

**EFFECT OF TACTICS ORIENTED COMPETITIVE INTELLIGENCE PRACTICE ON  
THE PERFORMANCE OF FIRMS LISTED ON THE NAIROBI SECURITIES  
EXCHANGE, KENYA.**

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**Abstract**

Tactics intelligence is analyzed information about competitors that support the day to day operations of a company to advance specific operational objectives. To compete effectively in the turbulent business environment firms, have been forced to embrace advanced competences that support strategic decision making by providing accurate and timely information on opportunities and threats, competitor assessment that support strategic planning and implementation which is the main objective of competitive intelligence. Tactics oriented competitive intelligence deals with current activities and short-term plans identifiable in the marketplace. The target population for the study were all the sixty firms listed on the Nairobi Securities Exchange (NSE). Primary data was collected by the use of a semi-structured questionnaire and secondary data was obtained from published financial reports. The data collected was analyzed using descriptive and inferential statistical tools. The findings indicate that strategy oriented competitive intelligence practice had a positive and statistically significant relationship with the performance in the firms listed on the Nairobi securities exchange.

**Key Terms: Competitive intelligence, Tactics oriented competitive intelligence, Firm performance, competitive strategy**

## **Background Information**

Firms today are experiencing an increasingly competitive environment created by globalization, advances in technology, social and economic changes as well as fast shortening product life cycle that has led to hyper-competition (Muthama & Ngugi, 2012). Increased competition in an industry leads to lower levels of activity in organizations hence negatively impacting on performance (Assefa, Hermes & Meesters, 2010). While Al-Rfou (2012) established a positive relationship between competition and firm performance, a negative relationship cannot be ruled out in highly competitive industries (Odhiambo, Kibera & Musyoka, 2015).

The challenge for the management of many organizations today is the quest to improve performance and deal with the changing competitive landscape. Organizational management like to see tangible results of and positive return on their investment in given activities and may complain if they perceive lack of understanding of how a given activity actually contributes to performance (Kaplan & Norton, 1992). There is a need to evaluate performance with the primary objective of providing valid and reliable data on performance. Measuring performance is essential for enabling researchers and managers to evaluate the specific actions of firms, and how firms perform over time (Sabina, 2009).

Intelligence is a problem solving process that involves information gathering and analysis, interpretation, and speculative consideration of future developments, patterns, risks and opportunities through the exercise of human judgment (McDowell, 2009). Competitive analysis forms new communication links both inside and outside the firm. Intelligence is information that has been analyzed for decision making. Competitive intelligence can be viewed both as a process and a product. As a process, it is the set of legal and ethical methods for collecting, developing,

analyzing and disseminating actionable information pertaining to competitors, suppliers, customers, the organization itself and business environment that can affect a company's plans, decisions and operations (Yap, Rashid & Sapuan, 2011). As a product competitive intelligence is information about the present and future behavior of competitors, suppliers, customers, technologies, government, market and the general business environment (Wright, Eid & Fleisher, 2009).

McGonagle and Vella (2002) state that Tactics oriented competitive intelligence deals with current activities and short-term plans identifiable in the marketplace. It provides managers with information on the market where competitors face off for customers and consumers. It permits organizations to fine-tune marketing efforts, including field-force support to respond faster.

### **Role of Securities Exchange**

A stock exchange is a marketplace in which securities, commodities, derivatives and other financial instruments are traded. The core function of an exchange is to ensure fair and orderly trading, as well as efficient dissemination of price information for any securities trading on that exchange (Capasso, 2006). Singh (1997) stated that stock markets are established to be a means of accelerating economic growth through increased domestic savings and improvement of the quantity and quality of investment. Security exchanges give companies, governments and other groups a platform to sell securities to the investing public.

### **Nairobi Securities Exchange**

There are 60 companies listed on the Nairobi securities exchange (NSE, 2014). These are grouped into eleven sectors: agricultural; automobiles and accessories; banking, commercial and services; construction and allied; energy and petroleum; insurance, investment; manufacturing and allied;

telecommunication and technology; and growth and enterprise market segment. The securities' exchange also lists treasury bonds issued by the Government of Kenya (GoK) and occasionally, there are privately issued corporate bonds as well. The level of performance is influenced by various factors such as corporate governance, weak regulatory framework and the slow level of economic growth. Performance keeps alternating between bull runs when the prices for most stocks keep rising and bearish season when prices either stagnate or generally decline.

### **Research Objective**

To determine the effect of tactics oriented competitive intelligence practice on the performance of firms listed on the Nairobi securities exchange.

### **Research Hypothesis**

$H_{01}$ : Tactics oriented competitive intelligence practice has no effect the performance of firms listed on the Nairobi securities exchange.

### **Statement of the Problem**

In Kenya studies on competitive intelligence are generally limited. These studies are, however, descriptive case-based in nature, were done on specific firms or industries and used profitability as the measure of performance leaving out non-financial measures. These studies focused on product, market and technology intelligence (Mugo, Wanjau & Ayodo (2012); Muthama, & Ngugi (2012); and Ngugi, Gakure & Mugo (2012) whereas the current study focused on tactics oriented competitive intelligence practice. In the contextual gap among NSE listed companies and the limited empirical review, the study aimed to establish the effects of competitive intelligence practices on firms listed at the Nairobi securities exchange and relate it to the firms' performance measured in both financial and non-financial terms.

**Practical Implications of the Study**

The management of the listed firms should consider raising the current levels of competitive intelligence activities which was found to be of moderate level to enable firms reap more benefits. Management of the listed firms should increase the amount of resources devoted for competitive intelligence activities as they were found to be low. The firms without a functional unit dedicated to competitive intelligence activities should create one to enable them cope with the changing business environment. Since employee play a critical role in the process of collecting information for competitive intelligence purposes, they should be trained to improve their effectiveness in this task. Firms should improve the level of utilization of tactics competitive intelligence to enhance capabilities in the market place.

**Literature Review**

Dynamic capability-based theory advocates that competing on capabilities or competencies rather than making traditional resources investments as a more appropriate method for achieving competitive advantage. Day and Nedungadi (1994) argue that a company should be viewed as a bundle of competencies or capabilities as well as resources. In a broad sense, capabilities refer to the organizational processes by which available resources are developed, combined, and transformed into values offering in the market. Teece, Pisano and Shuen (1997) conceptualized dynamic capabilities as idiosyncratic factors which give rise to sustainable competitive advantage.

In order to achieve competitive advantage and superior performance in the marketplace, especially where the competitive landscape is shifting, companies should identify, seek, develop, and enhance dynamic capabilities. Dynamic capabilities transform resources into new sources of competitive advantage as they are processes, that enable companies to obtain new resource configurations and

generate new and innovative forms of competitive advantage; they also embrace collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple stream of technologies. Eisenhardt and Martin (2000) perceive dynamic capabilities as the organizational and strategic routines by which companies achieve new resources configurations as markets emerge, collide, split, evolve and die.

Dynamic capabilities enable an organization to integrate, reconfigure, gain and release resources to match and even create market change (Wang & Pervaiz, 2007). This theory is relevant to this study since both human and organization capabilities are required in the process of collecting information and converting it into actionable intelligence. Tactics competitive intelligence practice enhances a firm's ability in developing actionable foresight regarding competitive dynamics and non-market factors that can be used to enhance competitive advantage. Competitive dynamics refers to the evolution of a firm's industry, and the moves and countermoves of the competitors, suppliers, customers, alliance partners, and potential competitors.

### **Empirical Literature**

Pelsmacker, Muller, Viviers, Saayman, Cuyvers and Jegers (2005) in a study comparing the use of competitive intelligence practices by South African and Belgian exporters found that to a certain extent competitive intelligence practices in the two countries were highly comparable. In both countries the competitive intelligence activities were usually not organized in separate departments and if they were, the activities were mostly done by marketing and sales departments. Although there were some differences, on average, managers from both countries were found to consider similar types of information important to their firms and they relied on similar sources of information. South African companies were found to have on average longer tradition of organized competitive intelligence activities and had more full-time and part-time staff involved. South

African companies were found to devote more time to collecting information, but less time to evaluating the results. It was also found that there was a high level of awareness of competitive intelligence and what it could do for the exporter in terms of enhancing competitiveness in both countries.

In a study to determine effect of organizational strategy and competitive intelligence practices in Malaysian public listed companies (Yap, Zabid, & Sapuran, 2012) found that a link existed between organizational strategy and competitive intelligence practices in which higher level of competitive intelligence acquisition in technological and economic sectors and a greater extent of competitive intelligence use in most strategic decision making was found among analyzers. The response rate for this study was rather low 10.3% which made the generalizability of the finding to other firms hard. Noor, Waheed and Jamil (2013) examined the role of competitive intelligence in multinational companies and found that the use of competitive intelligence had higher impact on growth and lesser on quality and organizational performance.

### **Methodology**

The study adopted a mixed design of descriptive and explanatory survey research. According to Sekaran and Bougie (2009) a researcher should use more than one design to enhance the study; hence these two designs were used to achieve the optimal results as recommended by (Saunders, Lewis & Thornhill, 2009). Mixed methods can elicit insights that may be overlooked by a mono-method and can produce more complete knowledge contributions to theory and practice (Niglas, 2008).

## Target Population

The target population for this study were all the companies listed on the Nairobi securities exchange. There are 60 companies listed on the Nairobi securities exchange (NSE, 2014). A census study of all 60 firms listed at the Nairobi securities exchange was done. The study targeted the manager or director in-charge of planning /strategy in each firm as the unit for observation.

## Empirical Model

The study was guided by multiple linear regression model.

$$P = \beta_0 + \beta_1 TAC + \varepsilon_i$$

Where:

$\beta_0$  is the intercept

$\beta_1$  are the Beta coefficient

TAC represents tactics oriented competitive intelligence practice

$\varepsilon_i$  is a random variable, error term that accounts for the variability in P that cannot be explained by the linear effect of the predictor variables.

## Data Collection

Both Primary and secondary data were collected for this study. Primary data was collected from the director/manager in-charge of planning or strategy in each firm listed on the Nairobi securities exchange. Secondary data was obtained from firm's published annual reports for the years 2011 to 2013 which are available at the Nairobi securities exchange. These are the years when the number of firms issuing profit warnings rose drastically. The information collected included profit before

tax, Return on Assets (ROA), Return on Equity (ROE). The collection of secondary data was facilitated by document review guides.

Descriptive statistics such as mean scores, standard deviations, percentages, and frequency distribution were computed to describe the characteristics of the variables of interest in the study. Qualitative responses were categorized, coded and grouped into themes that emerged and then triangulated with quantitative data of the study. Inferential statistics such as correlation and regression analysis as suggested by Muthen and Muthen (2007) was used to establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships. The findings were presented using tables. Data was analyzed using SPSS version 17. A regression model was developed and correlation analysis was conducted at 95% confidence level. Pearson's product moment correlation ( $r$ ) was derived to show the nature and strength of the relationship. Coefficient of determination ( $R^2$ ) was used to measure the amount of variation in the dependent variable explained by the independent variables.

### **Findings**

Questionnaire's response rate was found to be 49 out of 60=81.6% which was very good according to (Mugenda & Mugenda, 2003). About half the respondents 52.4% rated information received for competitive intelligence purposes as good and excellent. Employees were found to be the most frequently used means of gathering information for intelligence purposes. Internet was ranked as the most important source of information for competitive intelligence purposes. E-mail was found to be the most preferred means of dissemination competitive intelligence in the listed firms. SWOT analysis was ranked as the most preferred technique for analyzing information

The Pearson correlation coefficient of tactics oriented competitive intelligence practice versus performance of firms listed at the Nairobi securities exchange was computed as 0.658 ( $p$

value=0.000) which is a positive relationship between the variables. The R-Square value of 0.433, indicating that the independent variable (tactics oriented competitive intelligence practice) explained 43.3% of the variation in performance of firms listed on the Nairobi securities exchange. The remaining 56.7% is explained by other management practices and strategies put in place by managers.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658	.433	.421	1.51199

a. Predictors: (Constant), tactics oriented competitive intelligence

The results on the beta coefficient of the resulting model shows that the constant  $\alpha=13.718$  is significantly different from zero. The coefficient  $\beta=.523$  is also significantly different from 0 with a p-value=0.000 which is less than 0.05. The findings indicate that when tactics oriented competitive intelligence practice is increased by 1 unit, performance of firms listed on the Nairobi securities exchange is expected to increase by 0.523 units.

### **Conclusion**

Tactics oriented competitive intelligence that aids organizations in designing near-term plans identifiable in the marketplace was found to be positive and statistically significant in this study.

### **Policy Recommendations**

They should ensure effective utilization of tactics oriented competitive intelligence practice. Tactics oriented competitive intelligence supports daily operations such as comparing and contrasting the characteristics of rival's products with company's own products. This informs the sales force of the limitations and constraints of rival products and where the next generation of products might be

heading. The insight gained could help the sales people market the firm's products and persuade customers how their products or services outperform those of the rival. Managers should raise the use of this type of intelligence to gain competitive advantage at the marketplace.

### **Suggestions for Further Research**

Future research should build on the findings of this study to enrich existing knowledge on the practice of competitive intelligence. Such studies, for example should consider carrying out research on the effect of tactics oriented competitive intelligence practices on the non-listed corporate sector firms to validate this study and add more knowledge to this area.

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