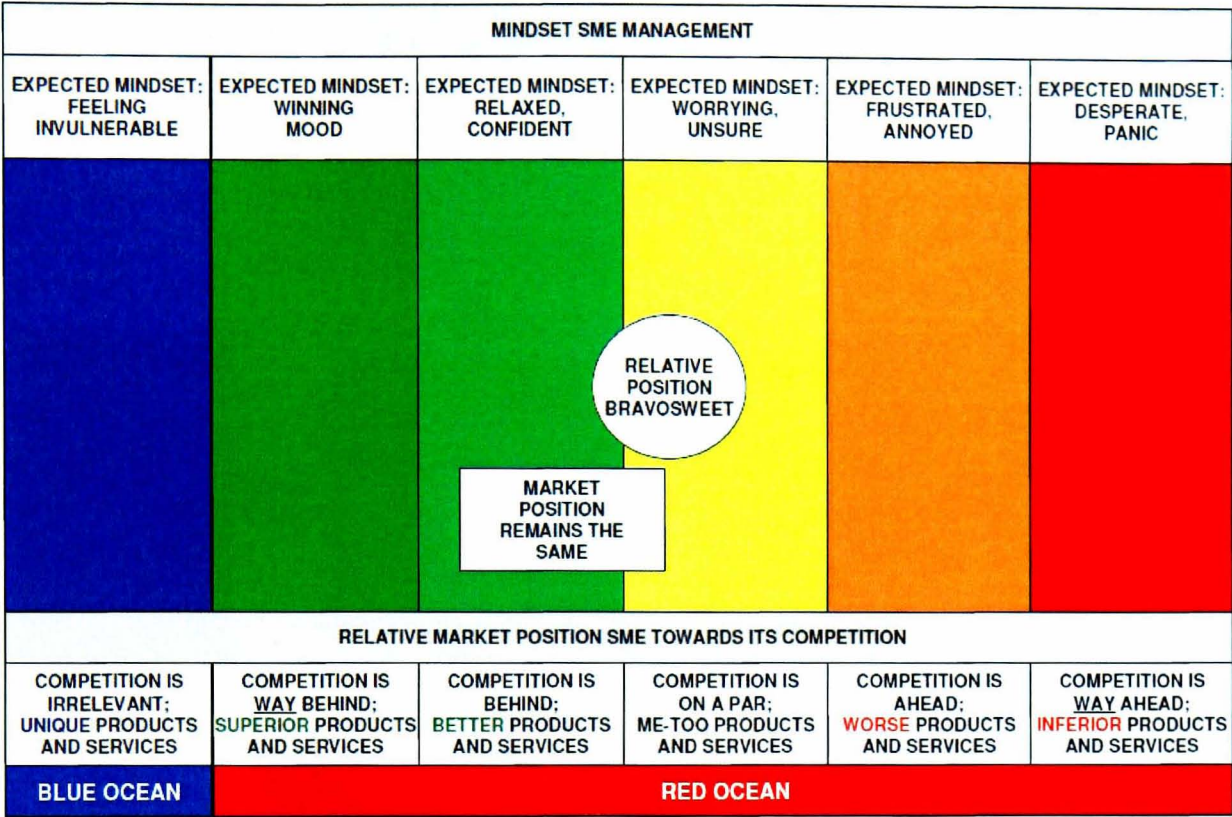


Fig. 5.6: Bravosweet BV’s niche products are slightly better than those of its competitors, and its market position remains unchanged (concept based upon Blue Ocean Strategy, 2005).

5.2.2.2 General market description

Bravosweet sells in a sweets niche market, which, according to Brenda, ‘remains about the same’. Brian confirms this; ‘no, the market situation is not that it is growing strongly’. The PEST trends are limited. Politically, Brenda says, there is the ‘less sugar, less fat’ legislation in a few countries - and Bravosweet’s products do not fit a ‘healthy product’ category. Socio-culturally on the other hand, Benjamin sees that ‘when people experience a bad [economic] period ... they eat sweets faster’. In addition, the retail customers are powerful, and Bravosweet’s importers experience their pressure. Brian notes that ‘ultimately, the retailers decide what will be lying on the shelves’. Nonetheless, Bravosweet can set its own future, independent of its external environment, in the global market. Fortunately, the competitive intensity in Bravosweet’s niche is low. Brian says that ‘the intensity is average’, and Benjamin adds that ‘it remains the same’. Actually, Bravosweet grows at the expense of competitors. Benjamin notes that he has ‘been successful in getting the competitor outside the [customer’s] door’. Finally, Bravosweet’s contact with competitors are limited; the SE only shares information with non-competitive sweets manufacturers.

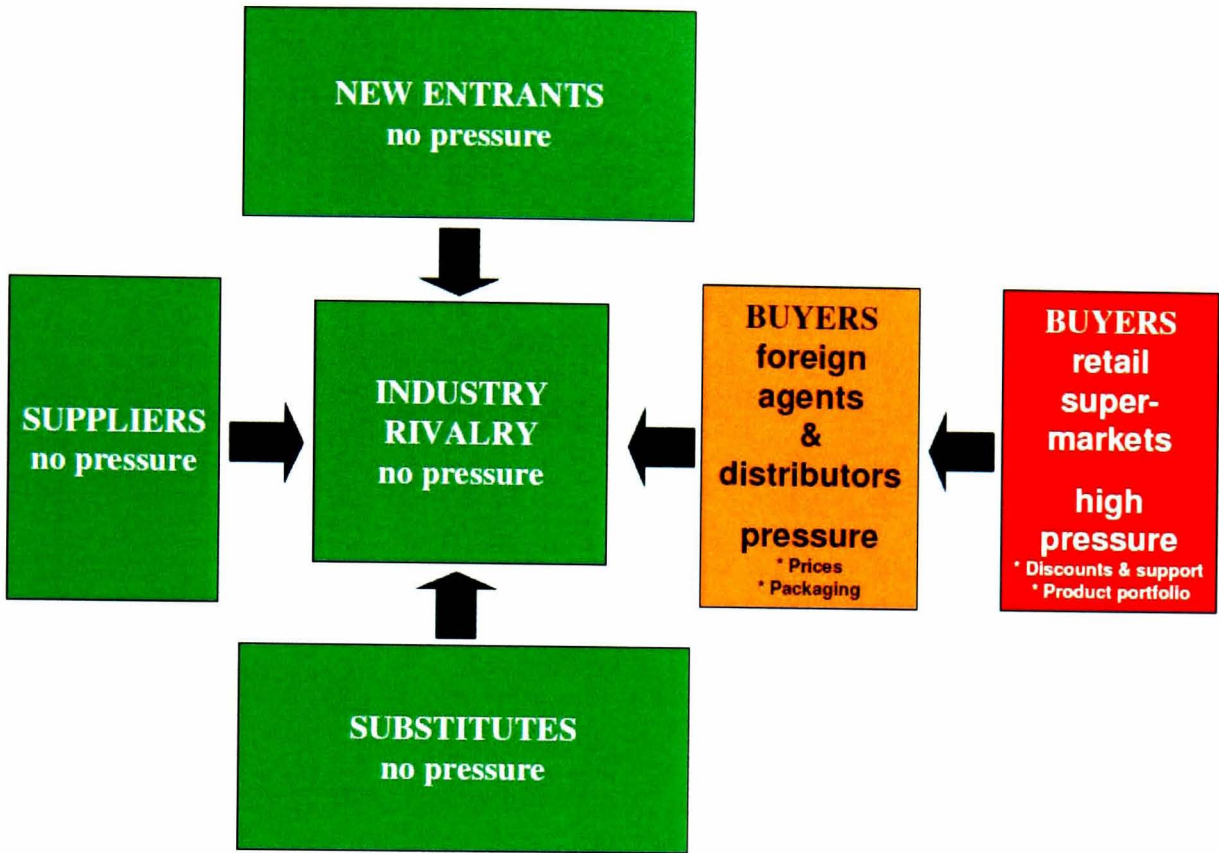


Fig. 5.7: The 5-forces model shows consistent pressure on Bravosweet BV by its buyers (importers/agents/distributors), following high pressure by retailers/supermarkets.

5.2.2.3 General competitor description

Brian states that ‘we do have competition in Germany and not elsewhere’. He notes that ‘there are 2 [competitors] with really comparable products, and a 3rd and a 4th ... perhaps’. Brenda adds that ‘those [two] are big companies’. ‘We always ask information about the 2 most important [ones]’, Benjamin says, but he adds that they are not regarded as dangerous, since ‘it isn’t a main product of those companies’.

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
Germany	4	none	2 with comparable product

Table 5.10: Bravosweet’s competition consists of only 4 (German) competitors. None of them is regarded as dangerous.

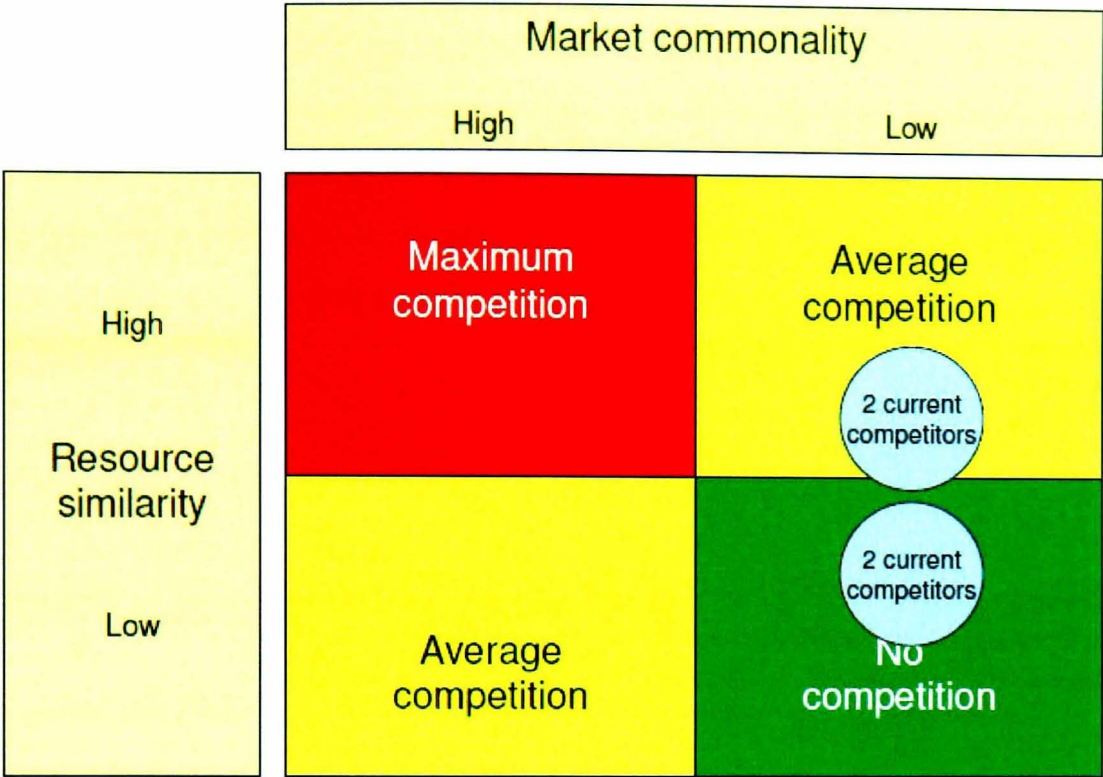


Fig. 5.8: Chen’s model (1996) shows that Bravosweet only has low market commonality, and low-average resource similarity with its competitors. As a result, competition is low.

5.2.2.4 Environmental scanning and marketing activities

It is important, according to Brian, that Bravosweet is entrepreneurial; ‘I have been given this entrepreneurial spirit and I do believe that that’s the most important’. He confirms that the SE’s policy ‘is all just a short-term policy’. Bravosweet’s environmental scanning is incidental, unstructured and fragmented. However, Brian has prioritised this issue, saying: ‘that is an action issue – [you need to] scan your market’. Brenda believes that Bravosweet already looks at ‘what the trends are’. Benjamin agrees: ‘we obviously watch the trends’. With regard to product and price, he adds that ‘because it has a fine price, price-quality relationship, it can be positioned magnificently within a sweets assortment’. Apart from an annual trade show, Brian concludes that there is ‘little to no marketing activity’, because the retail purchasers take all the decisions. Benjamin is aware that ‘Bravosweet has shortcomings regarding marketing strategy’.

5.2.2.5 Management’s perception of the importance of competition

Bravosweet regards competitor study as important. To Brenda, it ‘is quite important’, while Benjamin says that ‘it is it is always good to keep a keen eye on one’s colleagues’. Brian adds that ‘it is important to know what other parties are doing ...’, although he believes that Bravosweet is already ‘so advanced that we can make our own picture’.

5.2.2.6 Internal and external reasons for competitor study

Bravosweet	Daily activity			Special task	
	Day-to-day operation SME	Market behaviour opponent	Client loss danger / event	Possible new market entry Chinese	Possible outsourcing by competitor
Competitor study activity level					
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.11: As a daily activity, Bravosweet BV reactively monitors the activity of current and future competitors, looking for possible threats and for outsourcing opportunities.

Brian states that competitor study ‘actually doesn’t occur’ at Bravosweet, because he doesn’t ‘regard [competitors] as competitors, but as fellow sufferers, as companions’. Nonetheless, Bravosweet monitors its competitors. Brenda says that ‘it is obviously important to keep [an eye on] your customers [because] we would also like to grow and keep customers’. Brian is interested in competitors, because he would like to replace their products or win outsourcing contracts. He says that ‘we take a little bit of [these competitors] until the moment when they say: you’d better also make what we are still making’. In addition, he also wants ‘to score somewhat better [than the competitors] in that [margin] area at a particular moment’. Benjamin says that he studies competitors ‘continuously’, because he feels vulnerable in relation to current and future competitors. He ‘is terrified’ that Chinese manufacturers will start to copy

Bravosweet's products, explaining that 'if it is a substitute for the product we're making, it is obviously a potential danger'. Finally, he doesn't want to compete head-on with his current competitors, afraid that they will retaliate; 'It is live and let live' and 'I have also always learned not to block my competition too openly'.

5.2.2.7 Competitor study activity, frequency and duration

Bravosweet's competitor study activity is an incidental and random monitoring activity. It is regarded as having limited usefulness. Brian notes that 'it doesn't happen often', and Benjamin occasionally spends half an hour on this activity, adding that 'the moment something lands on the table, it is scrutinized from a to z'.

5.2.2.8 Competitor study subjects

Bravosweet's management wants to optimise its own production capacity and is looking for growth opportunities. Benjamin explains that 'we know the precise quantity of [chocolate] that's used [by the competitors] to produce a product; hence we can make a precise assessment regarding the annual tonnage that's produced by our colleagues'. In addition, he says, he looks 'at the parking lots in front of the [competitor's] door'. 'By doing that', he explains, 'I receive the information: how many people are working there, what is their capacity?' He uses this information to deduce the competitor's production capacity. Bravosweet is also interested in the competitors' product portfolio strategies. Benjamin again explains: 'naturally I study the products they supply in particular. Or whether the product we make is a major part of the assortment they've got'. He is looking for outsourcing opportunities by his competitors, adding that 'it's a gap I can also jump into'. The competitors' customers are interesting to Bravosweet, because it wants to replace its competitors as a supplier. Benjamin particularly focuses on the competitors' market behaviour, the names and quality of their sales people, the sales price and packaging of their products, and their retail distribution. Unfortunately, he is unable to obtain cost price information; he can 'just get the final price'. 'Regarding the rest', he concludes, 'I haven't got a clue how to obtain that information'. Finally, the company uses general financial information to assess the competitors' financial health.

Competitor study subject Bravosweet	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Not clear how info is used
Strategy						Outsourcing opportunities
Management						
Organisation						Not clear how info is used
Market						
Customers						Opportunities to replace competitor
Suppliers						
Product / Service						Sales price and packaging important
Success / Failure						
Competitive advantage						
Capabilities						Competitor production capacity
Tactics						Quality of competitor sales men
Behaviour in market						Competitor's growth direction focus
Quotations / Prices						Very interesting, but difficult to obtain
Other competitor study subjects						Compet. production capacity in tons

Table 5.12: Bravosweet BV's competitor study subjects indicate a focus on the search for growth opportunities and a maximisation of production capacity.

5.2.2.9 Competitor study in the organisation

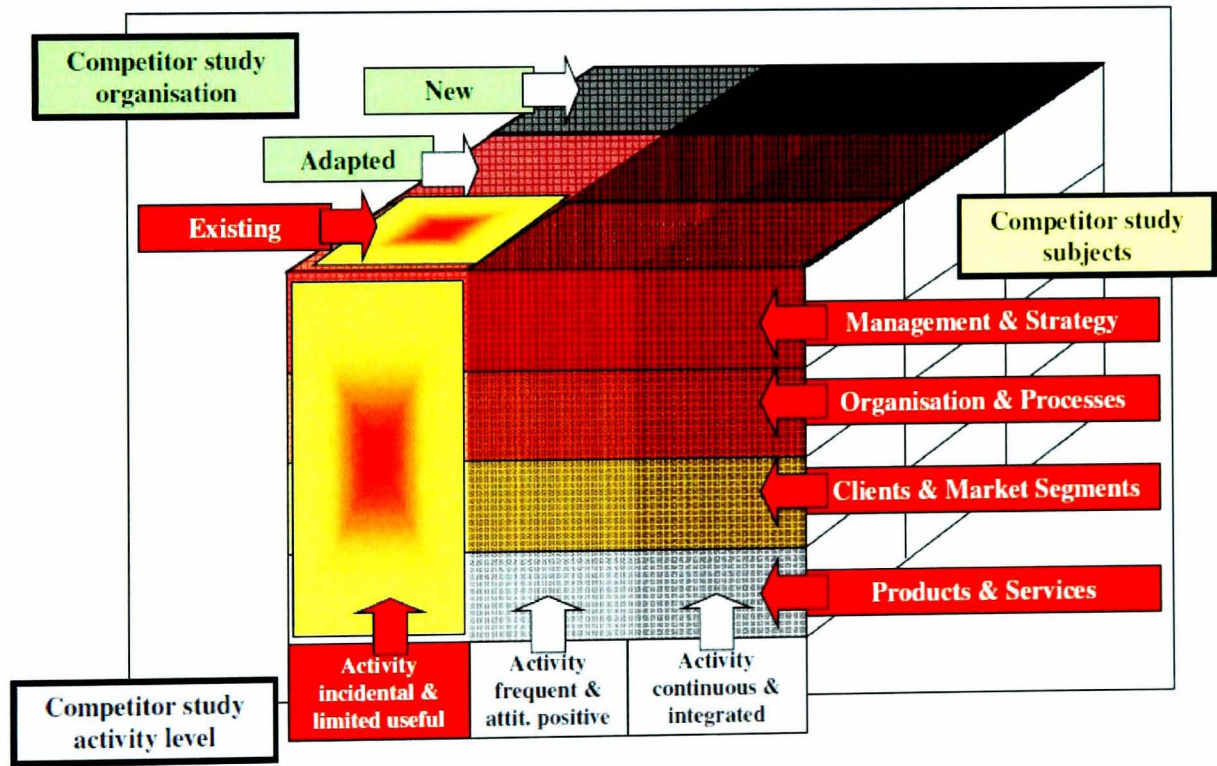


Figure 5.9: A 3-dimensional model shows that Bravosweet BV's existing organisation incidentally monitors a wide range of subjects. The SME is particularly interested in sales opportunities and the competitors' clients.

Bravosweet's competitor study takes place within a non-adapted, existing organisation. Benjamin and Brian are involved in this. They need information, and they decide which competitors to study. Their employees sometimes collect low-level data; e.g. buying competitor products in local supermarkets abroad - when they are there on a holiday.

5.2.2.10 SE owner-manager role in competitor study

Benjamin – responsible for sales – occasionally collects product-level competitor data. At trade shows, he watches the competitor's 'booth to see if the products we make are offered there, or if they have a prominent place within the assortment'. Brian is not active. He says: 'I [don't] collect [data]... No, regarding that, it is purely intuition for me'. He is interested in general market information. Benjamin adds that they 'do [the data analysis] together', and that he also disseminates the relevant findings about competitors to Bravosweet's distributors. Brenda, the quality manager, is not involved in competitor study; she says that '[both owner-managers] are involved in that'.

5.2.2.11 SE owner-manager education, experience and knowledge

Benjamin has a vocational education, and Brian has a vocational food technology education. Furthermore, Brian is an entrepreneur with general business experience, whereas Benjamin has sales experience. Brenda also has a vocational education, but her experience is limited. The market knowledge of all 3 managers is average. Brian doesn't believe in a possible relationship between education, experience and knowledge and competitor study, concluding that it's 'neither [of these]; I suppose its simply just upbringing and character'.

5.2.2.12 Competitor study research questions

Bravosweet's owner-managers do not formulate any competitor study research questions.

5.2.2.13 Competitor study data sources

				Data sources Bravosweet							Remarks		
					Not used, no access	Incidental use / access	Frequent use / access	Continuous use / access	Not important source	A little bit important source		Important source	Very important source
Internal	direct source	Internal	indirect source										Employees buy competitor products abroad
				SME employees									
				SME ManDir / OwnDir									
				SME non-MD/OD Management									
				SME staff – former competitor staff									
				SME other internal direct data sources...									
				SME database									
				SME other internal indirect data sources...									
				competitor speech / seminar									
				management & staff direct competitor									On a limited scale, there are direct contacts
				non-SME former competitor staff									
				litigation / case against competitor									
				competitor trade show / exhibition									Useful info how competitor exhibits products
				competitor open house event									
				competitor office / factory									
				competitor annual report									
				competitor leaflet									
				competitor advertisement & advertorial									
				competitor offer / quotation									The competitors' sales prices are important
				competitor website									It is unclear how important this source is
				competitor physical product									Product and packaging are very important
				SME other external direct data sources...									
				customers									Customers – agents, distributors
				branch organisation									Dutch branch organisation is not useful
				chamber of commerce									
				management & staff indirect competitor									It is unclear how important this source is
				external general consultant									
				external marketing consultant									
				internet in general									
				library or database									
				magazines / newspapers / clipping services									
				municipal government									
				land registry									
				patent register									
				suppliers									
				SME other external indirect data sources...									

Table 5.13: Bravosweet BV considers 4 personal and 4 impersonal competitor data sources as equally important, and frequently uses these sources.

Benjamin and Brian do not use lists of potential sources prior to a data search. The only important *internal personal* direct data sources are the employees, although these are only used incidentally. Brenda adds: ‘occasionally an employee also comes [saying]... look, this [competitor product] was standing at Aldi or at Action (supermarkets)’. *Internal impersonal* indirect data sources are not used at all. The important and useful *external personal* data sources are the *indirect* data sources customers and suppliers. Brian confirms this: ‘yes, I deal with that a lot’. Benjamin explains: ‘we listen to our global importers who pick up signals in their markets’ [and] ‘our importer learns that from the purchaser in question of a retail company’. Benjamin also confirms the importance of suppliers, explaining that Bravosweet obtains competitor information ‘in particular by asking the supplier about information on what is supplied [at the competitor’s] regarding the most important raw materials’. The use of *direct* data sources (e.g. direct competitor staff) is limited to contacts at

foreign trade shows. And finally, with regard to the important *external impersonal* sources; Bravosweet uses a limited number of direct data sources (competitor leaflets, advertisements and websites), and only uses one indirect data source (branch magazines).

5.2.2.14 Ethical and legal data collection

Bravosweet		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	Anonymous visit competitor open house	yes		yes	
TOTAL # UNETHICAL	1	1	0	1	0
Recorded illegal data collection cases	None				
TOTAL # ILLEGAL	0	0	0	0	0
TOTAL #	1	1	0	1	0

Table 5.14: An assessment of Bravosweet’s possible unethical and illegal data collection practices reveals one past, planned unethical data collection case.

Both owner-managers are positive regarding the use of competitor study - as long as it is ethical. Benjamin even states, that ‘it is of essential importance to survive in the business, but within the ethical frontiers indeed’. Brian adds a constraint: ‘the only thing Benjamin and I say is: we don’t lie’. Surprisingly though, he has anonymously attended an ‘open house event’ of a competitor. Brian explains why: ‘... my wife got an invitation for something; well all right, I joined in then. They sometimes didn’t know who I was at all’. He adds ‘that’s how one could join undercover’, mentioning that he got a ‘decent tour’ during that event. Nevertheless, this example appears to be an exception to Bravosweet’s usual legal and ethical data collection practices.

5.2.2.15 Competitor study data storage and access

Bravosweet doesn’t store its customer or competitor data. Benjamin concludes: ‘when I hit a tree, there won’t be anything left.... it is between my ears’. There are no digital or physical competitor files, or file elements. Brian concludes that ‘it’s between one’s ears No, I cannot show it’. Fortunately, the access to the directors’ knowledge is

simple, because Bravosweet is a small company. Brian adds: ‘the doors are [open] and we call through the windows’.

5.2.2.16 Competitor study data analysis

Benjamin presents an example of Bravosweet’s management implicit data analysis and interpreting capability: ‘I also watch [the competitor’s] booth to see if the products we make are offered there, or if they have a prominent place within the assortment. It again tells me something’. Brian adds that the data is deliberately double-checked before dissemination; ‘first there will be some filtering, [since] I do think that it causes unrest when you drop something at the moment it has not crystallized any further yet’.

5.2.2.17 Competitor study intelligence dissemination

Bravosweet’s dissemination of intelligence is informal and verbal, but ‘there is a lot of mutual exchange of email traffic’, according to Brian. Following the outcome of an analysis, the follow-on action could also be that Bravosweet’s competitor monitoring changes into a focused competitor study. This could happen when Benjamin unexpectedly discovers a potentially dangerous substitute for Bravosweet’s products.

5.2.2.18 Competitor study resource constraints

Brian states that ‘there certainly are limitations’. However, there appears to be no direct relationship between Bravosweet’s resources, company size, money, available time, and its monitoring activity - although Brian adds that ‘our financial capability doesn’t allow us to scour the entire world’. Implicitly though, company size and analysis knowledge could be limitations. Brian notes that ‘we are overwhelmed with information and where you can get the information you need at a certain moment’. Benjamin points at a clear limitation: ‘regarding marketing strategy we fall short there’. Nonetheless, these possible limitations do not block Bravosweet’s current small-scale competitor monitoring activities.

Competitor study resource constraints Bravosweet	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						SME struggles with loads unstructured information
Employees no ethical / legal knowledge						
Employees no source knowledge						
Insufficient number of employees						A direct relationship with competitor study is lacking
No available money						A direct relationship with competitor study is lacking
No available time						A direct relationship with competitor study is lacking
No external network						Not enough data to say there isn't external network
No internal network						
Staff scepticism about competitor study						
Understanding employees company						
Other perceived resource limitations....						Marketing knowledge is clearly a limitation

Table 5.15: Bravosweet BV’s resource constraints consist of its struggle with lots of unstructured information, and a lack of marketing knowledge.

5.2.2.19 Assessment of the usefulness of competitor information in decision-making

With regard to the usefulness of competitor information, Benjamin concludes that ‘not everything is useful. So keep it average’. One positive example is Bravosweet’s study of the Chinese market 2 years ago. Following this study, Bravosweet decided not to enter that market, and Brian concludes that they ‘certainly [saved] money. ... not time at that moment, since we had actually invested a lot of time in it’. Another positive example was the sales opportunity which presented itself to Benjamin in Canada. Benjamin was able to replace a badly performing competitor as a supplier, and he used this information successfully. He now concludes that ‘the [new] client is more than satisfied, and I’ll realize growth in this particular relationship this year’. Nonetheless, Brenda states that ‘it is difficult’ to assess to what extent Bravosweet’s owner-managers use markets and competition to come to decisions.

5.2.2.20 Measurement of competitor study results

Bravosweet’s owner-managers do not measure their intelligence-based results.

5.2.2.21 Competitor study activities of Bravosweet BV and extant literature

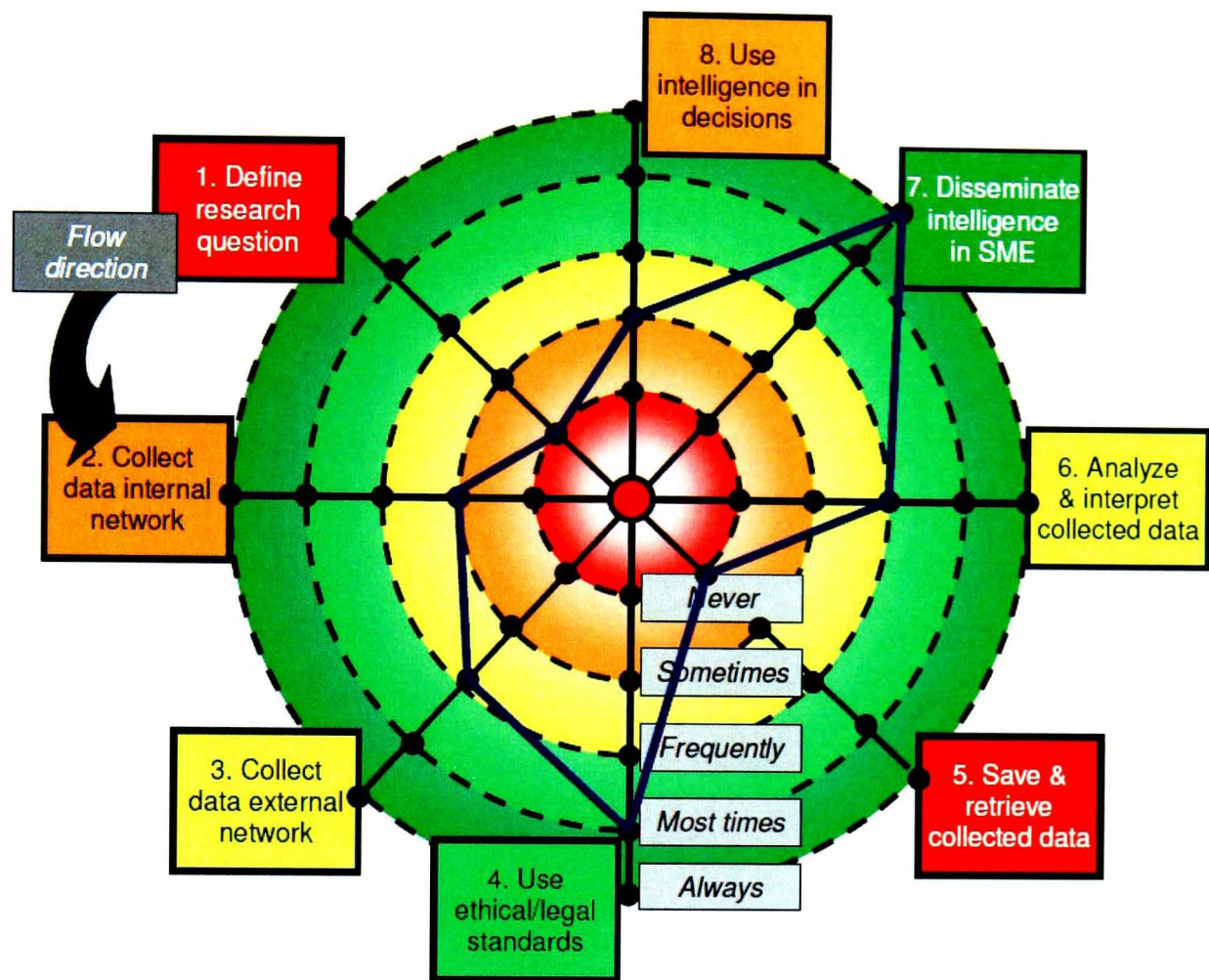


Figure 5.12: Bravosweet BV's spider web model shows that only one step in its absorptive capacity is always used. 2 Steps are not used at all, and these are serious blockades.

Bravosweet is already 20 years into a mature life cycle stage, but wants to remain a small company to keep new entrants out. This supports Deakins and Freel's (1998) conclusion that the life cycle approach is too simplistic. Environmental scanning is incidental, unstructured and fragmented, which confirms Farhad and Azhdar's (2002) expectations regarding this activity in small companies. There is little to no marketing activity, and, contrary to Scott and Bruce (1987) and Carson (1990), it has not developed into a professional activity. Bravosweet operates in a stable niche market. Its owner-directors do not have a negative attitude towards competition, and they do not regard competitors as dangerous. Consequently, the competitor study is the incidental, random monitoring activity Ganesh *et al.* (2003) expected. There is no relationship between this activity and a shrinking market (because Bravosweet's market is stable), and Fann and Smeltzer (1989) are not supported. Competitor study is

also not used prior to the entry of new markets, and Lim *et al.* (1996) are therefore also not supported. The competitor study attitude is immune (categorization by Wright *et al.*, 2004). Bravosweet regards itself as so special, that it (almost) enjoys immunity. Contrary to Sammon *et al.* (1984), Bravosweet has a positive perception of competitor study, although the activity is considered as having limited usefulness. The SME shares some information with competitors. Its owner-managers are involved in competitor monitoring, confirming Hill and Wright (2001) and Viviers *et al.* (2002), but their understanding of strategic decision making is not at the professional level Deakins and Freel (1998) described. The other manager, active in quality management, is not involved in competitor study - which doesn't support Pelham and Clayson (1988) and Woods and Joyce (2003). Contrary to Raymond *et al.* (2001), the owner-managers do not believe in a relationship between their vocational educations and Bravosweet's competitor study level. The owner-managers do not formulate research questions. They collect data within very small networks, which confirms the findings of Curran *et al.* (1993). Furthermore, subordinates are very important data sources, as well as customers / distributors and suppliers, confirming Johnson and Kuehn (1987). Contrary to the conclusion of Fann and Smeltzer (1989), personal and impersonal data sources are equally important. Trade associations are not very important. Bravosweet's owner-managers are aware of legal and ethical data collection issues, but one previous unethical data collection case was still revealed. There is no competitor data storage at all, making it impossible to tap into this information, as suggested by Strandholm and Kumar (2003). Consequently, there is also no concern about data security. Lybaert's (1998) conclusion that SME owner-managers lack the means to analyse the collected data is supported; Bravosweet's company size and analysis knowledge could be competitor study limitations, partly supporting Gilmore *et al.* (1991). The management regards the usefulness of competitor study as average. Occasionally, it has been useful for its strategic and tactical decision-making, but there is no clear support of the findings of Fuellhart and Glasmeier (2003). Furthermore, unlike Lybaert (1988), there is no indication of a relationship between information use and business performance.

5.2.3 Within-case report of SE 3 Charliebelt BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Christopher (m)	Manager Sales UK	Management team	General / Sales	53	approx 10	Academic	Extensive
Charles (m)	European Director	Management team	General affairs	43	16	Academic	Extensive
Colin (m)	Manager Sales NL	Management team	Sales	39	15	Academic	Extensive

Table 5.16: The details of Charliebelt BV’s managers who were interviewed.

5.2.3.1 General company description

In 1993, 2 Dutch belt transportation companies were taken over by the U.S. SE Charliebelt. Christopher: ‘we are [now] a subsidiary of them, as opposed to an autonomous division’. The new merged Dutch business-to-business SE employs 61 FTEs. The annual turnover is € 13,1 million. Charliebelt manufactures and sells transportation belts, as well as shock and vibration isolation. Christopher is the UK general manager, and Colin is the Dutch sales manager. Both men report to the European Director, Charles. Charliebelt, according to Charles, is ‘in a fairly full-grown [mature life cycle] phase’. He explains that they meet their targets: ‘we have met the financial targets, both in turnover growth and in profit growth’, and concludes that they ‘could grow fairly simply, if we could manage it regarding our capacity - but we can’t. There isn’t an enormous will [at head office] to make in-depth investments in production machines’. Colin explains that ‘we focus ourselves just on the OEMs and the distributors, co-sellers’, adding that ‘we continue to focus on the higher and medium part of the [niche] market’. Charliebelt uses a general differentiation strategy, based upon its international reputation, a high product customization level, a fast time to market, a high sales speed, and a high service level with flexible and fast deliveries. Unfortunately, most products are me-too products, and Charliebelt has a cost disadvantage. Colin notes that ‘we can’t match the prices of a Chinese supplier’. Charliebelt’s competitive market position is deteriorating. Charliebelt deliberately acts low-profile in its market. Charles explains that ‘we have also made the choice not to

employ a sales man because you disturb the balance and the only reason why a sales man gets business is a lower price’. Finally, Charliebelt faces a marketing crisis: its market in Western Europe is shrinking. Hence, Charliebelt’s short-term focus is to increase its sales, whereas its long-term focus, according to Christopher, is that we are ‘looking for new markets to offset the contraction in the existing market’.

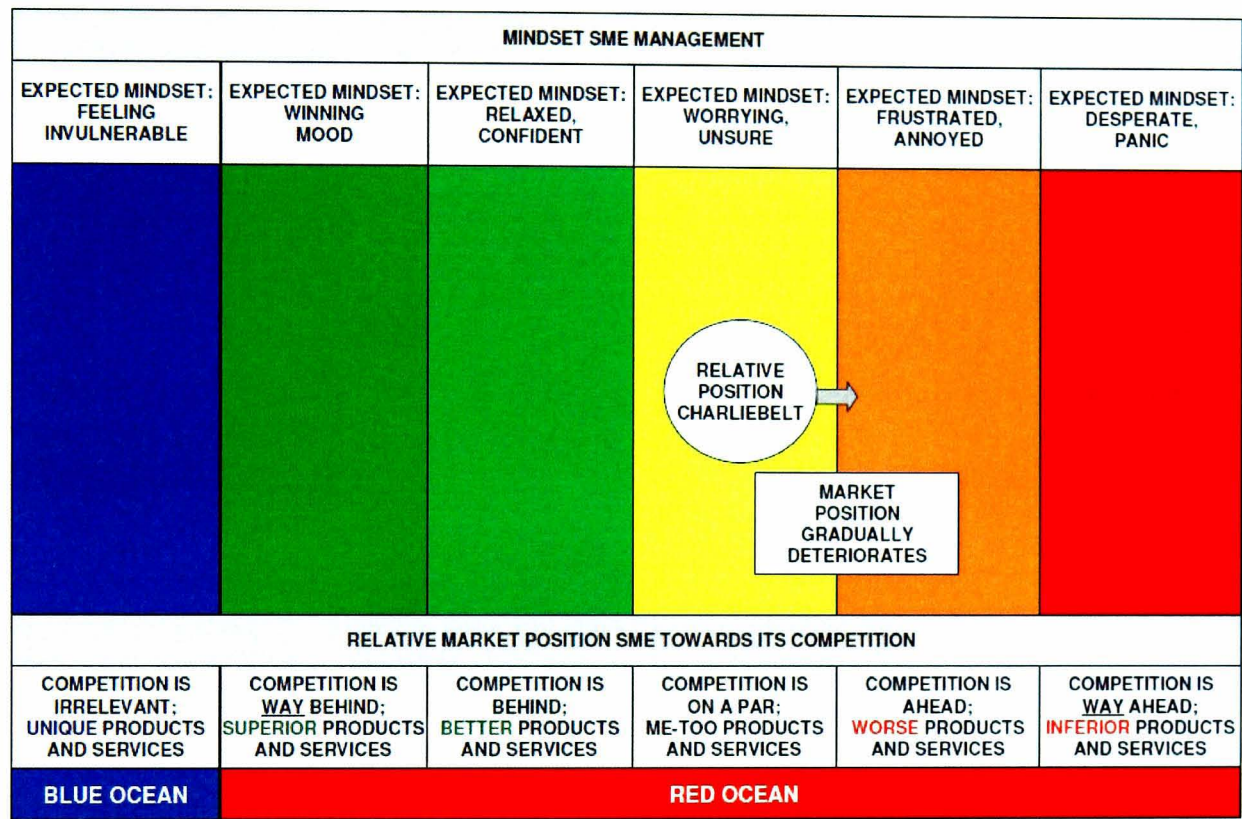


Fig. 5.11: Charliebelt BV produces me-too products at higher cost than its competitors, and its relative market position is deteriorating (concept based upon Blue Ocean Strategy, 2005).

5.2.3.2 General market description

Charliebelt’s market is a global, €1 billion p/a market. However, Colin concludes that ‘the [current, local Western European] market is shrinking’ as a result of macro-economic developments; e.g. manufacturing work relocates to Eastern Europe and Asia. Charliebelt has attempted to follow its clients into Asia, but failed. Colin confirms this: ‘we have done business in Asia nicely, but that has been 2, 3 years ... well, nothing is left of it anymore’. Furthermore, the weather influences the size of potato crops, the economic well-being of agricultural clients, and the willingness of these clients to invest in transportation belts. Christopher adds that ‘as far as we’re

concerned, the power lies with our big customers’. In conclusion, Charliebelt is at the mercy of its current (unstable) external environment.

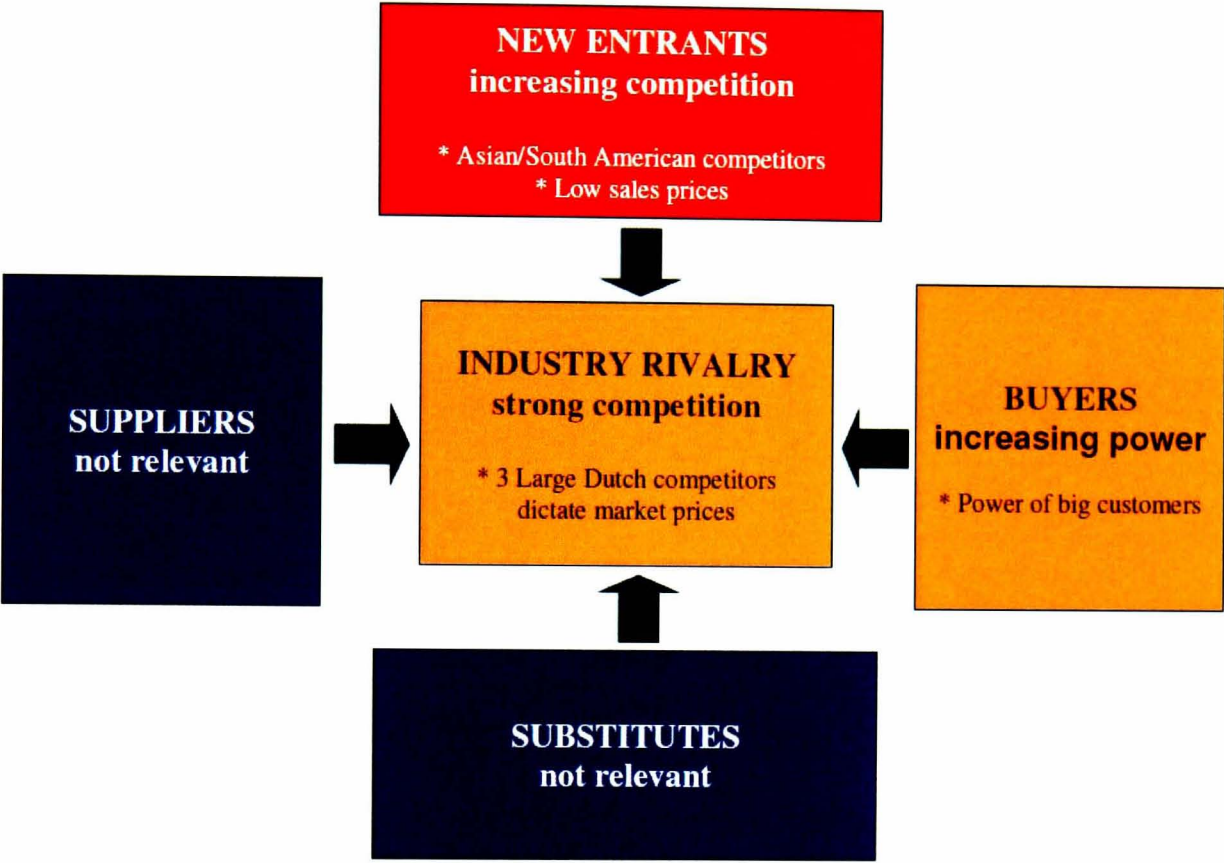


Fig. 5.12: The 5-forces model shows that Charliebelt BV is confronted by new entrants, strong competitors, and big customers.

With regard to competitive intensity, Colin notes that ‘it is increasing’, because of ‘many new entrants, heavy competition’. Christopher on the other hand, says that ‘the competitive intensity is moderate... [but] it is more competitive [now]’. Charles finally thinks that ‘with the passing of time and the changes of management [the intensity] has declined somewhat’. Charliebelt’s cooperation with its competitors is limited, apart from an incidental collusion case, or the exchange of information, work, and raw materials. Charles meets with small local competitors every 6 months. Surprisingly he describes them as ‘colleague-producers’ – not as competitors.

5.2.3.3 General competitor description

Charles concludes that Charliebelt has ‘got to cope with 3 large [Dutch] competitors which, depending somewhat on the direction of the management, do or do not allow smaller players to join-in’. One of these competitors is regarded as dangerous, since it offers identical, but cheaper, products. In addition, there are also 4 Dutch SME competitors. Charliebelt faces 2 dangerous new entrants (former employees) in the UK, and Christopher adds that ‘we just try to stabilize our position and take any opportunities come our way and prevent the ex-employees getting our customers’.

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
Global market	unknown	none	large USA-based competitors
The Netherlands	3 large	1 large	focus on same clients in niche
	4 SMEs	none	small scale cooperation
United Kingdom	unknown	2 SMEs	former Charliebelt employees

Table 5.17: Charliebelt BV has to deal with large competitors (including 1 large dangerous competitor) in its Dutch market, and 2 dangerous SMEs in its UK market.

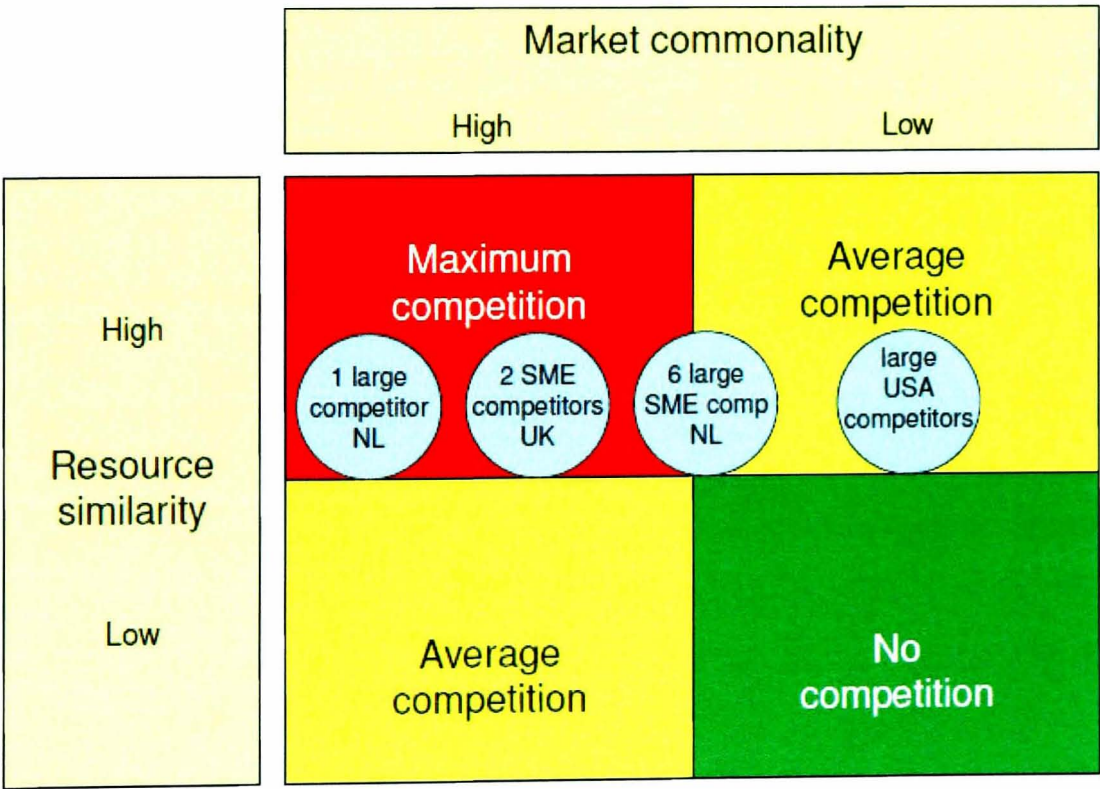


Fig. 5.13: Chen’s (1996) model shows that Charliebelt has high market commonality and high resource similarity with 1 dangerous Dutch competitor and 3 dangerous UK competitors.

5.2.3.4 Environmental scanning and marketing activities

With regard to management orientation, Christopher says that ‘most people in the organization are sales-driven’. Charles adds that it is entrepreneurial; ‘we try to jump on opportunities and chances which may arise’. Charliebelt’s environmental scanning includes commercial, competitor, and technological scanning, but it is reactive and unstructured. Charles’s comment is noteworthy: ‘I’d rather like to opt for non-structured; “management by surprise”.’ With regards to marketing, he states that they ‘do not have marketing’. Charliebelt offers customized me-too products, but according to Colin, ‘the secret of our competitiveness is our flexibility, due to our cooperat[ive] team of employees’. This flexibility comes at a price, and Colin concludes, again, that the firm ‘can’t match the prices of a Chinese supplier’. Charles is not interested in a price competition with his large competitors, saying that ‘if [sales] include business at cost price, I am not really interested’. Christopher states that the promotion is very limited: ‘we’ve got a little of individual data sheets, policy sheets, brochures We don’t do mail ads or anything like that, [and] we have got no trade shows planned’.

5.2.3.5 Management’s perception of the importance of competition

Christopher states that ‘[competitors] have got to be viewed as being important’. Colin agrees with him, concluding that ‘I consider that to be very important’.

5.2.3.6 Internal and external reasons for competitor study

The internal reasons why Colin and Christopher study competitors are that they need tactical information. Colin: ‘one is continuously busy studying: what are your competitors doing and in what way should you go around it or take it into account? And if you know what your competitor is doing, it is a much easier step than when you are shooting a little bit “in the dark”.’ They also need tactical positioning information. Christopher notes, that ‘we ... try and find ways of knowing what we’re competing with ...; it gives you an idea [of] where your prices are fixed in relation to them’. The information is used to improve Charliebelt’s offers. Both men regard competitor study as ‘fun and sports’, but Christopher adds that ‘it’s also how I have been brought up....;

study[ing] competitors is the duty of management'. Charles's internal reasons are purely strategic. The main reason, he says, is that 'the purchasing of basic materials has been a topic for a while. As well as new technologies, new production technologies, due to which [Charliebelt's] costs decline'. In addition, he searches for potential acquisition candidates. Charles says: 'I do try to find comparable enterprises and see where they are located'. The external competitor study reasons are related with market vulnerability. One competitor was studied, because it had managed to develop a unique product - at a time when Charliebelt's development process of a similar product was not yet finished. Finally, the management unanimously regards Charliebelt as vulnerable. They are afraid to lose clients, and do not want to be surprised by competitors.

5.2.3.7 Competitor study activity, frequency and duration

Charliebelt	Daily activity			Special task	
	Day-to-day operation SME	Market behaviour opponent	Client loss danger / event	Planned entry into new market	Possible acquisition competitor
Competitor study activity level					
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.18: As a daily activity, Charliebelt BV actively monitors the behaviour of its competitors, because its management feels vulnerable. In-depth competitor study is only used prior to special tasks (e.g. a possible market entry, or the acquisition of a competitor).

Charles states, that '[Charliebelt is] not studying [competitors]', adding that 'I do watch what they are doing'. This monitoring, Colin says, happens 'regularly, but not continuously', and the incidental in-depth competitor study - prior to the entry of new markets or acquisitions of competitors - is 'informal and unstructured'. The managers use different frequencies: Christopher's is random, Colin's is daily, and Charles' is

somewhere between daily and weekly. The time spent is unknown; it is either a part of the sales activity, or just an ad-hoc activity.

5.2.3.8 Competitor study subjects

Competitor study subject Charlie-belt	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Profit & cost, financial capabilities
Strategy						Driving goals, what will they do? Why?
Management						What makes them tick?
Organisation						How is the competitor organised?
Market						
Customers						
Suppliers						Cost info, improve purchasing/production
Product / Service						Which new products are coming up?
Success / Failure						Always fun to know these factors
Competitive advantage						
Capabilities						How do they operate, what do they do?
Tactics						Find info to neutralize competitor offer
Behaviour in market						Competitors can 'do mad things again'
Quotations / Prices						Win orders, predict future behaviour
Other competitor study subjects						New entrants, sales/distribution methods

Table 5.19: Charliebelt BV’s competitor study subjects focuses on the monitoring, understanding, and prediction of competitor behaviour.

Charliebelt’s vulnerable market position is visible in the ranking of its competitor study subjects. Christopher and Colin are interested in market behaviour, products, services, tactics, prices, sales methods, and distribution methods. Colin concludes, that ‘obviously, you study what it is quite critically’. Christopher uses the info to predict ‘the strategy of how they’re gonna do something, and why they’re gonna do it’. The strategy, management, and capabilities are also studied, because Colin expects ‘competitors doing mad things again’. He tries to ‘go around it or take it into account’. Charles focuses on the competitors’ organisations, profit and cost, suppliers, and success and failure factors. He wants to prevent them from making the same mistakes, and wants to improve Charliebelt’s purchasing and product technology. He concludes, that ‘it obviously has to do with reacting to competitors, because if the competitor is manufacturing it, obviously we want to be able to do this as well’. Finally, there is not

much interest in the competitors’ customers and markets; Charliebelt is looking for more profitable customers, and its production capacity is already limited.

5.2.3.9 Competitor study in the organisation

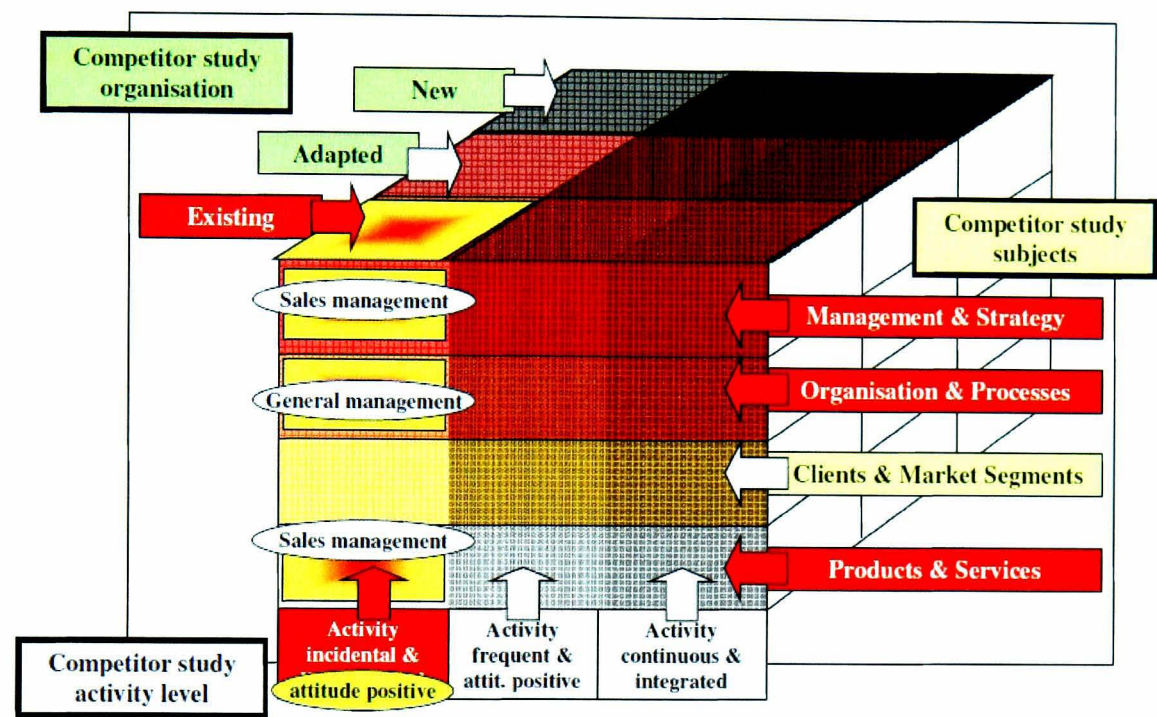


Figure 5.14: Charliebelt BV uses its existing organisation to look at competitor study subjects. Sales focuses on products, services, management, and strategy. Management focuses on organisations and processes. The activity is incidental, but the attitude is positive.

The non-adapted sales departments need information, and they monitor competitors. Other information users, Colin mentions, are ‘those who are in contact with suppliers: purchasing and the production manager’. Both the commercial and technical staff select competitors for a study; they coordinate studies, and collect data.

5.2.3.10 SE owner-manager role in competitor study

Charles, the European Director, doesn’t use research questions, although he directs the data collection, analyses data, and talks to other managers. Colin, the Sales Manager for The Netherlands, collects and analyses data, and involves the technical and production staff. Christopher, the Sales Director for the UK says: ‘I would sit down and think: I want to know this. So, where would I look for that’, adding that ‘I tend to

do it all myself and then pass the information on'. He uses e-mails, because 'I'm cynical. Just put it in writing. They [the directors] can't deny that they've received it'.

5.2.3.11 SE owner-manager education, experience and knowledge

All managers either have a Master degrees, or are close. They have a vast experience and industry knowledge, but do not see a relationship between this and their competitor study. Christopher, the European Director, says that 'this is something that I have been taught not only at business school, but more importantly throughout my career by mentors and senior management'. Charles however, concludes that 'in general... this education has mattered quite a bit'; due to the holistic picture, 'one is more capable of understanding what it is competitors are doing and what the influence is upon one's own company or the market'. In conclusion, education, experience and knowledge are not related to competitor study, but education appears to be related to the development of Charles's analytic capabilities.

5.2.3.12 Competitor study research questions

Charles concludes that Charliebelt's managers do not use pro-active research questions, saying: 'no, we are doing reactive research. It isn't a predefined, analysed objective'. Indeed Colin is reactive; he searches for data when 'things just happen'. Christopher on the other hand, uses pro-active questions, starting with: 'I want to know this'.

5.2.3.13 Competitor study data sources

Charliebelt frequently uses 12 competitor study data sources. Personal data sources are more important than impersonal data sources. The *internal personal* direct sources are Charles, the other managers, the sales reps, and the production staff. Indirect sources are not used. The *external personal* direct source, Colin says, is that 'one occasionally makes an appointment with a competitor'. Charles adds: 'I have got regular - well, once or twice a year - lunch meetings with colleague-producers right here out of the neighbourhood'. Indirect sources are customers, indirect competitor staff, and

suppliers. Colin notes that ‘one naturally listens to clients daily’. The *external impersonal* direct sources are trade shows, leaflets, offers/quotations, websites, and physical products. The indirect source is the internet.

					Data sources Charliebelt					Access					Importance					Remarks
					Internal direct source	Internal indirect source	External direct source	External indirect source	Personal database	Impersonal database	Not used, no access	Incidental use / access	Frequent use / access	Continuous use / access	Not important source	A little bit important source	Important source	Very important source		
																			SME employees	Production staff and sales representatives
																			SME ManDir / OwnDir	is linking pin intercompany & competitor data
																			SME non-MD/OD Management	
																			SME staff = former competitor staff	
																			SME other internal direct data sources...	
																			SME database	
																			SME other internal indirect data sources...	
																			competitor speech / seminar	
																			management & staff direct competitor	Contacts: collusion to checking out rumours
																			non-SME former competitor staff	Used in the UK, but limited use in Holland
																			litigation / case against competitor	
																			competitor trade show / exhibition	Regarded as important. Problem: low frequency
																			competitor open house event	If it happened, they would go immediately
																			competitor office / factory	Competitor factories entered a few times
																			competitor annual report	Most competitors too small for annual report
																			competitor leaflet	Instruction to sales reps to pick up leaflets
																			competitor advertisement & advertorial	No special interest in competitor ads
																			competitor offer / quotation	Quite important, but difficult to obtain
																			competitor website	Sometimes half a day study of these sites
																			competitor physical product	All product characteristics thoroughly studied
																			SME other external direct data sources...	
																			customers	
																			branch organisation	Cannot be used; no branch organization
																			chamber of commerce	
																			management & staff indirect competitor	Source is used 'as much as possible'
																			external general consultant	
																			external marketing consultant	Not used, but the SME lacks marketing input
																			internet in general	At any rate a lot of preliminary information
																			library or database	
																			magazines / newspapers / clipping services	Never heard anything through these media
																			municipal government	
																			land registry	
																			patent register	No patents in this particular branch
																			suppliers	Product info, comp info, market developments
																			SME other external indirect data sources...	Credit info, source not useful and outdated

Table 5.20: Charliebelt BV frequently uses 7 personal and 5 impersonal important data sources.

5.2.3.14 Ethical and legal data collection

Charliebelt		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	Use of fake identity to visit competitor's factory	yes		yes	
	Contacts with family member working at competitor	yes		yes	
TOTAL # UNETHICAL	2	2	0	2	0
Recorded illegal data collection cases	None				
TOTAL # ILLEGAL	0	0	0	0	0
TOTAL #	2	2	0	2	0

Table 5.21: An assessment of Charliebelt’s data collection practices reveals 2 planned (and in 1 case repeatedly used) unethical data collection cases.

Colin says: 'I think that [competitor study] is ethical. I think that one should do that, but [one] shouldn't disregard the ethics'. He regards it as 'healthy, professional curiosity'. Christopher agrees, stating that he believes that 'studying competitors is a legal activity, but it is dependent upon how you achieve data as to whether it is espionage', adding that 'it is in line with my personal values'. Charles concludes that 'it's quite business-like. I absolutely do not regard it as unethical'. In practice however, Charliebelt's managers sometimes use unethical data collection. Christopher explains that he is compelled to use a false company name when he presents quotations in a tender offer. Colin repeatedly uses a family member of one of Charliebelt's employees - employed by a competitor - to obtain useful information. And Colin has even used a fake identity to gain access into a competitor's factory, adding that this 'was splendid'.

5.2.3.15 Competitor study data storage and access

Charliebelt lacks a central customer and competitor data storage. Colin agrees: 'no, we haven't got anything there'. Competitor data and its storage are incomplete and fragmented. Christopher saves data in written reports; saying that 'it's usually on ... either on computer in Word-program, or on paper and filed away'. Charles notes that '[it's on the computer] hard disc; ... leaflets and monster material is stored centrally in cabinets'. Colin confirms this: 'we have got a special cupboard downstairs which can be consulted'. Access to that material is free, and it is used by the sales and technical departments. The access to the data in the managers' computers is limited.

5.2.3.16 Competitor study data analysis

Charliebelt's management is used to analysing competitor data. However, they always double-check information before it is disseminated. Christopher: we 'thoroughly cross-reference; it is 'me picking the phone up and ringing colleagues in the industry and see if they've heard any rumours from... to substantiate it'. Charles adds: 'I do always try to get the story confirmed'. Furthermore, behaviour data picked up in one market is also used to assess the competitor's behaviour in other markets.

5.2.3.17 Competitor study intelligence dissemination

Colin states that ‘[the intelligence dissemination] is all rather informal near the coffee machine’, adding that ‘we do not really share information’. Charles confirms this: ‘these are more like ‘what-I-hear’ meetings than formal meetings’. Christopher is much more formal: ‘I would tend to send [e-mail] out to certainly senior management’. Finally, in case of pending research questions, Charles notes that ‘it stays the way it is until you stumble over a next piece of information and then it becomes a little bit of a puzzle which comes together in the end’.

5.2.3.18 Competitor study resource constraints

Competitor study resource constraints Charliebelt	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						Knowledge gained over time with lots of practice
Employees no ethical / legal knowledge						
Employees no source knowledge						
Insufficient number of employees						No explanations how this constrains any study
No available money						There is no marketing budget, but no study either
No available time						Not a serious obstacle for competitor study
No external network						
No internal network						
Staff scepticism about competitor study						
Understanding employees company						
Other perceived resource limitations....						Company lacks marketing and structuring knowledge

Table 5.22: The number of staff, money, and time are minor competitor study minor resource constraints at Charliebelt BV. It lacks marketing and structuring knowledge.

Colin states that ‘marketing knowledge’ is ‘definitely’ a competitor study limitation ... since one has less people around with an education’. Nonetheless, Colin and Charles are able to make analyses of any information. Minor limitations are staff number, available time, and available money. Charles states that ‘everyone simply has their complete daily business’. Colin notes: ‘time is a more limiting factor than means’. Christopher agrees: ‘it’s time more than anything’. According to him, it is rather a matter of priority setting within the scarce time than a clear lack of time. Finally, when Charles wants ‘to execute market research, that’s a virtual no’ from his management. Hence, Christopher says that ‘we’d have to just continue where we are; pick up the information as and where we can do’.

5.2.3.19 Assessment of the usefulness of competitor information in decision-making

Charliebelt's management regards competitor study as partially useful. Charles hesitates, and 'thinks' that it is useful. Christopher says that his 'first reaction was gonna be to say "partially beneficial," but any information you get about your competitors has gotta be beneficial. Because it gives you an insight in what they're doing, or how they're operating'. He is positive about the usefulness for his sales man, concluding that it 'definitely saves a lot'. Colin on the other hand, has 'not witnessed that actions by competitors, or information about competitors, have influenced the strategy'.

5.2.3.20 Measurement of competitor study results

Charliebelt doesn't measure its competitor study results, and there is no confirmation of a relationship between financial results and competitor study. Charles concludes that he does 'not think that these are very clear connections'.

5.2.3.21 Competitor study activities of Charliebelt BV and extant literature

Charliebelt has been in a mature life cycle stage for 15 years, but is still a small company. This supports the conclusions of Deakins and Freel (1998) that SMEs remain in one life cycle stage for a prolonged period of time. The environmental scanning is reactive and unstructured. This supports Farhad and Azhdar (2002), because they expected small companies to have few environmental analysis activities. There is no marketing activity. However, this is also true for Charliebelt's competitors, supporting Carson and Gilmore's (2000) statement that the SME's type of marketing is dictated by its industry norms. The informal competitor study character supports Ganesh *et al.* (2003). Charliebelt monitors competitors because it needs tactical information in a shrinking market. This supports Fann and Smeltzer (1989) that competitor information would be welcomed in SMEs in declining markets. Competitor study however, is not used prior to the possible entry into new markets, which doesn't support Lim *et al.* (1996). Charliebelt's managers do not have a negative attitude towards competition in general.

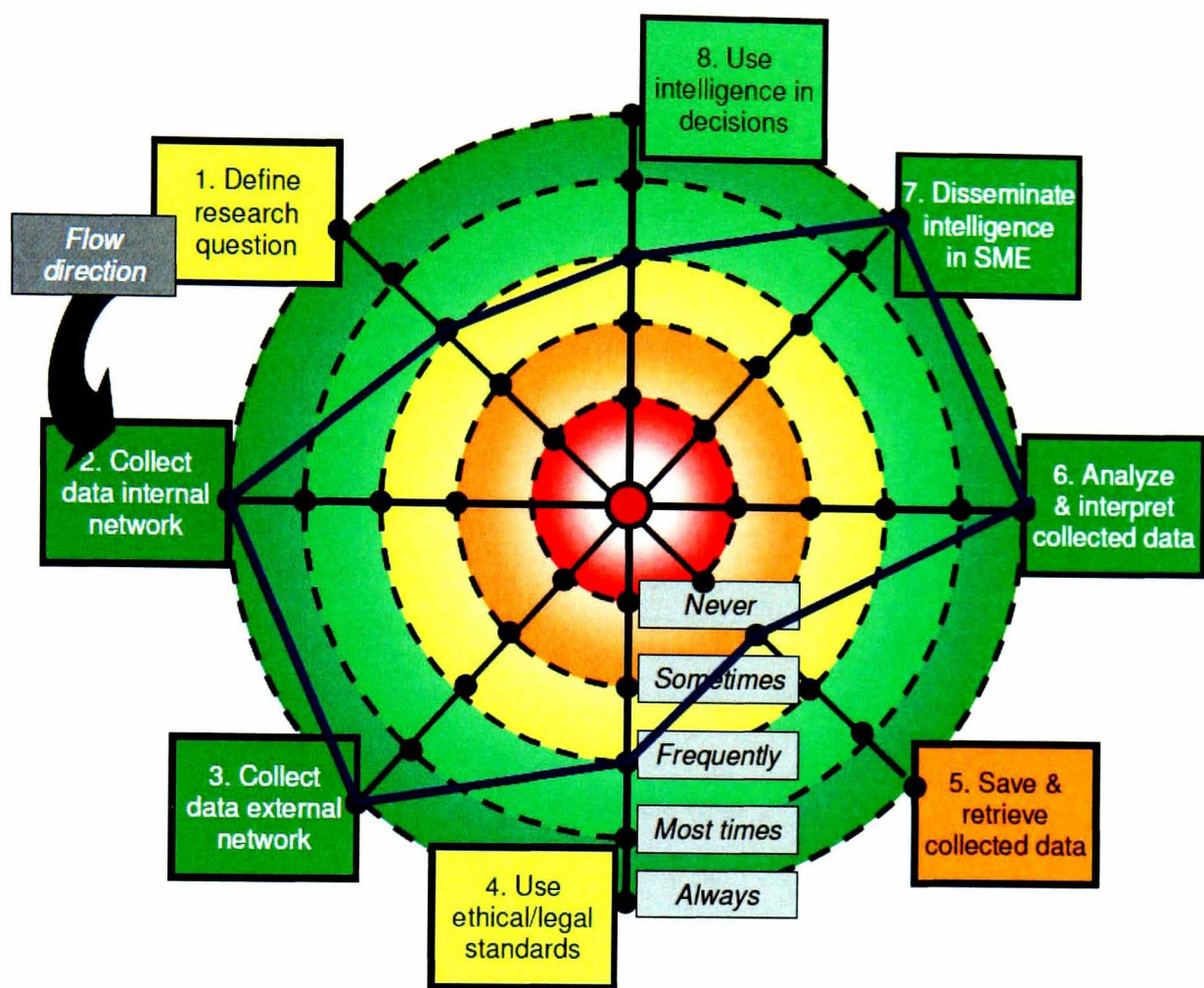


Figure 5.15: Charliebelt BV's spider web model shows that 4 steps in its absorptive capacity are always used. The remaining steps do not block the competitor study potential.

Contrary to Sammon *et al.* (1984), they have a positive perception of competitor study, and consider it very important. Their competitor study attitude is task-driven (categorization Wright *et al.*, 2004), and Charliebelt frequently cooperates with competitors. It shares resources and information. One collusion case was unearthed. The European Director – not an owner-manager – is involved in (general, strategy-level) competitor study activities, which supports Hill and Wright (2001) and Viviers *et al.* (2002). Both other managers, active in sales, collect sales-related, tactical information about competitors - which supports Pelham and Clayson (1988) and Woods and Joyce (2003). Contrary to Raymond *et al.* (2001), none of the managers believes in a relationship between their educations and competitor study, although education appears to be related to the development of the European Director's analytic capabilities. The managers' understanding of strategic decision making is at the professional level described by Deakins and Freel (1998). Supporting Raymond *et al.* (2001), the managers confirm a relationship between their (academic) education and

‘understanding what it is competitors are doing and what the influence is upon one’s own company or the market’. They do not use pro-active research questions, and collect data within small, non-extensive networks, which supports the conclusions of Curran *et al.* (1993). Subordinates are important data sources, which supports Johnson and Kuehn (1987). Supporting Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003), customers and suppliers are important sources too. Trade associations are non-existent. Supporting the conclusions of Fann and Smeltzer (1989), personal data sources are more important than impersonal data sources. The internet use supports the conclusion of Mosey *et al.* (2002). Charliebelt’s managers are aware of legal and ethical data collection issues. Nonetheless, 2 past unethical data collection cases were identified. There is no competitor data storage, other than a cupboard with leaflets and products. This makes it difficult to tap into the available information, as suggested by Strandholm and Kumar (2003). Access to this cupboard is free, and Charliebelt is not concerned about competitor data security. Furthermore, contrary to Lybaert (1998), the analysis capability is sufficient. Marketing knowledge, staff number and time are limitations though, supporting Gilmore *et al.* (1991). However, one manager thinks that ‘it is rather a matter of priority setting within the scarce time than a clear lack of time’, supporting Scupola (2003). Charliebelt’s monitoring is executed by its managers, but there is no implemented activity, supporting Wright *et al.* (2002). The managers conclude that competitor study has improved their tactical decision-making, which partially supports Fuellhart and Glasmeier (2003), but its influence on strategy is limited. Finally, there are no connections between information use and business performance. Therefore, Lybaert’s (1988) conclusions are not supported.

5.2.4 Within-case report of SE 4 Deltafilter BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Damian (mr)	Owner-manager	Management team	Sales & General affairs	47	approx 10	Academic	Extensive
David (mr)	Director	Management team	Client projects	45	17	Vocational	Extensive
Diana (mrs)	Manager	Management team	Internal projects & sales	34	11	Vocational	Average

Table 5.23: The details of Deltafilter BV’s managers who were interviewed.

5.2.4.1 General company description

The privately-owned Dutch business-to-business SE Deltafilter BV was established in 1958. In 2007, it was a mature company with 17 FTEs. Damian is owner-manager, and David is responsible for client projects. Diana is responsible for internal projects and supports sales. Deltafilter used to be a machine manufacturer for industrial laundries, disinfection locks, tanning products, and water filtration, but, according to Diana, it has changed into ‘an idea factory’. Deltafilter, David explains, now ‘has got unique products’. It ‘increasingly’ thinks ‘in solutions’, Damian adds. Furthermore, he says, ‘what we consider as most important, are distribution channels [which] can completely market it’. Deltafilter, he states, is ‘at a second product life cycle / business life cycle, which is being built upon the top of the last one’, and ‘by continuing to be ahead of the game with new issues’, Deltafilter pursues a differentiation focus strategy. Its turnover, Diana states, is ‘about € 3 million this year’. Damian concludes that ‘we have had fairly ambitious objectives ... and we met them if not for a few per cent’.

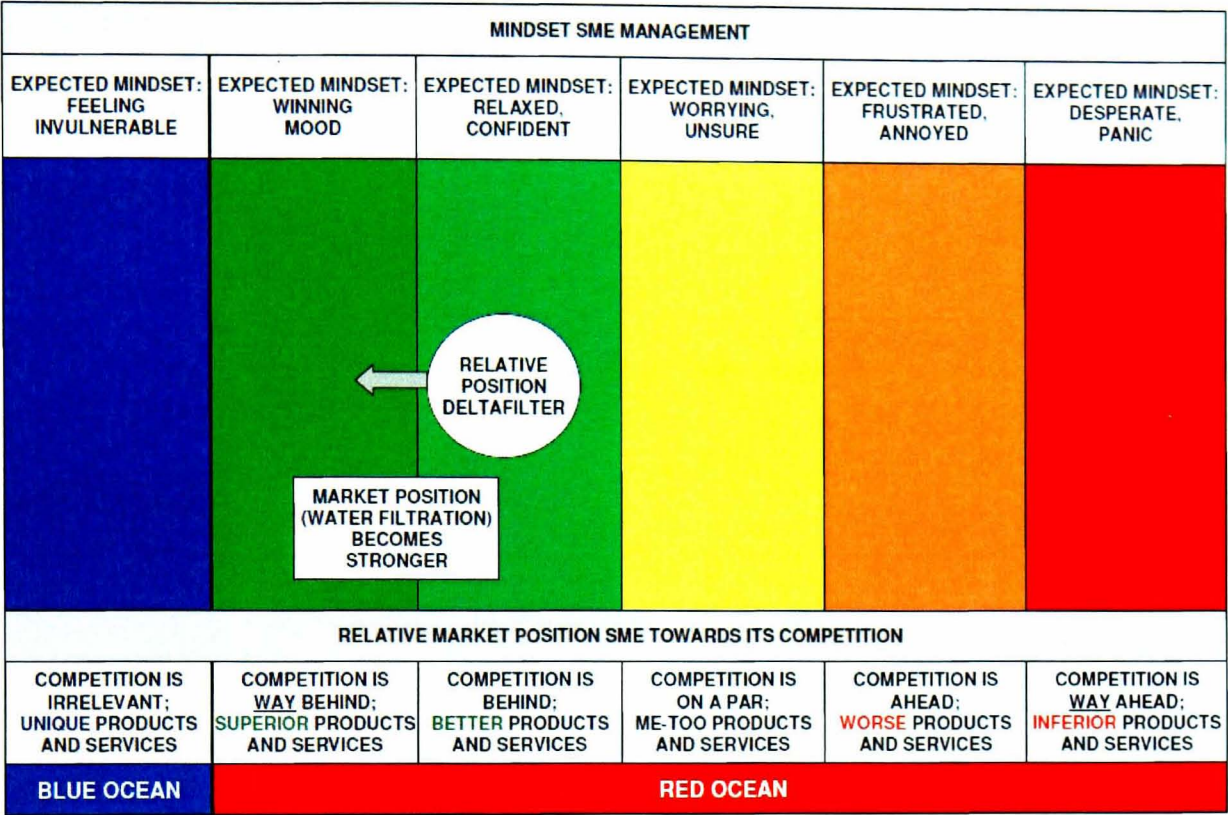


Fig. 5.16: Due to its innovative concepts and unique distribution channel, Deltafilter improves its relative market position in water filtration products from ‘better’ to ‘superior’.
(Concept based upon Blue Ocean Strategy, 2005).

5.2.4.2 General market description

Deltafilter is active in the slightly shrinking industrial dry cleaning, stable disinfection locks, and stable tanning niche markets. ‘We focus less on dry cleaning and disinfection, and one therefore is bothered more by others’, Diana notes. She concludes that the competitive intensity is ‘fairly high’. Fortunately, Deltafilter’s ‘[fourth] segment is water and energy recycling, and that is a quite clearly a growing market’, says Damian. He adds that the competitive intensity is low, since ‘there are no competitors ... that do exactly the same thing that we are doing’. Consequently, Deltafilter’s cooperation with competitors is limited. A positive macro-economic driver, he notes, is ‘the [focus on] availability of water in some areas, or the required water quality’. A negative political driver could be U.S. legislation, banning Deltafilter’s unwelcome solvents. Damian notes that ‘concentration takes place with the end customers, and it therefore has its effect on the distribution channels – so that’s where the pressure is executed’. The remaining forces are distributing machine manufacturers, new entrants, and other distributors. In conclusion, Deltafilter’s

position in its traditional market niches is vulnerable, but the company now focuses, with its unique products, on a new growth market where it has set its own future.

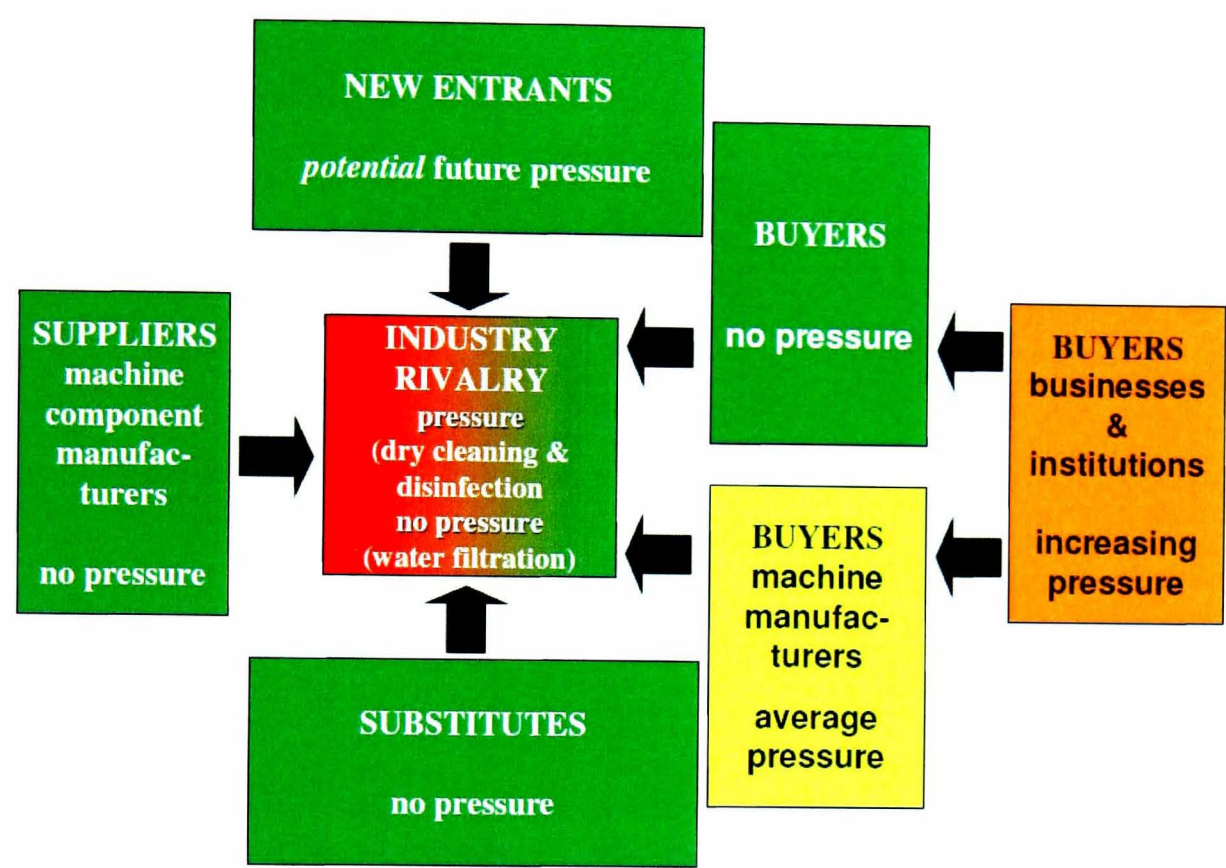


Fig. 5.17: The 5-forces model of Deltafilter BV shows pressure on the company in its dry cleaning and disinfection segments. There is no pressure in the water filtration segment. Furthermore, due to concentration, the b-to-b end customer pressure is increasing.

5.2.4.3 General competitor description

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
Industrial dry cleaning	appr 5	None	Italian, Belgian, German competitors
Disinfection locks	appr 3	None	
Water filtration	3	None	Very large US competitors, other segment
	3	None	German competitors

Table 5.24: Deltafilter BV identifies 14 competitors in its key markets, but none of them is considered dangerous.

Deltafilter identifies 14 competitors in its niche markets. There are 8 (international) competitors in industrial dry cleaning and in disinfection locks, but Damian notes that ‘we are in the industrial segment, and that means that it is actually another niche within that, where the demands are clearly different’. 3 large U.S. competitors in water

filtration are active in other segments, but 3 large German companies are indeed competitors. However, Deltafilter considers none of them to be dangerous.

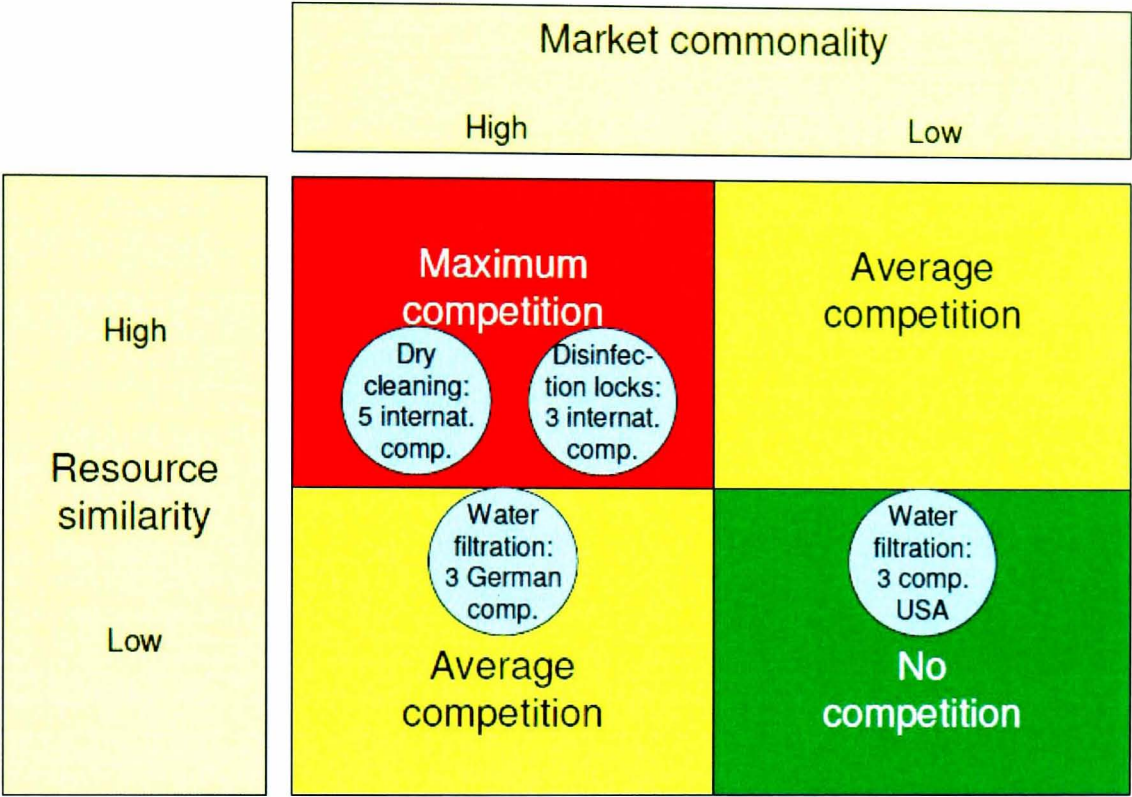


Fig. 5.18: Chen's (1996) model shows that Deltafilter has high market commonality and high resource similarity with competitors in dry cleaning and disinfection locks. Its resource similarity with competitors in water filtration is low.

5.2.4.4 Environmental scanning and marketing activities

Damian uses a strategic management orientation during the environmental scanning; ‘one is looking for: what are the developments? Next one already scans automatically: what could it mean to us, can it be a threat, can it give us an advantage or what kind of impact could it have, and would it fit within our company and our strategy, our vision?’ He concludes that Deltafilter’s commercial and technological scanning ‘happens frequently [and] pro-actively’, adding that ‘we are quite future-focused and actually busy [planning] for the future [by] continually look[ing] at innovative, new issues’. The marketing however, is implicit and simple. Diana thinks ‘that it could be better and more professional’, and David admits that ‘we commit limited means to that’. Nonetheless, the staff develops innovative, high-service products, and sells these

at differentiated prices through unique distribution channels. The marketing promotion on the other hand, is almost non-existent, and Deltafilter’s brand name is weak.

5.2.4.5 Management’s perception of the importance of competition

Diana regards competitors as important, saying that ‘one cannot not study it’. David on the other hand, states that ‘it is not a purpose in itself to study competitors’. And Damian even regards ‘the continuous monitoring of competitors as less useful’, because ‘we are already walking ahead’.

5.2.4.6 Internal and external reasons for competitor study

Damian says that ‘we study competitors’, because ‘we wanted to have some diversification into another market’. David confirms this: ‘we want to look for alternative markets to become less dependent’. Nevertheless, he reactively monitors competitors to ‘see if something is happening that may be an opportunity or a threat to us’, concluding that he only starts studying competitors ‘when it impacts on us’.

Deltafilter	Daily activity			Special task	
	Day-to-day operation SME	Market behaviour opponent	Client loss danger / event	Planned entry into new market	Find new entrants or substitutes
Competitor study activity level					
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.25: Deltafilter BV monitors competitors reactively, looking for possible threats. In-depth competitor study occurs prior to the entry of a new market.

5.2.4.7 Competitor study activity, frequency and duration

Deltafilter regards competitor study as limited usefulness. Hence, the activity is informal, reactive, and ad-hoc. David concludes that ‘it’s not all that structured, though, and formally described and embedded in processes’. In-depth competitor study, Damian adds, ‘happens, say, once every two years – to clarify at least the main issues’. Market developments however, are monitored continuously. They are discussed weekly (if not daily), and every discussion lasts a couple of hours.

5.2.4.8 Competitor study subjects

Competitor study subject Deltafilter	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Info is compared with known data
Strategy						Future intentions & can they realize this
Management						
Organisation						Organisation, processes, values, culture
Market						
Customers						
Suppliers						
Product / Service						New products, new solutions, materials
Success / Failure						Looks for indications for success
Competitive advantage						
Capabilities						How do they realize 3-year obojectives?
Tactics						
Behaviour in market						
Quotations / Prices						Occasional price study in the past
Other competitor study subjects						Understand how competitor sees own SME

Table 5.26: The list of the competitor study subjects of Deltafilter BV reveals a focus on strategic issues. Tactics are less important, following Deltafilter’s strong market position.

Deltafilter’s strong market position means that it is not interested in the competitor’s tactics. Damian explains that ‘the most important is the crucial question: where do [the competitors] want to be in 3 years, and how do they think they will realize that, as far as it is possible?’ He is interested in ‘how is that organization organized, how do they work, and what are the values and culture?’ He even uses an ‘outside-in’ perspective, asking ‘what our picture is, [to determine] what [the competitor] is probably thinking of us’. Diana thinks that Deltafilter is interested ‘in particular [in] new markets and new products. Prices are somewhat less interesting’. David finally finds ‘it important

to see what [competitors] are doing, and how they are doing it and what they are busy with’.

5.2.4.9 Competitor study in the organisation

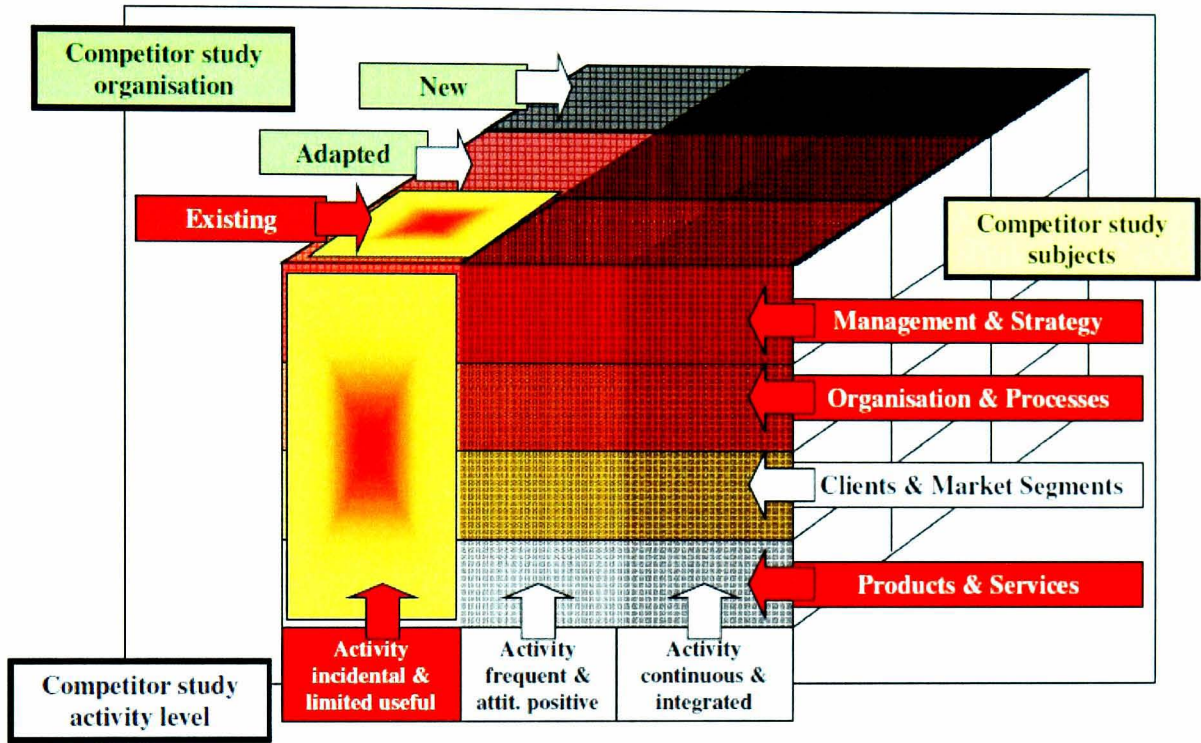


Figure 5.19: Deltafilter’ existing competitor study organisation incidentally studies strategies, organisations, and products. Competitor study is regarded as limited useful.

Damian says that ‘most of the time it is me’ who selects competitors, which are to be studied. There is no competitor study department, but he explains that ‘this study includes the electro-department, or rather electronics department. It includes maintenance. It includes production-engineering as well as projects’.

5.2.4.10 SE owner-manager role in competitor study

Damian, the owner-manager, is critical for Deltafilter’s competitor study. He is ‘predominantly directing’, but also ‘ask[s] questions during the frequent contact [he has] with the parties’. He debriefs his fellow-managers, and is the first to analyse data, and ‘communicate that’ to his managers. David, a director, is ‘specifically studying a product or product development’, and ‘fulfils the role of sounding board’. Diana, who is the manager of internal projects, says she’s ‘at any rate not involved’.

5.2.4.11 SE owner-manager education, experience and knowledge

Damian has obtained high-level international business administration degrees at major universities. He regards experience as important; ‘what one experiences over time is that certain issues have become successes or haven’t become successes, and one actually formulates the question differently based upon that’. Diana and David have vocational educations. David states that ‘education naturally is one piece. But the other piece is the drive and energy’. Therefore, there appears to be no relationship between Damian’s education, experience, knowledge, and competitor study activities.

5.2.4.12 Competitor study research question

Damian uses research questions when ‘we have got a particular interest [and] ... it is clear what one is looking for’. This preparation ‘happens in a very structured manner, by means of a list of issues where [I] want to create a picture’, although ‘what one also often encounters is that one stumbles upon issues during the search one thinks about: well, I hadn’t expected that, but it does indeed offer another picture of the issue’.

5.2.4.13 Competitor study data sources

Deltafilter frequently uses 19 competitor data sources. Personal data sources are more important than impersonal data sources. Damian concludes that ‘we do it to see: what is going on’. Important *internal personal* direct sources are Damian, the other managers, and, according to Damian, ‘service, sales contacts with the clients’. *Internal impersonal* indirect sources are not relevant. The important *external personal* direct source is the competitor’s staff. Indirect sources are Dutch machine manufacturers, the indirect competitors’ staff, and customers – including potential customers. Damian notes that ‘you’ll get a very clear picture about where it is through a customer of theirs’. Suppliers are not very important. Important *external impersonal* direct sources are trade shows, open house events, factory visits, leaflets, offers, websites, and products. Important indirect sources are the internet and branch magazines.

					Data sources Deltafilter										Remarks				

certain codex [between all players] in that respect'. Nonetheless, he tried to obtain confidential competitor information once, knowing that 'it's not allowed officially'.

5.2.4.15 Competitor study data storage and access

Deltafilter uses a CRM system for its client information, but the competitor data storage is unstructured. David says that '[it is done] structurally in the people's heads, but not structurally retrievable on paper'. Nevertheless, Damian stores 'files, in which one either enters newspaper articles, or copies of some issues' in a closet in his office. Damian explains that this closet 'is located in my office, and therefore not a great many people enter it'. Furthermore, 'it isn't secure, it isn't locked'.

5.2.4.16 Competitor study data analysis

Deltafilter consistently double-checks collected information. David states that they 'try to find proof in the various [data channel] layers'. Damian is very analytical, and Diana thinks that Damian and David 'are just very strong in that respect'.

5.2.4.17 Competitor study intelligence dissemination

Deltafilter's employees do not write reports. Therefore, Damian explains, he uses 'some kind of [verbal] debriefing'. Issues 'are extracted in that way, and these are actually also [discussed] during the bi-weekly staff meeting'. Furthermore, he adds, 'we have something [in this meeting] we have named as 'innovation issues' out of magazines, and comments and issues that are presented there are also briefly discussed'. When he needs additional data, he asks the employees to use their networks to find these data.

5.2.4.18 Competitor study resource constraints

Competitor study resource constraints Deltafilter	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						No constraint due to owner-director's capabilities
Employees no ethical / legal knowledge						
Employees no source knowledge						
Insufficient number of employees						Solution: just plan differently with employee number
No available money						Supposedly even spent better than in large company
No available time						Focus is functional. Alternative: get external help
No external network						
No internal network						
Staff scepticism about competitor study						
Understanding employees company						Some employees not interested in competitor study
Other perceived resource limitations....						Insufficient marketing knowledge. Effects unknown

Table 5.29: Deltafilter BV's competitor study resource constraints are the available employee time, and the lack of interest of some employees regarding competitor study.

Damian thinks ‘that [available] time is the main [competitor study limitation] factor’ ... ‘and it is often focused quite functionally in a SME company’. Diana thinks ‘time in particular then, since there are always some other priorities one perhaps has to spend time on’. David also thinks that ‘we are perhaps working in an insufficiently structured way’, adding that Deltafilter has insufficient marketing knowledge. A possible limitation, Damian finally mentions, is that ‘we aren’t yet at a point that [our external people]’ ‘are actually busy gathering issues they encounter themselves’.

5.2.4.19 Assessment of the usefulness of competitor information in decision-making

Damian considers the usefulness of competitor information as ‘limited, because we are in a sector that’s ahead’. ‘And that means that we actually use it as background information’. He thinks that its usefulness is that Deltafilter is not surprised by competitors, and does not invest in the wrong products. It is also used to train distributors. Damian even used ‘negative’ financial information about a competitor to influence potential customers. David considers it ‘useful’, adding that ‘some things haven’t been very important to me at least, whereas other things actually have been very important’. David explains that ‘we have seen a lot and learned a lot’ during visits to competitor factories. Diana even suggests that the information a competitor

offered ‘has given Deltafilter’s change from a machine factory to an idea factory a twist’.

5.2.4.20 Measurement of competitor study results

Diana thinks that there is no relationship between Deltafilter’s intelligence-based actions and the company’s financial results. These particular results are not measured.

5.2.4.21 Competitor study activities of Deltafilter BV and extant literature

Deltafilter has been in a mature life cycle stage for 40 years, but it is still a small company. This supports the finding of Deakins and Freel (1998), that SMEs remain in one life cycle stage for a prolonged period of time. Deltafilter’s environmental (technology) scanning is pro-active and frequent. This contradicts Farhad and Azhdar (2002) because they expected SME scanning to be limited. The marketing is implicit and simple, and, contrary to Scott and Bruce (1987) and Carson (1990), it has not developed. The competitor study is informal, reactive and ad-hoc, which supports Ganesh *et al.* (2003). However, there is neither a negative attitude towards competition in general, nor a negative competitor study perception, contrary to Sammon *et al.* (1984). Fann and Smeltzer (1989) are not supported, since Deltafilter is not expanding in declining markets. Lim *et al.* (1996) on the other hand are supported, because Deltafilter has used competitor study to prepare a diversification into a new market (without serious competition). Its management’s attitude is that the firm is so special that it enjoys immunity, and competitor study is regarded as a waste of time (categorization of Wright *et al.*, 2004). Contact with competitors is limited to data collection opportunities. The owner-manager is involved in all study activities, confirming Hill and Wright (2001) and Viviers *et al.* (2002). One director, studies a competitor product or product development, and fulfils the role of sounding board for the owner-manager – which supports Pelham and Clayson (1988) and Woods and Joyce (2003). The other manager, a manager responsible for internal projects and ‘sales’, is not involved in competitor study – which doesn’t support Pelham and Clayson (1988) and Woods and Joyce (2003). The owner-manager’s understanding of strategic decision making is clearly at the level Deakins and Freel (1998) described.

Contrary to Raymond *et al.* (2001), the owner-manager doesn't believe in a relationship between his education and competitor study, although his (high-level academic) education has changed how he formulates pro-active research questions. Contrary to Curran *et al.* (1993), he uses a wide variety of networks, with 19 data sources. Contrary to Fann and Smeltzer (1989), personal and impersonal sources are equally important.

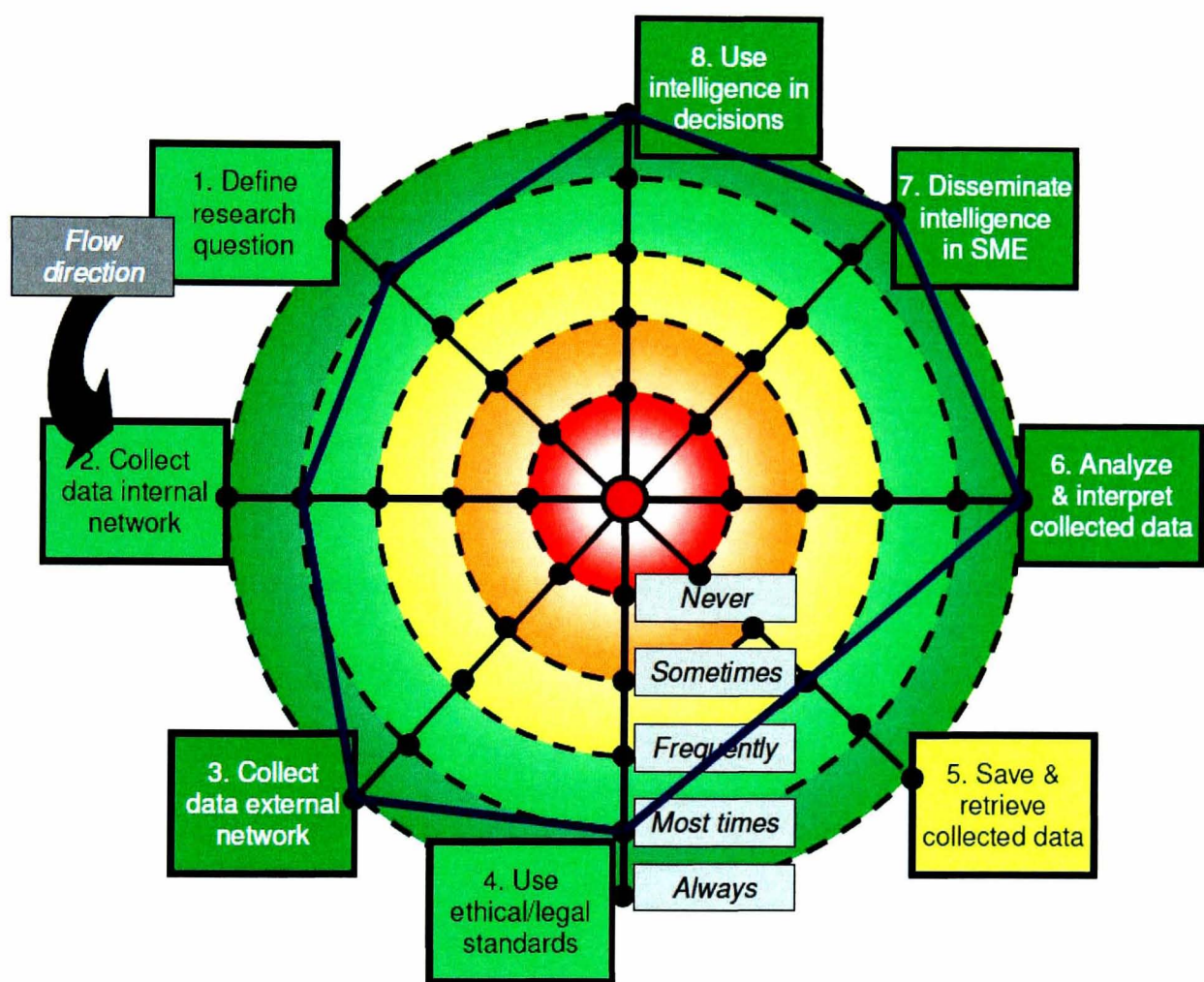


Figure 5.20: Deltafilter BV's spider web model shows that almost all absorptive capacity steps are frequently used. The storage of competitor data could be improved.

Partially supporting Johnson and Kuehn (1987), Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003); subordinates, customers, and distributors are regarded as important. The competitors' staff are important too, but suppliers and trade associations are unimportant. Supporting Fann and Smeltzer (1989), personal data sources are more important than impersonal data sources. Internet, as described by Mosey *et al.* (2002), is quite important. The managers are aware of legal and ethical data collection issues, although one past unethical data collection case has been

identified. The competitor data storage is unstructured, but the owner-manager has physical files. This enables him to tap into the available information, as suggested by Strandholm and Kumar (2003). He is not concerned about data security, but access to these files is restricted. Contradicting Lybaert (1998), he has a splendid analysis capability. Time, as well as the characteristics of the owner-manager, are study limitations, which supports Gilmore *et al.*, (1991). Supporting Wright *et al.* (2002), the study for technology – but not competitors – has been embedded in the organisation. Deltafilter concludes that the usefulness of competitor study is limited, which contradicts Fuellhart and Glasmeier (2003), and management see no relationship between competitor information use and business performance, contradicting Lybaert (1988).

5.2.5 Within-case report of SE 5 Echostaff BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Evan (mr)	Managing Director	Management team (Echostaff)	Sales & General affairs	48	9	Polytechnic	Extensive
Eric (mr)	Owner-manager	Management team (Great Holding)	General affairs	60	31	Academic	Extensive
Edward (mr)	Manager Marketing	Management team (Great Holding)	Marketing	39	approx 5	Academic	Average

Table 5.30: The details of Echostaff BV’s and Great Holding’s managers who were interviewed.

5.2.5.1 General company description

The Dutch business-to-business service company SE Echostaff BV, Edward explains, ‘is a maritime flexible work agency and Great is the Holding Company hanging above it’. Echostaff was established in 1976, it employs 20 FTEs, and its annual turnover is € 13 million. Great’s founding-father is Eric, and Edward is its marketing manager. Evan is Echostaff’s managing director. ‘Echostaff is mature’, Eric says, but Edward ‘supposes’ that there is ‘further growth’. Echostaff has a long-term planning focus and uses a differentiation focus strategy. Edward concludes that Echostaff ‘has competitive advantage due to specialization’... ‘we have had a growth model mainly through a lot of takeovers. We are now trying to turn it more towards autonomous growth’. Evan however, notes that this advantage is disappearing: ‘for a while we have been the leader with that, but one is copied very swiftly’. Furthermore, Echostaff does not achieve its targets. Evan thinks that this is ‘because the internal quality of my process is way too low’. An external problem is that the profitable Dutch market shrinks, and, he adds, the ‘global scarcity of sailors is increasing’. As a result, the company is at the mercy of its current market. Nonetheless, Echostaff’s continued objectives are challenging; it now aims for unknown, international markets. Evan however, is pessimistic about this, explaining that this is a ‘growing market abroad where the margins are really too expensive and where one depends upon a certain volume’, concluding that Echostaff isn’t ‘really in a very comfortable position’.

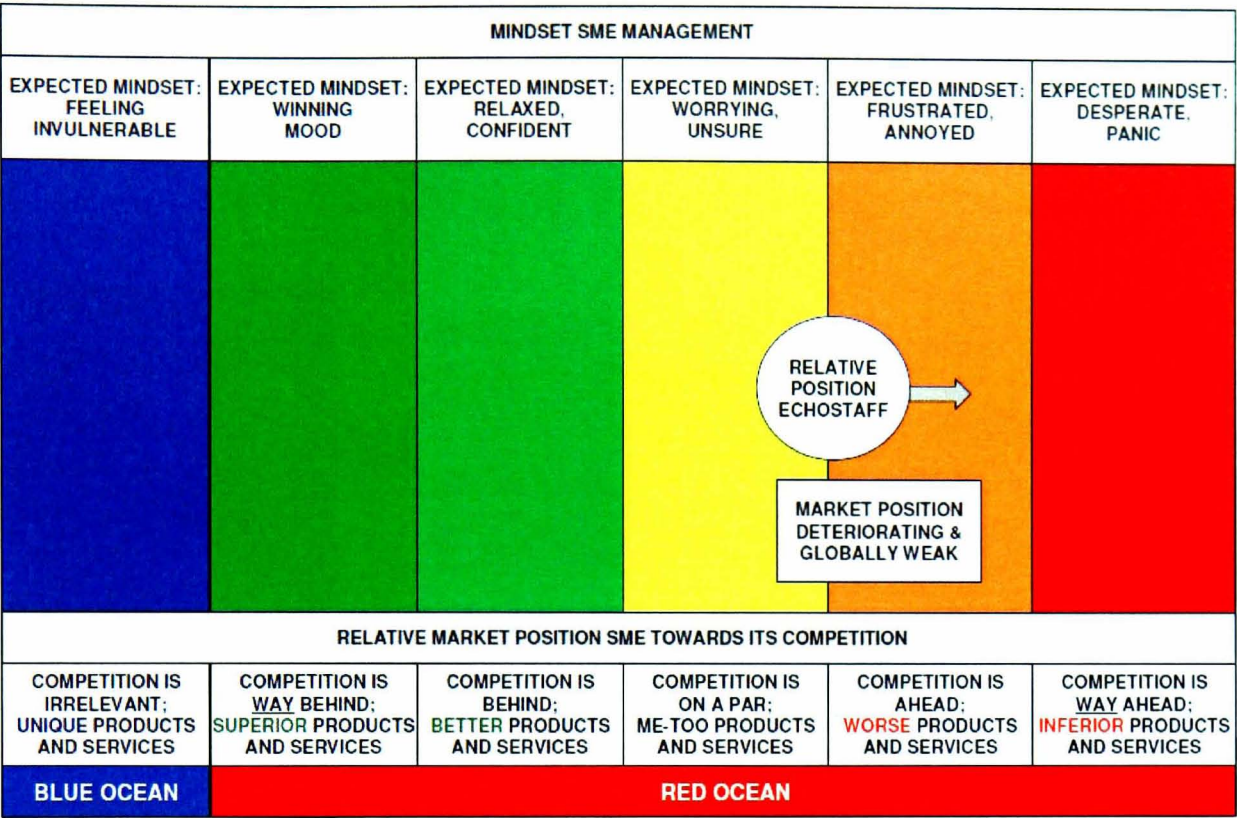


Fig. 5.21: The relative market position of Echostaff BV is deteriorating because competitors are copying its activities (concept based upon Blue Ocean Strategy, 2005).

5.2.5.2 General market description

Evan concludes that ‘our traditional [Dutch] market is a stove which has almost gone out’. Fortunately, the huge global market is increasing. Eric describes the current developments there: ‘if one looks at technology, one sees the ships getting bigger – getting ever bigger – and starting to sail with less crew’. He also notes that ‘the legislation around the ships is becoming increasingly complicated’, but also notices ‘movements of fleets to low-wage countries’. Evan is worried, because ‘the number of competitors has also increased much more’. Eric is less impressed, concluding that ‘the competition is fairly fragmented’. He expects the competitive intensity to remain stable. Echostaff exchanges information with its competitors, and this helps them with its own ‘flex’ workers. Eric is more concerned about ‘customers who are consolidating [and] very much look at price’. Furthermore ‘often, large groups take care of their crew business themselves’. Hence, customers become new entrants, offering competing services to other customers. Evan finally notes that sourceable sailors (Echostaff’s suppliers!) are also less loyal.

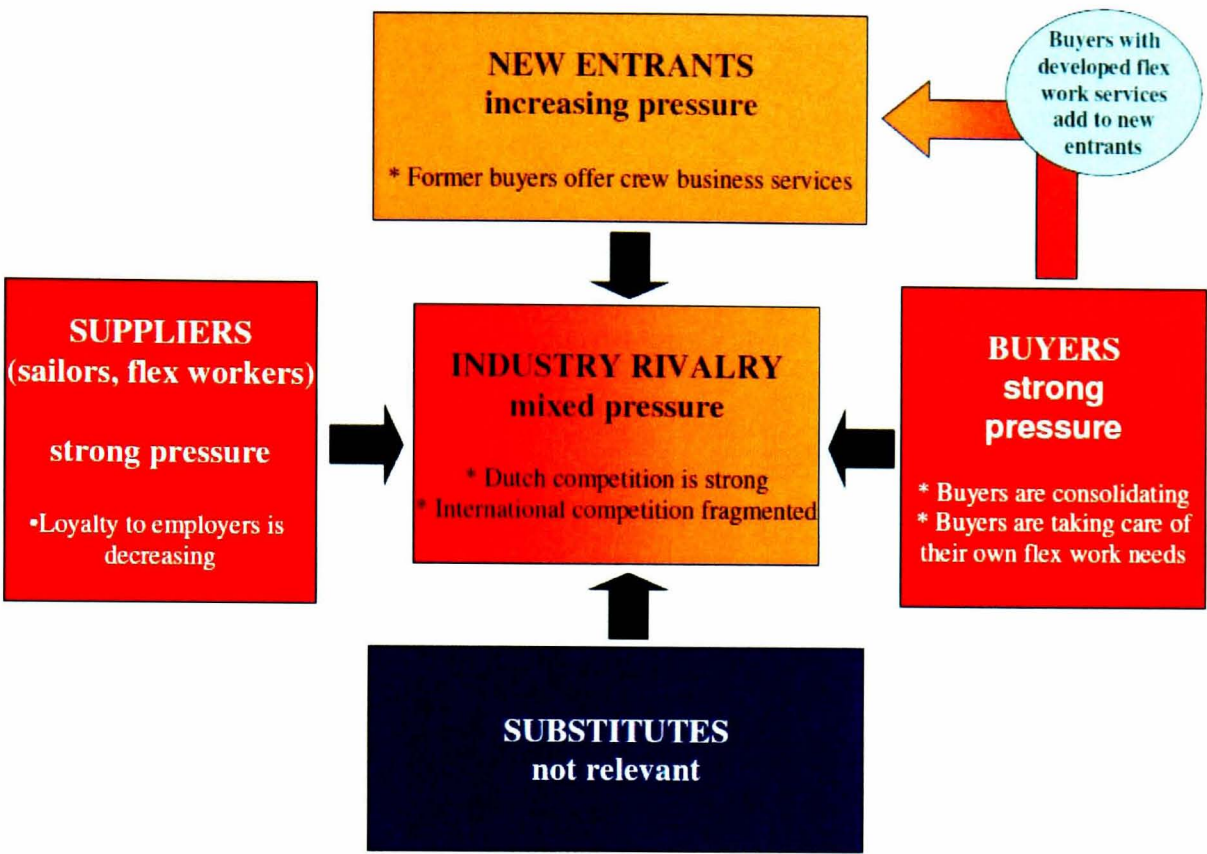


Fig. 5.22: The 5-forces model shows pressure on Echostaff BV by almost all market forces.

5.2.5.3 General competitor description

The competitive intensity, according to Edward ‘is very high’, but ‘remains the same’. Evan also adds that ‘6, 7 of [the 10 Dutch competitors] are very big players’. One very dangerous competitor copies Echostaff’s take-over strategy, whereas another one is aggressive with marketing and sales. He regards both of them as most ‘threatening’. One dangerous competitor diversifies into shipping management, whereas another pursues a low-cost strategy. Globally, Evan says, ‘there are hundreds of competitors’, adding that ‘we are minute compared to what these foreign guys are all doing’.

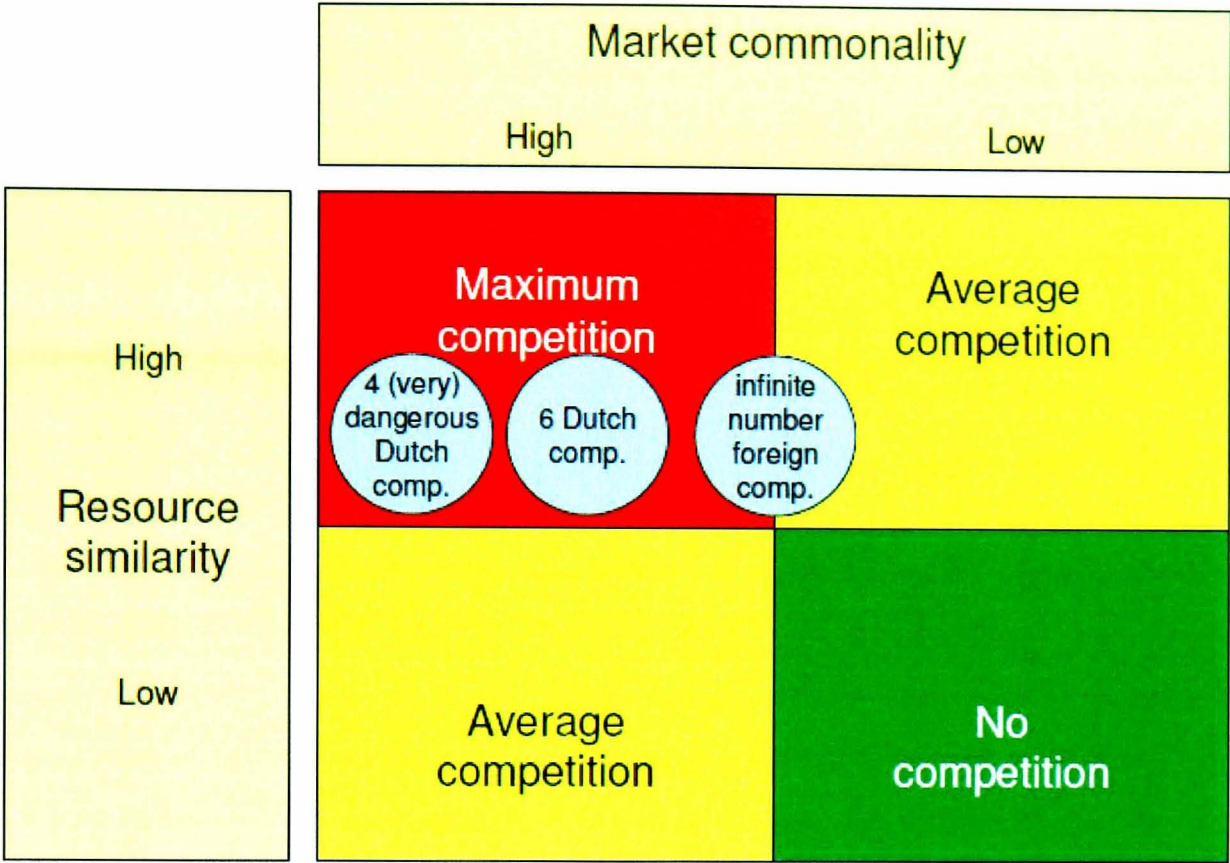


Fig. 5.23: Chen’s model (1996) shows that Echostaff BV has high market commonality and high resource similarity with its competitors.

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
The Netherlands	appr 10	2	1 very dangerous competitor copies acquisition strategy; 1 very dangerous competitor very aggressive in sales and marketing
		2	1 dangerous competitor diversifying into shipping; 1 dangerous competitor striving for costleadership
Outside The Netherlands	infinite	None	Fragmented global competition

Table 5.31: Echostaff BV has 10 Dutch competitors and numerous foreign competitors.

5.2.5.4 Environmental scanning and marketing activities

Echostaff uses a mix of a marketing and an entrepreneurial, opportunistic management orientation. Environmental scanning, Eric says, ‘happens in an unstructured way ..., and that it often has to do with events’. Evan concludes: ‘let’s keep it at the reactive ... perhaps we occasionally take some action though’. Edward notes, that ‘what we really study in a structured way is the developments in the branch, in the economy and in the labour market’. Echostaff’s marketing is implicit and simple, and Eric regards it as ‘a suppositious child within the group’. ‘We are not always successful [with marketing], because it is still worldwide and that is different from serving the machine factory at the corner...’. Nonetheless, Echostaff’s customer contacts are fine, and it uses acquisitions to get closer to international customers. Pricing, however, is weak and Evan explains that ‘[we] actually just mess around with tariffs related to the costs’. In addition, Echostaff’s core product (Dutch sailors) becomes outdated. Finally, its promotion is limited to an ‘openness and honesty’ brand image.

5.2.5.5 Management’s perception of the importance of competition

Edward and Evan regard competitors as ‘very important’. When he started at Echostaff, Evan notes, he was ‘all of a sudden’ confronted with competitors, but fully lacked marketing knowledge: ‘oh man, I had never seen a marketing book before’. Eric’s opinion is that ‘information about competitors is incredibly important, because it sometimes means that one can win a battle when waging a war’.

5.2.5.6 Internal and external reasons for competitor study

Echostaff’s internal competitor study reasons are related to growth objectives. Tactical information about competitor weak spots is used to win orders. Evan: ‘if one wants to use opportunities, one has to indeed know what one’s market is doing, what one’s competitor is doing’. According to Eric, Echostaff ‘shouldn’t start a fight to take away turnover from a competitor before it has studied and knows what the competitor’s weaknesses are’. Edward explains that ‘when one starts to look at the service supply we want to introduce or which we have, that one starts to look then: well, how do the

competitors do that?’ Eric studies potential take-over candidates, wants to learn from the competitors’ growth strategies, and studies competitors as a cost benchmark. Echostaff’s external competitor study reasons are ad-hoc and defensive. Edward explains that when ‘one encounters a company in the market, one starts looking somewhat further then’. Evan feels vulnerable, and states that ‘perhaps fear is a big word, but [I have] some concerns, actually about the size of such a [competitor], what they are doing ...’ Eric wants to be aware, because a ‘competitor is often also inclined to penetrate your successful markets’.

Echostaff	Daily activity			Special task	
	Day-to-day operation SME	Market behaviour opponent	Client loss danger / event	Prepare to survive in global market	Possible acquisition competitor
Competitor study activity level					
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.32: Echostaff BV monitors the competitor’s market behaviour. In-depth studies are used to develop new services and to study potential acquisition candidates.

5.2.5.7 Competitor study activity, frequency and duration

Echostaff’s competitor study, Edward says, ‘is not structured’. It is reactive, he adds, since ‘it actually happens more following a signal; [e.g.] an article you are reading about a competitor’. It is an incidental activity, and its frequency, Evan explains, occurs ‘in dribs and drabs [...] when something happens and one learns something’. According to him, the time spent on it is ‘nil, because it happens sporadically’. Eric on the other hand, says that he has ‘got a traditional Saturday morning when I am always in the office and that’s when I do these kinds of little things’.

5.2.5.8 Competitor study subjects

Competitor study subject Echostaff	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Group studies financing of comp. debtors
Strategy						Choice: 'white collar' or 'blue collar' markets?
Management						
Organisation						What are they doing, how are they organized?
Market						Comp. market segments, customer sizes
Customers						Comp. conditions to customers, satisfaction
Suppliers						Suppliers are the 'product', and studied well
Product / Service						Labour 'product' is studied well
Success / Failure						'Better stolen well, than thought of badly'
Competitive advantage						Weaknesses are scrutinized for opportunities
Capabilities						Owner-director studies them very strongly
Tactics						Incidental and limited study
Behaviour in market						Monitored to prevent nasty surprises
Quotations / Prices						Continuous interest in the other guy's prices
Other competitor study subjects						Cost benchmarking

Table 5.33: Echostaff BV is interested in tactical competitor study subjects. Echostaff's holding, Great, is interested in strategic subjects.

Great, Echostaff's holding company, and Echostaff study different competitor subjects. Great studies strategic subjects, like strategies, weaknesses, success factors, financing of debtors, and costs. Eric adds: 'I also look at the financial results and I say then: well, why do these [competitors] achieve that much margin and we only [receive] this much?' Echostaff only monitors tactical subjects, searching for sales opportunities and preventing client loss. Evan presents a tactical example: 'we also try to obtain whether they have had a study contract, or whether they have had extra reimbursement, what the structure of the contract is like'.

5.2.5.9 Competitor study in the organisation

Echostaff's competitor study is executed by its non-adapted existing organisation. Edward explains that 'everybody' needs information, 'because everyone is ... actually close to this market and it is important on every level'. The competitor selection, he adds, 'is up to whoever starts looking at something'. Central guidance occurs only prior to data-collection opportunities like 'open days' or trade shows. Finally, there is no coordination of Echostaff's competitor study.

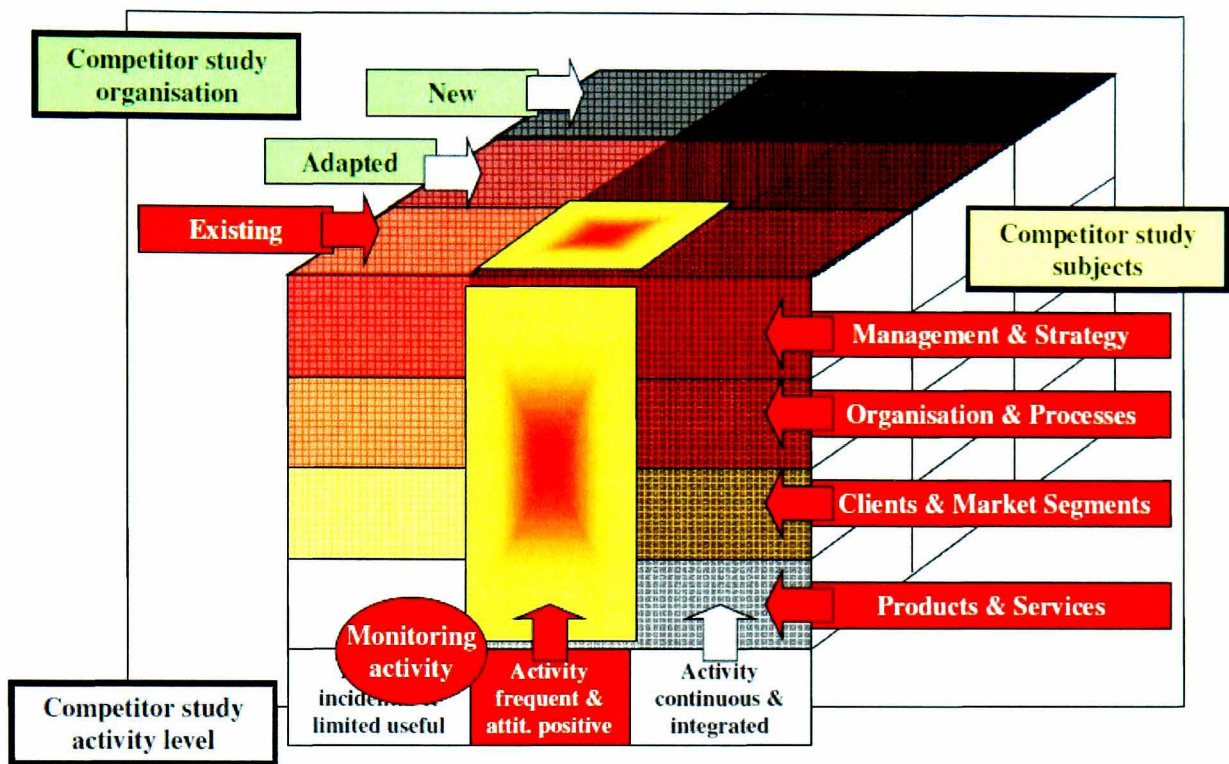


Figure 5.24: Echostaff BV is monitoring all elements of its competitors with a non-adapted, existing organisation, searching for sales opportunities and preventing client loss.

5.2.5.10 SE owner-manager role in competitor study

Eric, who is active at holding level, directs competitor studies: ‘I occasionally talk about it internally ... and say, just look a little bit closer at this’. He also formulates research questions, collects data, analyses data, and disseminates intelligence, although the focus is on Great’s ‘land’ activities. Evan has not even organized a competitor study activity. Edward is only active in market research. He lacks internal and external data networks, and simply guards Eric’s ‘former’ competitor files.

5.2.5.11 SE owner-manager education, experience and knowledge

Eric’s academic education is unfinished, whereas Evan, the managing director, has a polytechnic education. Their experience and knowledge is extensive. Edward has an academic education, but lacks maritime experience and knowledge. Evan suggests an indirect relationship between education and competitor study, saying that ‘when you want to have a good insight into the market and know what your competitors are

doing, you will have to be fed indeed with those kinds of [analytical] tools and to structure them’.

5.2.5.12 Competitor study research questions

Eric starts his competitor study with general research questions, searching for more specific details later. Evan occasionally instructs his staff prior to trade show visits; ‘not that it is on paper, but it is always just a ”reminder” though’. Edward only studies competitors when he encounters them in the market.

5.2.1.13 Competitor study data sources

					Data sources Echostaff										Remarks				

for a competitor. *External personal* data sources are competitor meetings at trade shows, customers, the branch organization, and flex workers (suppliers). Leaflets and offers are important *external impersonal* sources.

5.2.5.14 Ethical and legal data collection

Echostaff’s managers regard competitor study as a normal, ethical activity, and even state that it is ‘fun’. Evan says that ‘a little bit of secrecy and sneakiness is also allowed, as long as it can be done within a legal framework though’. Eric adds that ‘the line is to try to get the utmost, from everywhere, but I wouldn’t steal it’.... His motivation is that ‘if I don’t do it, I would consider it unethical towards my own company’. Nonetheless, Echostaff uses illegal and unethical data collection methods. Evan: ‘once they sent the [competitor’s] ‘payroll.’ We immediately just copied it’. Furthermore, ‘when I see a phone list laying around, then ... I take the phone list in my pocket with me’, adding that ‘I was once at a company and I happened to have my camera with me. I was alone in the room for a moment and [all the staff schedules were] hanging on the wall, and I just took a picture then’. Edward placed fake Internet personnel ads. Eric breached due diligence confidentiality, and also asked ‘flex’ workers to register themselves with competitors, hoping to learn their conditions.

Echostaff		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	Uploading fake vacancies at internet website	yes		yes	
	Used camera for photo staff schedule during visit competitor		yes	yes	
	Sent fake flex workers to competitor to obtain data	yes		yes	
TOTAL # UNETHICAL	3	2	1	3	0
Recorded illegal data collection cases	Copy of wrongly addressed payroll in closed envelope		yes	yes	
	Disclosure of due diligence competitor information		yes	yes	
	Took competitor's telephone list without approval during visit		yes	yes	
TOTAL # ILLEGAL	3	0	3	3	0
TOTAL #	6	2	4	6	0

Table 5.35: An assessment of Echostaff’s possibly unethical and illegal data collection practices reveals 6 of these data collection cases.

5.2.5.15 Competitor study data storage and access

Echostaff doesn't register or store its competitor data. Evan says that 'one should write down everything one learns just to collect information. However, we don't do that'. He adds that 'we aren't consistent enough', explaining that 'we are too soft with that'. Edward only stores outdated information at Great. Any interested staff, he says, has to pass by him first to get to it - 'if ever the question should come up'.

5.2.5.16 Competitor study data analysis

Echostaff only collects data, but double-checks rumours. Its analyses and data interpretation are limited. Eric is frustrated that his directors study competitors, but 'they aren't doing enough with it next'. Furthermore, there have only been 2 previous occasions when his managers got together to work on strategic plans.

5.2.5.17 Competitor study intelligence dissemination

Echostaff's intelligence dissemination is unstructured and informal. Evan notes that it is 'an agenda item' during management team meetings, and that he informs his boss by email or face-to-face. However, written reports, follow-on data collection, or additional research questions are lacking. Eric is not even informed, and thinks that 'there are reports about [competitors], but they don't get to me'.

5.2.5.18 Competitor study resource constraints

Echostaff struggles with its competitor study resource constraints. Evan: 'I don't think that money is a problem.... at the time it is knowledge and time then'. Furthermore, 'we actually do not even know clearly what our cost really is'. Eric doesn't think that time is the issue; 'perhaps it also has something to do with setting priorities'. Edward agrees: 'too few people, or not enough time for the people, or too much attention for other issues – obviously it is all quite connected'. There is just one marketing manager, who lacks an internal data network. A past attempt to introduce competitor study failed, he says, 'because we haven't succeeded in making it clear that it is very

important’. Evan points towards Great’s culture and priorities: ‘I also experience Great as a large bureaucracy’ ‘the one who screams loudest is the first who is helped’.

Competitor study resource constraints Echostaff	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						No financial & tariff info, no analysis knowledge
Employees no ethical / legal knowledge						
Employees no source knowledge						
Insufficient number of employees						Key issue: marketing dpt too small to be useful
No available money						A lot of money is invested in marketing new products
No available time						Owner-director: issue is about setting priorities
No external network						
No internal network						Marketing manager does not have a network at all
Staff sceptiscism about competitor study						
Understanding employees company						
Other perceived resource limitations....						Cultural differences, internal communication, study structure, marketing knowledge, entrepreneurship

Table 5.36: Echostaff BV’s competitor study resource constraints are all big limitations.

5.2.5.19 Assessment of the usefulness of competitor information in decision-making

Eric considers competitor information to be useful, provided ‘the correct analysis is distilled from it’, and he ‘certainly’ obtained business by making use of it. Edward however, regards ‘it as having limited usefulness’. Evan doesn’t even recall any useful information, ‘because I would otherwise be able to recall that immediately’. Therefore, competitor information is not used in Echostaff’s decision-making process.

5.2.5.20 Measurement of competitor study results

Echostaff doesn’t measure its intelligence result. Eric actually is unsure about what to measure, and he says: ‘I consider [competitor analysis] to be very important but what will it result in below the line? I wouldn’t know that’.

5.2.5.21 Competitor study activities of Echostaff BV and extant literature

Echostaff has existed for 20 years. It is in a mature life cycle stage, but it still is a small company, which supports Deakins and Freel (1998). The environmental scanning is reactive and unstructured, supporting Farhad and Azhdar (2002). The marketing is implicit and simple, and, contrary to Scott and Bruce (1987) and Carson (1990), it is ‘still a suppositious child’. Echostaff does not have a negative attitude towards competition in general or, following Sammon *et al.* (1984), a negative attitude regarding competitor study. Echostaff cooperates and shares flex workers with competitors.

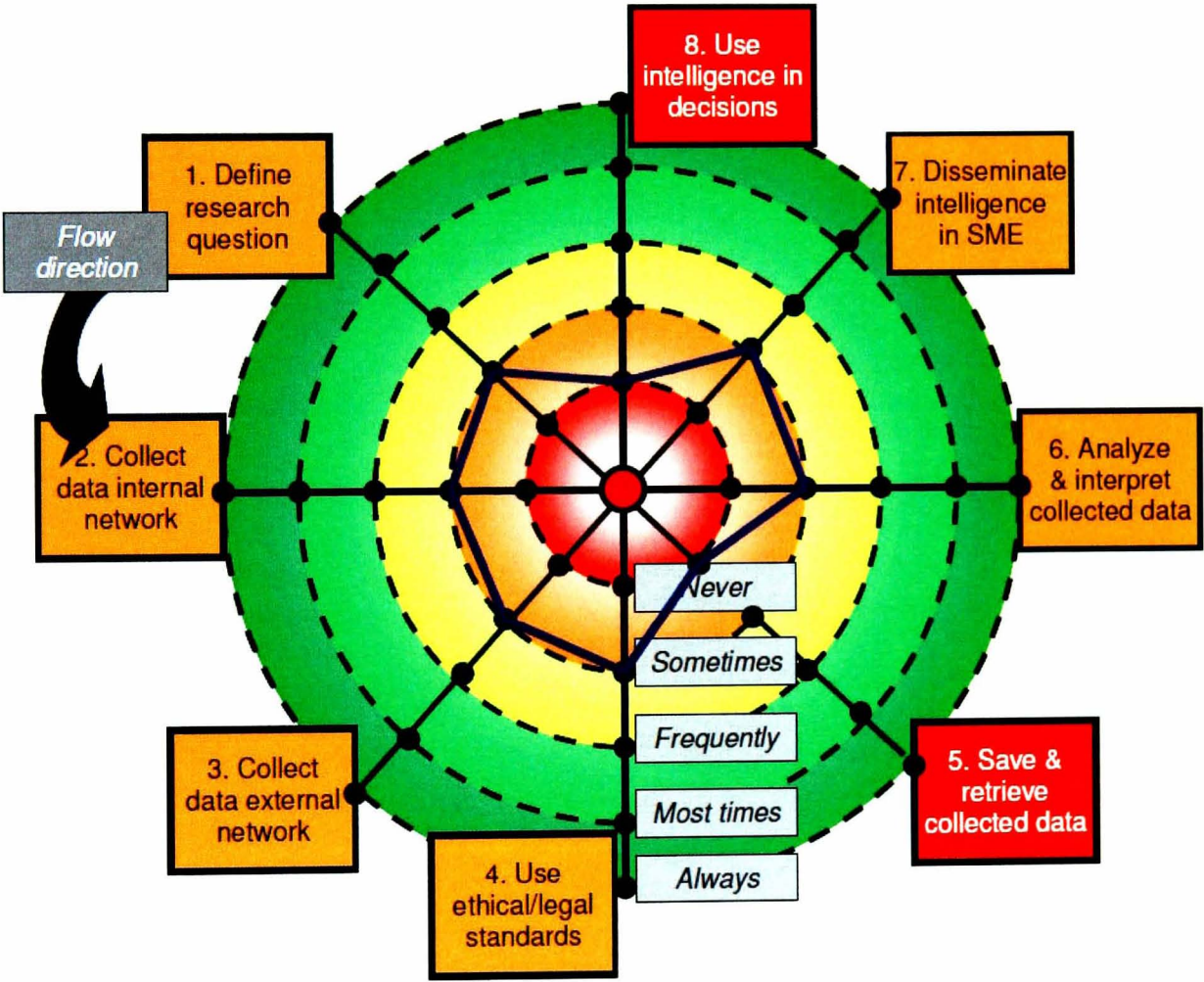


Figure 5.25: Echostaff BV's spider web model shows that its competitor study is below the necessary levels and that its absorptive capacity is completely blocked.

Echostaff's competitor study is sporadic and unstructured, which supports Ganesh *et al.* (2003), although its growth stagnates in a shrinking domestic market - which contradicts Fann and Smeltzer (1989). Furthermore, Lim *et al.* (1996) are also not supported; competitor study is lacking, although Echostaff considers an entry into

international markets. The lack of a competitor study activity doesn't fit the categorization of Wright *et al.* (2004), and it could be described as a 'neglecting attitude'. The reason for the lack of competitor study is that Echostaff's managing director cannot organize these activities. Echostaff lacks an owner-director, and contrary to Hill and Wright (2001) and Viviers *et al.* (2002), neither Echostaff's managing director nor its managers are active in competitor study. The marketing manager at Great Holding only guards the former owner-manager's competitor files - which doesn't support Pelham and Clayson (1988) and Woods and Joyce (2003). Only the founding father, owner-manager at Great Holding, understands the strategic decision making at the level described by Deakins and Freel (1998). Supporting Raymond *et al.* (2001), one manager suggests an indirect relationship between education and competitor study. The managers either use general or reactive research questions. Data is collected within very small, non-extensive networks, confirming Curran *et al.*'s (1993) view. Only 6 sources are frequently used, including subordinates, customers, and suppliers/flex workers, supporting Johnson and Kuehn (1987), Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003). Branch associations are used, but only at holding level. Contrary to the conclusion of Fann and Smeltzer (1989), impersonal sources are more important than personal sources, and, contradicting Mosey *et al.* (2002), internet is not important. Echostaff's managers are aware of legal and ethical data collection issues, but 6 unethical or illegal violations have been unearthed. There is no up-to-date competitor data storage, making it impossible to tap into the available information, as suggested by Strandholm and Kumar (2003), and managers are not concerned about data security. Supporting Lybaert (1998), the analysis capability of Echostaff is insufficient. Main competitor study limitation is that the activity is not a priority, supporting Scupola (2003), and, supporting Wright *et al.* (2002), therefore has not been implemented in the SME. Hence, competitor information is not used in decision-making, and the findings of Fuellhart and Glasmeier (2003) are not relevant. Obviously, contradicting Lybaert (1988), there is no relationship between competitor information use and business performance.

5.2.6 Within-case report of SE 6 Foxtrotmetal BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Frank (mr)	Managing Director	Management team	Sales & General affairs	43	7	Academic	Extensive
Felix (mr)	Manager Sales	Management team	Sales	53	20	Vocational	Extensive
Frederic (mr)	Financial Director	Management team	Finance	42	8	Academic	Extensive

Table 5.37: The details of Foxtrotmetal BV’s managers who were interviewed.

5.2.6.1 General company description

The Dutch independent business-to-business SE Foxtrotmetal BV was established in 1931. It employs 35 FTEs, and the annual turnover is € 14 million. The financial result is above target. Frank, the managing director, and Frederic, the financial director, are the owner-managers. Foxtrotmetal imports machine metal processing equipment, and sells this to 280 Dutch and Belgian customers. Frank is proud that they ‘are one of the bigger parties in The Netherlands’. Felix is sales manager. Foxtrotmetal’s differentiation strategy includes a focus on the sales of high-quality machines and services to improve its competitive advantage and relative market position. Although the company is vulnerable in its current market with a me-too part of its product portfolio, it increasingly sets its own future toward better products. Felix is convinced that ‘we are actually by far number one at the high-end of the market’. The objective is long-term continuity, with, what Frank describes as ‘a fair profit’. Felix states that ‘there is only one way to grow for us, and that is to win market share, [and] take it away from others’. Frederic however, explains that ‘Foxtrotmetal is a mature company ... but in my perception we are in a kind of transition stage’. ‘[We have] come to the conclusion that we won’t be able to make it in the [long] term with ‘business as usual’. We have to do it in a somewhat different way, [and] we have to look at new markets’.

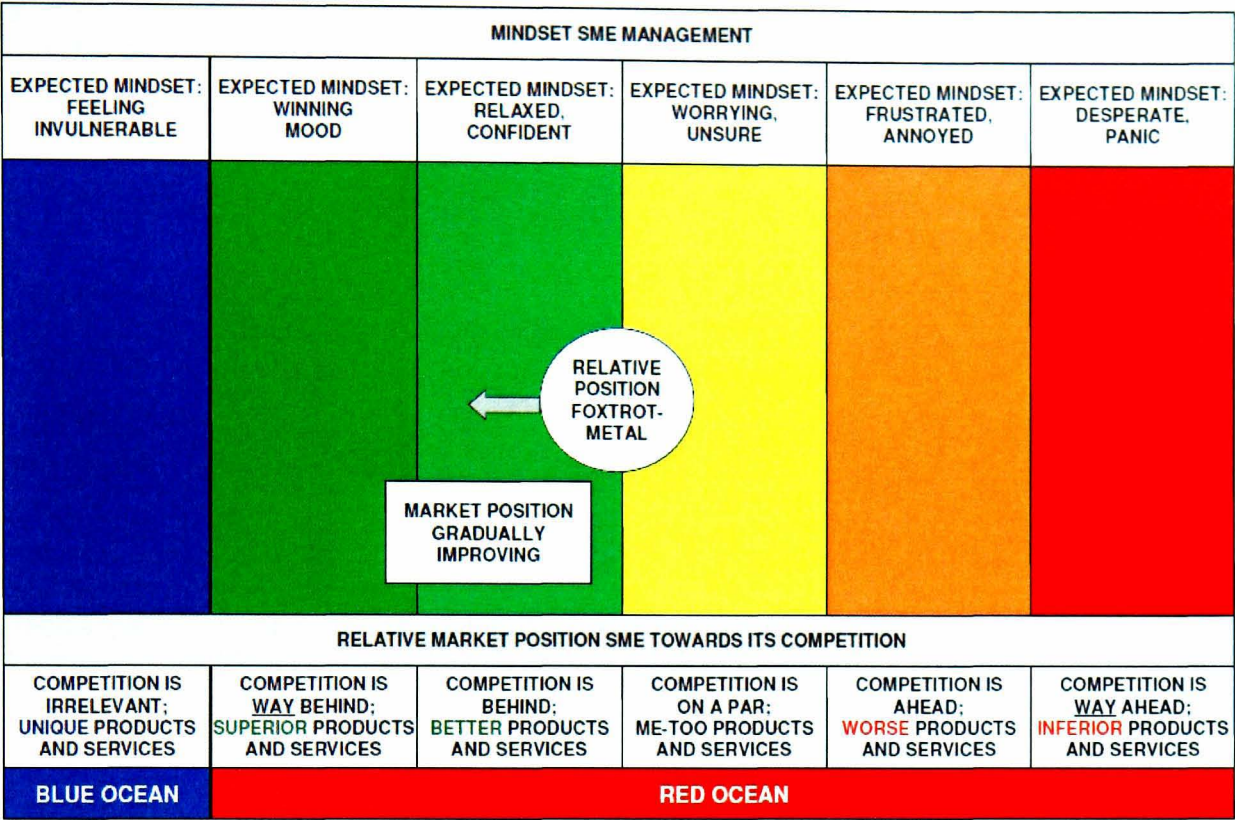


Fig. 5.26: Foxtrotmetal BV consistently strives to obtain high quality machines agencies, and thus improves its relative market position (concept based upon Blue Ocean Strategy, 2005).

5.2.6.2 General market description

The market size is average, but Frederic concludes that ‘the market is shrinking’, because ‘mass production is moving to the Eastern Bloc’, and because of ‘more automation, more robots’. Hence, the competitive intensity is very high and increasing. Frank explains that ‘the market really doesn’t grow at the same pace according to the number of [competitors] that are added’. Frederic adds that ‘one [person] or two people companies are established. Frank explains why: ‘[our market] doesn’t have a high entry barrier so that is often definitely a reason why a lot of one-man bands give it a go to enter into this market’. These bands represent Asian machine manufacturers, and the quality gap between Asian and Foxtrotmetal’s machines decreases. Frederic notes that ‘pressure also comes from the customer’; there are always 5 companies competing for the customers’ needs, large customers now bundle their purchasing, and re-buys take place at the lowest prices. However, the biggest pressure, according to him, ‘comes from the manufacturer (supplier), who – more or less – actually demands that you sell’. In addition, Foxtrotmetal also depends on its suppliers’ technical knowledge and support. Substitutes are not relevant.

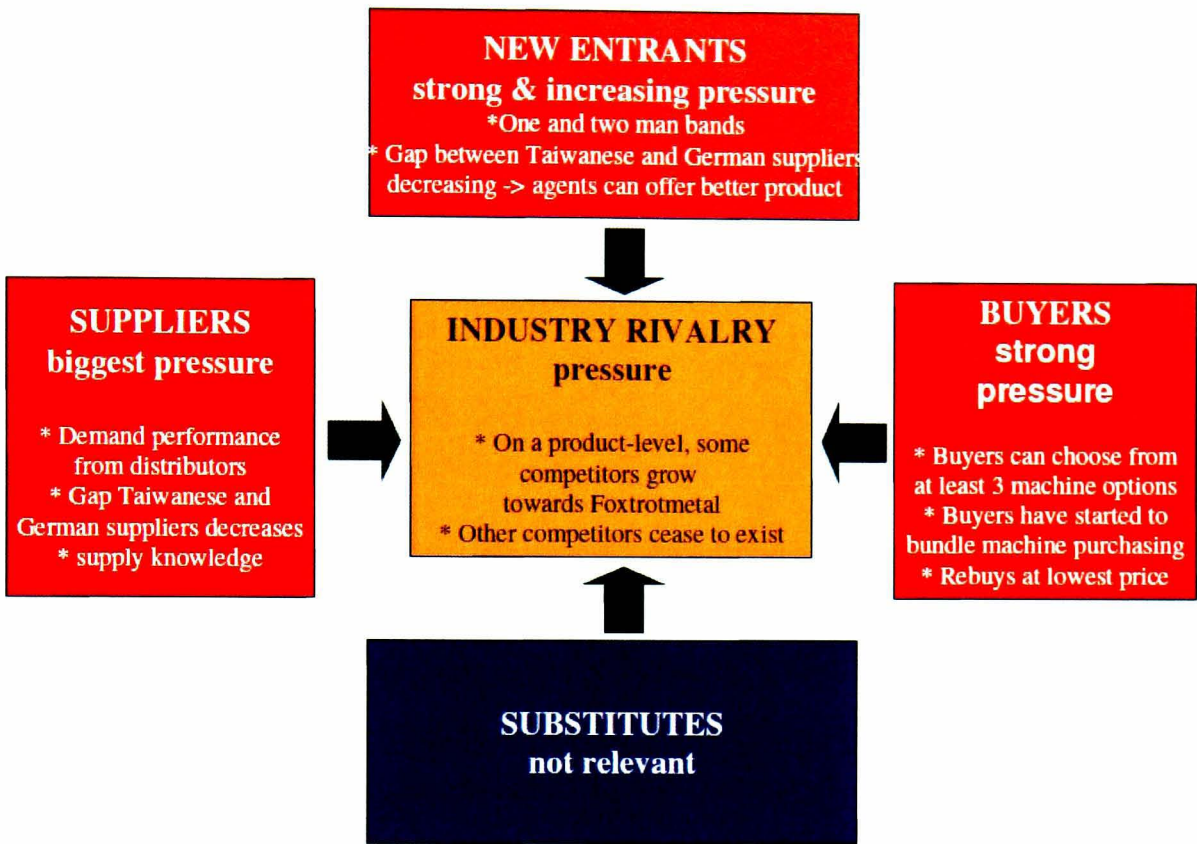


Fig. 5.27: The 5-forces model of Foxtrotmetal BV shows a highly competitive business environment with strong pressure coming from suppliers, buyers, and new entrants.

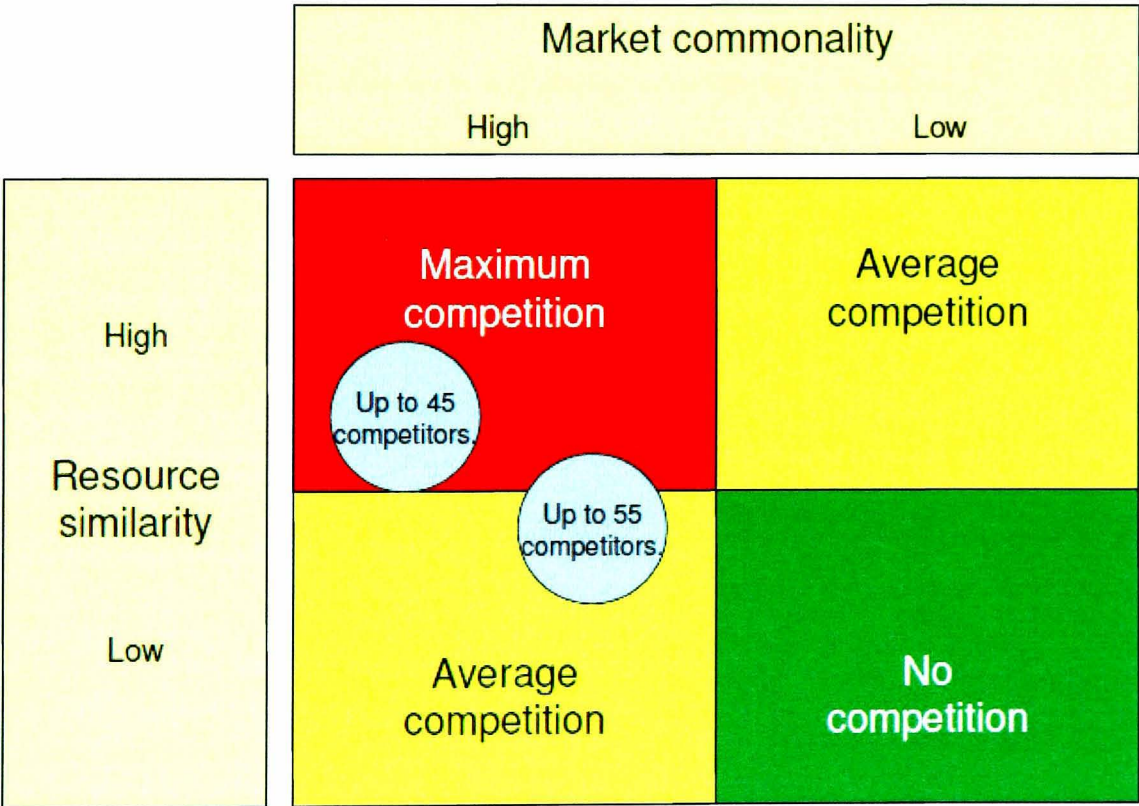


Fig. 5.28: Foxtrotmetal BV has high market commonality and high resource similarity with 45 competitors, and high market commonality with 55 competitors (Chen, 1996).

5.2.6.3 General competitor description

Foxtrotmetal faces a large number of competitors in most of its product categories. In total, Foxtrotmetal has 100 SME and large competitors. Frank concludes that ‘there are somewhere between 10 and 15 really big players we are fighting, and next to those another 30 small ones – so that’s quite a group’.

5.2.6.4 Environmental scanning and marketing activities

Foxtrotmetal combines a sales orientation with a marketing orientation, and uses commercial and technological environmental scanning. Frank is ‘continuously looking for new trends, new technologies, new applications, innovations’. Frederic on the other hand, thinks that Foxtrotmetal is ‘mainly reactive. The information comes to us; we don’t search for it primarily’. Felix explains why Foxtrotmetal doesn’t scan for competitors: ‘we are actually by far number one at the high end of the market. And what our competition is doing; yes, I regard [that] somewhat as their problem’. The marketing is implicit and simple, and sales-focused. Foxtrotmetal uses its database, Frank says, ‘either to map where we have sold in the market, where we want to sell, where we can sell, [and] what our competitors are doing’. He adds that ‘[we] really have to search for the niches, and offer very specific client-focused solutions in the niches, and to raise our service level’. Felix adds: ‘we are actually at the high-end of quality’ [and] ‘we don’t want to be cheap-priced volume sellers’. Finally, Foxtrotmetal’s promotion, according to him, consists of ‘an e-mail every 2 weeks with a number of technical issues’.

5.2.6.5 Management’s perception of the importance of competition

Frank considers competitor study ‘a second or third priority’, adding that ‘the most important one is to study where our market is heading’. ‘I actually do not consider what our competitors are doing as very important’. ‘I study it, but because I want to differentiate myself – but I am not copying. When I study competitors, one continuously tries to be one step ahead of them’. Frederic regards competitors as ‘incomparable’, whereas Felix regards study ‘as important indeed for the building of a

picture; however, since we actually are at the top level of the quality, I always do try to make my own plan’.

5.2.6.6 Internal and external reasons for competitor study

The internal reason why Foxtrotmetal studies competitors, Frank says, is that ‘one looks for growth in current or new markets and that is also a drive then to go there. At the same time one tries to direct one’s internal decision-making process a little bit more on that’. He explains that ‘we look in particular at the products [the competitors] sell and to see how these products compare with those of ours, or at the price levels which they are at’. We want to know, he says, ‘where are we now? Where are we standing?’ Foxtrotmetal analyzes lost orders to improve sales propositions, and studies the competitors’ high-quality product suppliers, looking for opportunities to become their distributor. Frederic wants to benchmark Foxtrotmetal against competitors. Felix talks to competitor staff because he is ‘always also busy with if someone leaves [Foxtrotmetal], where could I get someone then?’ The main external reason why Foxtrotmetal monitors competitors, Frank says, is to ‘continuously keep a keen eye on them with regards to which movements they are making; just to know when they may put a spoke in our wheels’. Felix studies new start-ups, because ‘that is actually also a weak spot’.

Foxtrotmetal	Daily activity			Special task	
Competitor study activity level	Day-to-day operation SME	Market behaviour opponent	Monitor potentially dangerous start-ups	Search for growth in current / new market	Contact high-quality competitor supplier
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.38: Foxtrotmetal BV reactively monitors competitors when it is confronted with new products. Market behaviour of competitors, and start-ups in particular, is actively monitored. In-depth competitor study is used to search for growth, and to study high-quality suppliers.

5.2.6.7 Competitor study activity, frequency and duration

Foxtrotmetal’s competitor study is unstructured, incidental, and regarded as limited useful. Felix admits that ‘we are not doing it in a structured way’. It is a daily reactive, informal monitoring, but Frank explains that ‘most of our competitors use the same procedure that we do: start very strongly with their own strengths and keep half an eye on the competitor’. He spends ‘2 hours every 2 weeks’ on this. Felix studies competitors once a month, but he doesn’t know how long. Frederic’s frequency is even less - ‘I just do it once a year’ – and he only spends one hour on this activity.

5.2.6.8 Competitor study subjects

Competitor study subject Foxtrot-metal	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Important to managing director
Strategy						Client's product-market combinations served
Management						Who is behind it, what kind of people?
Organisation						MD interest general org.; SM interest sales org.
Market						Continuously monitored/studied
Customers						Which clients are served by the competitor?
Suppliers						Which agencies do they have?
Product / Service						How do the products compare to own SME?
Success / Failure						What is it they are successful with?
Competitive advantage						Where are they better than us?
Capabilities						How do they develop?
Tactics						
Behaviour in market						Continuous monitoring, prevent surprises
Quotations / Prices						Are these machines really cheaper than ours?
Other competitor study subjects						Promotional activity, office and factory comp.

Table 5.39: Foxtrotmetal BV’s competitor study subject list focuses on sales opportunities as well as a monitoring of the competitors’ behaviour.

Foxtrotmetal’s competitor study subjects focus on new business. It is interested in marketing strategies, *which* clients are served, and *how* these are served. Frank describes the ad-hoc character of their competitor study; ‘when one is confronted with a particular product, one first starts to probe, like: who are the possible competitors I do not know yet?’ He studies capabilities, organisational quality, and market behaviour. ‘We look in particular at the products they sell and to see how these

products compare with those of ours, or at the price levels which they are at'. Felix is interested in the competitors' sales teams, new machine developments, and their suppliers.

5.2.6.9 Competitor study in the organisation

The competitor study takes place in several places in Foxtrotmetal's non-adapted, existing organisation. Frank tells that 'the initiative is in the hand of external sales or internal sales'. 'The sales management, external sales' selects the competitors, but Felix also points out that Foxtrotmetal's 'management, ... because they are partner in this discussion', do so too. Frank adds that 'eventually there are also people from finance who occasionally study that too', and 'we have also got someone for that in marketing who looks at that'.

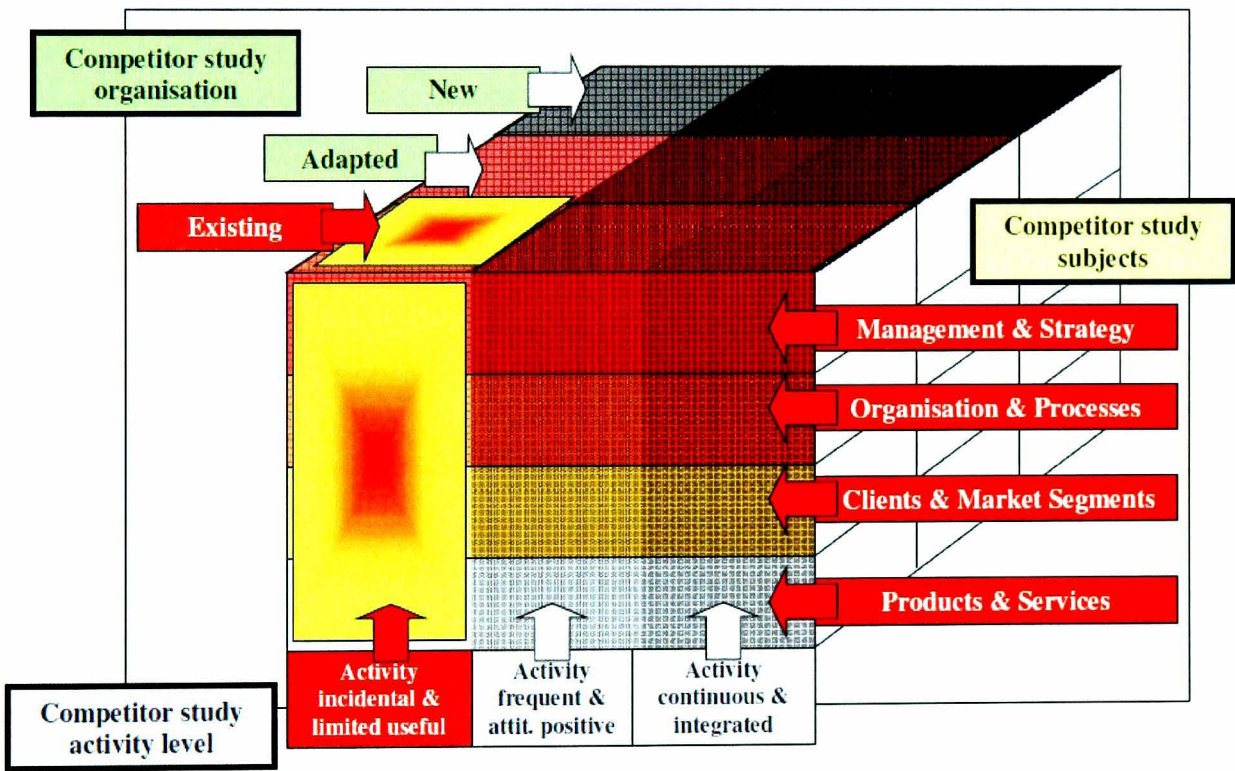


Figure 5.29: Foxtrotmetal BV uses its existing organisation to study or monitor a wide range of competitor subjects. However, the actual competitor study activity is only incidental.

5.2.6.10 SE owner-manager role in competitor study

The owner-manager responsible for sales is a key competitor study player. Frank formulates research questions, and says: 'I also did the analyses myself, also collected the data myself, and asked people here and there, or gave feedback again'. 'I am

always [at branch organisation meetings]' he adds, 'hence that's why I also know a lot of competitors. I am right in the middle'. Frederick, the owner-manager responsible for finance, says that 'the only one who [incidentally] studies [competitors] with regards to finance, is me'. Felix, the sales manager, is involved too; 'Frank and I took a look at one of the biggest competitors for one of the products we have got'.

5.2.6.11 SE manager education, experience and knowledge

Frank explains how education helped him: 'with technical education one looks at technologies, and with Business Administration I have predominantly started to look at business processes as well as the company structures and strategies. In particular at strategy and marketing'. Experience is key; 'when you don't know the market, and you lack technical feeling about it, it is very difficult to map markets, to map competitors'. Frederic has a postgraduate Polytechnic and Academic education, and 8 years experience, but a relationship with competitor study is unclear. Felix has a vocational, technical education, and 20 years experience, but he is more convinced of 'the commercial view with which [he] look[s] at something'.

5.2.6.12 Competitor study research questions

Frank's research question, he says, is that he is 'usually looking for clear information', although it also happens that 'I have just learned something again and we'll just start having a look then'. Research questions prior to trade show visits are well-prepared. Frank explains that 'when we visit such a trade show, I have got a complete plan where my calendar is filled from 09.00 am to 18.00 pm'.

5.2.6.13 Competitor study data sources

Foxtrotmetal uses equally important personal (7 sources) and impersonal (7 sources) competitor data sources. The *internal personal* sources are the sales people, sales managers, and Frank. *External personal* sources are competitors and suppliers. Frank 'frequently' talks to competitors, he says, 'during all kinds of meetings, happenings and trade shows'. Furthermore, his supplier, Felix explains, 'writes a complete

competitive report with regards to machine types [and] the developments in a company after every trade show. And they buy competitor machines, to disassemble these’. *External direct* sources are branch union meetings and trade shows, competitor products, personnel ads, and Frank adds, that ‘we take technical specifications from [competitor] websites’. *External indirect* sources are the internet, competitor suppliers’ websites, the branch union’s member book, and branch magazines. Frank is reluctant to use customers though; ‘one has a confidential relationship with a customer ... [and] I am not going to ask about where the competitor is better. I don’t consider that very appropriate’.

Data sources Foxtrotmetal						Remarks								
Internal direct source	Internal indirect source	External direct source	External indirect source	Personal data source	Impersonal data source	Not used, no access	Incidental use / access	Frequent use / access	Continuous use / access	Not important source	A little bit important source	Important source	Very important source	Remarks
					SME employees									In particular the external sales department
					SME ManDir / OwnDir									
					SME non-MD/OD Management									In particular departmental sales managers
					SME staff – former competitor staff									No known particulars
					SME other internal direct data sources...									
					SME database									Sales visit reports; use/usefulness unclear
					SME other internal indirect data sources...									
					competitor speech / seminar									
					management & staff direct competitor									Occasional trade show meeting with comp.
					non-SME former competitor staff									
					litigation / case against competitor									
					competitor trade show / exhibition									We are trade show animals. We visit them all.
					competitor open house event									
					competitor office / factory									
					competitor annual report									Most comp. are SMEs without annual reports
					competitor leaflet									Source leaflets is trade shows. Importance?
					competitor advertisement & advertorial									Sales managers tools active with this source
					competitor offer / quotation									Not used because SME can't get these
					competitor website									Hyperlinks to comp. sites on pc man. director
					competitor physical product									Machines competitor studied at trade shows
					SME other external direct data sources...									Website suppliers of competitors
					customers									Limited use; fears damage relationship
					branch organisation									Meeting point competitors + publishes book
					chamber of commerce									
					management & staff indirect competitor									Happens occasionally. Not important source
					external general consultant									
					external marketing consultant									
					internet in general									Fast, effective data search with Google
					library or database									
					magazines / newspapers / clipping services									Magazine article often triggers data search
					municipal government									
					land registry									Not used by sales man.; it is too much info!
					patent register									
					suppliers									Suppliers disassemble comp. machines & report
					SME other external indirect data sources...									

Table 5.40: Foxtrotmetal BV considers 7 personal and 7 impersonal competitor data sources as equally important, and frequently uses these sources.

5.2.6.14 Ethical and legal data collection

With regards to competitor data collection, Frank states, that ‘ethically, I think one should do that’, but ‘legally, one should also respect the law’. Frederic notes that ‘in an ethical perspective: obviously, it should be possible, since the information is

available’...[but] ‘no illegal actions’. Felix concludes: ‘I would never act illegally for it’. Nonetheless, one possibly illegal data collection case could be that Foxtrotmetal asks its ‘former competitor’ employees questions about their former employers / competitors. These employees are in a weak position, and Dutch law has stated that these kind of requests are not allowed - protecting the employees’ interests.

Foxtrotmetal		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	None				
TOTAL # UNETHICAL	0	0	0	0	0
Recorded illegal data collection cases	Asks its former competitor employees questions		Yes	yes	
TOTAL # ILLEGAL	1	0	1	1	0
TOTAL #	1	0	1	1	0

Table 5.41: An assessment of Foxtrotmetal’s possible unethical and illegal data collection practices reveals one illegal case – but it is quite possible that Foxtrotmetal’s management is unaware of the law which protects the position of former competitor employees.

5.2.6.15 Competitor data storage and access

Foxtrotmetal’s sales information system has files with client data, and Felix says that ‘sometimes ... you have got a chapter about competitor data’. Frank confirms that ‘[it is] not very much yet’, and ‘we haven’t organized it centrally’. He has some physical files, ‘but not very much is recorded’, and access to them is ‘upon request. Felix only has a stack of competitor leaflets ‘lying behind me, on the window sill’.

5.2.6.16 Competitor study data analysis

Frank explains that Foxtrotmetal’s staff has ‘a lot of branch knowledge, a lot of market experience’. Hence, he concludes that ‘we have got a lot of people who know exactly what a client finds interesting or not’. He states that ‘we have also occasionally analysed competitors in a team’. Surprisingly though, there is no indication that Foxtrotmetal double-checks its collected competitor data.

5.2.6.17 Competitor study intelligence dissemination

Frederic explains that Foxtrotmetal’s intelligence dissemination is by ‘e-mail, by word of mouth. Felix confirms this: ‘we ... do not do anything with regards to reporting’ ... [but] ‘we usually try to discuss it in a [sales] meeting’. Frederic adds that ‘Frank and I now have discussions with the [particular] manager...’. With regard to follow-on research questions, Frank explains that ‘at the time one bumps into something, one tries to continue digging ... [and] see if one can retrieve the true essence’.

5.2.6.18 Competitor study resource constraints

Competitor study resource constraints Foxtrotmetal	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						Company managers have different opinions
Employees no ethical/ legal knowledge						
Employees no source knowledge						
Insufficient number of employees						Financial director says that this is a limitation
No available money						Sales manager thinks this is reason lack of marketing
No available time						Management overwhelmed by loads of data
No external network						
No internal network						
Staff scepticism about competitor study						Management disagrees about setting priorities
Understanding employees company						
Other perceived resource limitations....						High number of competitors is database obstacle

Table 5.42: Foxtrotmetal BV perceives staff number, time, money, and the high number of competitors, as competitor study resource constraints.

Foxtrotmetal has competitor study resource constraints. The staff number, according to Frederic, ‘is insufficient to do it in a proper way’. Felix says: ‘I just don’t have the time to study [competitors] very intensively’. Frank confirms this: ‘I have still got weeks of mail lying on my desk’. Felix notes that the ‘marketing activities have suffered strongly over the past year because of a lack of money and development’. Frank thinks that his people can analyze data, but Frederic says that ‘the level of the people who should be doing this is sometimes just not high enough’. He adds that part of the staff is sceptical; ‘some people are convinced that [competitor study] has to happen, and others think: well yes, [but] not for my business’. Finally, Frank regards the high number of competitors as a database obstacle.

5.2.6.19 Assessment of the usefulness of competitor information in decision-making

Frank concludes that ‘80 %’ of the competitor information ‘is not really useful’, but ‘20 % has definitely been useful, and it has also led to a further sharpening of our strategy in a number of cases’. He says: ‘I just want to know for [our] sales where we are stronger’, adding, that ‘it has lead to tactical-operational behaviour in the market’, and ‘we have won orders a number of times because we had information’. Felix is certain that ‘it obviously influences your sales call if you know where you are positioned with regards to your competition’. It is useful, Frederic says, because ‘you can make more balanced decisions ... when you have to make choices’.

5.2.6.20 Measurement of competitor study results

Foxtrotmetal doesn’t measure a relationship between competitor study and financial results. Frank thinks that ‘[it] is not possible to show that. The relationships are very far away’. Frederic agrees, that ‘it is hard to assess that’. Felix on the other hand, concludes that they ‘have really won market share’, and have ‘also brought a number of clients on board’ using competitor study information.

5.2.6.21 Competitor study activities of Foxtrotmetal BV and extant literature

Foxtrotmetal has existed for 55 years. It is in a mature life cycle stage, but it still is a small company, which supports Deakins and Freel (1998). The technology and trends environmental scanning is pro-active and frequent, which contradicts Farhad and Azhdar (2002). The marketing is implicit and simple, and, contrary to Scott and Bruce (1987) and Carson (1990), it is limited to database marketing. There is no negative attitude towards competition in general, and, contrary to Sammon *et al.* (1984), the managers are positive about competitor study, but this activity is unstructured and incidental. This supports Ganesh *et al.* (2003). Foxtrotmetal studies competitors because it wants to grow in its current (shrinking) market, which supports Fann and Smeltzer (1989), as well as in new markets, which supports Lim *et al.* (1996). Foxtrotmetal has a task-driven attitude (categorization of Wright *et al.*, 2004), but the firm doesn’t cooperate with competitors.

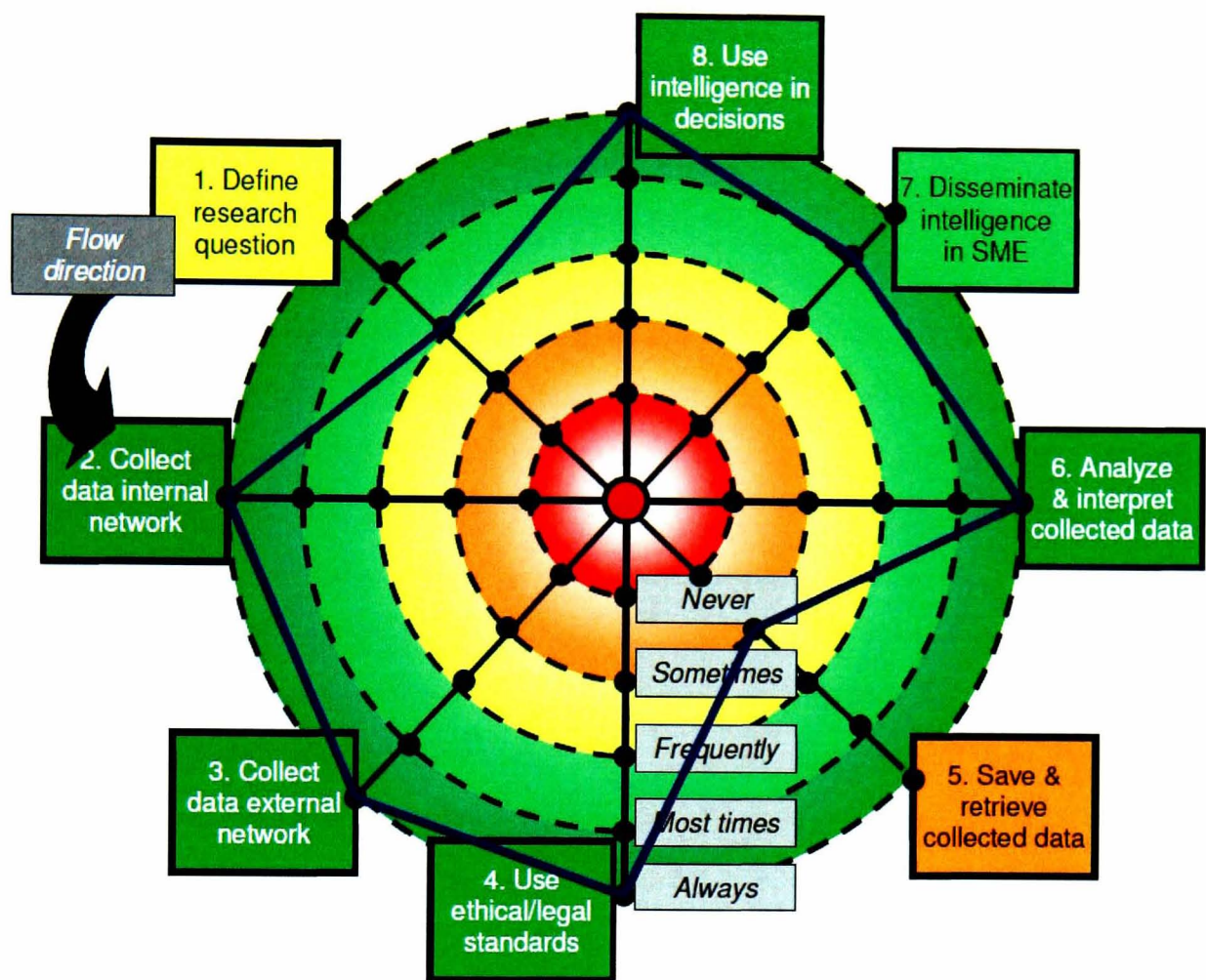


Figure 5.30: Foxtrotmetal BV's spider web model shows that there are no absorptive capacity steps at a critical level, although its unstructured competitor data storage is a weak spot.

The owner-manager responsible for sales, is involved in all study activities, which supports Hill and Wright (2001) and Viviers *et al.* (2002) - although he regards competitor study as having limited usefulness. The owner-manager responsible for finance, is only involved in incidental financial competitor studies. The other manager, active in sales, studies the competitor's products - which supports Pelham and Clayson (1988) and Woods and Joyce (2003). The owner-manager's understanding of strategic decision making is definitely at the professional level Deakins and Freel (1998) described. Contrary to Raymond *et al.* (2001), he doesn't believe in a relationship between his education and competitor study, although he says that his market knowledge appears to be related to market mapping. The owner-manager uses research questions, and, contradicting Curran *et al.* (1993), collects data within a variety of networks, using 14 equally important personal and impersonal data sources, contradicting Fann and Smeltzer (1989). The internet, suppliers, trade associations, and competitor meetings are important, supporting Mosey *et al.* (2002), and partially

supporting Johnson and Kuehn (1987), Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003). Customers are (deliberately) less important.

The managers are aware of legal and ethical data collection issues, and, only 1 unethical data collection case was unearthed. Competitor data storage is unstructured, making it difficult to tap into this information, as suggested by Strandholm and Kumar (2003). Foxtrotmetal is not concerned about competitor data security. The owner-manager's analysis capability is excellent, although Lybaert (1998) suggested otherwise. Staff number and time are resource limitations. More importantly, part of the staff is not convinced of the usefulness of competitor study. It is not on their priority list, which supports Scupola (2003). Contrary to Wright *et al.* (2002), the technology scanning activity has been embedded in the organisation. The management concludes that only a part of the competitor study has improved its tactical decision-making, which partially confirms Fuellhart and Glasmeier (2003). Finally, Lybaert's (1988) relationship between information use and business performance could not be substantiated.

5.2.7 Within-case report of SE 7 Golfadvice BV

Name SE respondent	Job title	Organisational level	Main discipline	Age	# Years in service of SE	Highest education	Business experience
Gabriel (mr)	Owner-manager	Management team	Sales & Finance	42	17	Academic	Extensive
George (mr)	Owner-manager	Management team	General affairs	45	12	Academic	Extensive
Garrett (mr)	Project Manager	Operational level	Projects	42	13	Polytechnic	Average

Table 5.43: The details of Golfadvice BV’s managers who were interviewed.

5.2.7.1 General company description

The privately-owned Dutch business-to-business SE Golfadvice BV was established in 1988. It employs 12 FTEs, and its annual turnover is € 1 million. Following a bankruptcy, George and Gabriel have bought the company. George is managing director, Gabriel is financial director, and Garrett is a project manager. Golfadvice offers me-too environmental and safety legislation inspection services to local governments and businesses. Following ‘a deep decline’, Gabriel states that they are ‘again in a new growth stage’. Clients are quite loyal, Gabriel says; ‘I cannot remember a principal during the past 10 years [which] we haven’t returned to’. Golfadvice’s current focus strategy is changing into a general differentiation strategy. The company has developed a personal digital assistant, PDA, which enables ‘digital’ inspections. Golfadvice expected to obtain a competitive advantage with this product, and Gabriel states that they ‘want to be market leader with [our] digital inspection system’. Unfortunately, Golfadvice is confronted with a major marketing crisis; it has unexpectedly discovered that another (and larger) SME sells a possibly superior PDA at lower prices. Therefore, Golfadvice’s PDA is not unique, its sales stagnate, and Golfadvice has not achieved its budget. Consequently, cash is the main objective, and ‘everyone has to invoice 80 - 85%’ of their time right now’, Gabriel says. Without a unique competitive advantage, the SE remains at the mercy of the market. It will have to work harder to sell its own products, and with less profit than initially forecasted.

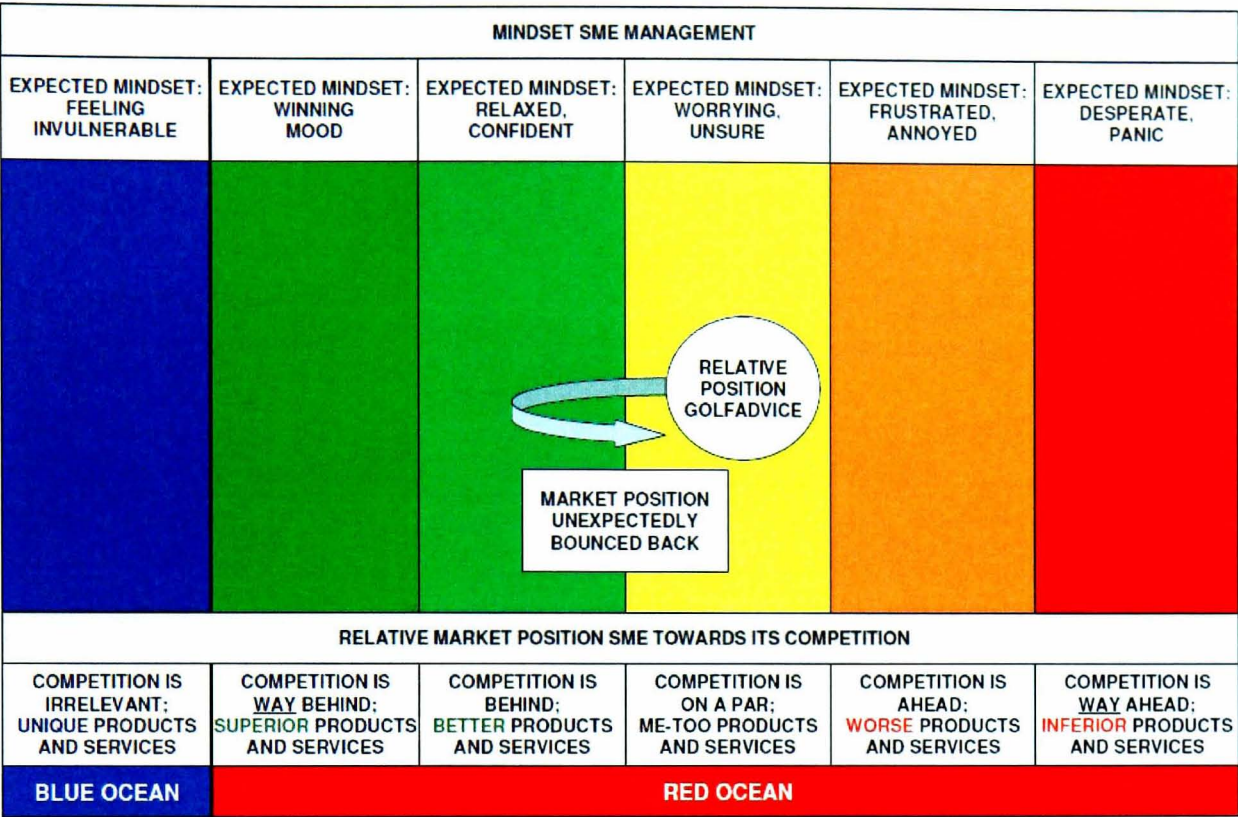


Fig. 5.31: Golfadvice BV expected to improve its relative market position with its new PDA. Unfortunately, a bigger competitor sells a possibly superior PDA at lower prices, and Golfadvice BV is bounced back. (Concept based upon Blue Ocean Strategy, 2005).

5.2.7.2 General market description

Golfadvice operates in, what George describes, as ‘a pretty closed market’. ‘The market is just so small’, he adds, but ‘it is growing’. Unfortunately, Golfadvice cannot benefit from this growth, because its employee capacity is already fully used. One threat is the reduced complexity of maintenance disciplines, which reduces Golfadvice’s knowledge advantage. Furthermore, following recent European legislation, customers have started to tender their service needs. These ‘public tenders’ George says, ‘are a downright threat to us’. Garrett explains why: ‘lately we are not allowed to make an offer, because we have got somewhat less people...’, and Gabriel therefore concludes that Golfadvice is now ‘compelled to start forming partnerships’. An opportunity is the increased interest of clients in efficiency. Clients, Gabriel notes, now say that ‘it isn’t the question anymore of whether we will be inspecting digitally,’ but rather more: ‘when will we implement that then?’ Finally, George says that ‘the most important trend’ is that the general public increasingly expects its authorities to maintain the environmental rules.

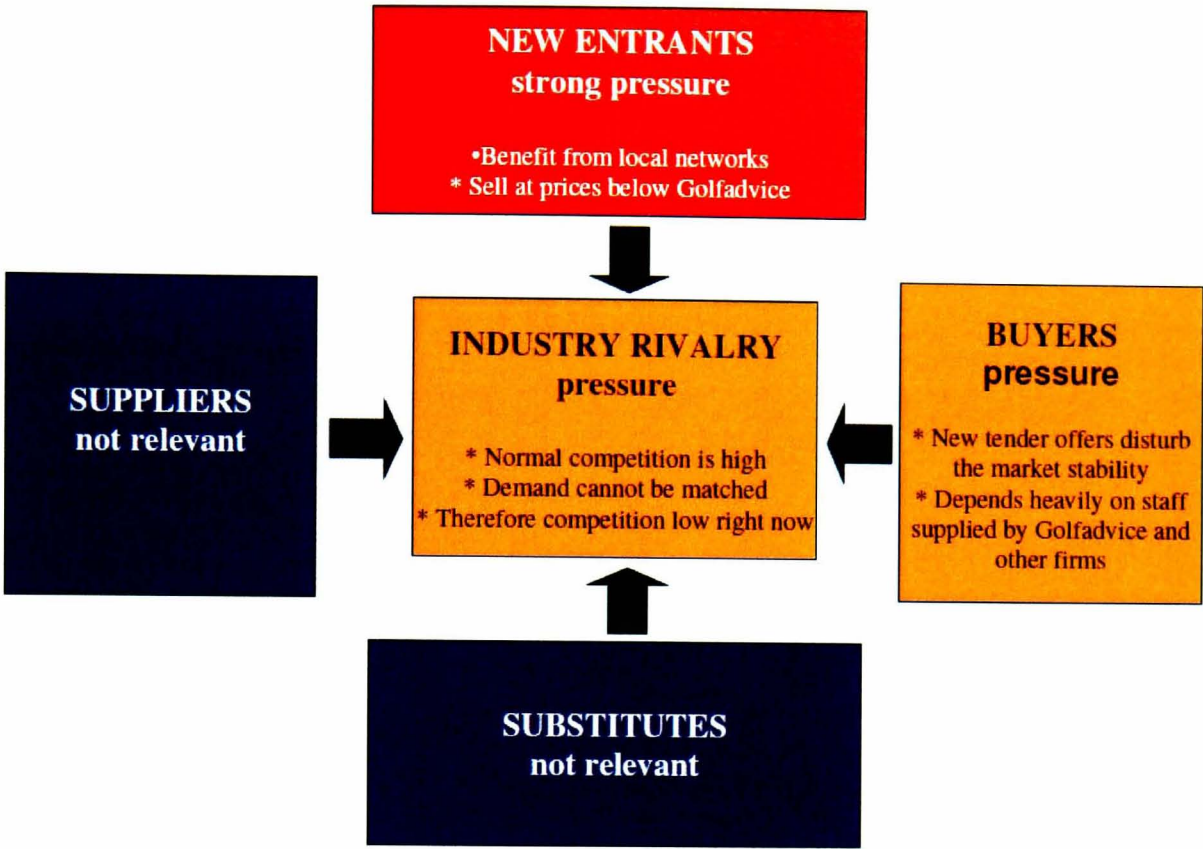


Fig. 5.32: The 5-forces model of Golfadvice BV shows a strong pressure by new entrants, as well as pressure by both customers and rivalry – although the latter category struggles to meet the customer’s demand for environmental staff.

The competitive intensity in the market, Garrett says, is ‘big’. George however, disagrees: ‘it varies’; ‘at the time there really isn’t very heavy competition because the market is tight’. Gabriel confirms this: ‘everyone has to deal with the fact that they haven’t got enough people to be able to execute every potential order’. New entrants, e.g. independents without staff, are responsible for an increasing competitive intensity. According to Gabriel, they are ‘very annoying ... to cope with ... because they are often actually cheaper in fact’. George on the other hand, thinks that ‘it also creates an opportunity to work more flexibly’. Competitors frequently communicate with each other, and, Gabriel says, ‘you can actually see over there that competitors have started to form groups’. Customers are a strong force, but they very much depend on the skilled staff of Golfadvice and its competitors, and they also need new digital inspection tools. Finally, neither suppliers nor substitutes are relevant forces.

5.2.7.3 General competitor description

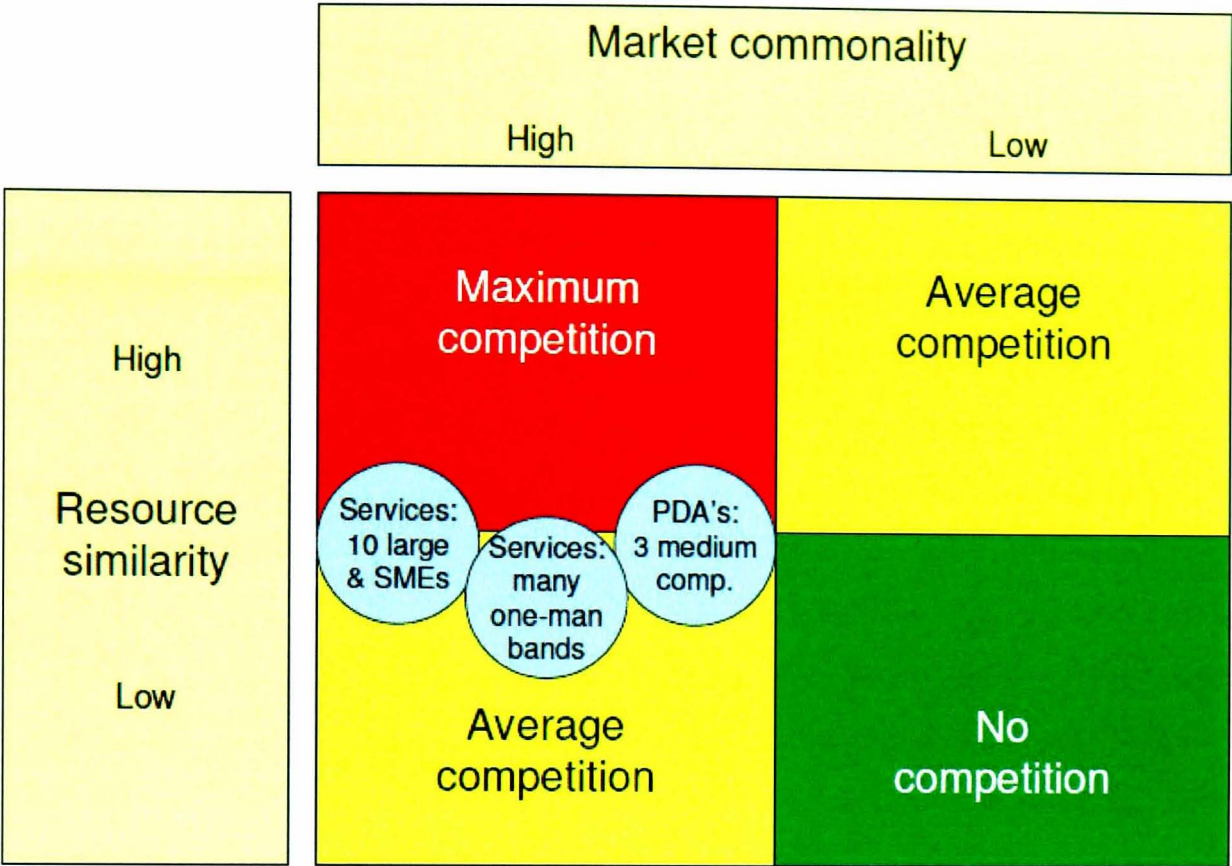


Fig. 5.33: Chen’s model (1996) shows that Golfadvice BV has low to high market commonality and low to high resource similarity with all of its competitors.

Target market segment	Total number of competitors	Number of dangerous competitors	Competitor description
Traditional environmental service market	10	none	SMEs and large competitors
	Numerous	potentially high	One-man bands
PDA personal digital assistant market	3	1	Medium-size competitors

Table 5.44: Golfadvice BV has identified 10 large/SME competitors and numerous one-man bands. However, only 3 medium competitor also offer PDAs. One of them is dangerous.

Golfadvice faces 10 large and SME Dutch competitors, as well as numerous independents without staff, in its traditional service market. There are 3 medium competitors in its PDA market, and George regards one of these ‘as our most important competitor, and it is because they are actually deploying all the activities we are deploying – and more’.

5.2.7.4 Environmental scanning and marketing activities

Golfadvice uses a mix of a sales orientation and an opportunistic, entrepreneurial management orientation. It uses commercial, competitor and technological environmental scanning, but the scanning suffers from the focus on the PDA development. 'A couple of years ago', George explains, we 'would have been somewhat closer to pro-active scanning'. Gabriel agrees: 'it happens occasionally though, ... [but] at any rate not very systematically'. Golfadvice's marketing activities are implicit and simple, Garrett says, due to 'a lack of means and knowledge'. Golfadvice's personnel is experienced and knowledgeable. It offers products with a fine price-quality balance, but Garrett notices that 'our directors ... decide to give a discount in a number of cases, just to get that order'. Golfadvice's promotion is weak, and Garrett concludes that 'we are not a big name to the general public'. Trade show activity is low, Gabriel says, because 'we actually haven't really been able to find a truly working [trade show]'. Recently, Garrett adds, this activity 'has been increased somewhat more' 'with the introduction of our [PDA]'.

5.2.7.5 Management's perception of the importance of competition

George regards competitors as 'very important'; 'you simply have to know where you are in the market in relation to your competitor'. Gabriel regards 'it as healthy', but he is only interested in the competitors' prices. Garrett however, says: 'it doesn't mean anything at all to me', because 'I have got good contact with my competitors', and 'we are much better positioned in a number of cases'.

5.2.7.6 Internal and external reasons for competitor study

'Indeed, we study the competition', George says, and the internal competitor study reasons are as follows. Gabriel explains that 'we have simply started to make more and more choices, like: in which branch areas and markets do we want to be active?' Gabriel adds that they study competitors, because 'we are seriously considering ... to start cooperating with another company'. George wants 'to know what exactly the [competitor] offers, and at what price'. Garrett wants to 'find out who your

competitors are for this order. And obviously, you also want to know whether or not you have obtained the order’. Furthermore, he adds, that ‘with this [PDA development] there has been a very conscious study to see if there are already similar products in the market’.

Golfadvice	Daily activity			Special task	
<i>Competitor study activity level</i>	Day-to-day operation SME	Needs tactical positioning information	Client loss danger / event	Neutralize unexpected competitor with PDA	Strategic cooperation with competitor
Active competitive intelligence					
Active in-depth competitor study					
Active competitor monitoring					
Reactive competitor monitoring					
Passive competitor awareness					
No activity					

Table 5.45: Golfadvice BV seeks sales-related positioning info. It is also afraid to lose clients. Special studies focus on another PDA competitor, and on a possible strategic partners.

The external reasons are as follows. Golfadvice monitors competitors and potential new entrants because it is afraid to lose clients. George concludes that ‘you will have to know what your competitor is doing – otherwise you will simply lose out’. Finally, the competitors’ behaviour could also reveal trends Golfadvice has failed to notice.

5.2.7.7 Competitor study activity, frequency and duration

Regarding the actual competitor study, Gabriel concludes that ‘we are acting very little on that’. George confirms that ‘it hasn’t been systemized’. In-depth competitor studies occur only a few times per annum. Gabriel’s monitoring activity is monthly, and he spends an hour to an hour-and-a-half on it. Both owner-directors also study competitor websites. George says: ‘in my case it is more incidental; Gabriel does it frequently’. Other competitor details are shared by Gabriel and George on a daily basis.

5.2.7.8 Competitor study subjects

Competitor study subject Golf-advice	Not selected	Not important	A little bit important	Important	Very important	Remarks
Finance						Used to assess competitor's growth/shrink
Strategy						Keep 'close eye' on the competitor's strategy
Management						SME realizes 'they aren't doing it enough'
Organisation						Difficult to study; more knowledge than study
Market						
Customers						Where are the competitors' customers?
Suppliers						Not relevant; SME generates services
Product / Service						Key subject. Difficult to study - it is a service
Success / Failure						Study more about product than about service
Competitive advantage						Useful to know what distinguishes competitor
Capabilities						
Tactics						Which competitor is in the race to win order?
Behaviour in market						Monitored, just to know what is going on
Quotations / Prices						What kind of tariffs are offered by competitor?
Other competitor study subjects						

Table 5.46: Golfadvice BV focuses on tactical study subjects. It monitors competitor behaviour, protects its customers, and collects the necessary data to win orders.

Golfadvice studies offensive and defensive competitor study subjects. An offensive subject, Gabriel wants to know about ‘where are the customers of competitor X?’ The defensive subjects are as follows. Gabriel wants to know: ‘what is their inspection like? Have they made further steps? Do they already integrate things we are not doing yet?’ He seeks information about ‘how [the competitors] offer [products], and at what price level?’ Garrett wants to ‘find out who [the] competitors are for this order’. Golfadvice monitors strategy and behaviour, George says, ‘just to know what’s going on’. The competitors’ management is not studied, and regarding organisations, Gabriel says: ‘we ... know fairly often what the organization looks like’ [but] ‘it becomes blurry in particular when you want to look deeper into the business processes’. Finally, Golfadvice looks at its competitors’ growth, as well as success and failure factors.

5.2.7.9 Competitor study in the organisation

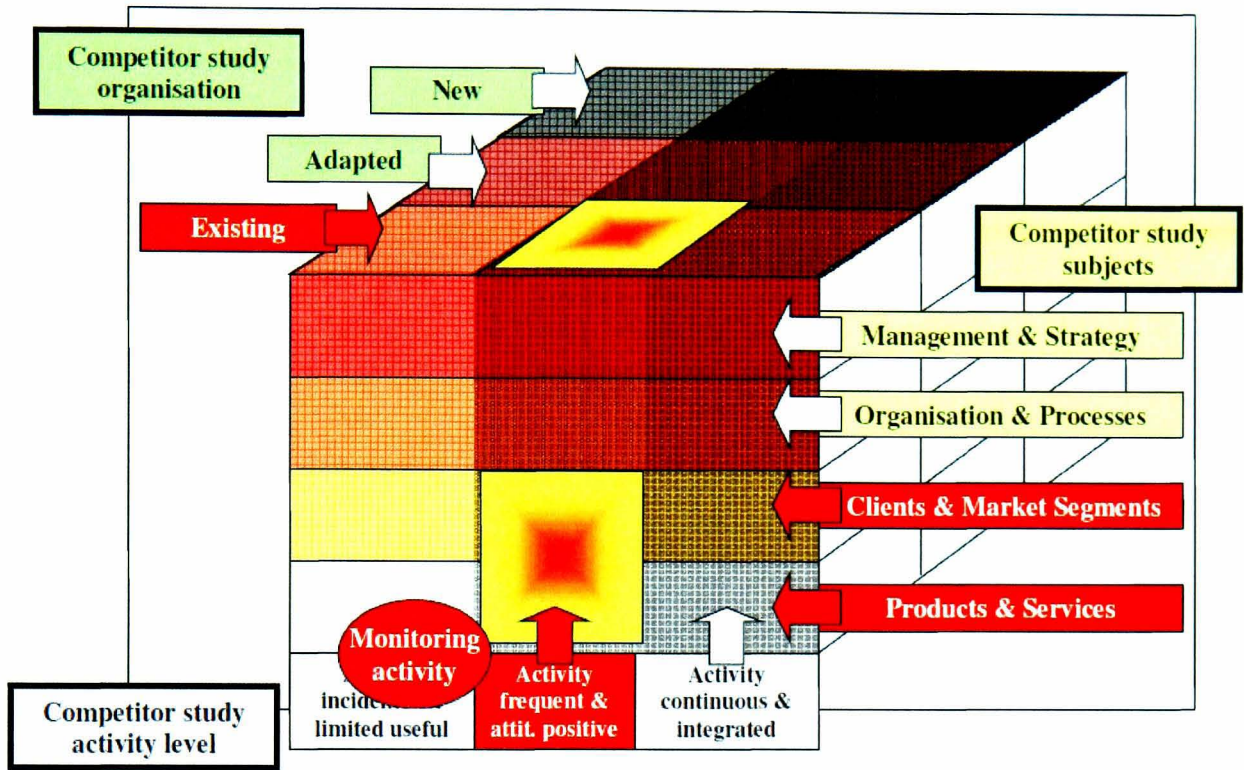


Figure 5.34: Golfadvice BV uses its owner-managers to monitor tactical study subjects.

‘Gabriel and George’, Garrett says, are the only people which need competitor information. They decide which competitors to study, and they coordinate this competitor study.

5.2.7.10 SE owner-manager role in competitor study

The formulation of competitor study research questions, George says, is ‘Gabriel’s work’. George and Gabriel collect data, but Gabriel directs the activities and occasionally asks Golfadvice’s employees to collect data. Furthermore, they analyse, share, and store data. Garrett is only marginally active. ‘When I encounter something’, he says that he informs the owner-managers, because ‘it isn’t much use to other colleagues’. Surprisingly, he also assesses which data could be relevant, but he also takes the decision not to disseminate apparently insignificant data.

5.2.7.11 SE owner-manager education, experience and knowledge

Both owner-managers have studied chemistry at the university, but they lack marketing knowledge. Garrett doesn't think that there is a relationship between their education and competitor study; 'they depend more upon instinct, knowledge and experience they have picked up'. George however, believes that his education gives him 'an advantage regarding the way you handle information and the analysis of it'.

5.2.7.12 Competitor study research questions

Gabriel occasionally asks employees to share interesting information with him. However, with regard to predefined research questions, he says: 'please do not expect really grand things there'. 'We actually do not do that often'. Garrett confirms that 'if it has occurred 2, 3 times during all these years, it is a lot'.

5.2.7.13 Competitor study data sources

Golfadvice regards 9 competitor data sources as important, but only uses 5 sources frequently. The important *internal personal* direct source is the owner-managers. An *internal impersonal*, indirect source Golfadvice monitors, is the competitor's use of its PDA, although Gabriel says that it 'doesn't generate very much information'. Important *external personal* direct sources are the competitor's services, former employees (now employed by customers), and customers. George explains that 'most people who have worked with us favour us'. Garrett adds that 'potential clients often ... are the ones who have got the most insight'. Golfadvice also has access to an exclusive client information platform. Gabriel says: 'I myself talk very, very little with the competitors', but this source is used more often now. Customer websites and internet are important *external impersonal* sources. Gabriel explains that 'we have been able to download all kinds of little PDFs and also PowerPoint presentations'.

Data sources					Golfadvice					Remarks																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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Golfadvice		Root cause		Feeling manager	
Description cases		Planned	Opportunity	Approval, fun	Shame
Recorded unethical data collection cases	Anonymous visit of competitor trade show booth	yes		yes	
	Used principal to gain access to enclosed meeting	yes		yes	
	Used former employees SE 7 working at principal	yes		yes	
	Online monitoring use software SE 7 by competitor	yes		yes	
	Misleading telephone call to competitor, asking price info	yes			Yes (one director only)
TOTAL # UNETHICAL	5	5	0	4	1
Recorded illegal data collection cases	Made copy of competitor offer at principal without approval		yes	yes	
TOTAL # ILLEGAL	1	0	1	1	0
TOTAL #	6	5	1	5	1

Table 5.48: Golfadvice BV has used 5 unethical and 1 illegal data collection practices.

5.2.7.15 Competitor study data storage and access

Garrett says: ‘in our client-relationship management’ system ‘there is some storage of information here and there, but not structured under a header, under competitors directory.’ ‘There are various files [though] which are protected with passwords. George has physical competitor files, but access to these files is restricted. He concludes that he has ‘got information lying around centrally, but it could be more structured’.

5.2.7.16 Competitor study data analysis

Gabriel interprets data, and transforms these into intelligence about the competitors’ actions, products, and strategy. He also tries to verify rumours with other sources.

5.2.7.17 Competitor study intelligence dissemination

Golfadvice’s managers disseminate intelligence by e-mail, sms, verbally, and telephone. Garrett notes, that ‘we get together with everyone once a month, once every two months, and that’s when we discuss the situation of issues’. However, the usual data flow is from the employees to Gabriel and George - but feedback to the employees is lacking. If necessary, Gabriel and George use their networks to retrieve more data.

5.2.7.18 Competitor study resource constraints

Gabriel believes that ‘both money and man power are the limiting [competitor study] factors’. George concludes that it is just not on the priority list in the available time, since ‘we are simply too busy’, and ‘it isn’t always easy, because the people are less focused on that’. In addition, marketing knowledge, external access to the CRM system, the internal data network, and the lack of internal guidance are constraints too.

Competitor study resource constraints Golfadvice	Not mentioned	No limitation	Small limitation	Limitation	Big limitation	Remarks
Company values block competitor study						
Employees no analysis knowledge						Employees lack analysis knowledge, directors don't
Employees no ethical / legal knowledge						
Employees no source knowledge						The employees know the sources where to get info
Insufficient number of employees						Project man: it is constraint; man dir: it is no constraint
No available money						There isn't much money available at the company
No available time						The employees have to focus on productive hours
No external network						
No internal network						Directors do not direct data collection, no feedback
Staff scepticism about competitor study						
Understanding employees company						Some employees do, some employees don't
Other perceived resource limitations....						No external CRM access, difficulty keeping contact

Table 5.49: Golfadvice BV’s competitor study resource constraints are money and time. In addition, the owner-managers lack an internal data collection network.

5.2.7.19 Assessment of the usefulness of competitor information in decision-making

With regard to the usefulness of competitor information, Garrett says that ‘occasionally it is useful. Occasionally it also isn’t’. George states that ‘in general, I regard it as useful’. Gabriel adds that it is ‘incredibly important’, concluding that ‘if we did not know a number of things, ... we would make it much more difficult for ourselves’. The result of the intelligence-based actions is positive. Golfadvice uses the information to neutralize the competitors’ offers, to protect its client base, and to analyze and improve its decision-making processes.

5.2.7.20 Measurement of competitor study results

Golfadvice doesn't measure the competitor study results, but Gabriel thinks 'that it has resulted in more orders for us'; adding, that he still finds 'it rather difficult to assess'.

5.2.7.21 Competitor study activities of Golfadvice BV and extant literature

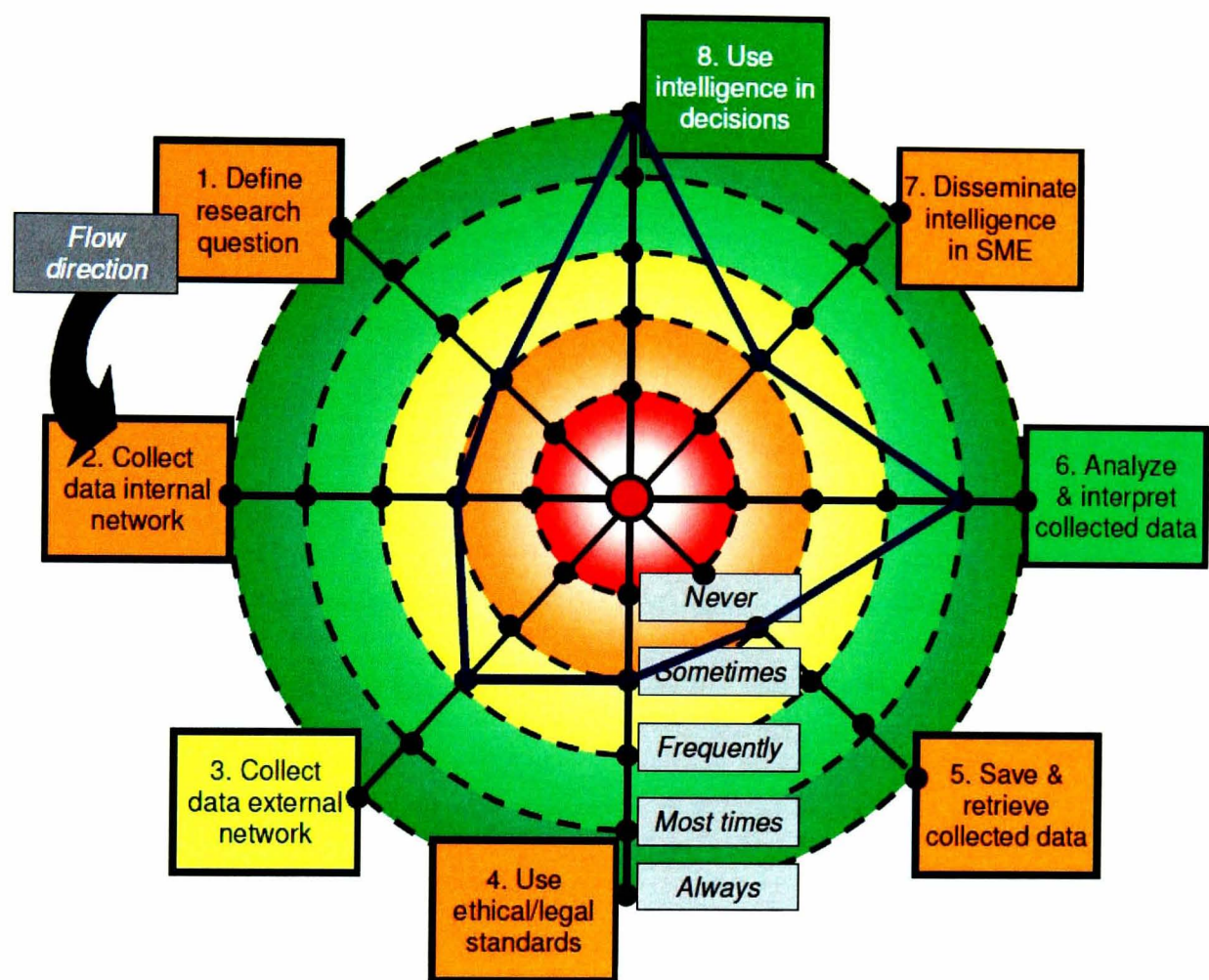


Figure 5.35: Golfadvice BV's spider web model shows the critical level of most steps in its absorptive capacity that block the effectiveness of the firm's capacity.

Golfadvice has existed for 10 years. It is in a mature life cycle stage, but it still is a small company, which supports Deakins and Freel (1998). The environmental scanning is reactive, which supports Farhad and Azhdar (2002), although it used to be closer to pro-active in the past. The marketing is implicit and simple, contrary to Scott and Bruce (1987) and Carson (1990). There is little attention for the informal competitor study, which supports Ganesh *et al.* (2003). Fann and Smeltzer (1989) are not supported, since its market is growing. Lim *et al.* (1996) are also not supported,

because Golfadvice only focuses on sales and cash in its current market. The owner-managers have a positive attitude towards competition in general, as well as competitor study. The project manager has a negative attitude, due to his daily cooperation with competitors. None of them agrees with Sammon *et al.* (1984) that competitor study is illegal espionage. The attitude is task-driven (categorization of Wright *et al.*, 2004). The owner-managers are involved in all competitor study activities, supporting Hill and Wright (2001), and Viviers *et al.* (2002). The other manager, a project manager, is only marginally active as a competitor data collector - which doesn't support Pelham and Clayson (1988) and Woods and Joyce (2003). The owner-managers' understanding of strategic decision making is at the professional level of Deakins and Freel (1998). Contrary to Raymond *et al.* (2001), the owner-managers do not believe in a relationship between education and competitor study, but education gives them 'an advantage regarding the way you handle information and the analysis of it'. The owner-managers do not use research questions, and occasionally collect data within small, non-extensive networks, supporting Curran *et al.* (1993). Partially supporting Johnson and Kuehn (1987), Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003), subordinates, customers, former employees and the internet (confirming Mosey *et al.*, 2002) are important sources. Suppliers are not. Personal sources, Fann and Smeltzer (1989) mentioned, are more important than impersonal sources. Trade associations are non-existent. The managers are aware of legal and ethical data collection issues, but 6 past illegal or unethical cases were unearthed. The competitor data storage is unstructured and incomplete, making it difficult to tap into this information, as suggested by Strandholm and Kumar (2003). And although access is restricted, the owner-managers are not concerned about data security. Their analysis capability is sufficient, contradicting Lybaert (1998). Money and manpower are resource limitations, but one manager states that competitor study is not on the priority list, confirming Scupola (2003). It is also not implemented in the organization, supporting Wright *et al.* (2002). The managers conclude that competitor study is useful, and they use it in their decision-making, supporting Fuellhart and Glasmeier (2003). The owner-managers' understanding of strategic decision making is at the professional level described by Deakins and Freel (1998). Finally, Lybaert's (1988) relationship between information use and business performance could not be substantiated.

5.3 Conclusion

This chapter has presented and discussed the individual research findings of the competitor study activities of the 7 SEs studied in this research. It used within-case reports per SE, substantiated with interviewee quotes, to present a structured picture of the external and internal environments, as well as the environmental scanning, competitor monitoring, and competitor study practices of every SE. New analysis tools, e.g. a red and blue ocean diagram, a competitor study organization diagram, and a spider web tool were developed, explained, and used to analyze the daily competitor study activities of the individual SEs. The findings were linked to the extant literature, and every SE report presents outcomes and conclusions in a structured and standardized way. In the next chapter, the cross-analysis chapter, the outcomes of the 7 SEs will be combined, and used to analyze and to search for underlying patterns. The resulting combined SE outcomes will be explained and linked to the extant literature.

Chapter 6 – CROSS-CASE DATA ANALYSIS

6.1 Chapter guide

This chapter presents the research findings with regard to the competitor study activities of the 7 researched SEs. The analysis outcomes of these SEs are compared and discussed in a cross-case analysis report. The analysis tools which were used to search for the competitor study patterns in the SE subcategory analyses, category analyses, and company analysis, are presented and discussed. Finally, the discovered competitor study patterns of the 7 SEs are presented and discussed.

6.2 Cross-case analysis report

6.2.1 Summary analysis of SE characteristics

Characteristics	SE 1 Alphasoft	SE 2 Bravosweet	SE 3 Charliebelt	SE 4 Deltafilter	SE 5 Echostaff	SE 6 Foxtrotmetal	SE 7 Golfadvice
Company size	Small	Small	Small	Small	Small	Small	Small
Company age	> 25 years	> 25 years	10 – 25 years	> 25 years	> 25 years	> 25 years	10 – 25 years
Life cycle stage	Mature	Mature	Mature	Mature	Mature	Mature	Mature
Ownership	Independent	Independent	Owned by U.S. SME	Independent	Owned by Dutch SME	Independent	Independent
Product / service	Products	Product	Products	Products	Service	Products	Service
Product description	Software	Sweets	Transportation belts	Filtration	Flex workers	Machines	Consultancy

Table 6.1: A table with the general company characteristics of the 7 researched SEs.

At first sight, the 7 Dutch business-to-business SEs in this study are almost identical companies. The age of 5 SEs is over 25 years, and the age of 2 other SEs is over 10 years. All companies are *small* SEs in mature life cycle stages, which supports the conclusions of Deakins and Freel (1998) that SMEs remain in one life cycle stage for a prolonged period of time. 5 SEs are independent companies, and owned by owner-managers. The 2 remaining companies are part of larger firms, but they operate as independent business units. 4 Companies manufacture products, 2 companies generate services, and one company trades in products. 4 Companies sell customized products, as well as customer-focused solutions. However, the growth paths and growth development of the SEs show striking differences. 2 Companies have gone bankrupt,

and they have been taken over. Measured in staff number and turnover, all 7 SEs have stopped growing. One SE uses a general differentiation strategy, but all other SEs use differentiation focus and/or cost leadership focus strategies. Only 2 SEs have achieved their financial targets, 2 other SEs have almost reached their targets, but 3 SEs are below target. Hence it is not surprising that most SEs aim for growth, and 4 of these SEs in particular in new markets.

Characteristics	SE 1 Alphasoft	SE 2 Bravosweet	SE 3 Charliebelt	SE 4 Deltafilter	SE 5 Echostaff	SE 6 Foxtrotmetal	SE 7 Golfadvice
Growth path	Normal	Normal + buy-outs	Bankruptcy + take-over	Normal	Normal	Normal + buy-out	Bankruptcy + buy-out
Growth development	Stand-still stable	Stand-still stable	Stand-still stable	Stand-still stable	Stand-still unstable	Shrinking stable again	Shrinking unstable
Perform. to target	80 – 90 % of target	Almost on target	On target	Almost on target	Below target	On target	Below target
Generic strategy	Cost leader + focus	Costl + Diff. focus	Differentiat. focus	Differentiat. focus	Differentiat. focus	General differentiat.	Differentiat. focus
Product / service uniqueness assessment	Me-too to better product	Better product	Me-too product	Better to superior product	Me-too to worse (price!) service	Better , to superior product	Me-too service
Marketing crisis	Growth in one niche blocked by competitor	Growth in Germany determined by retailers	Western-European market is contracting	None	Dutch home market is contracting	Dutch and Belgian home markets contracting	New product unexpectedly not unique

Table 6.2: Contrast table with the key performance characteristics of the 7 SEs.

6.2.2 Analysis of relative competitive market positions of researched SEs

The following is an analysis of the relative competitive market positions of the 7 SEs, as seen by the researcher. The relative competitive market position is the sustainable market position of a company, based on its competitive advantage, and compared to its competitors. The analysis shows that all SEs operate in competitive ‘Red Ocean’ environments. None of these SEs is active in non-competitive ‘Blue Ocean’ environments (concepts by Chan Kim and Mauborgne, 2005).

SE 1, Alphasoft BV, operates in a small and slightly shrinking Dutch market. The competitive intensity in this market is high - and increasing. Fortunately, the entry barrier into this market is fairly high. The SE has a stable relative competitive market position, since it offers ‘me-too - to - better’ products, compared to its competitors. To some extent, Alphasoft can set its own future, independent of its external environment. One competitor blocks the growth of this SE in its main target segment, and, although

Alphasoft has tried to remove this obstacle, it has been unable to improve its relative competitive market position.

SE 2, Bravosweet BV, operates in a slightly growing global market. The competitive intensity in this market is low. The entry barrier into this market is fairly high. The SE has a stable relative competitive market position, since it offers ‘me-too - to - better’ products, compared to its competitors, in a global market. Hence, Bravosweet can set its own future to some extent, which is independent of its external environment. The SE’s relative competitive market position has not changed, since it fully depends on the acceptance of its products by very strong retail customers.

SE 3, Charliebelt BV, operates in a shrinking Western-European market. The competitive intensity in this market is high - and increasing. In addition, the entry barrier is low. The SE has a weak relative competitive market position, since it only offers ‘me-too’ products, compared to its competitors. One large competitor sells identical and cheaper products in the SE’s market. As a result, Charliebelt’s relative competitive market position is slowly deteriorating, and it is at the mercy of its current external environment.

SE 4, Deltafilter BV, operates in a number of markets. The market for its traditional products is small, and shrinking. The competitive intensity in this market is high, and increasing. The SE only offers me-too-products, compared to its competitors, in this traditional market. However, the SE is leaving this market, and it has entered a new, growing, global market with ‘better - to - superior’ products. Deltafilter also uses a unique distribution channel in this market. The competitive intensity in this market is low, and the entry barrier is high. As a result, the SE has obtained a strong relative competitive market position, and it is improving this position. It sets its own future direction.

SE 5, Echostaff BV, operates in a shrinking Dutch market. The competitive intensity in this market is high. In addition, the entry barrier is low. The SE has a weak relative competitive market position, since it only offers ‘me-too’ services, compared to its competitors. The company is at the mercy of its current market. The SE is actively

trying to remedy the situation with an expansion into a growing global market. However, its costs are high, it lacks international marketing knowledge, and it faces numerous international competitors. As a result, Echostaff’s relative competitive market position continues to deteriorate.

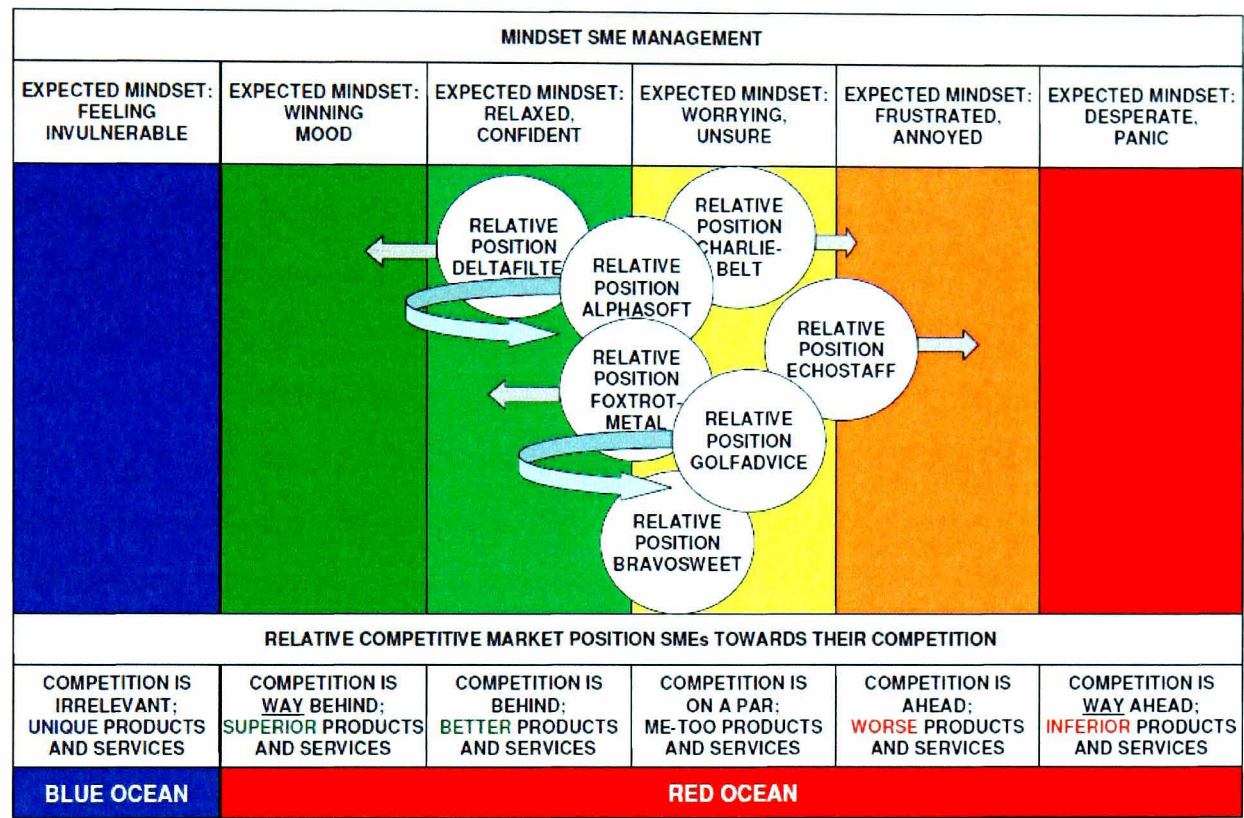


Fig. 6.1: The SEs’ relative competitive market positions, as seen by the researcher. SEs 4 and 6 improve positions, SEs 3 and 5 lose positions, and SEs 1 and 7 fail to improve positions. SE 2 is not moving at all (concept based upon Blue Ocean Strategy, 2005).

SE 6, Foxtrotmetal BV, operates in slowly shrinking Dutch and Belgian markets. The competitive intensity in these markets is very high, and increasing. The entry barrier is low. The SE has a strong relative competitive market position, since it offers ‘me-too - to - better’ products, compared to its competitors. Furthermore, it consistently adds ‘better’ products to its product portfolio. As a result, its relative competitive market position is improving and it increasingly sets its own future.

SE 7, Golfadvice BV, operates in a small, Dutch niche market. This market is growing again. The competitive intensity is low, but an increasing number of new entrants benefits from the low entry barrier. The SE has a weak relative competitive

market position. It only offers ‘me-too’ services. Golfadvice is at the mercy of the market, and it has tried to remedy this situation by developing a new product. It expected this product to be unique. However, a large competitor has developed a similar – and cheaper – product, and it blocks the SE’s growth. As a result, the SE has been unable to improve its relative competitive market position.

6.2.3 Explanation of methodology measurement and comparison SEs

O’Regan *et al.* (2005a: 385) noticed that it is notoriously difficult to obtain measures of SME performance, and they added that there is also a distinct lack of consistency in what constitutes firm performance. Buckley *et al.* (1988: 185) suggested the use of relative market shares with a profit performance criterion to measure the outcome of the competitive process and past performance of firms, although they added that this ‘measure leaves open the question of sustainability’ of a firm’s performance. O’Regan and Ghobadian (2005b) used the typology of Miles and Snow (1978) to examine the impact of strategic orientation and managers’ perception of the operating environment on the innovation in 194 UK electronics/engineering SMEs. This typology includes a) entrepreneurial, innovative prospectors, b) defenders, c) a hybrid of prospectors and defenders: analysers, and d) short term planners, reacting to actions, reactors. They discovered that ‘prospector type firms are engaged in product innovation to a greater extent ... compared with defender firms’ (O’Regan and Ghobadian, 2005b: 89). The researchers also used the typology to find an answer to the question why, ‘despite a common operating environment, some firms perform better than others’ (O’Regan and Ghobadian, 2006: 604, 605), and they concluded that the SME’s strategic orientation (the direction and thrust of a firm, that precedes and guides the strategy formulation and deployment process) is a key component in the firms’ response to the operating environment. Most of the participating firms in their study categorized themselves as either prospectors or defenders. However, the small number of reactors in this study raises questions regarding the validity of a self-assessment methodology. 179 of the 194 SMEs used this methodology to either select a prospector or defender role. Only 10 SMEs selected an analyzer role, and only 5 SMEs selected a reactor role; essentially the ‘worst’ performers in the Miles and Snow typology, and not a very attractive category at all. As a possible solution, Singh *et al.* (2008: 535) therefore

suggest to use subjective [researcher] and [SME] self-reporting performance measures, since ‘it is unlikely that the [SMEs]’ CEOs will be willing to provide detailed accounting data on the[ir] firms’ performance’. Ideally, researchers can prevent a possible bias of their research by using an independent, researcher-determined, categorization of the firms in their studies, and/or use an independent third party categorization of the firms in their study (e.g. by the respondent firms’ customers), instead of asking the firms in their study for a self-assessment. Antony and Bhattacharyya (2010: 4) used a different approach. They developed a model to measure the organisational performance of a firm. This model, measured at both organizational level and work unit levels, includes the firm’s creativeness, innovativeness, productivity, efficiency, effectiveness, competitiveness, and profitability. Unfortunately, these all-encompassing dimensions may limit the model’s practical applicability, because it will be necessary to have an almost unlimited access to a firm’s internal data to fill these dimensions. However, a firm might be quite reluctant, or simply unable, to provide the required (sizeable) data to external researchers, and unless these data are provided the model cannot be used. Therefore, it is more likely that the model will be used to measure the ‘inside’ development of one firm’s organisational performance, rather than be used to measure and compare a number of firms during an external study.

<i>Categorization elements</i>	SE 1 Alphasoft	SE 2 Bravosweet	SE 3 Charliebelt	SE 4 Deltafilter	SE 5 Echostaff	SE 6 Foxtrotmetal	SE 7 Golfadvice
Impact marketing crises	SLIGHT IMPACT	SLIGHT IMPACT	STRONG	NO IMPACT	STRONG	SLIGHT IMPACT	STRONG
Uniqueness products/services	SLIGHTLY BETTER	SLIGHTLY BETTER	ME-TOO	SUPERIOR	ME-TOO	BETTER	ME-TOO
Financial performance	BELOW TARGET	SLIGHTLY BELOW TARGET	ON TARGET	SLIGHTLY BELOW TARGET	BELOW TARGET	ON TARGET	BELOW TARGET
Relative competitive market position	STABLE	STABLE	WEAK	STRONG	WEAK	STRONG	WEAK
SME CATEGORY	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND

Table 6.3: The division of the 7 SEs in AHEAD, MIDDLE and BEHIND SE categories.

This research is interested in all underlying patterns between the competitiveness of the 7 researched firms, defined in terms of relative competitive market positions, and the character of the firms’ competitor study activities. Buckley *et al.* (1988: 185) suggested researchers to use relative market shares with a profit performance criterion to measure the competitiveness of firms. Following this suggestion, and following the

theory building process by Eisenhardt (1989), 3 dimensions - or drivers - were selected to develop a flexible analysis construct to look for within-group similarities, coupled with intergroup differences, and to use this to assess the relative competitive market positions of the 7 firms. These 3 drivers are:

- a) The impact of marketing crises on the firm, e.g. decreasing demand, shrinking markets, unexpected loss of product and service uniqueness.
- b) The perceived uniqueness of the firm's products and services, either enabling firms to set their own futures or to remain at the mercy of their markets.
- c) The firm's past and current financial performance, e.g. on target profits and results, indicating the firm's capability to develop new technology and enter into markets.

The researcher has used this flexible analysis construct to categorize the 7 SEs in either AHEAD, MIDDLE, or BEHIND firms, also preventing a possible bias of this research following a possibly biased self-categorization by these SEs.

1. **AHEAD firms** have strong relative competitive market positions:

- a. The firm is not affected by marketing crises.
- b. Customers perceive the uniqueness of the firm's products as superior, and the firm can use this portfolio to set its own future.
- c. The firm's financial performance is on target.

SE 6 matches 2 criteria, but the firm is slightly affected by a marketing crisis. SE 4 matches 2 criteria, and the firm's financial performance is *almost* on target.

2. **MIDDLE firms** have stable relative competitive market positions:

- a. The firm is slightly affected by marketing crises.
- b. Customers perceive the uniqueness of the firm's products as slightly better than comparable products. However, the firm's portfolio is not sufficient to set the firm's own future, but the firm is also not at the mercy of its market.
- c. The firm's financial performance is slightly below target.

SE 2 matches 2 criteria. Its financial performance however, is almost on target. SE 1 matches 2 criteria. Its financial performance however, is below target.

3. **BEHIND firms** have weak relative competitive market positions:

- a. The firm is clearly affected by marketing crises.
- b. Customers perceive the uniqueness of the firm's products as me-too or worse than comparable products. The firm is at the mercy of its market.
- c. The firm's financial performance is below target.

SEs 5 and 7 match all 3 criteria. SE 3 matches 2 criteria, but its financial performance is on target.

6.2.4 Character of the SEs' competition

Every SE counts 3 to 5 competitors, and 4 SEs even count 11 or more competitors. MIDDLE SE 2 and AHEAD SEs 4 and 6 have either 2 or 3 large competitors, but none of these is regarded as dangerous. AHEAD SE 4 has unique products, the behaviour of AHEAD SE 6's large and SME competitors is identical, and MIDDLE SE 2, operates in a niche - unlike its large German competitors. BEHIND SE 5 on the other hand, has to compete actively with 7 large Dutch competitors, and regards 4 of them as dangerous it has no competitive advantages. BEHIND SE 3 has 3 large Dutch competitors, but tries to evade a competition with them because it has a competitive disadvantage. BEHIND SE 7 does not make a distinction between competing with either SMEs or with large firms. MIDDLE SE 1 only competes with Dutch SMEs. Finally, MIDDLE SE 1, BEHIND SE 3, and BEHIND SE 7, regard new entrants – SMEs or independents without staff - as dangerous; their market commonality and resource similarity is high, and these firms are definitely on these SEs' priority lists.

The analysis reveals a relationship between the SEs' relative competitive market positions and the attention SEs put to competitors. SEs with relatively strong market positions do not put attention to competitors on their priority lists, whereas SEs with relatively weak market positions do. It must be noted that the findings support the

research by Robson and Bennett (2000) that SMEs are aware of their competition. Finally, however, it must also be noted that there is no information whatsoever about the use of any competitor study practices by the above large firms.

5.2.5 SEs' cooperation with competitors

The communication and information sharing contacts between the 2 AHEAD SEs 4 and 6, as well MIDDLE SE 2, and their competitors are limited. MIDDLE SE 1 and the 3 BEHIND SEs 3, 5 and 7 on the other hand, have frequent contacts with competitors. The contacts include information sharing, marketing co-operations, joint sales initiatives, resource sharing, and even a collusion case. The analysis reveals a relationship between the SEs' relative competitive market positions and contact intensity with competitors. SEs with relatively strong market positions do not share information and do not co-operate with competitors. SEs with relatively weak market positions share information and co-operate with competitors. The research also supports the findings of O'Donnell and Cummins (1999), and Gilmore *et al.* (2001), that SME owner-managers maintain direct relationships with competitors, and that there is an active communication, mutual support and cooperation between SME owner-managers and competitors. Furthermore, the identified collusion case supports the research of Fuellhart and Glasmeier (2003) that the cooperation between European SMEs also includes infringements of the European Union rivalry law.

5.2.6 SEs' environmental scanning activities

The 2 AHEAD SEs combine a managerial / planning orientation, or a marketing management orientation, with the proactive, intensive environmental scanning phase described by Raymond *et al.* (2001). Both SEs focus on technological scanning. Competitor scanning is not regarded as important. The 5 other SEs on the other hand, combine entrepreneurial and opportunistic management orientations with the reactive, unstructured scanning phase described by Raymond *et al.* (2001).

Farhad and Azhdar (2002) expected small companies to have few environmental analysis activities. This research partially supports their study. It shows that 3 small

SEs (MIDDLE SE 1, as well as AHEAD SEs 4 and 6) actively use environmental scanning. The environmental scanning actions of the remaining 4 SEs are limited. They are looking for commercial opportunities, and BEHIND SEs 3 and 7 also scan their competitors. BEHIND SE 5 has not organized its competitor scanning activity. MIDDLE SE 2 only scans for competitor products.

6.2.7 SEs' marketing activities

Scott and Bruce (1987) stated that marketing gradually becomes more pro-active and professional once SMEs moves from one life cycle stage to the next. Surprisingly though, none of the 7 mature SEs has developed explicit and sophisticated marketing activities. The marketing of AHEAD SEs 4 and 6, MIDDLE SE 1, BEHIND SE 5 and BEHIND SE 7 is still implicit and simple. The AHEAD SEs are not interested in marketing, because they consider themselves immune. MIDDLE SE 2 and BEHIND SE 3 deploy little or no marketing activities at all, and this also appears to be true for BEHIND SE 3's competitors, which supports Carson and Gilmore's (2000) conclusion that the SME's type of marketing is dictated by its industry norms. MIDDLE SE 1, and BEHIND SEs 5 and 7 have used market research or marketing research in the past, but these were incidental and limited-scale activities. Arguably, the most important competitive differentiator of a firm is how clients perceive the uniqueness of its products and services, followed by the strength of a firm's position in its distribution channel (place), as well as the cost/sales price level of its products and services, and the quality of the firm's staff. Promotion is regarded as the least important marketing tool in a sales-oriented business-to-business environment. Table 6.4 shows that the 2 AHEAD SEs are the only companies with 2 to 3 strong product and personnel marketing tools. In addition, the unique distribution of AHEAD SE 4 is another strong marketing tool. The 2 MIDDLE SEs have 1 strong marketing tool, their products. The 3 BEHIND SEs however, can use only 1 less strong marketing tool, their staff, and all 3 SEs have at least 1 weak marketing tool. Following this assessment, figure 6.2 presents a ranking score with the strength of the SEs' marketing tools, and translates this into competitive advantage or competitive disadvantage of the SEs. Ultimately, this figure reveals a relationship between the strength of the SEs' marketing tools and their relative competitive market positions.

Marketing P's	SE 4 AHEAD	SE 6 AHEAD	SE 2 MIDDLE	SE 1 MIDDLE	SE 3 BEHIND	SE 5 BEHIND	SE 7 BEHIND
Personnel	Cooperating with customers, unique after sales	Fine external / internal sales, well experienced service technicians	Sales-driven	Sales-driven	Cooperating team results in high service flexibility	Very good customer contacts, well-informed	Knowledgeable and experienced staff actually are the service
Place	Unique direct and indirect b-to-b distribution	Direct sales to b-to-b customer	Direct sales to agent / distributor; indirect to retail / supermarket	Direct sales to b-to-b customer	Direct and indirect b-to-b sales to OEMs and distributors	Close to Dutch customers, varies to global customers	Direct sales to b-to-b governmental customers
Price	Differentiated prices	Depends on situation, differentiated	Various price strategies	Average	Price level is higher than used by large competitors	Prices lack fundament, no cost knowledge	Depends on situation, differentiated
Product	Tailor-made, innovative products & solutions	High-quality products and solutions	High quality product in customized packaging	Standard software is customized for clients	Me-too product is customized whenever possible	Quality service product in NL; but not relevant outside NL	Me-too service products and solutions
Promotion	Almost non-existent. No brand name	E-mail newsletter only	Annual international trade show	E-mail newsletter only	Leaflet and occasional trade show	Image of honesty, new leaflets only	Almost non-existent. No brand awareness

Table 6.4: Contrast table with an assessment of the strength of the marketing tools of the 7 SEs. The strengths are distinguished as strong (green), average (yellow), and red (weak).

All 7 SEs operate in mature markets, but only the 2 AHEAD SEs have the freedom to make fairly independent price decisions. One of these SEs, as well as 1 MIDDLE SE, operate with high-quality products in new markets, and these SEs can use above-average prices there. The other MIDDLE SE has a stable position, and it does not have to compete on price. The price setting by the 3 BEHIND SEs lacks a similar, underlying pattern, although none of these SEs obtains above-average prices. One SE evades price fights with larger competitors, the tariffs of a second SE are not related to its costs, and the third SE needs cash so badly that it uses discounts just to get orders.



Fig. 6.2: The level of competitive advantage of the 7 SEs, based upon the strength of their marketing tools, reveals a relationship with the SEs' relative competitive market positions.

5.2.8 SEs' perception importance of competitors and competitor study attitudes

None of the 7 SEs uses faulty assumptions about competitors, misjudges their industries' boundaries, overemphasizes visible competences of competitors, or doesn't know where their competitors compete. All SEs have clearly identified their competitors, and management mistakes have not been spotted. This supports the research by Robson and Bennett (2000) that SMEs are aware of their competition. AHEAD SE 4 has an immune competitor study attitude. It regards competitor study as not important and a waste of time. AHEAD SE 6 also regards competitor study as a waste of time. Its task-driven competitor study attitude consistently focuses on finding answers to specific technology questions about competitors. MIDDLE SE 2 is neutral about the importance of competitors. It doesn't have real competitors and it too has an immune attitude (attitude categories by Wright *et al.*, 2004). MIDDLE SE 1 and the 3 BEHIND SEs on the other hand, all regard competitors as important. The competitor study attitudes of SEs 1, 3 and 7 is task-driven. These SEs extend their knowledge about competitors on an ad-hoc basis. BEHIND SE 5 finally, hasn't organized any competitor study. Its competitor study attitude doesn't fit the categorization of Wright *et al.* (2004), and could best be described as 'neglecting attitude'. In conclusion: whether by choice, or by resource limitation none of the SEs has an operational or strategic competitor study attitude.

5.2.9 SEs' competitor study activities

The analysis of competitor study activities by the 7 SEs reveals sporadic and unstructured (BEHIND SE 5), incidental and unstructured (MIDDLE SE 2, AHEAD SE 6), and informal and unstructured (MIDDLE SE 1, BEHIND SE 3, AHEAD SE 4, and BEHIND SE 7) competitor study activities. This supports the conclusions of Ganesh *et al.* (2003) and Wood (2001) that competitor study in small firms is practiced in an ad-hoc way. The findings also reveal that these activities consist of both competitor monitoring activities and in-depth competitor studies.

6.2.10 SEs' competitor study reasons

None of the 7 SEs has indicated that they lacked competitor study motivation. Furthermore, there appears to be no relationship between a lack of competitor study activity and a perception of this activity as 'tough' competitive behaviour, a perception as an unethical, illegal activity; the SE's cooperation with competitors; a lack of knowledge regarding legal data gathering; a negative perception of the SE's resources and capabilities; or a concern about the data security of the competitor information. It appears that the internal competitor study reasons of AHEAD SEs 4 and 6, and MIDDLE SE 2, are limited following their strong or stable relative competitive market positions. The daily competitor study activity of these SEs (see table 6.5) mainly consists of reactive competitor monitoring, although MIDDLE SE 2 uses an ad-hoc combination of reactive and active competitor behaviour monitoring to prevent client loss. Their external competitor study reasons are also limited. AHEAD SE 6 wants to grow in a shrinking market, as described by Fann and Smeltzer (1989). Surprisingly - and notwithstanding their strong or stable relative competitive market positions - the 3 SEs still feel vulnerable towards their competitors. These SEs also use *active* competitor monitoring - but only as a special task. A special defensive task is the active monitoring of the early warning signals of possible new entrants (see table 6.6). The competitive position of AHEAD SE 6 in its 'old markets is not strong. Therefore it monitors the competitors' behaviour in these markets. AHEAD SEs 4 and 6 also study competitors to prepare for a special offensive task, growth in new markets, as described by Lim *et al.* (1996). MIDDLE SE 2 also uses active competitor monitoring for a special offensive task because it is looking for competitors that are willing to outsource their production (see table 6.7). Finally, AHEAD SE 6 uses in-depth competitor studies to find (and win) the high-quality product suppliers of competitors.

All SEs	Daily activity			
	Day-to-day operation SME	Market behaviour opponents / start-ups	Client loss danger / event	Needs tactical positioning information
Competitor study activity level				
Active competitive intelligence				
Active in-depth competitor study			SE 1	
Active competitor monitoring	SE 2 SE 3	SE 1 SE 3 SE 5 SE 6	SE 3 SE 5	
Reactive competitor monitoring	SE 1 SE 5 SE 6	SE 2 SE 4 SE 7	SE 2 SE 4	SE 7
Passive competitor awareness	SE 7			
No activity	SE 4			

Table 6.5: The table shows the daily competitor study activities, of the SEs analysed in this research, related to special external events or internal SE needs.

The relative competitive market positions of the other SEs are stable (SE 1) or weak (BEHIND SEs 3, 5, and 7). The daily competitor study activity of MIDDLE SE 1 and BEHIND SEs 3 and 5 is at least one level higher than that of the ‘low competitor study activity SEs’, which are SEs 2, 4 and 6. This activity consists of an active monitoring, or even in-depth study, of the competitors’ market behaviour. The 4 SEs have the following internal competitor study reasons. SEs 1 and 3 want to grow in current markets, as described by Fann and Smeltzer (1989). SE 1 also wants to enter into new markets, as described by Lim *et al.* (1996). These 2 SEs need tactical information. SEs 1, 5 and 7 also need strategic positioning info, and SEs 1 and 7 use competitor information to improve their decision-making processes. SEs 3 and 7 are also looking for benchmarking information. A final reason why SEs 3 and 7 study competitors is that their managers approve of this activity, or regard it as ‘fun’.

All SEs	Special defensive task			
Competitor study activity level	Planned entry into new market	Search for growth in market	Get early warning new entrants	Neutralize unexpected competitor obstacle
Active competitive intelligence				
Active in-depth competitor study	SE 1 SE 3 SE 4	SE 6		SE 7
Active competitor monitoring			SE 2 SE 4	
Reactive competitor monitoring				
Passive competitor awareness				
No activity				

Table 6.6: The table shows that SEs that prepare themselves for a particular defensive task move from competitor monitoring to active in-depth competitor studies. SE 5 has been unable to organize a competitor study activity for these tasks.

The external competitor study reasons are related to the dynamic environments of these 4 SEs. Their current markets are changing, and their products and services are losing competitive strength. As a result, these SEs feel vulnerable towards increasingly active competitors. This supports the conclusion of Scott and Bruce (1987) that marketing crises will occur because of the changing behaviour of markets, as well as the conclusion of Deakins and Freel (1998) that the SME’s reaction to critical events is one of the key reasons why the SME’s strategic development often changes. BEHIND SE 3 and MIDDLE SE 1 monitor or study competitors because of their stagnating growth in shrinking markets, which supports the conclusion of Fann and Smeltzer (1989) who expected competitor information in SMEs who considered expansion in declining markets. The behaviour of BEHIND SEs 5 and 7 contradicts these findings. SE 5’s market is shrinking, but its competitor study is still sporadic. This SE has been unable to organize a competitor study activity, although it reactively monitors competitors. The market of SE 7 is growing, and this SE focuses on sales activities. The main internal reasons why SEs 1 and 4 use in-depth competitor study are related to a particular defensive task. These SEs study competitors prior to a possible entry into new markets. SE 3 is looking for new client categories in its existing market. SE 7 on the other hand, has started an in-depth competitor study as a defensive task because it wants to neutralize an unexpected, unwelcome competitor. These SEs also study

competitors, related to a special offensive task. SEs 1, 3 and 5 (albeit only at holding-company level) study potential acquisition candidates. SE 7 studies competitors because it needs a strategic cooperation with a competitor to maintain its position as an accepted supplier of large clients.

All SEs	Special offensive task			
Competitor study activity level	Study acquisition competitor candidate	Find high-quality suppliers competitor	Benefit from competitor's outsourcing	Strategic cooperation with competitor
Active competitive intelligence				
Active in-depth competitor study	SE 3 SE 5	SE 6		SE 7
Active competitor monitoring			SE 2	
Reactive competitor monitoring	SE 1			
Passive competitor awareness				
No activity				

Table 6.7: The table shows that 4 SEs use active in-depth competitor study as a special offensive task. 2 SEs use competitor monitoring for this. AHEAD SE 4 does not use special offensive tasks at all.

6.2.11 SEs’ competitor study frequency and duration

The analysis of the competitor study frequencies and durations of the SEs reveals 3 SE competitor study activity frequency categories:

- a) The ‘high competitor study activity SEs’ (MIDDLE SE 1, and BEHIND SEs 3 and 7) actively monitor or study competitors. These SEs spend up to 50 hours per annum on this activity, and use (at least) a monthly data discussion frequency.
- b) The ‘high technology scanning SEs’ (AHEAD SEs 4 and 6) give little attention to competitors. They spend at least 50 hours per annum on environmental technology scanning, and use a two-weekly data discussion frequency.

- c) The ‘low competitor study activity SEs’ (BEHIND SE 5 and MIDDLE SE 2) have not organized any competitor monitoring or study activity. The estimated total time per annum spent on this activity is 3 to 9 hours. The frequency (very much opportunity driven, e.g. trade show competitor study) is random to monthly.

	SE 1	SE 2	SE 3	SE 4	SE 5	SE 6	SE 7
Relative competitive market position	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND
Main study topic	Customers and competitors	Customers	Customers and competitors	Technology and competitor technology	Incidental study of competitors	Technology and competitor technology	Competitors
Scanning & study frequency	12 x per annum	‘Occasionally’ <i>assumption: 6 x / annum</i>	Every 2 ½ day (average)	Every 2 weeks	Random frequency	Every 2 weeks	12 x per annum
Scanning & study duration	45 minutes per session	30 minutes per session	30 minutes per session	120 - 240 min/session	Nil (BU level)	120 minutes per session	90 minutes per session
Total annual study time	Est. 540 minutes	Est. 180 minutes	Est. 3,000 minutes	Est. 4,680 minutes	Close to zero min.	Est. 3,120 minutes	Est. 1,080 minutes

Table 6.8: A contrast table with the SEs’ estimated annual scanning / study time shows that the 2 AHEAD SEs, which focus on technology, spend most time on this activity.

6.2.12 SEs’ competitor study subjects

The analysis of the SEs’ competitor study subjects shows that 7 subjects are regarded as either important or very important:

- a) The competitor’s strategy. 6 SEs consider this an important subject.
- b) The competitor’s organisation. All SEs consider this at least a little bit important or important, but the AHEAD SEs regard this subject as very important.
- c) The competitor’s customers. 5 SEs – including both MIDDLE SEs – are interested in this subject, and all of them regard it as very important.
- d) The competitor’s products and services. 6 SEs – including both AHEAD and all 3 BEHIND SMEs – regard this subject as important.
- e) The competitor’s capabilities. 5 SEs – including both AHEAD SEs – are interested. All SEs regard this subject as important or very important.

- f) The competitor's quotations and prices. 5 SEs consider this an important subject.
- g) The competitor's market behaviour. 4 SEs of the 5 interested SEs consider this an important subject.

The list of the remaining competitor study subjects offers a mixed picture without much coherence. All SEs regard finance as a little bit important or important. 4 SEs have mixed opinions of the importance of the competitor's tactics, but 3 SEs – including both AHEAD SEs – are not interested in this subject. 6 SEs consider the competitor's success and failure factors interesting, although it is of some importance to all BEHIND SEs. Only 3 SEs – and none of the MIDDLE SEs – are interested in the competitor's competitive advantage. Furthermore, only a few SEs are interested in the competitor's management, markets or suppliers.

6.2.13 SEs' competitor study organisations

The analysis of the competitor study organizations shows that all SEs use existing departments for environmental scanning, competitor monitoring, and competitor study. There are no marketing departments. The study activity of only 1 SE is frequent. These findings support the conclusions of Smeltzer *et al.* (1988) and Viviers *et al.* (2002) that SME competitor study activity is conducted by either 1 or a few people, and is only carried out part of the time. SE 5 is a unique case, since its competitor study is conducted at holding-level only. The SEs' management and sales teams decide which competitors to study, and they coordinate these studies. The management teams of 5 SEs and the sales teams of 4 SEs are the most frequent users of information, but there are also some users in production or financial departments. Contrary to the findings of Wright *et al.* (2002), 4 SEs (MIDDLE SEs 1 and 2 and AHEAD SEs 4 and 6), have embedded these activities in their organisations. The activity level in the 3 BEHIND SEs on the other hand, supports the conclusion of Wright *et al.* (2002), that SEs do not have a structured and implemented activity.

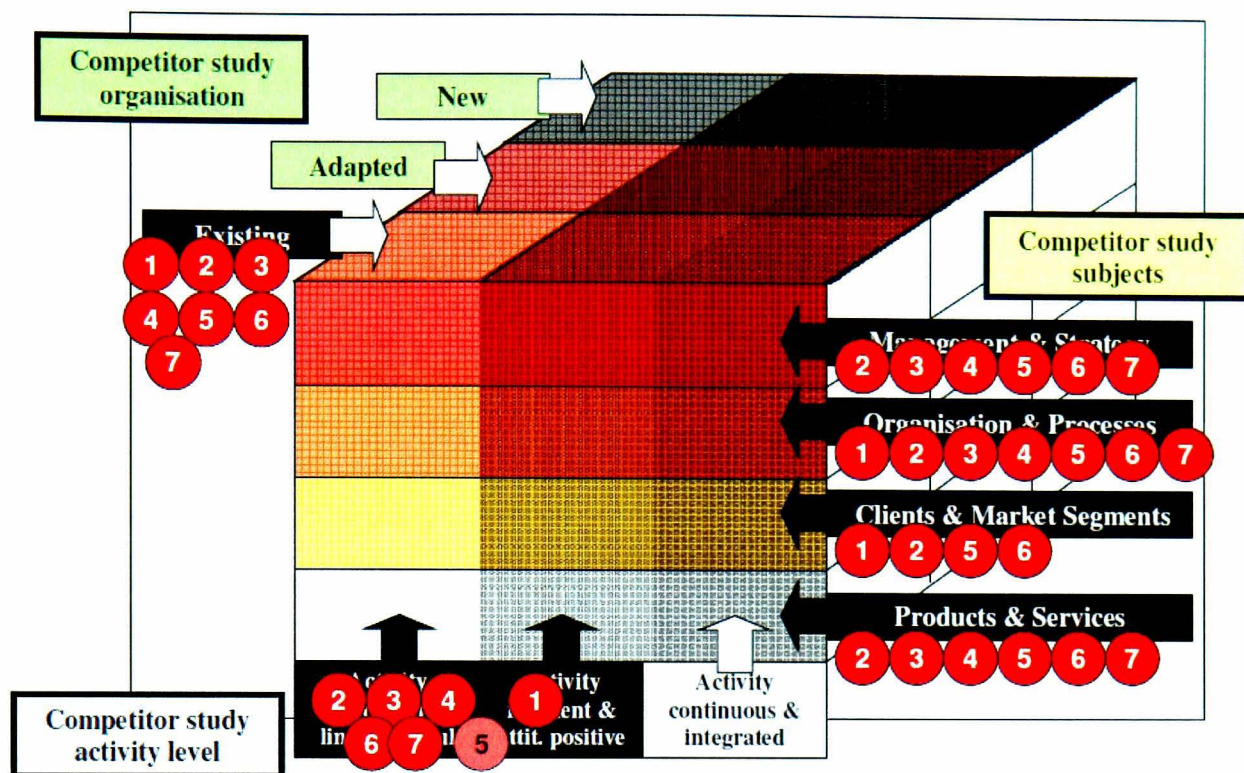


Fig. 6.3: A 3-dimensional model that shows that all 7 SEs use their existing organisations for an often only limited competitor study of almost all aspects of their competitors. 3 SEs do not study their competitors' clients and markets. The activity of SE 5 should be split into a business unit activity (incidental at best) and a SME holding-level activity (frequent).

6.2.14 SEs' owner-managers' competitor study role

An analysis of the environmental scanning and competitor study motivation of the owner-managers and general managers reveals that they approve of these activities, which supports the conclusion of Pearce *et al.* (1982) that activities are only likely to be deployed in SMEs if important people embrace them. The owner-managers of 5 SEs are almost completely involved in these activities. This finding supports the conclusions of Hill and Wright (2001) and Viviers *et al.* (2002) that SME owner-managers drive the SME's marketing behaviour, and that they are responsible for the SME's competitor study practices. This is particularly true for those SE owner-managers who are responsible for their firms' sales activities. Owner-managers, responsible for general affairs (e.g. MIDDLE SEs 2 and BEHIND SE 3), leave the competitor study initiative to their sales departments. Curran and Blackburn (2001) pointed out the important role of the SME's owner-managers' motivations, aims, and the 'logics' they construct. This research supports the importance of these elements for competitor study. The SEs' owner-managers select competitors, define research

questions, direct studies, use data collection networks, analyze data, and disseminate intelligence. The findings also support the conclusions of Smeltzer *et al.* (1988) that owner-managers themselves use active and frequent scanning. Furthermore, owner-managers are also involved in the competitor data storage at 5 of the SEs. 2 SEs however, lack owner-managers, and the analysis of the competitor study roles of these SEs' non-owner-managers offers a mixed outcome which neither supports nor doesn't support Hill and Wright (2001) and Viviers *et al.* (2002). The European Director of BEHIND SE 3 is almost completely involved in competitor study, but the Managing Director of BEHIND SE 5 entirely neglects this activity.

6.2.15 SEs' other managers' competitor study role

Finally, the competitor study role of the other SE managers is smaller than the role of the owner-managers. The other managers of 4 SEs (AHEAD SEs 4 and 6, MIDDLE SE 1, BEHIND SE 3) are active at tactical competitor study levels. These are managers that are either active in sales (SE 1, 3, 4) or in product development (SE 6), and this finding supports the conclusion of Pelham and Clayson (1988) that the other managers use competitor study for short-term *sales* support activities. 3 Of them also select competitors, 2 direct studies, and 1 formulates research questions. 5 Managers collect competitor data, but only the managers of AHEAD SEs 4 and 6, MIDDLE SE 1, BEHIND SE 3 are involved in the data analysis with the SEs' owner-managers. The manager at SE 7 collects some data, but he is not involved in the data analysis. 4 Managers disseminate intelligence. Only 1 manager is involved in competitor data storage. Woods and Joyce (2003) concluded that *all* SME managers use competitor study activities, but this study does not support their conclusion. Unless the 'other' SEs' managers are active in either sales or in product development, they are not (or not very much) involved in their firms' competitor study activities.

6.2.16 SEs' owner-managers' education, experience and knowledge

The educational level of the current SE owner-managers is high in 5 SEs, and average or low in the remaining 2 SEs (see table 6.9). Contrary to Raymond *et al.* (2001) however, except for one manager in SE 5, none of the managers believes in a possible

relationship between their education and the level of environmental scanning or competitor study. The current owner-managers' and European director's knowledge level is high in 5 SEs, and their experience level is high in 6 SEs. None of them believes in a relationship with competitor study. Nonetheless, 4 current owner-managers and 1 past owner-manager believe in a positive relationship between their educational levels and their strategic-conceptual thinking, business process understanding, data handling, and data analysis capabilities. Therefore, the analysis part of the competitor study activities benefits indirectly from their education. 4 of these managers have academic business administration educations.

	SE 1	SE 2	SE 3	SE 4	SE 5	SE 6	SE 7
Relative competitive market position	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND
Environmental scanning / competitor study activity level	High competitor study level	Low competitor study level	High competitor study level	High environmental technology scanning level	No level	High environmental technology scanning level	High competitor study level
Main study topics	Customers and competitors	Customers	Customers and competitors	Technology and competitor technology	Incidental study of competitors	Technology and competitor technology	Competitors
Educational level current owner-manager	High	Low	High	High	Average	High	High
Experience level current owner-manager	Average	High	High	High	High	High	High
Knowledge level current owner-manager	Average	Average	High	High	High	High	High
Relationship scanning / study level and current owner-manager educational level	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager
Relationship scanning / study level and current owner-manager knowledge & experience level	No	No	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager	No	Possible, but not confirmed by owner-manager	Possible, but not confirmed by owner-manager

Table 6.9: The contrast table shows possible relationships between the SEs' competitor study activities and the SEs' principal managers' educational, experience, and knowledge levels.

6.2.17 SEs' competitor study research questions

The analysis of the SME owner-managers' use of research questions shows that 3 SEs (MIDDLE SEs 1 and 2, and BEHIND SE 7) do not use research questions at all. BEHIND SE 3 doesn't use pro-active research questions. This research outcome supports the conclusion of Smeltzer *et al.* (1988) that the external data collection of small companies is unstructured and ad-hoc. However, both AHEAD SEs, 4 and 6, use

research questions, contradicting the outcome of Smeltzer *et al.* (1988). Furthermore, the owner-manager at the holding level of SE 5 also uses predefined general research questions, but he doesn't share his information with SME 5's managing director. None of the SEs uses strategic research questions, but BEHIND SE 7 uses tactical research questions to analyze lost orders.

6.2.18 SEs' competitor study data networks and data sources

6.2.18.1 General analysis of SEs' competitor study networks and data sources

Baranauskas (1998), Terziovski (2003), and Fuellhart and Glasmeier (2003) concluded that customers and suppliers are important data sources, and this analysis supports their findings. 5 SEs regard customers as important, and BEHIND SEs 5 and 7 also include the competitors' customers and potential customers in this classification. 5 SEs regard suppliers as important. One of the other 2 SEs, BEHIND SE 7, is not included, because it is a pure service company, without suppliers. Furthermore, all 7 SEs use their subordinates / employees as data sources, which supports Johnson and Kuehn (1987).

Mosey *et al.* (2002) discovered that SEs use competitor products, trade shows and the internet to search for relevant market information, and this research supports their discovery. 5 SEs (MIDDLE SE 1, BEHIND SEs 3 and 7, as well as AHEAD SEs 4 and 6) frequently visit internet websites and competitor websites to collect data. Furthermore, the 2 AHEAD SEs also visit trade shows frequently. They deliberately use these shows to study competitor products and to talk to competitors. MIDDLE SE 2, as well as BEHIND SEs 3 and 5, also visit trade shows, but there are simply less trade shows in their branches. 5 SEs (2 AHEAD SEs, MIDDLE SE 2, and BEHIND SEs 3 and 7) also study competitor products.

Smeltzer *et al.* (1988) concluded that small firms often use less formal networks, like trade associations, whereas O'Donnell and Cummins (1999) discovered the critical role of these trade associations in SE networks, regarding the collection of competitor data. This analysis partly supports both conclusions. 5 SEs either do not have a trade

association in their branch, or they just regard this data source as not important. 2 SEs (BEHIND SE 5 – albeit only at holding-level – and AHEAD SE 6), actively use trade association meetings to get into contact with competitors.

Fuellhart and Glasmeier (2003) concluded that SMEs do not regard information from competitors as very relevant or credible. This analysis however, contradicts their conclusion. MIDDLE SE 1, as well as AHEAD SEs 4 and 6, frequently and deliberately seek direct communication with their competitors. AHEAD SE 4 is the only SE which attends competitor open house events and visits competitor factories. There is some communication between BEHIND SMS 3, 5 and 7, and their competitors. Furthermore, 6 SEs collect competitor offers. 2 SEs study competitor leaflets. 3 SEs (BEHIND SE 3, and AHEAD SMs 4 and 6) consistently search for competitor data in branch magazines.

Part of the above analysis supports the conclusion of Curran *et al.* (1993) that SMEs tend to have relatively small and non-extensive networks. 5 SEs (2 MIDDLE SEs and 3 BEHIND SEs) collect data within small, non-extensive networks. 4 Of these SEs have occasional or limited direct contacts with competitors. Hence, they can only obtain an inconsistent or fragmented data flow from this source, which could result in indirect, incomplete or outdated data. The 2 AHEAD SEs on the other hand, use a wide variety of networks (including competitors) to collect external data, in particular about new technology, which contradicts the conclusion of Curran *et al.* (1993).

6.2.18.2 SEs' internal, external, direct, and indirect, competitor study data sources

An analysis of the important data sources the SEs (see table 6.10) use to scan their environments and to study their competitors reveals the following. The SEs use a higher number of direct internal data sources than indirect internal data sources. The average number of direct internal sources is 2,28. None of the SEs regards indirect internal data sources (e.g. client databases, client visit reports) as important, and the average number of sources in this category is zero. The SEs also use a higher number of direct external data sources than indirect external data sources. The average number of the direct external sources is 4,86. The average number of the indirect external

sources is 4,0. With an average number of 8,86 external data sources, all SEs use many more external sources than the average number of 2,28 internal data sources. The analysis supports the conclusion of Williams (2003) that SMEs prefer direct information sources during their marketing information acquisition.

	SE 1	SE 2	SE 3	SE 4	SE 5	SE 6	SE 7	Average number of data sources
Relative competitive market position	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND	
Important internal <i>direct</i> data sources	3	1	2	3	3	3	1	2,28
Important internal <i>indirect</i> data sources	0	0	0	0	0	0	0	0
Total number internal data sources	3	1	2	3	3	3	1	2,28
Important external <i>direct</i> data sources	3	4	6	8	3	6	4	4,86
Important external <i>indirect</i> data sources	5	3	4	4	3	5	4	4
Total number external data sources	8	7	10	12	6	11	8	8,86
Total number internal / external sources	11	8	12	15	9	14	9	11,14

Table 6.10: A contrast table with the number of the SEs’ important internal and external direct and indirect environmental scanning and competitor study data sources.

1 MIDDLE SE and 2 BEHIND SEs use the least data sources (8 and 9). 2 Of these SEs have the lowest ranks regarding the use of internal sources (1), as well as the lowest ranks regarding the use of external sources (7 - 9). The 2 AHEAD SEs on the other hand, use the most data sources (14 and 15). They are positioned among the SEs with the highest number of internal sources (3), and they rank first and second place with regard to the number of external sources (11 and 12). They also use the highest number of external *direct* sources (6 and 8). Potentially, these external direct sources can offer them the best competitor data in terms of quality and timeliness.

Raymond *et al.* (2001) discovered that owner-managers with a higher level of education used more diverse methods of information gathering, analysis and dissemination. This analysis supports their conclusion, but the educational discipline has to be added as a related factor. 5 Current owner-managers (see table 6.11) have (high) academic educations, but only 4 of these have Business Administration

educations. These 4 owner-managers all use 11 or more data sources to collect data, whereas the remaining 3 owner-managers use only 9 or less data sources.

	SE 1	SE 2	SE 3	SE 4	SE 5	SE 6	SE 7
Relative competitive market position	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND
Educational level <i>current</i> owner-manager	Academic	Vocational	Academic	Academic	Polytechnic	Academic	Academic
Main educational discipline	<i>Business Administration & IT</i>	Food technology	<i>Business Administration</i>	<i>Business Administration</i>	Shipping engineering	<i>Business Administration</i>	Chemistry & Law
Number of data sources	11	8	12	15	9	14	9
Relationship educational level owner-manager and number of data sources	Yes	Yes	Yes	Yes	Yes	Yes	No, however...

Table 6.11: A contrast table, indicating a relationship between the current SE owner-managers' Business Administration educations and the SEs' number of data sources.

6.2.18.3 SEs' personal and impersonal competitor study data sources

Personal data sources are very important for the 7 SEs (see table 6.12). The average number of personal data sources is 6,43, whereas the average number of impersonal data sources is 4,71. This score supports the conclusions of Fann and Smeltzer (1989) and Williams (2003) that SMEs prefer personal information sources during their marketing information acquisition. 4 SEs use a higher number of personal sources than impersonal sources. 2 SEs (MIDDLE SE 2 and AHEAD SE 6) use the same number of personal and impersonal sources. BEHIND SE 7 uses more impersonal than personal sources. Furthermore, MIDDLE SE 2 has the lowest number of personal sources (4), and ranks 2nd lowest with only 4 impersonal sources. AHEAD SE 4 has the highest number of important internal and external data sources: 15 sources. This SE has the highest number of personal sources (9), and ranks 2nd highest with regard to the number of impersonal sources (6).

	SE 1	SE 2	SE 3	SE 4	SE 5	SE 6	SE 7	Average number of data sources
Relative competitive market position	MIDDLE	MIDDLE	BEHIND	AHEAD	BEHIND	AHEAD	BEHIND	
Personal data sources	7	4	7	9	7	7	4	6,43
Impersonal data sources	4	4	5	6	2	7	5	4,71
Total number personal/impers. data sources	11	8	12	15	9	14	9	11,14

Table 6.12: A contrast table with the number of the SEs’ important personal and impersonal environmental scanning and competitor study data sources.

6.2.18.4 Comparison of SEs’ competitor study data sources categories

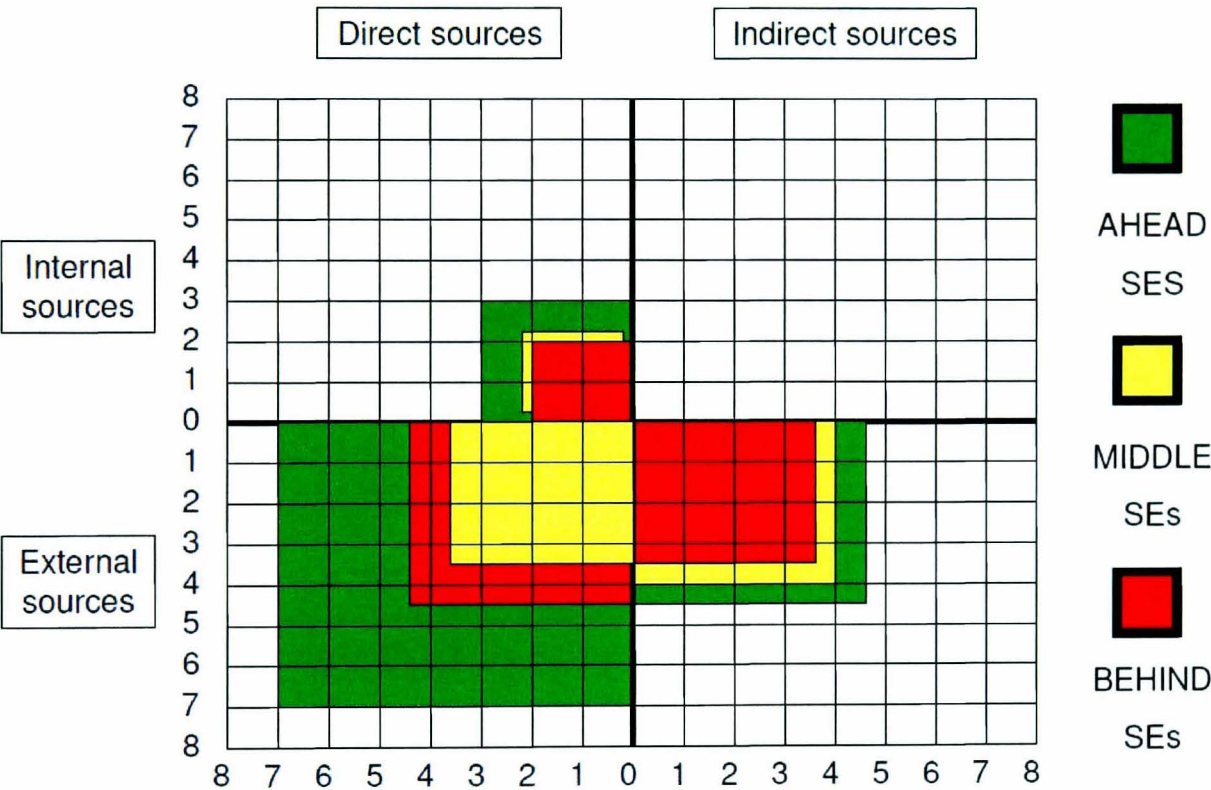


Fig. 6.4: A comparison of the average number of internal and external direct and indirect competitor study data sources used by SEs in the AHEAD, MIDDLE, BEHIND SE categories.

A comparison of the average number of data sources used by the 3 AHEAD, MIDDLE, and BEHIND SE categories (fig. 6.5) reveals a clear imbalance between the use by all SEs of internal and external competitor study data sources. The use of internal data sources is limited, and none of the SMEs actually uses indirect internal data sources. Furthermore, a comparison of the MIDDLE and BEHIND SE categories reveals that the differences between these 2 categories are limited; BEHIND SEs use one average external direct data source more, but also a half average external indirect

data source less, than MIDDLE SEs. A comparison of the AHEAD SE category with the 2 other categories however, not only shows that the AHEAD SEs use the highest average total number of data sources, but also that these SEs use almost twice as many average direct external competitor study data sources.

6.2.19 SEs’ ethical and legal data collection practices

		SE 1 MIDDLE	SE 2 MIDDLE	SE 3 BEHIND	SE 4 AHEAD	SE 5 BEHIND	SE 6 AHEAD	SE 7 BEHIND	Total
Number of <i>unethical</i> data collection cases		1	1	2	1	3	0	5	13
Root cause	Planned action	1	1	2	1	2	0	5	12
	Unexpected opportunity	0	0	0	0	1	0	0	1
Feeling manager	Approval, fun	0	1	2	1	3	0	4	11
	Shame	1	0	0	0	0	0	1	2
Number of <i>illegal</i> data collection cases		0	0	0	0	3	1	1	5
Root cause	Planned action	0	0	0	0	0	0	0	0
	Unexpected opportunity	0	0	0	0	3	1	1	5
Feeling manager	Approval, fun	0	0	0	0	3	1	1	5
	Shame	0	0	0	0	0	0	0	0
Total number of <i>unethical & illegal</i> data collection cases		1	1	2	1	6	1	6	18
Ranking ethical & legal		2	2	3	2	5	1	4	

Table 6.13: A contrast table with the number and character of the SMEs’ 18 unethical and illegal past data collection cases. SMEs 5 and 7 account for 12 of these cases.

The analysis shows that the SEs’ general data collection practices are legal and ethical. However, 7 SEs report 13 *unethical* data collection cases, and 3 SEs also report 5 *illegal* data collection cases (see table 6.13). 12 Unethical data collection cases appear to be the result of planned actions, whereas the remaining case occurred during an unexpected opportunity (table 6.14). The managers approve of 7 cases, and even regard 4 cases as fun. Only 2 cases met some disapproval, including minor feelings of shame. In 10 cases, the managers were aware that their collection practices were unethical, but they did not care much about this in 7 of these cases. They were not aware of unethical behaviour in the 3 remaining cases, although they had not contemplated this either. The analysis partly supports the conclusion of Prescott (2006) that different perspectives regarding ethics and competitive intelligence, most likely result in the daily commitment of minor ethical violations. The 5 illegal data collection cases occurred during unexpected opportunities (see table 6.15). The

managers approve of 3 cases, and regard 1 case as fun. In 4 cases, they confirm their knowledge of the law. They are aware that they have used illegal data collection practices, but they do not care about this in 3 cases. They were not aware of possibly illegal behaviour in 1 remaining case, and apparently lacked the legal knowledge to ascertain this.

Case	SE	Description unethical case	Approval, fun	Shame	Awareness unethical	SE managers' comments
1	1	Planned: anonymous visit of competitor's presentation	no	yes	yes	'That was close to the edge for me when one discusses ethics'.
2	2	Planned: anonymous visit of competitor's open house	approval	no	yes (but doesn't care)	'I joined in then, in a manner of speaking. That's how one could join undercover'.
3	3	Planned: used fake identity to visit competitor's factory	fun	no	yes (but doesn't care)	'...nobody asked me who I was. So yes, that was splendid'.
4	3	Planned: uses contacts with family member working at competitor	approval	no	no (but doesn't think about it)	'...a quite handy entrance. I occasionally call him directly, but it can be quite convenient sometimes'.
5	4	Planned: initiated contact with journalist with inside-information competitor interview	approval	no	yes	'you'll get - it's not allowed officially - a pre-presentation before the publication date'.
6	5	Planned: uploaded fake vacancies at internet website – study response offers	approval	no	yes (but doesn't care)	'[They were] unaware that we, ourselves, are fairly intensively busy with that ourselves as well.'
7	5	Opportunity: used camera for photo of staff schedule during visit to competitor	fun	no	yes (but doesn't care)	'...hanging on the (competitor's) wall, all the staff schedules, and I just took a picture then. But that's rather more for fun.'
8	5	Planned: sent fake flex workers to competitor to obtain data about salaries and conditions	fun	no	yes (but doesn't care)	So you almost use them (the flex workers) as spies?" b: "Yes. I just give a location manager an order.
9	7	Planned: anonymous (without badge) visit of competitor trade show booth	approval	no	yes	'And we often just take off the (name) badge then for a moment'.
10	7	Planned: used principal to gain access to enclosed meeting & competitor presentation	approval	no	yes (but doesn't care)	'I mean – if there is a back door, you have to use it.'
11	7	Planned: former employees, working at principal, supplied inside competitor info	approval	no	no (but doesn't think about it)	'2 former employees who could see the entire competitor presentation and monitor ... 'briefed' us about what it generated.'
12	7	Planned: online monitoring competitor's usage behaviour of the SME's software	fun	no	no (but doesn't think about it)	'...indeed that is a rather nice one, this... But the funny thing is that you can also monitor them.'
13	7	Planned: used misleading telephone call to competitor, asking for price levels	no	yes / no	Yes (manager 1) No (manager 2)	'I also regarded it as close to the edge..', 'just call as a client. It isn't very decent, but it does work though'.

Table 6.14: The SEs' 13 recorded unethical data collection cases, including the SE managers' case perceptions and personal statements.

There are clear differences between the number of unethical and illegal data collection cases in the 3 SE categories. Out of a total of 18 cases, the 2 AHEAD SEs and the 2 MIDDLE SEs each report 1 case. The 3 BEHIND SEs however, report 14 cases. BEHIND SEs 5 and 7, with weak relative competitive market positions, are responsible for 12 cases, suggesting a relationship between weak relative competitive market positions and frequent unethical and/or illegal data collection practices.

Case	SE	Description illegal case	Approval, fun	Shame	Awareness illegal	SE managers' comments
1	5	Opportunity: opened closed envelope and made copy of wrongly addressed payroll	fun	no	yes (but doesn't care)	'...in fact I was like: well guys, just open it'. 'We sent it back again with a friendly note.'
2	5	Opportunity: senior managers disclosed due diligence information about competitor offer	approval	no	yes (but doesn't care)	'...that information about how the offer at [competitor's name] was constructed incidentally landed on my table'.
3	5	Opportunity: pocketed competitor's phone list without approval during visit	approval	no	yes (but doesn't care)	'when I see a phone list laying around, then: well, I take the...list in my pocket with me'.
4	6	Opportunity: asks SE's former competitor employees questions about past practices	approval	no	no (but apparently doesn't know)	'Do you also talk to them sometimes when you have a question about a particular competitor? b: "Yes, I try to do that indeed'.
5	7	Opportunity: made copy of competitor's offer at principal without asking approval	approval	no	yes	'I think, it (the offer) was once copied illegally while it was lying on a desk.' '.. it is almost close to illegal.'

Table 6.15: The SEs' 5 recorded *illegal* data collection cases, including the SE managers' case perceptions and personal statements.

6.2.20 SEs' competitor data storage and data access

The analysis of the competitor data storage shows that 5 SEs use central, general data storage systems. However, the competitor data storage of all 7 SEs is unstructured. AHEAD SE 4 uses competitor files, MIDDLE SE 1 includes some competitor data within its general data storage, BEHIND SE 5 no longer stores competitor data and MIDDLE SE 2 does not store any data whatsoever. The analysis supports the conclusion of Demers (2003) that most of the information is stored in the employee's brains. Strandholm and Kumar (2003) suggested that SEs should simply organize the information that is already available to them, but the analysis shows that this will be difficult in most of the 7 SEs. The storage of scattered competitor data by 4 remaining SEs is decentralized, although the storage of physical data at SE 4 appears to be somewhat centralized.

The access to the competitor data in the SEs is limited. Gelb and Saxton (1991) concluded that large firms are concerned about internal data leaks. However, the limited access to the competitor data in the 7 SEs is more likely a result of a lack of storage structure, than of a deliberate restriction policy. The employees of 4 SEs have to ask their owner-managers to allow access to the data, and technical reasons prevent access by SE 5's external employees to all digital data. However, none of the 7 SEs is concerned about internal data leaks, and this issue has not played a role in any of the SEs' competitor study motivations.

6.2.21 SEs' data quality and data analysis

The analysis reveals that the 7 SEs have varying data analysis capabilities. This outcome contradicts with the conclusion of Lybaert (1998) that SME owner-managers lack the means to analyse collected data. The capability is limited in MIDDLE SE 2 and BEHIND SE 5, average in MIDDLE SE 1 as well as BEHIND SEs 3 and 7, and high in AHEAD SEs 4 and 6. 6 SEs double-check and improve collected data before disseminating it.

6.2.22 SEs' intelligence dissemination

Analysis of the competitor study intelligence dissemination practice confirms a prominent role of the SE owner-managers, except in BEHIND SE 5. The owner-managers disseminate intelligence to fellow-managers and employees in 5 SEs. The employees in BEHIND SE 7 have to ask for information themselves.

The SEs' managers use a mix of communication tools to disseminate data:

- personal / verbal / telephone: 7 SEs,
- e-mail: 5 SEs,
- meetings: 5 SEs,
- SMS messages: 1 SE.

None of the SEs produces written reports, exclusively containing competitor data.

The analysis of the intelligence dissemination activities shows the following. BEHIND SE 5 does not use a fixed frequency to disseminate and discuss collected data, and its disseminated intelligence is incomplete. MIDDLE SE 2 and BEHIND SE 3 do not use a fixed frequency to disseminate and discuss collected data either, but their intelligence is complete. MIDDLE SE 1 and BEHIND SE 7 use a fixed frequency to disseminate and discuss collected data, but their intelligence is incomplete. AHEAD SE 4 and AHEAD SE 6 use a fixed frequency to disseminate and discuss collected data, and the intelligence is complete. The findings support the conclusion of Chaston *et al.* (2001) that entrepreneurs with a higher-order approach to learning appear to be particularly good at knowledge management. Furthermore, the analysis of the follow-

on data collection actions and new research questions reveals different SE practices. BEHIND SE 5 does not use these practices at all, whereas MIDDLE SE 2 and BEHIND SE 7 only use their owner-managers. The remaining 4 SEs use owner-managers, managers, as well as employees to collect more data or to answer new research questions.

6.2.23 SEs' competitor study resource constraints

Gilmore *et al.* (1991) stated that the SME's marketing is determined by the SME's inherent limitations. Smeltzer *et al.* (1988) suggested that the SME's limited availability of resources played a role for the limited use of formal networks. The Gallup Organisation (2007) identified the increasing constraints of: limited access to finance, labour force too expensive, and a lack of skilled labour. The following *absolute* resource constraints, identified in this study, support the findings of the extant literature:

- All SEs, except MIDDLE SE 2, regard an insufficient number of employees as a limitation. BEHIND SE 5 regards it as a big limitation.
- 5 SEs regard their insufficient marketing knowledge as a limitation. MIDDLE SE 1 is implicit, and states that its consultants and unit managers are technically focused. BEHIND SE 5 regards it as a big limitation. Contrary to the suggested solution of Metayer (1999), none of the SEs has hired an external expert with the proper knowledge.
- 4 SEs regard a lack of competitor study analysis knowledge as a limitation. MIDDLE SE 2 and BEHIND SE 5 regard it as a big limitation.
- 4 SEs, including 2 BEHIND SEs and 2 AHEAD SEs, regard the available time as a limitation.
- 3 SEs regard the lack of an internal data collection network as a limitation. BEHIND SE 5 regards it as a big limitation.

- 3 SEs, AHEAD SE 6, and BEHIND SEs 3 and 7, lack sufficient money. BEHIND SE 3's marketing expenditure is restricted by its head office.
- 2 SEs regard their IT systems as insufficient. AHEAD SE 6 states that its computer system cannot cope with the large number of competitors, which confirms the information overload problems for small business, that Hoare (1999) mentioned. The external employees of SE 7 cannot access the computer system, which supports Pollard and Hayne's (1998) view that small firms have a low level of IT expertise.

Scupola (2003) on the other hand, stated that it is all about the management's decision regarding the SE's priorities, and what to do with the SE's available resources. The following *relative* resource constraints, identified in this study, support this statement:

- The staff of 2 SEs are sceptical regarding competitor study. The staff of AHEAD SE 6 regards themselves as superior, and the management of MIDDLE SE 1 has doubts about the usefulness of competitor study.
- 2 SEs are unable to organize competitor study. BEHIND SE 5 lacks both the willpower and knowledge to do so. BEHIND SE 7 only focuses on sales, and the quality of its internal data network has deteriorated.
- The employees of BEHIND SE 7 do not understand what competitor study is, or can do. The employees are not motivated, since they often cooperate with competitor employees.

The analysis of the competitor study resource constraints reveals that none of the 10 reported constraints occur in all 7 SEs at the same time. Furthermore, none of these occur exclusively in the SE categories AHEAD, MIDDLE and BEHIND.

6.2.24 SEs’ competitor study of the usefulness of intelligence for decision-making

Intelligence assessment	SE	Positive strategic results	Positive tactical results	Competitor intelligence impacted upon	Competitor intelligence use in decision-making
Useful to very useful (very positive)	BEHIND SE 7	None mentioned	2 examples	Sales tactics	Yes
Useful (positive)	BEHIND SE 3	None mentioned	Some results	Sales tactics and marketing mix	Yes
Neither useless nor useful to useful (somewhat positive)	AHEAD SE 4	None mentioned	2 examples	Conceptual thinking and product development	Implicitly
Neither useless nor useful (neutral)	MIDDLE SE 1	Some benefit	2 examples	Sales tactics	Yes
	MIDDLE SE 2	1 example	1 example	Product size and product packaging	Unclear
	AHEAD SE 6	1 example	3 examples	Strategy, sales tactics, and search high-quality suppliers	Yes
Useless to useful (negative)	BEHIND SE 5	1 example	2 examples	Nothing	No

Table 6.16: A contrast table with the intelligence assessment by the 7 SEs, listing the number of positive strategic and/or tactical results, describing the impacted business activity, and whether or not the intelligence is used in the SEs’ decision-making processes.

Deakins and Freel (1998) concluded that the strategic decision-making understanding of small firm owners should not be underestimated. This analysis partially supports their conclusion; the understanding of strategic decision-making of 5 SEs is at the professional level Deakins and Freel (1998) described. The understanding of the managers in MIDDLE SE 2 and BEHIND SE 5 is not at this level. Furthermore, the research outcome of Fuellhart and Glasmeier (2003) showed a positive relationship between competitor information and improved decision-making. The analysis of how the 7 SEs assess the usefulness of competitor study partly supports this outcome: MIDDLE SE 1, as well as BEHIND SEs 3 and 7, are positive about competitor study information for their decision-making process. MIDDLE SE 1 states that it has improved its strategic and tactical decision-making, and BEHIND SE 3 concludes that it has improved its tactical decision-making. BEHIND SME 5 does not use competitor information in its decision-making. Fann and Smeltzer (1989) discovered that SME owner-managers rank competitor information 3rd place as an important source for operational decision-making and 4th place for long-term planning. The analysis of how the 7 SEs assess the usefulness of competitor study partly supports this outcome. MIDDLE SE 2, and AHEAD SEs 4 and 6, have neutral or negative opinions of this activity. This is surprising, since these SMEs also present positive strategic and tactical results, following this intelligence. MIDDLE SE 2 regards the usefulness of

competitor study as average; occasionally, it has been useful for its strategic and tactical decision-making. AHEAD SE 4 concludes that the usefulness of competitor study is limited, and AHEAD SE 6 concludes that only a part of its competitor study has improved its tactical decision-making.

6.2.25 Assessment of SEs’ absorptive capacities and intelligence cycles

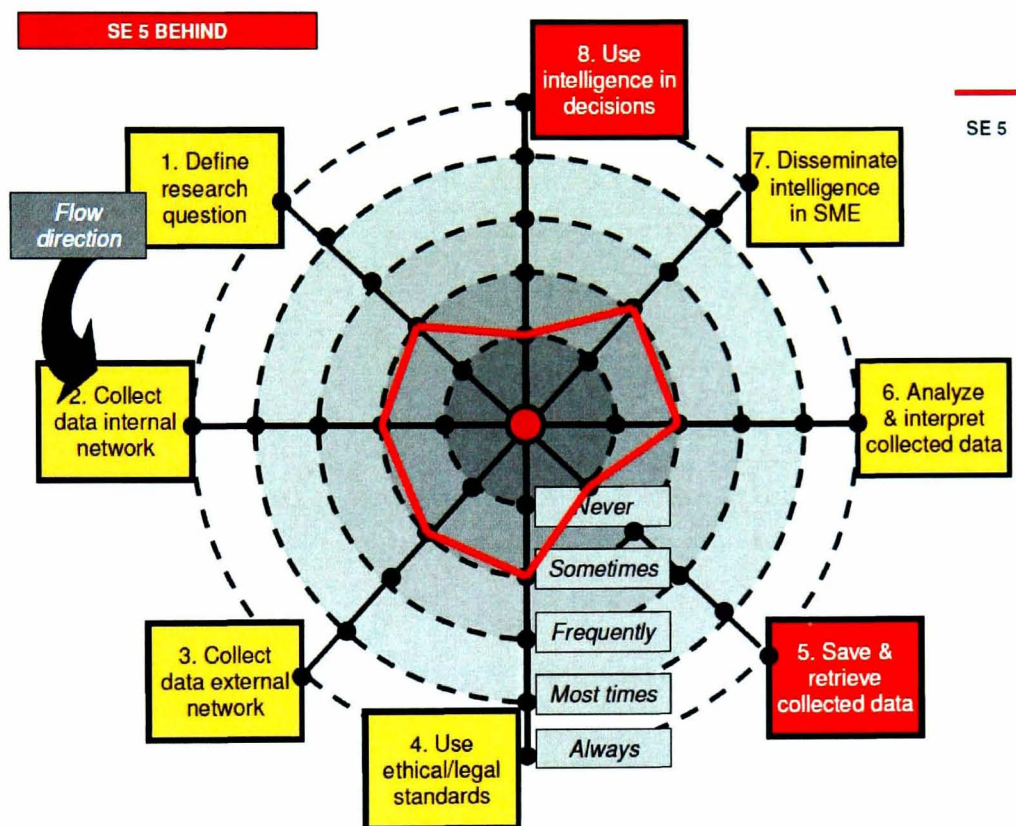


Fig. 6.5: The spider web model shows that all absorptive capacity elements of BEHIND SE 5 are at critically low levels, completely blocking this capacity.

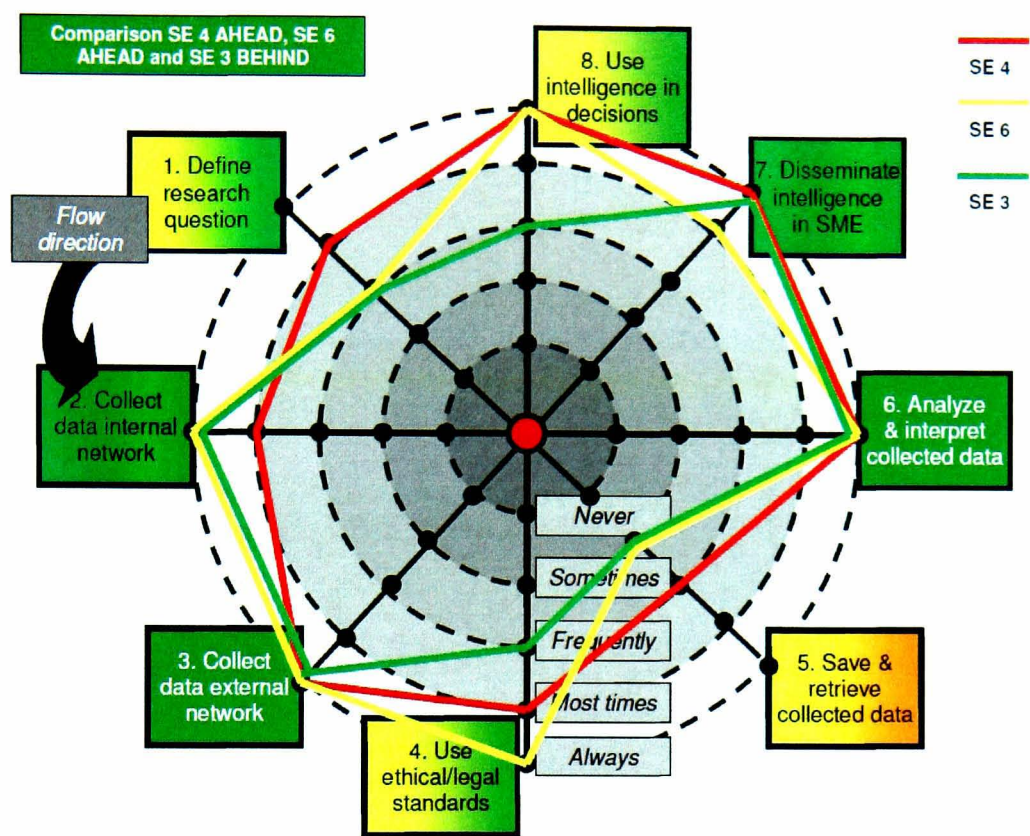


Fig. 6.6: The spider web model shows that the intelligence cycles - the SEs' absorptive capacities - of AHEAD SEs 4 and 6, as well as BEHIND SE 3, consist of developed activities.

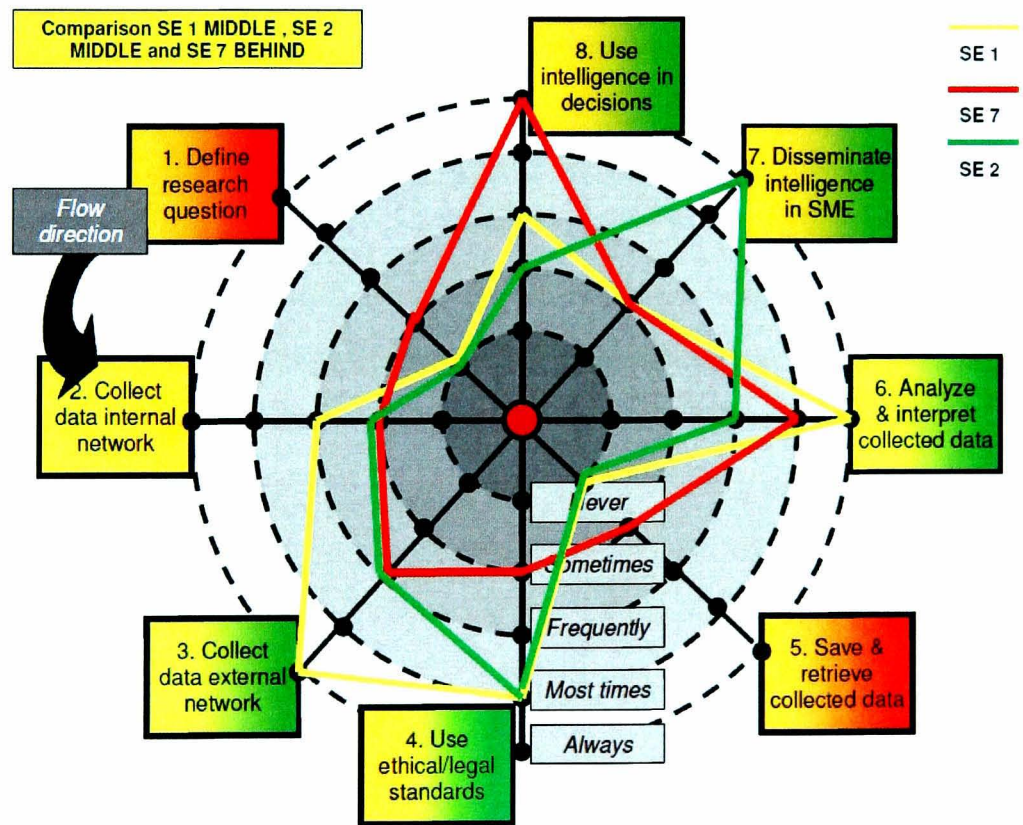


Fig. 6.7: The spider web model shows that the absorptive capacities of MIDDLE SEs 1 and 2, as well as BEHIND SE 7, consist of a mix of developed and underdeveloped activities, limiting the development of potentially useful intelligence processes.

The analysis of the SEs' intelligence cycles reveals the following. The intelligence cycle of the 2 AHEAD SEs (4 and 6) is almost perfect. The 2 firms have developed high levels of pro-active absorptive capacity. However, these SEs are followed by BEHIND SE 3 with an almost identical absorptive capacity. MIDDLE SE 1, BEHIND SE 7, and MIDDLE SE 2 have developed average absorptive capacity levels, with a mix of developed and underdeveloped activities. BEHIND SE 5 uses only reactive activities, and this firm has developed a very low absorptive capacity level.

6.2.26 SEs' measurement results of competitor study

Lybaert (1998) discovered a positive relationship between information and business performance. Analoui and Karami (2002) concluded that there is a strong, positive relationship between firm performances and the presence of formal environmental scanning systems. Pearce *et al.* (1982) concluded that timely and accurate knowledge of the competition is positively related to the success of small firms. Zahra *et al.* (2002) was confident about the existence of a positive relationship between competitor study and company results. Steiner and Solem (1988) added that successful small companies knew how their competitors were positioned, as well as what they were doing in their markets. Hall and Bensoussan (1997) on the other hand, did not find a relationship between competitor study and sales or turnover growth.

The analysis could not substantiate a relationship between information use and business performance, because the 7 SEs do not measure the results of their competitor study activities, in terms of annual turnover, profit and market share. MIDDLE SE 1 discussed a case with a positive outcome, when it used competitor information to come to an alliance with a particular competitor, and, as a result, won 10 new clients. AHEAD SE 6 however, thinks that relationships between competitor study and measurable results are 'very far away.'

6.3 Conclusion

This chapter presented and discussed a cross-analysis report with the combined research findings of the competitor study activities of the 7 SEs researched in this study. The report was used to present the findings in a structured and standardized way. The analysis used a newly developed flexible analysis construct, based upon the relative competitive market positions of companies, and divided the SEs into 3 analysis categories. These categories were consistently used to compare the environmental scanning, competitor monitoring, and competitor study practices of the SEs. The outcomes of this comparison were used to search for underlying patterns, and these patterns were linked to the extant literature. In the next chapter, the conclusions and debate chapter, the patterns will be explained, and this explanation will be linked to the extant literature. The resulting conclusions will be used to build new theory.

Chapter 7 – CONCLUSIONS AND DEBATE

7.1 Chapter guide

This chapter presents the research objectives, the methodology, as well as the conceptual research framework. Prior to a discussion of the research outcomes, it explains the definitions related to competitor study activities. It presents the research questions, and relates these to the outcomes of this research and compares these outcomes with the extant literature. It uses a debate to present an understanding and explanation of SE competitor study practices. As well as this it presents conclusions regarding the extant literature, in addition to new findings and new insights.

7.2 Introduction

7.2.1 Research objectives

A summary of the research objectives of this study is as follows:

- To investigate the competitor study practices in SEs.
- To provide an analysis of competitor study in SEs.
- To understand what competitor study means in SEs.
- To develop the new theory regarding competitor study in SEs.
- To present ‘best practice’ competitor study recommendations to SEs.

The SE competitor study practices have been investigated and analysed in chapters 5 and 6. The ‘best practice’ competitor study recommendations will be presented to SEs in chapter 8. This chapter presents an understanding of what competitor study means in SEs, and it uses this understanding to develop new theory.

7.2.2 Research description

This research has used case study analysis to study 7 SE business organizations. Ganesh *et al.* (2003), Merrilees and Tiessen (1999), and Easterby-Smith, *et al.* (2004) regard case study analysis as the best systematic methodology to undertake a

descriptive, relationship, and analytical study of SE competitor study practices and phenomena. This is a cross-sectional case study, which has been used to investigate how and why thinking, behaviour, and actions in SEs changed over time, aiming to obtain knowledge about the underlying motives of SE competitor study.

7.2.3 Conceptual research framework

The conceptual framework of this research is the multiple stories milieu case studies paradigm. Its main data source consists of the subjective, different perceptions and interpretations of the social worlds of 3 individuals per SE, within the shared social milieu of each of the researched SEs. The units of analysis are 7 Dutch business-to-business SEs. Therefore, the generative method consisted of 21 individual face-to-face interviews with the units of observation being; SE owner-managers, directors and other managers. These multiple stories, as well as 126 documentary evidence sources, have been used to develop flexible analysis constructs to search underlying patterns in the 7 SE cases. This knowledge has been used to create an understanding about what has happened, and why it has happened, and has used this to generate new theory through substantiating the 7 propositions in section 3.12.4.

7.3 Conclusions and debate

7.3.1 Competitor study definitions

Prior to the debate, the following definitions, related to competitor study activities, are presented. *Market research* is the thorough, in-depth study of markets. *Market intelligence* overlaps this market research. It is a focused and pro-active intelligence activity of collecting and studying data of relevant players in the market's meso- and macro-environments. *Marketing research*, or *marketing intelligence*, is used to understand the effect of marketing activities, and use this understanding to devise an effective marketing plan. *Environmental scanning* is the scanning for market information about commercial opportunities, technology, and competitors. *Competitor monitoring* is an element of environmental scanning. It is a fast and daily, proactive or reactive, scanning of the competitors' market behaviour. *Competitor study*, or *competitor analysis*, is an in-depth study, which includes competitor data collection

and analysis, as well as the dissemination of an interpreted intelligence product to the company's decision-makers. *Competitor intelligence*, or *competitive intelligence*, is the use of public sources to locate and develop data, which are then transformed into information, generally about competitors. *Commercial, industrial, or corporate espionage* finally, includes illegal actions to collect commercially valuable data.

7.3.2 Improved SE relative competitive market position construct

Buckley *et al.* (1988: 185) suggested that researchers should use relative market shares with a profit performance criterion to measure the competitiveness of firms - although their measurement left the question of sustainable firm performance open. This research however, is interested in all underlying patterns between the competitiveness of the firms which have been researched, defined in terms of relative competitive market positions, and the character of the firms' competitor study activities. Following the suggestion of Buckley *et al.* (1988) and the theory building process by Eisenhardt (1989), 3 dimensions - or drivers - were selected to develop a flexible analysis construct to look for within-group similarities, coupled with intergroup differences. The 3 drivers are:

- a) The impact of marketing crises on the firm, e.g. decreasing demand, shrinking markets, unexpected loss of product and service uniqueness.
- b) The perceived uniqueness of the firm's products and services, either enabling firms to set their own futures or to remain at the mercy of their markets.
- c) The firm's past and current financial performance, e.g. on target profits and results, indicating the firm's capability to develop new technology and enter into markets.

Eisenhardt (1989) suggested the selection of pairs of cases, as well as the creation of a list of similarities and differences between each pair of cases.

This approach was used to assess the relative competitive market positions of the 7 SEs, resulting in:

- a) AHEAD SEs with *strong* relative competitive market positions.
- b) MIDDLE SEs with *stable* relative competitive market positions.
- c) BEHIND SEs with *weak* relative competitive market positions.

Characteristics SEs	AHEAD SEs	MIDDLE SEs	BEHIND SEs
Relative competitive market position	Strong	Stable	Weak
Affected by marketing crisis	No	A little bit	Yes
Product & services performance vs competitor	Better to superior	Slightly better	Equal or worse
Number of strong marketing tools	2 – 3 strong marketing tools	1 strong, 1 average marketing tools	1 strong, 2 – 4 average marketing tools
Financial performance	On target	Slightly below target	Below target
Management orientation	Managerial/planning or marketing management	Entrepreneurial and opportunistic	Entrepreneurial and opportunistic
Attitude towards competitor	Immune attitude	Immune or task-driven attitude	Task-driven attitude
Environmental scanning / competitor monitoring / competitor study focus	Technology, competitor technology, supplier technology	Commercial opportunities and competitors	Competitors
Competitor monitoring	Reactive	Reactive or active	Active or not organised
In-depth competitor study	Special task only	Offensive and defensive tasks	Offensive and defensive tasks
Scanning / study time spent per annum x frequency	Up to 80 hours, 2-weekly frequency	Up to 10 hours, random frequency	Up to 50 hours, monthly frequency
Competitor study subjects	Market strategy, technology development, organisation and capabilities	Customers	Sales strategy, market behaviour, products, services, quotations, prices, success & failure factors
Scanning / study activity embedded in organisation	Yes	Yes	No
Use of research questions	Yes	No	No
Network size	Wide	Small	Small
Number of data sources	High	Average	Small
Frequency direct contact with competitors	Often	Occasional	Limited
Unethical and illegal data collection practices	No	Incidental	Frequent
Competitor data storage structure	Average	Limited	No
Analytic capability managers	High	Limited - average	Limited - average
Intelligence product	Complete	Incomplete - complete	Incomplete - complete
Intelligence dissemination	Structured	Unstructured - structured	Unstructured - structured
Intelligence cycle	Complete	Incomplete	Either complete, incomplete, or blocked
Usefulness competitor study outcome	Not useful or partially useful	Useful or partially useful	Either not useful, partially useful, or very useful

Table 7.1: A table with 24 similarities and differences between the company characteristics and environmental scanning/competitor study activities of the 3 SE categories.

A new insight of this research therefore is this new flexible analysis construct, which has been developed, applied, and sharpened during the cross-case data analysis process of the SE cases. The construct's outcomes have been used to define a final list with 24 similarities and differences (company characteristics, environmental scanning activities, and competitor study activities) between the 3 SE categories.

The 3 relative competitive market position categories were used to compare and assess the competitor study practices of the 7 SEs studied in this research. The research outcome shows that AHEAD SEs combine strong relative competitive market positions with well organized technology scanning activities, MIDDLE SEs combine stable relative competitive market positions with average organized commercial opportunity and competitor scanning activities, whereas BEHIND SEs combine weak relative competitive market positions with poorly organized competitor scanning activities.

7.3.3 Market-related reasons why SEs do or do not study competitors

There is a knowledge gap in theory regarding the reasons why SMEs do or do not study their competitors. Therefore the 1st research question is: what are the external, market-related reasons why SMEs do, or do not, study their competitors?

This research shows that the 7 SEs do not use faulty assumptions about competitors, they do not misjudge their industries' boundaries, they do not overemphasize visible competences of competitors, and they do know where their competitors compete. Management mistakes have not been spotted. Scupola (2003) showed that the decision of how the SME sets its resource priorities depends upon the motivation of the SME's owner-manager. This research reveals that none of the SEs' owner-managers has a negative competitor study motivation (e.g. due to a negative perception of 'tough' competitive behaviour, or cooperation with competitors, or the perception of competitor study as an unethical and illegal activity, or their concern about data security), although the 2 AHEAD SME owner-managers give competitor study a low priority because they believe that their firms are ahead of their competition.

This research confirms the statement of Scott and Bruce (1987) that SMEs will be confronted with marketing crises. 6 SEs experience marketing crises, including: a) mature and shrinking markets (which confirms Johnson and Scholes (1989), Carson and Gilmore (2000), Kotler and Caslione (2009), and Jones and Hill (2010)), b) the loss of competitive advantage due to the unexpected development and market introduction of superior new products by a competitor, and c) the changing buying behaviour of large customers, e.g. the use of tender offers. 4 SEs react to these marketing crises with competitor study activities, which confirms the conclusion of Deakins and Freel (1998) that SMEs react to marketing crises. 1 AHEAD SE, 1 MIDDLE SE, and 1 BEHIND SE monitor or study their competitors because of a stagnating growth in their shrinking markets, which confirms the conclusion of Fann and Smeltzer (1989) that SMEs use competitor information when they consider expansion in declining markets. The 2nd AHEAD SE has decided to leave its shrinking current market, and it is studying potential competitors in new markets in order to assess a potential market entry. The 2nd MIDDLE SE reacts to its mature market by seeking growth in new markets, whereas the 2nd BEHIND SE is unable to organize its competitor study in either its shrinking home market or in new international markets. Finally, the mature market of the 3rd BEHIND SE is growing, but this SE's financial position is critical and the firm has to focus on sales activities to make a profit.

The 2 AHEAD SEs and 1 MIDDLE SE actively use environmental and technological scanning, but they do not regard competitor scanning as important. This research outcome does not support the expectation of Farhad and Azhdar (2002) that small companies have few environmental analysis activities, although it confirms the conclusion of Fann and Smeltzer (1989) that SME owner-managers place little importance on competitor information. However, a closer look at the motivation for this decision reveals *why* these particular SE owner-managers place little importance on competitor information. The 2 AHEAD SEs combine a managerial / planning orientation or a marketing management orientation with proactive, intensive environmental scanning phases, but their owner-managers regard competitor study as a waste of time. The competitor study attitude (attitude categories by Wright *et al.*, 2004) of the 2 owner-managers of the first AHEAD SE and 1 MIDDLE SE is immune, since they do not have relevant competitors, whereas the attitude of the owner-

manager of the second AHEAD SE is task-driven and this SE only focuses on specific competitor technology questions. This particular AHEAD SE regards at least part of its product portfolio as superior compared to its competitors, and only studies competitors to find alternative, better suppliers for the products in its product portfolio. The 3 SEs therefore combine a positive choice with a negative necessity regarding competitor study, and they do not regard this activity as a priority activity.

The environmental scanning of the other 4 SEs, 1 MIDDLE SE and 3 BEHIND SEs, on the other hand, is limited. The MIDDLE and BEHIND SEs in this research combine entrepreneurial and opportunistic management orientations with reactive, unstructured scanning phases. This research outcome partially supports the expectation of Farhad and Azhdar (2002) that small companies have few environmental analysis activities. The 3 SE owner-managers of 1 MIDDLE SE and 2 BEHIND SEs regard competitors as important, and these SEs scan for commercial opportunities and new competitors. The SE owner-managers have task-driven competitor study attitudes, and their SEs extend their competitor knowledge in an ad-hoc manner. These 3 SEs combine a positive choice with a positive necessity and they deploy competitor study. One BEHIND SE however, has decided to allocate its resources to its sales activities because of its critical financial situation, and has therefore decided not to allocated these resources to competitor study activities, confirming the conclusion of Scupola (2003) that the SME's resources are allocated according to the SME's owner-manager's priorities. The final and 4th SE, a BEHIND SE, has not organized its environmental scanning and competitor study at all, and it doesn't have a competitor study attitude. The firm's managing director realizes that his SE needs to study its national and international competitors, but he has made the deliberate choice not to do this – simply because he lacks the personal knowledge and capability to organize his firm's competitor study activities. Hence, this SE combines a negative choice with a positive necessity, and it does not deploy competitor study activities because of a lack of knowledge resources.

7.3.4 Competitors, large competitors, and SE competitor study

There is a knowledge gap in theory regarding a possible relationship between the activity of large firms and the SME's competitor study activities. Hence, the 2nd research question is: is there a relationship between the activities of large competitors and the reasons why SMEs study their competitors?

This research partially supports the conclusions of O'Donnell and Cummins (1999), and Gilmore *et al.* (2001) that SME owner-managers maintain direct relationships with competitors, and that there is active communication, mutual support and cooperation between SME owner-managers and competitors. The 2 AHEAD SEs and 1 MIDDLE SE only have limited contacts with competitors. 1 MIDDLE SE and the 3 BEHIND SEs on the other hand, have frequent information sharing, marketing cooperation, joint sales initiatives, and resource sharing contacts with competitors. The contacts between these SEs and their competitors also include a single collusion case by one MIDDLE SME, which gives some support to the statement of Fuellhart and Glasmeier (2003) that SME cooperation includes rivalry law infringements.

This research reveals that 3 SEs are aware of 3 to 5 competitors per SE. 4 SEs are aware of 11 or more competitors per SE. All SEs have clearly identified their competitors, which supports the conclusion of Robson and Bennett (2000) that SMEs are aware of their competition. 3 SEs - 1 MIDDLE SE and 2 BEHIND SEs – regard in particular *new entrants*, including other SMEs and one-man independents without staff bands, as dangerous because of the high activity levels and low prices of these firms. 5 of the 7 SEs - 2 AHEAD SEs, 1 MIDDLE SE, and 2 BEHIND SEs – are aware of *large* competitors. The 2 AHEAD SEs and 1 MIDDLE SE are active in niche markets and therefore do not regard these large competitors as dangerous. The 2 BEHIND SEs on the other hand, have to cope with large competitors with identical products in their markets, and they certainly regard these large competitors as dangerous. This outcome supports the conclusion of Yeh-Yun Lin (1998) that SMEs face an increased competition from large firms, and the conclusion of Gaskill *et al.* (1993) that these large firms can defeat SMEs (Gaskill *et al.*, 1993). However, it refutes the conclusion of Mueller (2007) that SMEs do not regard large firms as dangerous. Nonetheless, this

research does not reveal information about any competitor study practices by large firms as presented by Subramanian and IsHak (1998), Prescott and Miller (2001), and Wright and Calof (2006). Therefore, the SEs do not have to study large competitors to defend themselves simply *because* these large firms use competitor study practices.

7.3.5 SE life cycle development and SE competitor study activities

There is a knowledge gap in theory regarding a possible relationship between the development of the SME's life cycle and the SME's competitor study activities. Therefore the 3rd research question is: do the SME's competitor study activities evolve according to the SME's life cycle stage development model?

Carson (1990), and Carson and Gilmore (2000) suggested SMEs to grow according to a predictable life cycle stage model, including a predictable development of the firm's marketing. This research shows that the 7 small firms have remained in one life cycle stage for a prolonged period of time, which confirms the conclusions of Smallbone *et al.* (1995), Deakins and Freel (1998), and Raymond *et al.* (2001) that SMEs do not necessarily evolve linearly from one life cycle stage to the next, and that it is possible that SMEs remain in one life cycle stage for a prolonged period of time. 2 SEs deploy little or no marketing activities. One of these is a mature firm, whereas the other firm is shrinking. The other 5 SEs are in mature life cycle stages, but their marketing activities have not developed beyond implicit and simple activities. This research also reveals the underlying strengths and weaknesses of the 7 SEs' relative competitive market positions. AHEAD SEs have 2 to 3 strong product and personnel marketing tools. One AHEAD SE also has a strong distribution marketing tool. The MIDDLE SEs have 1 strong product marketing tool. The BEHIND SEs only have 1 (less strong) marketing tool, their staff, as well as at least 1 weak marketing tool.

In conclusion: although the 7 SEs are in mature life cycle stages, the competitor study of 5 SEs is still either limited or very limited, and only 2 SEs deploy this activity frequently. Therefore, this research does not reveal a possible relationship between the development of the SME's life cycle and the SME's competitor study activities.

7.3.6 SE strategy and SE competitor study

There is a knowledge gap in theory regarding a possible relationship between the SME's strategy and the SME's competitor study activities. Hence, the 4th research question is: what is the relationship between the SME's strategy and the SME's competitor study activities?

3 SEs do not study their competitors; one SE is active in a growing current market, one in a stable current market, and one in a shrinking home market. However, the other 4 SEs study competitors to prepare for growth in current and/or a market entry into new markets. This finding supports the expectation of Fann and Smeltzer (1989) and Lim *et al.* (1996) that SMEs will increase their competitor study activities to support their growth strategies; e.g. market penetration (growth in current markets) and / or market development (entry into new and/or foreign markets).

This research therefore reveals a relationship between the SE's strategy and a development and/or an increase of the SE's competitor study activities.

7.3.7 The character of SE competitor study activities

7.3.7.1 SE marketing, environmental scanning and competitor study activities

There is a knowledge gap in theory regarding the character of SME competitor study activities. Therefore the 5th research question is: what is the character of the SME's competitor study activities?

This research shows that the competitor study activities of the SEs consist of both competitor monitoring and in-depth competitor studies, but the activities are either instructed, sporadic (1 SE), incidental (2 SEs), or informal (4 SEs). This outcome confirms the conclusions of Ganesh *et al.* (2003), Fuller, (1994), Hendry *et al.* (1995), Wright *et al.* (2002), as well as Hall and Bensoussan (1997, 2003), that the SME's marketing activities, environmental scanning activities, and competitor study activities are often informal, ad hoc, and unstructured. The 2 AHEAD SEs however, use

frequent, structured, and planned in-depth activities to study technology, including the technology of their competitors, as well as the technology of their competitors' suppliers, although these firms do not give a high priority to competitor study.

7.3.7.2 SE competitor study frequency and duration

Scupola (2003) stated that the SME management's decision about what to do with the available resources depends on its *priorities*. This research supports his conclusion, and it reveals a possible relationship between SE priority setting and dedication of time resources. There are 3 different SE scanning/monitoring/study activity frequency groups. The 1st group, with AHEAD SEs, has prioritized *technology* scanning. These SEs have dedicated 50 - 80 hours per annum of their time resource to two-weekly discussions. A 2nd group, with MIDDLE and BEHIND SEs, has prioritized the monitoring/study of *competitors* and *commercial opportunities*. These SEs have dedicated up to 50 hours per annum of their time resource, with two monthly discussions. The 3rd group, with MIDDLE and BEHIND SEs, has not prioritized the scanning/monitoring/study of a subject, and they have not dedicated any resources. All scanning or study actions are random, opportunity driven, and the estimated total time per annum spent is less than 10 hours.

7.3.7.3 SE competitor study subjects

The extant literature doesn't offer much insight in the SME's competitor study subjects. This research however, shows that the SEs regard 7 subjects as important: a) the competitor's organisation, b) strategy, c) products and services, d) customers, e) capabilities, f) quotations and prices, and g) market behaviour.

7.3.7.4 SE competitor study research questions

Smeltzer *et al.* (1988) concluded that the external data collection of small companies is unstructured and ad-hoc. This research regarding the SEs' use of research questions partly supports this conclusion. *None* of the SEs starts their external data collection with strategic research questions. 1 BEHIND SE uses tactical research questions to

analyze its lost orders. 1 BEHIND and 2 MIDDLE SEs do not use research questions, and another BEHIND SE does not use *pro-active* research questions. 2 SEs with strong relative competitive market positions, as well as one owner-manager at the holding level of 1 BEHIND SE, use predefined, specific research questions *during and after* planned and unplanned, in-depth competitor studies.

7.3.7.5 SE data analysis capability

Lybaert (1998) is one of the few researchers who studied the analysis capability of SME owner-managers. He concluded that they lack the means to analyse collected data, but this research does not support these conclusions. The 7 SEs have varying data analysis capabilities, but they are also well aware of their analysis capabilities. The analysis capability is limited in 1 MIDDLE SE and 1 BEHIND SE, average in 1 MIDDLE SE as well as 2 BEHIND SEs, and high in the 2 AHEAD SEs. 6 SEs double-check and improve the competitor data before disseminating it.

7.3.7.6 SE intelligence dissemination

This research confirms a prominent role of the SE owner-managers with regard to the competitor study intelligence dissemination, except in 1 BEHIND SE. The owner-managers disseminate intelligence to fellow-managers and employees in 5 SEs. The employees in 1 BEHIND SE however, have to ask for information themselves.

The SE managers use a mix of communication tools to disseminate competitor data:

- Personal / verbal / telephone contact: 7 SEs.
- E-mail messages: 5 SEs.
- Personal meetings: 5 SEs.
- SMS telephone messages: 1 SE.

None of the SEs produces written reports, exclusively containing competitor data.

A new finding of this research is the discovery of the following analysis construct which enables a categorization of SE intelligence dissemination practices:

- a) *Unstructured dissemination of incomplete intelligence.* The SE does not use a fixed frequency to disseminate and discuss collected data. The disseminated intelligence is incomplete. 1 BEHIND SE matches these criteria.
- b) *Unstructured dissemination of complete intelligence.* The SE does not use a fixed frequency to disseminate and discuss collected data. The disseminated intelligence is complete. 1 MIDDLE SE and 1 BEHIND SE match these criteria.
- c) *Structured dissemination of incomplete intelligence.* The SE uses a fixed frequency to disseminate and discuss collected data. The disseminated intelligence is incomplete. 1 MIDDLE SE and 1 BEHIND SE match these criteria.
- d) *Structured dissemination of complete intelligence.* The SE uses a fixed frequency to disseminate and discuss collected data. The disseminated intelligence is complete. Both AHEAD SEs match these criteria.

Finally, this research reveals different SE practices regarding follow-on data collection actions and new research questions. 1 BEHIND SE does not use these practices at all, whereas 1 MIDDLE SE and 1 BEHIND SE only use their owner-managers. The remaining 4 SEs use owner-managers, managers, as well as employees to collect more data to answer current research question or new research questions.

7.3.7.7 SE competitor study organisations

Smeltzer *et al.* (1988) and Viviers *et al.* (2002) concluded that SME competitor study activity is conducted by either one person, or a few people - and only part of the time. This research supports their conclusions. The SEs lack marketing departments and they use existing departments for this activity. This research only partly supports the statement of Wright *et al.* (2002) that competitor study activities would not be structured and implemented in SMEs. 4 SEs have embedded some activities, including that the SEs' management teams and sales teams decide which competitors to study, coordinate these studies, and are also the most frequent users of information. In

addition, there are also some information users in the 4 SEs' production or financial departments.

7.3.7.8 SE competitor data storage and data access

Demers (2003) concluded that much information is stored in the employee's brains. This research partly supports this conclusion. 5 SEs use central, general data storage systems, but the storage of specific competitor data is unstructured in all 7 SEs. 1 AHEAD SE uses physical competitor files, 1 MIDDLE SE stores some competitor data in its general data storage, 1 MIDDLE SE does not store any data whatsoever, and 1 BEHIND SE *no longer* stores competitor data. The storage of physical data at one SE, SE 4, appears to be somewhat centralized. Finally, the storage of the scattered competitor data of the 3 remaining SEs is decentralized.

The access to the competitor data in the SEs is limited. Gelb and Saxton (1991) studied large firms, and they concluded that these firms are concerned about internal data leaks. This research in SEs however, does not support their conclusion. The limited access to the competitor data in the SEs is the result of a lacking storage structure, but not of a deliberate restriction policy. None of the 7 SEs is concerned about internal data leaks, and this issue has not played a (negative) role in the SEs' competitor study motivations. Nonetheless, the employees of 4 SEs have to ask their owner-managers to allow access to the stored data, and technical reasons prevent access by 1 SE's external employees to all digital data.

7.3.7.9 Unethical and illegal SE competitor study data collection practices

Prescott (2006) concluded that different perspectives of managers regarding ethics and competitive intelligence would most likely result in the daily commitment of minor ethical violations. This research partly supports this conclusion. The SEs' *general* data collection practices are legal and ethical, but the SEs also report a total of 13 *unethical* data collection cases as well as 5 *illegal* data collection cases. Most of the unethical and illegal cases, 78 percent, are reported by the 3 BEHIND SEs with weak relative competitive market positions.

2 unethical data collection cases appear to be the result of planned actions, whereas one remaining unethical case occurred during an unexpected opportunity. The SE managers approve of 7 cases, and even regard 4 cases as fun. Only 2 cases met some disapproval, including minor feelings of shame. In 10 cases, the SE managers were aware that their data collection practices were unethical. However, they do not care much about this unethical character of 7 cases, and this finding supports the conclusion of Prescott (2006) that managers are aware of the thin line between unethical and illegal behaviour in the grey zone. The SEs' managers were not aware of unethical behaviour in the 3 remaining cases, and they had also not considered that.

All 5 illegal data collection cases occurred during unexpected opportunities. The SEs' managers approve of 3 of these cases, and even regard 1 case as fun. In 4 cases, these managers confirmed their knowledge of the law. They were aware that these data collection practices were illegal, but they were not concerned about that in 3 cases. They were not aware of their possibly illegal behaviour in 1 remaining case, and apparently lacked legal knowledge in that particular case.

Finally, the SEs appear to have different motivational sets for their unethical and / or illegal data collection practices: company culture and company survival.

Company culture. One BEHIND SE reports 3 unethical and 3 illegal cases. Cheating appears to be accepted among this company's managers. The managing director regards 4 of the 6 cases as 'fun'. However, its competitor study is not organized, and 5 cases are merely the result of opportunities. The managers are aware of the unethical and illegal character, but they are not concerned about this.

Company survival. The other BEHIND SE reports 5 unethical and 1 illegal cases. Its 2 owner-managers are aware of this unethical and illegal character, and they are sometimes even ashamed about this. However, they implicitly use the necessary survival of their company in a highly competitive market as an excuse why they deliberately act unethically. All 5 unethical cases were planned, and it was business as usual. The single opportunity-driven illegal case is regarded as 'fun'.

7.3.8 Competitor study role SE managers

There is a knowledge gap in theory regarding the role of the SME's managers for their SEs' competitor study activities. Hence, the 6th research question is: to what extent are the SME's owner-managers and the SME's other managers involved in the SME's competitor study activities?

SME owner-managers (Pearce *et al.*, 1982; Smeltzer *et al.*, 1988; Fann and Smeltzer, 1989; Hill and Wright, 2001; Viviers *et al.*, 2002, Saayman *et al.*, 2008) as well as the SME's other managers (Pelham and Clayson, 1988; Woods and Joyce, 2003, Pelsmacker *et al.*, 2005; Grawe *et al.* (2009) play a role in their firms' marketing, environmental scanning and competitor study activities but it is unknown to what extent (Offstein and Gnyawali, 2006). Literature (Raymond *et al.*, 2001; Gray, 2006; Mueller and Gemünden, 2009) also suggests a relationship between the SME's owner-manager's IQ and education and the SMEs competitor study activities.

Deakins and Freel (1998) concluded that the strategic decision-making understanding of SME owner-managers should not be underestimated, and this research partly supports their conclusion. 5 SE owner-managers are indeed at the professional strategic decision-making level they described, but this understanding is not yet at a professional level in 1 MIDDLE SE and 1 BEHIND SE. The SE owner-managers as well as general managers approve of competitor study activities. The answer to the above research question is that the owner-managers and European Director of 6 SEs are almost completely involved in the SEs' competitor study activities, which supports the conclusions of Fann and Smeltzer (1989) and Viviers *et al.* (2002).

In particular those SE owner-managers that are also responsible for the SE's sales activities, select competitors, define research questions, and direct studies. They collect, analyze, and store data, and disseminate intelligence. Owner-managers that are responsible for general affairs, leave the competitor study initiative to the SE's other managers. Penrose (2009) only regards these other managers as resources, but Woods and Joyce (2003) discovered that these other managers play active roles in SMEs and

that they also use competitor study activities. Pelham and Clayson (1988) revealed that these managers regard competitor study as crucial for their short-term sales support activities. This study supports their conclusion, but a new finding is that the other SE managers that use competitor study are active in sales or product development, and they use the information in particular for short-term sales support. Another new finding is that the competitor study role of other SE managers is smaller than that of the SE owner-managers. Only 1 SE manager formulates research questions. Sales managers of 3 SEs select competitors, and 2 of them also direct studies. Managers of 5 SEs collect and analyze data. Managers of 4 SEs disseminate intelligence. The other managers of 4 SEs store competitor data.

Furthermore, there is a knowledge gap in theory regarding the possible relationship between the education of the SME's owner-managers and their SEs' competitor study activities. Hence, the 7th research question is: is there a relationship between the education of the SME's owner-manager and the character of the SME's competitor study activities?

Research by Raymond *et al.* (2001) indicated that the higher the SME's owner-manager's educational level, the more diverse and sophisticated the SME's environmental scanning activities appeared to be. This research however, cannot confirm their statement. The knowledge of 5 SE owner-managers is high, and the experience of 6 owner-managers is high as well, but none of these owner-managers actually believes in a relationship between these levels and their SEs' competitor study activities. In addition, the educational level of the owner-managers is high in 5 SEs, but none of them believes in a relationship between their education and their SE's environmental scanning or competitor study activities. The answer to the research question therefore is negative. However, Raymond *et al.* (2001) discovered that owner-managers with a high level of education use more diverse methods of information gathering, analysis and dissemination. This research supports their conclusion: 5 SE owner-managers have high (academic) educations, and 4 of these owner-managers actually have a Business Administration education. These 4 owner-managers all use 11 or more data sources to collect data, whereas the remaining 3 owner-managers use a maximum of no more than 9 (or less) data sources. The answer

to the above research question is that 5 SE owner-managers believe in a positive relationship between their educational level, and their strategic-conceptual thinking, analytic capabilities, understanding of business processes, data handling, and data analysis capabilities. The finding supports the conclusion of Chaston *et al.* (2001) that entrepreneurs with a higher-order approach to learning appear to be particularly good at knowledge management.

7.3.9 SE competitor study data networks and data sources

There is a knowledge gap in theory regarding the data sources SMEs are using for their competitor study activities. Therefore the 8th research question is: which data networks and data sources do SMEs use for their competitor study activities, and how do they assess the importance of these data sources?

In general, SMEs regard personal data sources as more important than impersonal data sources (Specht, 1987; Smeltzer *et al.*, 1988; Fann and Smeltzer, 1989; Hill and Wright, 2001; Williams, 2003). 4 SEs use more personal data sources than impersonal data sources. 1 BEHIND SE uses more impersonal than personal sources. 2 SEs, (1 AHEAD and 1 MIDDLE), use the same number of personal and impersonal data sources. 1 AHEAD SE uses the highest number of data sources and the highest number of personal sources, ranking 2nd highest with regard to the number of impersonal sources.

Johnson and Kuehn (1987) concluded that SMEs use their subordinates or employees as data sources, and this research supports that conclusion. The 7 SEs all use employees as data sources, although this source is important to only 5 SEs. Williams (2003) concluded that SMEs prefer direct information sources during their marketing information acquisition. The research also supports that conclusion. In particular the AHEAD SEs use a higher number of direct (personal) internal than indirect internal data sources, which confirms the positive conclusions of Pelsmacker *et al.* (2005), Brummer *et al.* (2006), and Offstein and Gnyawali, 2006) regarding the use of internal personal data sources.

External data sources are important (O'Donnell and Cummins, 1999; North and Smallbone, 2000; Mosey *et al.*, 2002). This research confirms this conclusion; 6 SEs use more external data sources than internal data sources, but one of these has not developed a competitor study organization. The remaining SE lacks a network with internal data sources. 5 SEs regard customers as important competitor information sources, and a new finding is that these customers include the SEs' current customers, the competitor's customers, as well as potential customers. 5 SEs also regard suppliers as important competitor information sources. This confirms the finding of Terziovski (2003) that customers and suppliers are used as data sources. It must be noted that one of the remaining 2 SEs, cannot use suppliers because it is a *service* company.

5 SEs study their competitor's products. 5 SEs also use trade shows, but the number of trade shows in the branches of the 2 remaining SEs is limited, which limits the use of this data source. 5 SEs use the internet and competitor websites as sources, confirming the importance of the internet (Rhee, 2005; Gray, 2006). 2 SEs use trade association meetings to get into contact with competitors, but the 5 remaining SEs either do not have a trade association, or they do not regard this data source as important. Mohannak (2007) stated that firms use competitors as a data source, although Fuellhart and Glasmeier (2003) concluded that SMEs do not regard information from competitors as very relevant or credible. This research does not support their conclusion. 4 SEs have occasional or limited direct contacts with competitors. As a result, they can only obtain fragmented data from this source, which could result in indirect, incomplete or outdated data. The 3 other SEs on the other hand, 1 MIDDLE SE and 2 AHEAD SEs, *deliberately* seek frequent and direct contact with competitors, and obtain a direct, fresh competitor information from this source. This is a new finding. 1 AHEAD SE takes these contacts very seriously, since it is the only SE which attends competitor open house events, and visits competitor factories. 6 SEs study competitor offers and 2 SEs collect competitor leaflets. 3 SEs (1 BEHIND SE and the 2 AHEAD SEs) consistently search for data in branch magazines. Curran *et al.* (1993) concluded that SMEs tend to have relatively small and non-extensive networks. This research partly supports their conclusion. 5 SEs indeed collect data within small, non-extensive networks, but the 2 AHEAD SEs use a wide variety of networks to collect external data - which does not support the above conclusion.

A new finding of this research is that the AHEAD SEs use the *highest number* of data sources. Furthermore, they use more external than internal data sources, and another new finding is that they also use more *direct external* than *indirect external* data sources. Potentially, these direct external sources offer the best competitor data in terms of quality and timeliness. The AHEAD SEs also use the highest number of *important* sources. One of them uses the highest number of personal sources, and the other one is ranked among the 2nd best SEs. These 2 SEs also use the highest number of external direct sources. Potentially, this could result in an advantage of the AHEAD SEs regarding the quantity of collected competitor data as well as the quality of competitor data. The finding appears to support the conclusion of Deakins and Freel (1998) that the ability of entrepreneurs to maximise knowledge determines the success of their firms. 1 MIDDLE SE and 2 BEHIND SEs use the least data sources. 2 of them have the lowest ranks regarding the use of internal sources, as well as the lowest ranks regarding external sources – including external direct sources. The 2 BEHIND SEs also use the lowest number of data sources. One of them, together with the MIDDLE SE, also has the lowest number of personal sources. Both SEs are ranked among the 4 SEs with the lowest number of external direct sources.

7.3.10 SE competitor study resource constraints

There is a knowledge gap in theory regarding a possible relationship between the SME's resources and the SME's competitor study activities. Hence, the 9th research question is: is there a relationship between the SME's resources and the SME's competitor study activities?

Literature suggests that SMEs are constrained by scarce resources (Pearce *et al.*, 1982; Smeltzer *et al.*, 1988; Lybaert, 1998; Brandau and Young, 2000; Wong and Radcliffe, 2000; Wright *et al.*, 2004; the Gallup Organisation, 2007, Potočan and Mulej, 2009). This research is no exception, and its outcomes confirm that the competitor study of the 7 SEs is constrained by their scarce resources. 6 SEs regard an insufficient number of employees as a limitation, and 1 BEHIND SE even regards this as a big limitation. 4 SEs (2 BEHIND SEs and the 2 AHEAD SEs) regard the available time as a

limitation. 5 SEs regard their insufficient marketing knowledge as a limitation, and 1 BEHIND SE regards this as a big limitation. 1 MIDDLE SE presents an implicit limitation, stating that its staff is technically focused. 3 SEs (AHEAD SE 6, and BEHIND SEs 3 and 7) lack sufficient money, whereas BEHIND SE 3's marketing expenditure is restricted by its head office. 4 SEs also regard a lack of competitor study analysis knowledge as a limitation, and MIDDLE SE 2 and BEHIND SE 5 regard this as a big limitation.

Furthermore, this research shows that 3 SEs also regard the lack of an *internal data collection network* as a limitation. 1 BEHIND SE regards this as a big limitation.

2 SEs regard their *IT systems* as insufficient. AHEAD SE 6 states that its computer system cannot cope with the large number of competitors, whereas the external employees of BEHIND SE 7 cannot access their company's computer system.

Strandholm and Kumar (2003), Metayer (1999), and Lee (1990) suggested SMEs to hire experts to organize the information that is already available, but none of the 7 SEs has hired an external expert. However, the 7 SEs all use their networks to overcome their resource limitations, which confirms the conclusions of Aragón-Sánchez and Sánchez-Marín (2005), and Muscio (2007).

Scupola (2003) on the other hand, stated that it is all about the management's decision regarding the SME's priorities, and what to do with the SME's available resources. The following *relative* competitor study resource constraints support his statement:

- 2 SEs are *sceptical regarding competitor study*. The staff of 1 AHEAD SE regards itself as superior, and the management of 1 MIDDLE SE has doubts about the usefulness of competitor study.
- 2 SEs are *unable to organize competitor study*. 1 BEHIND SE lacks both the willpower and knowledge with respect to this issue. Another BEHIND SE only focuses on sales, and the quality of its internal data network deteriorates.

- The employees of 1 BEHIND SE do *not understand what competitor study is, or can do*. The employees are not motivated, since they often cooperate with competitor employees. This finding confirms the conclusion of Sørensen (2009) that employees outside the marketing/management departments may not be aware of the value of the information they hold.

The answer to the above research question is that the SEs' competitor study activities are indeed constrained by the SEs' resources. However, *none* of the reported competitor study resource constraints occur in *all* 7 SEs at the same time, and *none* of these constraints occurs exclusively in AHEAD, MIDDLE, or BEHIND SE categories.

7.3.11 SE competitor study and SE firm performance

There is a knowledge gap in theory regarding a possible positive relationship between SME competitor study and SME performance, and the literature about this relationship is divided. Therefore, the 10th research question is: is there a relationship between the SME's competitor study activities and the SME's performance?

Steiner and Solem (1988), Mohan-Neil (1995), Elenkov (1997), Lybaert (1998), Analoui and Karami (2002), Zahra *et al.* (2002), Fuehlhart and Glasmeier (2003), Knight and Kim (2009), Mueller and Gemünden (2009) present positive relationships between SME competitor study activities and SME benefits. 3 SEs (one MIDDLE SE as well as two BEHIND SEs) are positive about the usefulness of competitor study information for their decision-making processes. MIDDLE SE 1 states that it has improved its strategic and tactical decision-making, and one of the BEHIND SEs says that it has improved its tactical decision-making. The MIDDLE SE also presents a case how competitor information was successfully used to obtain a new client. One BEHIND SE does not use competitor study, whereas the 3 remaining SEs (one MIDDLE SE, and the two AHEAD SEs) have neutral or negative opinions. The MIDDLE SE says that competitor study has occasionally been useful for its strategic and tactical decision-making. One AHEAD SE on the other hand, states that the usefulness of competitor study is limited, and the other AHEAD SE concludes that only a part of its competitor study has improved its tactical decision-making.

The 7 SEs do *not* measure the results of their competitor study activities in terms of turnover, profit and market share. One AHEAD SE believes that relationships between competitor study and measurable financial results are ‘very far away’, confirming the conclusions of Hall and Bensoussan (1997), Simon (1998), and Badr and Wright (2004). Therefore, the answer to the research question is negative, and there is no measurable relationship between SE competitor study activities and SE performance.

7.3.12 SE category analysis

Krause (1997) stated that all organisations seek and use data as a basis for their decision-making and actions. Other researchers also relate the use of information to the success of firms. Menon and Varadarajan (1992: 53) concluded that a ‘better and effective use of information is viewed as critical [for companies] to being more market-oriented and to succeeding in an intensely competitive business environment.’ Indeed the comparative pattern analysis, in table 7.2, of the propositions outcomes of the AHEAD, MIDDLE, and BEHIND categories, shows that the information use of successful firms differs from that of less successful firms.

The environmental scanning and in-depth study activities of the AHEAD SEs, indicated with an ‘A’ in table 7.2, are different from the activities of the other SE categories. AHEAD SEs use in-depth, structured and continuous activities, whereas

Proposition number	Proposition text	AHEAD SE 4	AHEAD SE 6	MIDDLE SE 2	MIDDLE SE 1	BEHIND SE 3	BEHIND SE 5	BEHIND SE 7
1	The development of SME competitor study activities is related to the motivation of the SME's owner-manager.	Not supported, but...	Not supported, but...	Not supported	Not supported	Not supported	Not supported	Not supported
2	SMEs undertake informal ad hoc, unstructured competitor study activities	Not supported, but...	Not supported, but...	Supported	Supported	Supported	Supported	Supported
3	There is no relationship between SME life cycle stage development and the development of marketing activities.	Supported	Supported	Supported	Supported	Supported	Supported	Supported
4	The development of SMEs competitor study activities is related to mature and declining markets.	Supported, but...	Supported	Not supported	Supported	Supported	Not supported	Not supported
5	The development of SME competitor study activities is related to growth strategies in current and new markets.	Supported	Supported	Not supported, but...	Supported	Supported	Not supported	Not supported, but...
6	The development of SME competitor study activities is related to a marketing crisis.	Not supported	Supported	Not supported	Supported	Supported	Not supported	Supported
7	SMEs will have to develop competitor study activities to defend themselves against large competitors.	Not supported	Not supported	Not supported	Not supported	Not supported, but...	Not supported	Not supported
8	SMEs regard personal competitor data sources as more important than impersonal competitor data sources.	Supported	Not supported, but...	Not supported, but...	Supported	Supported	Supported	Not supported
9	SMEs regard external competitor data sources as more important than internal competitor data sources.	Supported	Supported	Supported	Supported	Supported	Supported, but...	Not supported, but...
10	The availability of the SME's resources is related to the development of the SME's competitor study activities.	Supported	Supported	Supported	Supported	Supported	Supported	Supported
11	The SME's owner-manager is personally active in the SME's competitor study activities.	Supported	Supported	Supported	Supported	Supported	Not supported	Supported
12	The higher the educational level of the SME's owner-manager, the more diverse and sophisticated the SME's competitor study activities.	Not supported, but...	Not supported, but...	Not supported	Not supported, but...	Not supported, but...	Not supported	Not supported
13	The SME's other managers are personally active in the SME's competitor study activities.	Supported	Supported	Not supported	Supported	Supported	Not supported	Not supported
14	There is no relationship between SME competitor study activities and competitor study results.	Supported, but...	Supported, but...	Supported	Not supported	Not supported	Supported	Not supported
15	SMEs do not measure competitor study results.	Supported	Supported	Supported	Supported, but...	Supported	Supported	Supported

Table 7.2: The different patterns within the propositions' outcomes of the 3 SE categories.

MIDDLE and BEHIND SEs use ad-hoc and unstructured activities. In addition, and indicated with 'B' in table 7.2, the main subject of the AHEAD SEs' study is different as well. The owner-managers of these SEs are not motivated to study competitors, because their prime objective is to search for new technology – and to use this new technology in their own product portfolio to improve their already strong relative competitive market positions. The search for new technology includes the study of technology of the competitors and the competitors' suppliers. MIDDLE SEs on the other hand, are searching for customer information, whereas 2 of the 3 BEHIND SEs collect tactical competitor information to defend themselves. Ries and Trout (2006: 4) however, connected the successful use of information with a focus on competitors. They stated that 'to be successful today, a company must ... look for weak points in the positions of its competitors and then launch marketing attacks against those weak points.' This study reveals that this statement is only applicable to BEHIND SEs.

Furthermore, and indicated with 'C' in table 7.2, most (6) SEs use more personal than internal data sources, which confirms the conclusion of Baranauskas (1998) that SMEs use their own personal direct external networks to gather information about markets, clients and competitors. Curran *et al.* (1993) discovered that SME owner-managers tended to have relatively small and non-extensive networks with little resort to expected external contacts. This study however, shows that AHEAD SEs use *large* networks with *more personal and impersonal data sources* than the firms in the 2 other categories. This research also reveals an important personal external data source: competitors, which contradicts Fuellhart and Glasmeier (2003). Elenkov (1997) concluded that better performing firms gained a competitive advantage by using more sophisticated scanning systems, but the BEHIND SEs, indicated with 'D' in table 7.2, do not invest in the development of sophisticated data networks, and they only use a limited number of personal external data sources. This is particularly true for one BEHIND SE, indicated with 'E' in table 7.2. This SE's managing director has been unable to organize its competitor study activities, and, not surprisingly, this SE does not see any relationships between competitor study activities and its results.

In addition, this study shows that there is no relationship between the SE owner-managers' education and the character of SE competitor study activities, indicated

with 'F' in table 7.2. However, 4 SE owner-managers, capable of conceptual analyses, have Business Administration educations. These 4 owner-managers use 11 or more data sources, whereas the 3 remaining owner-managers use 9 or less data sources.

Kotler and Sing (1981: 41) stated that a company will only be able to achieve its objectives if it 'also knows how to outmanoeuvre its competitors in the same task.' Indeed, 1 MIDDLE SE and 2 BEHIND SEs, use competitor study information – but at a tactical sales level. 1 MIDDLE SE uses it to seek commercial opportunities, and the other MIDDLE SE is only interested in competitors that outsource their production. The 2 BEHIND SEs use it to defend themselves against their competitors. 3 of these SEs, indicated with 'G' in table 7.2, have observed positive results from these activities, but they still regard competitor study – at best – as only partially useful. The 2 AHEAD SEs on the other hand, and indicated with 'H' in table 7.2, do not see a relationship between competitor study activities and results. This was to be expected since these SEs focus on the study of technology.

7.4 Conclusion

This chapter presented this research's findings with regard to the environmental scanning, competitor monitoring, and competitor study practices, of the 7 SEs studied in this research, in a structured and standardized way. Research questions were used to compare this research's outcomes with the extant literature. The underlying patterns were presented and discussed. In the next chapter, the new findings and insights will be used to discuss the implications for theory of this research. The outcome of this discussion will be used to describe SE 'best competitor study practices' and to present recommendations to practitioners in SEs, as well as to governments. Furthermore, recommendations with regard to future research will be presented.

Chapter 8 – IMPLICATIONS AND RECOMMENDATIONS

8.1 Chapter guide

This chapter uses the assessment of the outcomes of this research and the extant literature regarding SE competitor study practices to discuss its implications for theory and to present new theory propositions. Furthermore, it also discusses the limitations of this research. In addition, it presents recommendations with regard to future research, including future research directions, and presents future units of analysis.

The chapter also presents the outcome of the post-research discussions with competitor study practitioners, as well as with the interviewees of 4 researched SEs, 2 years after the data collection. The chapter discusses the managerial implications of this research for SEs, and uses these to present general, as well as 3 tailor-made, sets of ‘best practice’ competitor study recommendations to SEs. Finally, this chapter uses the contributions of this research to present legal recommendations to governments.

8.2 Implications for theory

8.2.1 Implication of SE cooperation with competitors for theory

This research reveals a hitherto unknown relationship between the SEs’ relative competitive market positions and the SE’s cooperation with competitors. SEs with strong relative competitive market positions do not cooperate with competitors. SEs with weak relative competitive market positions on the other hand, cooperate with competitors. This finding results in the following new theory proposition:

Proposition 1: The stronger the SE’s relative competitive market position, the less likely it is that the SE cooperates with competitors. The weaker the SE’s relative competitive market position, the more likely it is that the SE cooperates with competitors.

8.2.2 Implication SE competitors and large competitors for theory

This research aimed to investigate the character of the SE competition, and it searched in particular for an answer to the question regarding the danger to SEs by large competitors. It revealed that each SE is aware of at least 3 to 5 competitors, and these include new entrants (e.g. former SE employees), one-man bands, SMEs and large firms. However, this research has not revealed information about any competitor study practices by large firms. SEs do not have to study large competitors *because* these large firms use competitor study practices as a competitive advantage. Unfortunately, there is no explicit proof for this conclusion, and it does not reveal an underlying pattern that influences the behaviour of either SEs or large firms. Therefore, this conclusion cannot be added to the new theory regarding SE competitor study practice.

8.2.3 Implication SE life cycle stage, marketing, and competitor study for theory

This research shows that even those SEs that achieve mature life cycle stages and remain in these stages for a prolonged period of time have not achieved or developed professional and structured marketing levels. The SEs' marketing activities range from no marketing activities, little marketing activities, and implicit marketing activities to – at best - simple marketing activities. In addition, the competitor study of most SEs is not developed either, and is still limited to very limited. Therefore, this research does not reveal a relationship between the development of the SE's life cycle stage, the development of the SE's marketing and the development of the SE's competitor study activities. This finding results in the following new theory proposition:

Proposition 2: The SE's life cycle stage development is not related to the development of the SE's marketing activities, and it is not related to the development of the SE's competitor study activities.

8.2.4 Implication reasons why SEs do or do not study competitors for theory

There are 2 motivational drivers that dictate the importance the SE places on competitor study: the SE's *choice* to decide to give attention to this activity and/or the

SE's *necessity* that they have to give attention to a competitor study activity. The positive necessity factor is the stronger one of the two factors for the SE's motivation for competitor study whereas a negative choice will be a moderator for these activities and a positive choice will be a catalyst for the SE's deployment of competitor study activities. In addition, a positive choice in itself will not result in a high priority for competitor study if, at the same time, the SE's necessity factor is negative. Finally, a negative choice combined with a negative necessity is expected to result in hardly any development at all of the SE's competitor study activities.

However, this research reveals a hitherto unknown relationship between the SEs' relative competitive market positions and the above necessity factor. This relationship results in the level of importance the SE places on competitors and competitor study. SEs with strong relative competitive market positions combine a motivational range between a positive choice and a negative choice for competitor study with a negative necessity to study their competitors. As a result, these firms place little importance on their competitors, and competitor study has a low priority. These SEs focus on the study of new technology, including the technology of their competitors and their competitors' suppliers. SEs with weak relative competitive market positions on the other hand, combine a motivational range between a positive choice and a negative choice for competitor study with a positive necessity to study their competitors. These firms regard their competitors as important, and these firms will either give some attention (SEs with a negative choice) to their competitor study or a high priority (SEs with a positive choice) to competitor study activities.

The above assessment and finding result in the following new theory proposition:

Proposition 3: The stronger the SE's relative competitive market position, the less necessary it is for the SE is to study competitors, and the lower the importance the SE places on competitors and competitor study. The weaker the SE's relative competitive market position, the more necessary it is for the SE to study its competitors, and the higher the importance the SE places on competitors and competitor study.

3.2.5 Implication SE competitor study activities for theory

This research reveals a hitherto unknown relationship between the development of the competitive intensity in the SE's external environment and the pace and intensity of the SE's competitor study activities. At first sight, this research appeared to reveal unstructured, sporadic, incidental, or informal SE competitor study activities, which would support the extant literature. However, a closer look at the SE competitor study activities reveals that these activities are not unstructured and informal – at least, not all of the time – but the pace and intensity of the activities varies over time.

The SE uses environmental scanning as a reactive instrument to observe the general developments regarding technology, customers, and competitors in, what could be described as, a tranquil, stable stage I external environment with a low competitive intensity. Hence, the SE does not allocate many of its resources (staff, time) to enable this ongoing process, and the activity lacks frequency and intensity.

The SE's environmental scanning process will continue until the moment the SE, in particular those SEs with weak relative competitive market positions, is confronted with an increasingly competitive, unstable stage II external environment. When this happens, the character of the SE's reactive environmental scanning activities changes into active, present-day market and early-warning competitor monitoring processes, and it is likely that the SE starts to allocate a part of its staff and time resources to it.

The next stage, however, could be a highly competitive, volatile stage III external environment, which entails an active and direct competition between the SE and its competitors. It is at this time that the SE changes the character of its monitoring processes into a frequent and proactive study of the capabilities, plans and actions of its competitors. In addition, it is in this stage that the competitor study activity will be raised to the top of the SE's priority list, and that the SE allocates its entire available and necessary resources to this activity. Furthermore, the market pressure in the SE's current market could also trigger the SE to look for opportunities in new markets, and when this happens, the SE will also start to study the competitors in these new markets. Nonetheless, it is still possible that the SE does not change its environmental

scanning processes, if any, because the SE's management lacks the knowledge and/or lacks the will power to change and organize its study processes.

The above 3-stage market development / market study process is not a one-way direction process that brings the SE from stage I to stage II and from stage II to stage III, and so forth. A marketing crisis, e.g. the appearance of an unexpected, dangerous competitor, may catapult the SE from stage I to stage III activities. On the other hand, when the competitive intensity in the external environment decreases, the SE is likely to decrease its active market and competitor study processes as well. If this happens, the SE will lower the activity on its priority list, and it will divert some or all of the previously allocated resources. Consequently, when the external environment changes from a stage III environment into a stage II environment, the pace and intensity of the SE's environmental, market and competitor scanning will also be lowered.

It is worth noting that the character of the SE's environmental scanning processes is also likely to change when the SE leaves a highly competitive stage III external environment in its current markets (the proverbial 'Red Ocean') and makes a market entry into a tranquil stage I external environment in new markets (the 'Blue Ocean'). The SE will adjust the character of its environmental scanning activities to the situation in the new market environment. The intensity of the environmental scanning processes changes, and the subject of the study changes (e.g. the study of competitors may change into the study of technology, opportunities, and potential new customers). This research shows that it is not correct to label the pace and intensity of the SE's study activities as ad-hoc, unstructured, or informal. The SE's activities may look like that during a certain market stage, and, contrary to the competitor study activities of large firms, the activities may not be continuous and intensive. However, these activities could change immediately when a change or a development in the SE's external environment requires this. The above assessment results in the following new theory proposition:

Proposition 4: the pace and intensity of the SE's competitor study activities is dictated by the development of the competitive intensity in the SE's external environment. The higher this competitive intensity, the more intense the SE's competitor study activities.

3.2.6 Implication SE competitor study subjects for theory

This research reveals a hitherto unknown relationship between the SEs' relative competitive market positions and the character of the SE's competitor study subjects.

SEs with *strong* relative competitive market positions study competitors at a strategic level. These SEs want to improve their positions, and they are interested in the competitor's market strategies, organizational structure, capabilities, and technology development. There is little interest in the competitor's tactical subjects (e.g. prices, quotations, and products), unless there is only a small difference between these SEs' own products/services and their competitors' products/services.

SEs with *stable* relative competitive market positions study competitors at an opportunistic level. These firms grow at the expense of competitors, and they are clearly interested in the competitors' customers; these SEs want to know who they are, where they are, and what they want – hoping to win these customers.

SEs with *weak* relative competitive market positions study competitors at a tactical level. They have to outwit their competitors to obtain orders. Hence, they are interested in the competitors' success and failure factors and sales strategies. They seek – and need - tactical information about the competitor's market behaviour, products, services, quotations, and prices. The above assessment and finding result in the following new theory proposition:

Proposition 5: The stronger the SE's relative competitive market position, the more the SE will be interested in strategic level competitor study subjects. The weaker the SE's relative competitive market position, the more the SE will be interested in tactical level competitor study subjects.

8.2.7 Implication unethical and illegal data collection practices for theory

This research reveals a hitherto unknown relationship between the SEs' relative competitive market positions and the character of the SE's data collection behaviour.

The competitor data collection practices of the SEs with strong or stable market positions appear to be ethical and legal, except for an incidental violation. However, the SEs with weak market positions are responsible for most of the unethical and/or illegal data collection cases in this research. The motivation of the SEs' managers for this behaviour either consists of a company culture that encourages this behaviour or consist of a lower psychological barrier regarding the use of unethical and/or illegal competitor study data collection practices to secure the SE's market survival.

The above research outcome results in the following new theory proposition:

Proposition 6: The weaker the SE's relative competitive market position, the lower the psychological barrier of the SE's managers regarding the use of unethical and/or illegal competitor study data collection practices.

8.2.8 Implication competitor study role SE managers for theory

This research confirms the important relationship between the SEs' owner-managers and the SEs' competitor study activities. The SEs' owner-managers are fully involved in the SEs' environmental scanning/competitor monitoring/competitor study activities, and this is particularly true for those owner-managers who are also responsible for the SEs' sales activities. They select competitors, they define research questions, and they direct competitor studies. They also collect data, analyze data, and store data, and disseminate intelligence. The SEs' owner-managers however, who are responsible for general affairs, leave the initiative to study competitors to the SEs' other managers.

The above research outcome results in the following new theory proposition:

Proposition 7: The SEs' owner-managers play a leading role and are fully involved in the SEs' environmental scanning/competitor monitoring/competitor study activities.

This research reveals a hitherto unknown relationship between the role the other SEs' managers play in their SEs' competitor study activities, and it reveals that their roles is less important than the role of the SEs' owner-managers. It shows that the character of

his role is predominantly operational, and that the SEs' other managers collect data to support the SEs' owner-managers. They store competitor data, and they disseminate intelligence. They work in close cooperation with the SEs' owner-managers during the data analysis and decision-making process. However, it is less likely that these other managers also formulate research questions, select competitors, or actually direct the competitor studies. The other SEs' managers use the competitor study information for short-term sales support or product development.

The above research outcome results in the following new theory proposition:

Proposition 8: The SEs' other managers are only partially involved in the SEs' environmental scanning/competitor monitoring/competitor study activities, and their operational competitor study role supports the leading competitor study role of the SEs' owner-managers.

8.2.9 Implication of SE owner-managers' education for theory

Most SE owner-managers in this research believe in a positive relationship between their educational *levels* and their data handling capabilities, analytic capabilities, their strategic and conceptual thinking, their understanding of business processes, and their ability to conceive successful business models. The analysis of the 7 SE cases however, does not show this clear and explicit relationship.

Nonetheless, this research reveals a hitherto unknown relationship between the SE owner-manager's educational *discipline* and the *number of data sources* the SE owner-manager uses to collect data for the SE's competitor study. The research shows that SE owner-managers with a Business Administration education use more data sources for their competitor study activities than SE owner-managers without this educational discipline. This outcome therefore results in the following new theory proposition:

Proposition 9: SE owner-managers with a Business Administration education use more data sources for their competitor study activities than SE owner-managers without this educational discipline.

3.2.10 Implication SE data networks and data sources for theory

This research reveals a hitherto unknown relationship between the SEs' relative competitive market positions and the number and character of the SE's data sources. SEs with *strong* relative competitive market positions use the highest number of data sources as well as the highest number of personal data sources. These SEs use a wide variety of networks to collect data, and they use more external data sources than internal data sources. They also use more *direct* external than indirect external data sources; e.g. these SEs deliberately seek frequent and direct contact with their competitors. As a result of their personal and direct contacts, they obtain potentially the best possible competitor data in terms of data quality and data timeliness. SEs with *stable or weak* relative competitive market positions on the other hand, use the lowest number of data sources as well as the lowest number of personal data sources. These SEs use small, non-extensive networks to collect competitor data, and they have the lowest ranks regarding the use of internal sources and external data sources, as well as the lowest ranks regarding the use direct external data sources.

The above research outcome results in the following new theory proposition:

Proposition 10: The stronger the SE's relative competitive market position, the higher the number of data sources, personal data sources, external data sources, and external direct data sources the SE uses for its competitor study activities. The weaker the SE's relative competitive market position, the lower the number of data sources, personal data sources, external data sources, and external direct data sources the SE uses for its competitor study activities.

8.2.11 Implication SE resource constraints for theory

This research confirms that the SEs' competitor study activities are indeed constrained by the SEs' resources. However, none of these resource constraints occurs in all 7 SEs at the same time, and none of these constraints occurs exclusively in SEs with strong, stabile, or weak relative competitive market positions. Therefore, this conclusion cannot be added to the new theory regarding SE competitor study practice.

8.2.12 Implication SE competitor study measurement and results for theory

This research reveals that SEs do *not* measure the results of their competitor study activities. It also reveals a mixed outcome regarding how SEs assess the usefulness of competitor study information for their decision-making processes. SEs with strong relative competitive market positions have neutral or negative opinions regarding the usefulness of their competitor study activities. These SEs are more interested in the study of new technology. SEs with weak relative competitive market positions on the other hand, are positive about the usefulness of their competitor study activities. These SEs are interested in the activities of their competitors.

The above research assessment results in the following new theory proposition:

Proposition 11: The stronger the SE's relative competitive market position, the more negative or neutral the SE is regarding the usefulness of its competitor study activities. The weaker the SE's relative competitive market position, the more positive the SE is regarding the usefulness of its competitor study activities.

8.2.13 Implication SE absorptive capacity, SE competitor study benefit, and SE relative competitive market positions

This research reveals a hitherto unknown relationship between the SE's absorptive capacity, the benefit the SE has of its competitor study activities and the SEs' relative competitive market positions. The assessment of the SEs' intelligence cycles, which show the SEs' absorptive capacities, has revealed the following. First, a blocked absorptive capacity is likely to fail to generate the required levels of intelligence quantity and quality a firm needs for its decision making processes, no matter what the SE's relative competitive market position will be. However, the assessment also reveals that even those SEs with developed absorptive capacities (intelligence cycles without blockades) still do not benefit from their competitor study activities.

The research shows that the intelligence cycles of the SEs with strong relative competitive market positions are almost perfect, and these firms have developed a

high level of pro-active absorptive capacity. The market position of these SEs appears to benefit strongly from their developed absorptive capacities in terms of a clear improvement of their relative competitive market positions. The SEs with stabile relative competitive market positions have developed average absorptive capacity levels, with a mix of developed and underdeveloped activities. The market position of these SEs appears to benefit - even though their absorptive capacities are not fully developed – in terms of some improvement of their relative competitive market positions. The market position of the SEs with weak relative competitive market positions on the other hand, does not appear to benefit from their focus on competitors, even if these SEs have a developed absorptive capacity level. The SEs achieve only temporary and tactical successes with competitor study, but they remain under pressure, and they are unable to improve their relative competitive market positions.

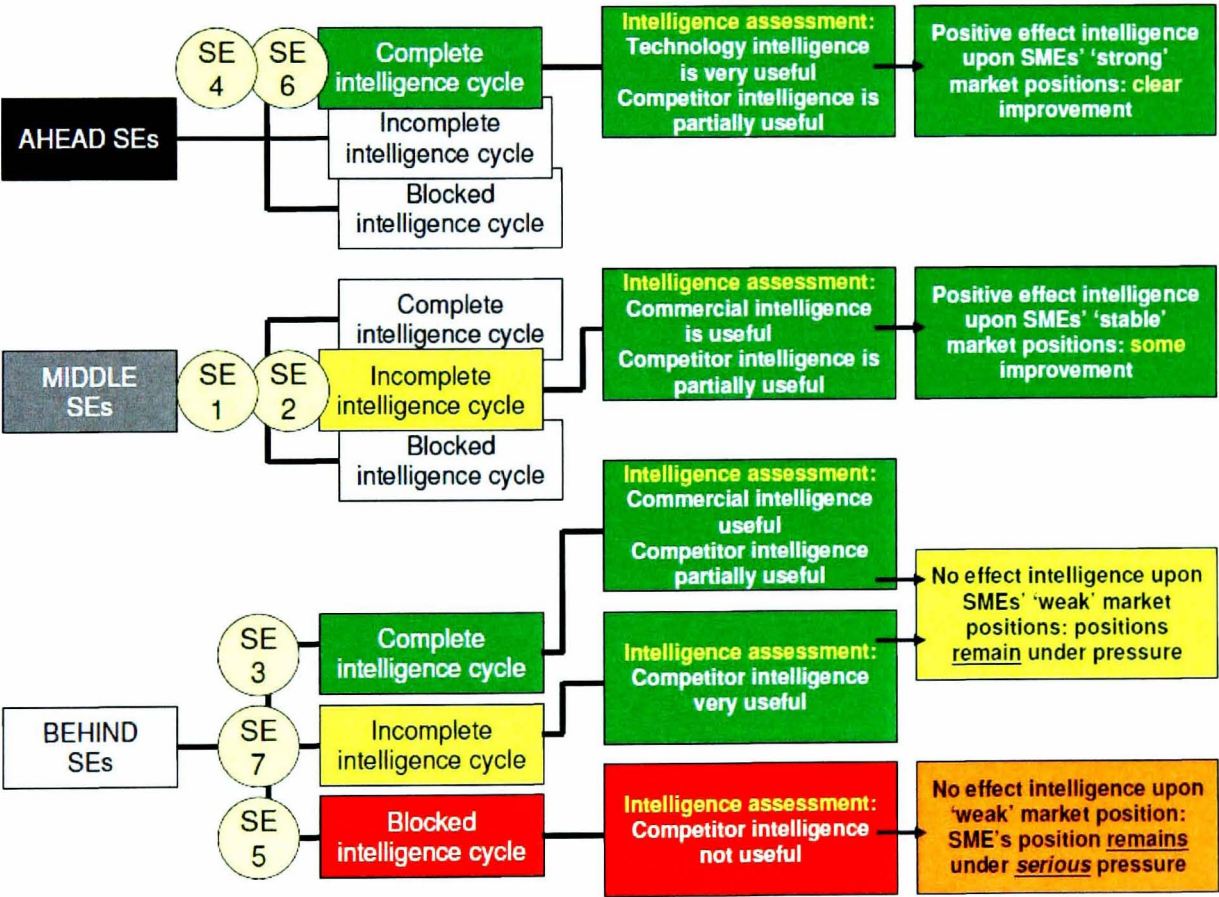


Fig. 8.1: A chart with the researcher's assessment of the SEs' absorptive capacities, the SEs' competitor study benefits and the SEs' relative competitive market positions.

The above research assessment results in the following new theory proposition:

Proposition 12: SEs with strong or stable relative market positions improve their market positions with developed absorptive capacities. SEs with weak relative market positions do not improve their market positions with developed absorptive capacities.

8.3 Limitations of the study

As with every social science study, this study has research limitations. It is a qualitative multi-case project which presents research outcomes that were generalized to new theory. It is not a quantitative study with statistically valid research outcomes. The ability to draw causal inferences is limited by the cross-sectional nature of the study. The data collection was undertaken at a single point in time in 2007, and the study therefore is not a longitudinal study with multiple instances of data collection about the SEs' competitor study practices during a prolonged time period.

The study relied on semi-structured, face-to-face interviews with 3 self-reporting respondents per SE for its main data collection. These respondents offered their subjective perceptions of the past and present competitor study practices of their firms. Most respondents were SE owner-managers and higher-level SE managers, but only a limited number of lower-level SE employees were interviewed. Only one interview per SE respondent could be conducted due to the limited available time of the respondents. It was not possible to observe any competitor study practices of either the SE respondents or the other SE managers due to the researcher's limited available time and the possible interference this observation could cause for the daily operations of the SEs. In addition, the study did not investigate the physical and electronic competitor files of the 7 SEs, if any, to determine the full and detailed extent to which data about the competition is collected and stored by the SEs' managers.

The main limitations of the study are to be found in the selected, non-random small number of Dutch business-to-business small enterprises (7 firms) in a small geographical region (The Netherlands). Therefore, the outcomes of this research are not be applicable to micro, medium or large enterprises, they are not be applicable to

business-to-consumer enterprises, and they may not be applicable to small enterprises in economically less-developed geographical areas than The Netherlands. The interviewed SEs were all in mature life cycle stages and they had survived until 2007. Therefore the outcomes of this research may be less applicable to SEs that do not longer exist as well as to SEs in other life cycle stages than a mature stage. A final limitation is that the data for the study was collected from SEs in various industry sectors, so the study does not present any sector specific conclusions.

8.4 Recommendations for future research

This cross-sectional study could be repeated, but the research methodology could also be adapted in future studies; e.g. longitudinal versus cross-sectional, observations versus interviews, and one-branch versus multi-branch research. Furthermore, the units of analysis could be adapted as well; e.g. foreign versus Dutch firms, business-to-consumer versus business-to-business firms, micro or medium versus small firms, and non-surviving versus surviving firms. In addition, future studies could focus on AHEAD, MIDDLE, or BEHIND enterprises only. The outcomes of these studies could be compared with the extant literature, as well as with this study.

Future studies could test this study's models, e.g. the relative competitive market position construct and the new spider web model that is used to assess the SEs' intelligence cycle and absorptive capacity. Future studies could also improve these current models and concepts.

Finally, the outcomes of this study can be used as the fundament for a quantitative study of the competitor study activities of a large SME sample. The outcomes of this quantitative study could provide the statistical proof of the new theory in this study.

8.5 Recommendations to SEs

8.5.1 *Communication of research outcomes to professional domain and SEs*

The outcomes of this research were presented at the 2009 European Summit of the Strategy and Competitive Intelligence Professionals, SCIP, at the Krasnapolsky hotel in Amsterdam, November 5, 2009 (www.scip.org). 25 Competitor study practitioners, with a wide variety of nationalities, attended this presentation. They correctly highlighted the overlap between the environmental scanning of technology and of competitor technology. Furthermore, they remarked that it would be more difficult for service SEs than for manufacturing SEs to use technology to develop better products. In addition, they were surprised about the difficulty involved in measuring the result of intelligence in SEs.

The practitioners also noticed that the study researched small Dutch b-to-b enterprises, and discussed the size of Dutch firms compared to foreign firms. They agreed that this research's outcomes could be applied to small foreign b-to-b enterprises, but they suggested future research in micro and medium enterprises. The practitioners were surprised to learn that a Dutch law regarding illegal data collection is lacking, and that the Dutch government cannot be used by Dutch SMEs as a data source for information about foreign SMEs. Finally, all remarks have been used to improve the recommendations to SEs, to the Dutch government, and to future research.

8.5.2 *Communication of research outcomes to researched SEs*

2 ½ Years after the interviews in 2007, the researcher again contacted the 7 SEs studied in this research. The 2 AHEAD SEs and the 2 MIDDLE SEs appeared to be prospering, but the situation was less positive for the 3 BEHIND SEs. SE 3 had been sold to a local, medium size, competitor, in November 5, 2007. SE 5 made a loss in 2007, and its managing director had been fired in December 2007. SE 7 had gone bankrupt, in May 31, 2009. The researcher met 7 managers of MIDDLE SE 1 (Alex and Adrian) and AHEAD SE 4 (Damian and David), in October 30, 2009, and of MIDDLE SE 2 (Benjamin and Brian) and BEHIND SE 3 (Colin), in November 6,

2009, for face-to-face discussions of the outcomes of this research. These 7 managers were also interviewed in 2007, and all of them again agreed to have these 4 post-research discussions recorded with a digital voice recorder. Their remarks have been used for minor amendments of the analyses' outcomes, and have been used to improve the tailor-made, category-specific, recommendations to SEs.

8.5.3 General recommendations to SEs

This research shows that SEs with the strongest relative competitive market positions focus on new technology and innovative product development. Ultimately, this 'best practice' activity is a key long-term recommendation to all SEs. In addition, the SE's scanning/monitoring/study subjects should be directly related to the SE's overall strategy and company objectives. As a result, the obtained data and intelligence will help to improve the SE's competitive advantage and marketing tools. Furthermore, it is necessary that SEs prepare their organisations first prior to the implementation of 'best practice' study activities.

The following actions are recommended. Firstly, it is necessary that the SE's management team adds the activities to the SE's priority list, and allocates the required resources (money, time, staff, means, etc.) to it. The SE's management team will have to see to it that the study's subjects are linked to the strategic objectives. Furthermore, this team will have to express its support of these activities publicly, and appoint an internal 'champion' who coordinates the implementation. This champion will have to motivate the SE's staff by convincing them of the importance of these activities, and create an internal, two-directional, data network. Secondly, a recommendations implementation plan, including a step-by-step time schedule, will have to be executed. The SE's data collection networks will have to be extended, increasing the number of external, direct and personal data sources. However, the data collection will have to be limited to ethical and legal practices only. The measurable results of the intelligence (e.g. successful market entries, number of new clients, money value of new orders, etc.) will have to be registered. Finally, a monthly assessment of these results will have to be used to direct and improve the SE's scanning/monitoring/study implementation plan.

Furthermore, having identified 3 SE categories with different relative competitive market positions, it is impossible to present a ‘one-size-fits-all’ set of environmental scanning/competitor monitoring/competitor study ‘best practice’ recommendations to all SEs. ‘Crawling’ SEs will have to learn how to ‘walk’ first - before they can learn how to ‘run’. Hence, the following sections present 3 sets of tailor-made ‘best practice’ recommendations to the AHEAD, MIDDLE and BEHIND SE categories.

8.5.4 Best practice recommendations to AHEAD SEs

<i>Characteristics SEs</i>	AHEAD SEs Suggested improvement	AHEAD SEs Current situation
Relative competitive market position	Improve to Blue Ocean	Strong
Product & services performance vs competitor	Superior or unique products	Better to superior
Number of strong marketing tools	4 - 5 strong marketing tools	2 – 3 strong marketing tools
Management orientation	Managerial/planning or marketing management	Managerial/planning or marketing management
Environmental scanning / competitor monitoring / competitor study focus	Technology, competitor technology, supplier technology	Technology, competitor technology, supplier technology
Competitor monitoring	Reactive	Reactive
In-depth competitor study	Special task only	Special task only
Scanning / study time spent per annum x frequency	Two hours per week, weekly frequency discussion	Up to 80 hours, 2-weekly frequency
Competitor study subjects	Market strategy, technology development, organisation and capabilities	Market strategy, technology development, organisation and capabilities
Scanning / study activity embedded in organisation	Yes	Yes
Use of research questions	Yes	Yes
Network size	Wide	Wide
Number of data sources	High	High
Frequency direct contact with competitors	Often	Often
Unethical and illegal data collection practices	No	No
Competitor data storage structure	Optimal	Average
Analytic capability managers	High	High
Intelligence product	Complete	Complete
Intelligence dissemination	Structured	Structured
Intelligence cycle	Complete	Complete

Table 8.1: A list of the best practice recommendations to the AHEAD SE category. The suggested improvements have been marked with orange cell colors.

The recommendation to AHEAD SEs is to improve the already strong relative competitive market positions. Table 8.1 shows a list with 5 scanning/monitoring/study items which could be improved, including the use of their technology focus to develop truly unique, 'Blue Ocean' - level, products and services. David notes, that 'they still have to find these [unique] products'. Furthermore, these SEs could increase the number of strong marketing tools, as well as the time they spend on technology scanning. Furthermore, Damian concludes, 'it is not necessary to study other competitors continuously'. They could also improve the competitor data storage and data access. Damian thinks that Deltafilter is well-equipped to implement this recommendation; 'we now have a customer relationship management system'. 'Therefore, we have the possibility to do this, but we just haven't used it yet'.

A discussion with a group of 30 Dutch Register Marketers, April 22, 2010, has set the action priorities: the AHEAD SEs will have to work to strengthen their already strong positions. They should (1) use of research questions to focus (2) their management orientations on the possible commercial opportunities and to focus on competitors. Next, they should (3) assess the performance of their own products and services, compared to their competitors. Using (4) an assessment of the strength of their marketing tools, these SEs (5) should use the analytic capability of their managers.

8.5.5 Best practice recommendations to MIDDLE SEs

The recommendation to MIDDLE SEs is to improve their stable relative competitive market positions into strong positions. Table 8.2 shows a list with 17 items which could be improved. Adrian, the owner-manager of Alphasoftware, concludes that this is 'a lot to think about'. MIDDLE SEs will have to do their utmost to become AHEAD SEs. They will have to add technology scanning, and use it to improve their products and services. Alex, Alphasoftware's commercial coordinator, is eager to learn from AHEAD SEs. He says: 'indeed, I would like to talk as much as possible to the ones who are ahead, and as less as possible with the ones who walk behind'.

<i>Characteristics SEs</i>	MIDDLE SEs Suggested improvement	MIDDLE SEs Current situation
Relative competitive market position	Improve to strong	Stable
Product & services performance vs competitor	Use technology or distribution to create better products	Slightly better
Number of strong marketing tools	2 - 3 strong marketing tools	1 strong, 1 average marketing tools
Management orientation	Managerial/planning or marketing management	Entrepreneurial and opportunistic
Environmental scanning / competitor monitoring / competitor study focus	Technology, competitor technology	Commercial opportunities and competitors
Competitor monitoring	Reactive or active	Reactive or active
In-depth competitor study	Offensive and defensive tasks	Offensive and defensive tasks
Scanning / study time spent per annum x frequency	One –and-a-half hour per week, 2-weekly frequency discussion	Up to 10 hours, random frequency
Competitor study subjects	Market strategy, technology development, organisation and capabilities, customers	Customers
Scanning / study activity embedded in organisation	Yes	Yes
Use of research questions	Yes	No
Network size	Wide	Small
Number of data sources	High	Average
Frequency direct contact with competitors	Often	Occasional
Unethical and illegal data collection practices	No	Incidental
Competitor data storage structure	Optimal	Limited
Analytic capability managers	High	Limited - average
Intelligence product	Complete	Incomplete - complete
Intelligence dissemination	Structured	Unstructured - structured
Intelligence cycle	Complete	Incomplete

Table 8.2: A list of the best practice recommendations to the MIDDLE SE category. The suggested improvements have been marked with orange cell colors.

Adrian says that he had not given technology much thought before, but he admits that ‘yes, I am triggered by this product thinking’. Alex is a little bit worried that the execution of all the recommendations will be complicated, and asks: ‘how can I do the right actions with all elements [of the list], taking the limited time and funding into account, and still grow?’ Adrian on the other hand, sets the agenda: ‘what is particularly striking to us is the product, communication within the team, and to continue monitoring’. He explains that ‘communication within the team, with

structured data storage', is necessary 'to prevent us from becoming a BEHIND'. Finally, he concludes: 'I think that [our improvement] is more on the product, than on competitive intelligence'. Brian, one of Bravosweet's owner-managers, reacts to the recommendations table: 'I think that it is very insightful. I immediately recognize it'. Benjamin, the 2nd owner-manager, would like to improve the marketing tools, but 'you need means for that' – and he lacks these means. Brian agrees, but his solution is to use more management time, since 'time is an element which could fit in'. Finally, he picks a few things out of the list, including 'giving attention to the data storage'.

A discussion with a group of 30 Dutch Register Marketers, April 22, 2010, has set the action priorities: the MIDDLE SEs will have to become the challengers of the AHEAD SEs. They should (1) study their AHEAD competitors' technology, and they will have to start manoeuvring in a smart way, (2) studying these competitors' strategies and customers. Next, (3) they will have to compare the performance of their products and services relative to the AHEAD competitors, and fully use (4) the strong marketing tools of their companies. Finally, they should embed this competitor study activity and its frequency in their organisations.

8.5.6 Best practice recommendations to BEHIND SEs

The recommendation to BEHIND SEs is to improve their weak relative competitive market positions into stable positions. Table 8.3 shows a list with 19 scanning/monitoring/study items which could be improved. Colin, who used to be the manager sales of Charliebelt, admits that he 'recognizes a lot' on this list. He agrees that BEHIND SEs will have to do their utmost to become MIDDLE SEs, but he adds a more fundamental problem; 'Charliebelt should have invested much earlier in the education of its people. In that case, these insights would have come very fast'. In addition, improving the internal data collection network is indeed a critical issue. Colin says: 'I agree that knowledge sharing wasn't an issue at Charliebelt. It wasn't even below the proper level; we just weren't thinking about it at all. Indeed, these are issues where we should have done a lot; I agree with you'.

<i>Characteristics SEs</i>	BEHIND SEs Suggested improvement	BEHIND SEs Current situation
Relative competitive market position	Improve to stable	Weak
Product & services performance vs competitor	Use technology or distribution to create slightly better products	Equal or worse
Number of strong marketing tools	2 strong marketing tools	1 strong, 2 – 4 average marketing tools
Management orientation	Managerial/planning or marketing management	Entrepreneurial and opportunistic
Environmental scanning / competitor monitoring / competitor study focus	Commercial opportunities and competitors	Competitors
Competitor monitoring	Organize activity into active monitoring	Active or not organised
In-depth competitor study	Offensive and defensive tasks	Offensive and defensive tasks
Scanning / study time spent per annum x frequency	One hour per week, 2-weekly frequency discussion	Up to 50 hours, monthly frequency
Competitor study subjects	Customers, sales strategy, market behaviour, products, services, quotations, prices, success & failure factors	Sales strategy, market behaviour, products, services, quotations, prices, success & failure factors
Scanning / study activity embedded in organisation	Yes	No
Use of research questions	Yes	No
Network size	Wide	Small
Number of data sources	Average	Small
Frequency direct contact with competitors	Often	Limited
Unethical and illegal data collection practices	No	Frequent
Competitor data storage structure	Optimal	No
Analytic capability managers	Average - High	Limited - average
Intelligence product	Complete	Incomplete - complete
Intelligence dissemination	Structured	Unstructured - structured
Intelligence cycle	Complete	Either complete, incomplete, or blocked

Table 8.3: a list of the best practice recommendations to the BEHIND SE category. The suggested improvements have been marked with orange cell colors.

A discussion with a group of 30 Dutch Register Marketers, April 22, 2010, has set the action priorities: the BEHIND SEs should use their (1) management orientations to (2) define their commercial opportunities and to study their competitors. These SEs should come to conclusions (3) regarding the necessary product-segment mix that could be applicable to work their way towards MIDDLE SEs, and (4) to make an

inventory of the win/lose reasons. Finally (5) they should improve the performance of their products and services.

8.6 Recommendations to the Dutch government

This research shows that the SE managers, who use illegal data collection practices, are aware of the illegal character of such practices. However, they do not care about the law, and justify their behaviour with the difficult situation of their SE. Therefore, these are the recommendations to the Dutch government:

a) The Dutch government will have to communicate the current Dutch Code of Penal Law regarding theft, as well as the legal consequences (e.g. fines - or worse) of illegal data collection practices, to all SMES. A suitable government communication website tool could be *www.antwoordvoorbedrijven.nl*. Furthermore, the Dutch Chambers of Commerce could present this subject in their seminars and newspapers.

b) The Dutch government could develop a tailor-made Business Espionage Penal Law, explicitly describing illegal data collection practices. This law could include elements of the current Dutch law on theft, antitrust law, mail law (describing mail secrets), and privacy law (describing the legislation regarding data collection and data storage).

Soest, 1 October 2010

Arie Barendregt

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Appendix CD

