COMPETITIVE INTELLIGENCE PRACTICES IN BRAZIL: AN EXPLORATORY STUDY

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ABSTRACT

Competitive intelligence (CI) as a strategic management tool is essential for organisations in developing countries. This article provides an overview of the current state of CI in Brazil. A questionnaire survey methodology was used where questionnaires were administered to CI professionals in organisations in Brazil. Only 46.1 per cent of the organisations indicated that they cope above average with changes in the external environment and the majority of the respondents strongly agreed that the CI function assists to quantify/qualify strategic choices. The respondents do not use sophisticated analytical techniques to analyse data. It is recommended that organisations in Brazil should seek to engage proactively with the global environment by revising their strategic priorities. They need to redress critical competitiveness issues, most notably the establishment of the CI function as a strategic tool.

KEYWORDS

competitive intelligence, Brazil, developing countries

1 INTRODUCTION

The need to enhance companies' and by extension, countries' competitiveness has grown rapidly. Competitive intelligence (CI) is essential for economies in developing countries (Canongia 2006:58). According to Dou (2011), Dou, Dou and Manullang (2005) and Du Toit (2003), little research has been done on the application of CI in developing

countries. Thus, the purpose of this article is to examine the current situation with regard to CI activities in Brazil.

Substantial political changes in Brazil since 1990 have led to greater information exchange and Brazilian society has been evolving into a knowledge society dealing with political changes, globalisation, new technologies, hyper competition and new global competitors, such as China (Libis 2005:246). Brazilian companies have faced increased environmental uncertainty due to enhanced globalisation and competition, and have had a greater need to understand their environment more accurately for survival and success (Baranauskas 1998:42). The Brazilian government and Brazilian companies have realised that competing in a global economy requires a strong vision of what exists outside the country's borders. As a result, CI is becoming more accepted both as a profession and as an important business function.

In spite of this, the state of CI in Brazil remains fragmented for decision makers who need reliable information to deploy innovative policies for economic development (Paletta 2013:58). Over the past five years, there has been much talk about the future world role to be played by a small group of previously subaltern or marginalised countries that have large territories and populations and considerable natural resources and will constitute not only large markets but will be important producer nations. The acronym BRICS, for Brazil, Russia, India, China and South Africa, was formulated by the economist Jim O'Neill in 2001 (Moraes & Macedo-Soares 2013:869) and since then attention has increasingly been drawn to Brazil's growth process with competition in the global economy as one of the most frequently debated topics. The BRICS countries are playing an increasing role on the world stage in cultural, economic, and political terms (Dwyer 2009:41). Few studies have been published on CI in Brazilian companies and only three surveys could be found (Baranauskas 1998; Decaup & Domingues 2009; Paletta 2013). The paucity of information led the authors to undertake the survey of the current state of CI in Brazil as reported on in this article.

A country's environment either supports or threatens economic growth through its policies. A country like Brazil manages its competitive environment by relying on its assets (land, people and natural resources) but is not necessarily competitive (Garelli 2003:706). As a country becomes more competitive, the standard of living or per capita income increases and this helps to reduce inequality within the country (Waheeduzzaman 2002:16).

2 COMPETITIVE INTELLIGENCE

With the increased volatility of the business environment, countries and companies rely increasingly on early detection of environmental changes so that they may respond with appropriate counter measures. Since they require time to adapt to the changing environment, they should have the ability to anticipate changes and imagine the

consequences of alternative responses to those changes. Thus, they use CI to facilitate the identification of potential opportunities and threats. Because CI improves decision-making, it helps a company to meet or exceed its objectives and business goals. CI has developed rapidly over the last three decades, from a bureaucratic, systematic process rendering information for tactical decision-making, to a dynamic, adaptive process forming a key component to strategic decision-making (Hosseini 2006:82).

There are many definitions of CI. According to Calof and Skinner (1999:24), intelligence is analysed information. Kahaner (1996:16) defines CI as a systematic programme for gathering and analysing information about a business's competitors' activities and general business trends to further its own goals. Prescot (1999:42–43) states that CI is defined as the process of developing actionable foresight regarding competitive dynamics and non-market factors that can be used to enhance competitive advantage. Fleisher and Bensoussan (2003:6) define CI as 'the valued-added product resulting from the collection, evaluation, analysis, integration, and interpretation of all available information that pertains to one or more aspects of an executive's needs, and that is immediately or potentially significant to decision-making'. These definitions deal with the management of information in order to enable a country or a company to take better decisions and to understand the relationships between partners, competitors, laws, regulations and social behaviour, which interact with their environment (Dou, Dou & Manullang 2005). Kahaner (1996:25) states that CI has become the 'latest weapon in the world war of economics' in which many emerging economies view CI as a way to win economic wars against larger, more industrialised countries. By using their wits instead of weapons, these countries are able to turn raw information into usable intelligence to further their economic status. CI is a systematic, logical process (obtaining CI requests, collecting information, analysing and synthesising information and communicating intelligence) (Kahaner 1996:20). Typical sources are trade shows, gatekeepers, trade journals, newspapers and patents (Paap 1997). CI is concerned with developing intelligence that has actionable implications (Hawkins 2004:52) and operates within ethical and legal parameters, using the tools of analysis and understanding of the competitive environment to convert public data into actionable intelligence, ultimately making strategic decisions more accurate (Paap 2013).

Kahaner (1996:28–31) cites the following reasons as to why companies need CI in the global economy:

- The pace of business is increasing rapidly. Businesses are required to handle more projects and make more decisions with more speed than before.
- Information overload. Technological development has developed the speed and availability of communication and information.
- Increased global competition from new customers. Increased access to resources increased the number of competitors and decreased the importance of close physical proximity.

- Existing competition is becoming more aggressive. Many market places are maturing resulting in companies increasing their market share at the expense of their competitors.
- Political changes affect companies quickly and forcefully. Many countries have moved from communism or socialism to capitalism in the last decades.
- Rapid technological change. The last decades have seen the introduction of wireless communication, personal computers, the Internet and biotechnology.

Apart from these reasons, Hawkins (2004:51) emphasises that companies in developing countries should use formal processes of collecting, analysing and disseminating intelligence to successfully compete in the global economy. The relationship between knowledge/education and competitiveness is well established in the literature and knowledge is the primary resource in the knowledge economy (Du Toit 2003:111). Knowledge enhances the competitive base of developing countries while competitiveness creates an environment where knowledge can be created and grow (Waheeduzzaman 2002:17). Liebowitz (2006:60) advocates that it is not CI alone which promotes strategic intelligence, but a merging of CI and knowledge management (KM). This kind of synthesis results in strategic intelligence becoming 'enabled'. A skilled work force is key in providing companies with a competitive edge and there is a need in developing countries to equip employees with the necessary knowledge and skills to enable them to adapt to accelerating technical and market changes (Hosseini 2006:79).

3 BRAZILIAN SITUATION WITH REGARD TO COMPETITIVENESS

Garelli (2003) defines competitiveness as 'the manner in which companies are trying to create and develop a unique comparative advantage'. Blanke (2007) indicates that competitiveness relates to factors such as efficient markets, the ability to harness the benefits of existing technologies and business sophistication. The increase in competitors and the growing market due to globalisation has caused an increase in the amount of information available and it has become difficult for Brazilian companies to obtain the right information out of the large amount of information available. Brazil does not have an extensive history of CI and it appears to be a relatively recent phenomenon of study in the country (Libis 2005:246). CI was introduced in Brazil in the mid-1990s as an initiative of the National Institute of Technology. A CI interest group, the Competitive Intelligence Society of Brazil (ABRAIC) was established and is sponsored by the government and industry. Since then, many Brazilian companies have made efforts to collect, analyse, disseminate and utilise information on the external environment (Baranauskas 1998:41). The growing market for CI created the development of consulting activities. Various CI tools were developed (eg, a national database of science competencies) (Dou nd: 29). The key CI needs for Brazilian companies in the

1990s involved monitoring government policies, politics and key figures; understanding domestic markets and foreign markets for exports; and understanding competitors, customers, technologies and economic trends (Baranauskas 1998:42). In a developing country such as Brazil, the industry needs to compete in highly dynamic international markets. Consequently, CI is a much needed business tool required to monitor the different aspects of competitiveness. While CI is in its infancy in Brazil, companies recognise the need to better integrate CI into their business processes in order to remain competitive in the global business environment (Libis 2005:246).

According to the Global Competitiveness Report 2012–2013 (Schwab 2013:126), Brazil has improved its competitive position by five places and is ranked 53rd out of 142 countries. Brazil has also benefited from several competitive strengths, including its internal market size (10th); a sophisticated business environment (31st); and innovation (44th). The country also has an efficient financial market that is ranked 40th and the rate of technology adoption is relatively high at 47th compared to other countries in its region. However, there are several problematic areas that hinder countries from doing business with Brazil. Factors such as tax rates, tax regulations, inadequate supply of infrastructure and restrictive labour regulations, rank high as problem areas for doing business in Brazil and these factors also impact Brazil's capacity to fulfil and sustain its competitive potential (Schwab 2013:127).

Considering the strong competitiveness existing in the global economy, Brazilian companies are striving to increase their competitiveness (Kamlot, Botelho & De Oliveira 2013:448) and many international companies are choosing to invest in Latin America (Moraes & Macedo-Soares 2013:872). However, the global recession represents a threat to economic growth in the companies (Moraes & Macedo-Soares 2013:872).

4 THE IMPLEMENTATION OF COMPETITIVE INTELLIGENCE IN BRAZIL

CI is enjoying increased evidence in Brazil, but there has been little quantitative empirical research on CI and the published quantitative research has been largely descriptive in nature (Baranauskas 1998; Decaup & Domingues 2009; Paletta 2013). According to Baranauskas (1998:41), Brazilian companies gather data but they do not analyse the data. Decoup and Domingues (2009:24) recommend that it is crucial to raise the general CI education level in the country; spread the CI culture among decision-makers; provide strong sponsorship to new CI teams; and develop an information sharing culture within companies to ensure the creation and integration of networks. Over 60 per cent of the companies surveyed by Paletta (2013:57) conduct CI in their own way and do not use structured processes. However, more institutions are offering CI training and more CI professionals are entering the market (Paletta 2013:60). The fact that more institutions

are offering CI training confirms that CI professionals did react to the recommendation by Decoup and Domingues (2009:24) that it is crucial to raise Brazil's CI education level. According to Calof and Viviers (2001:61), suitable education is the only way to develop a positive mindset about CI.

5 RESEARCH METHODOLOGY

Since CI is a relatively new activity in developing countries, the current study was mainly exploratory in nature. A questionnaire survey methodology was used where questionnaires were administered to CI professionals in companies in Brazil. The companies surveyed for the study were based on the Standard Industrial Classification that is used worldwide and comprises ten categories. An additional category, oil and gas industry, was added since these industries have flourished in recent years and they have become a major player in the Brazilian economy. Hence, the industry classification used in the study was as follows:

- Agriculture, hunting, forestry and fishing industry;
- Mining and quarrying industry;
- Manufacturing industry;
- Electricity, gas and water supply industry;
- Construction industry;
- Wholesale and retail trade industry;
- Tourism industry;
- Transport, storage and communication industry;
- Financial, insurance, real estate and business services;
- Community, social and personal services;
- Oil and gas industry.

A combination of convenience sampling and snowball sampling was used to identify the CI professionals in these industries. Convenience sampling refers to the procedure of obtaining respondents (units or people) who are most conveniently available (Zikmund 1994:367). Snowball sampling, on the other hand, refers to procedures in which additional respondents are obtained from information provided by the initial respondents. This technique is used to locate members of rare populations by referrals (Cooper & Schindler 2007:425). CI practices in Brazil are still in the early phase of development, and when CI is practised by individuals in companies, it is still a matter of sensitivity, so networking takes on an important role in the development of CI (Libis 2005:249). As a result, CI professionals are reluctant to reveal their identity and companies also try to hide the existence of CI units from the public. Thus, the researchers had to rely on their personal contacts and networks in industries to identify the CI professionals. These

professionals were assumed to have a sound knowledge of CI, its implementation and benefits for companies. The snowball sampling technique was then applied, where the respondents of the convenience sampling technique were asked for references of other respondents who would possibly complete the questionnaire. This is a limitation of the study as some important practising CI professionals could possibly have been left out of the survey.

This article is part of a survey conducted in five developing countries, namely, Brazil, Malaysia, Morocco, New Zealand and South Africa. The questionnaire was structured as follows:

- Section A: Background and demographic information;
- Section B: Competitive situation in companies;
- Section C: CI implementation in companies.

Section A: Background and demographic information referred to the country, gender, age, educational qualifications, years employed in the company, position in the company, number of employees and industry of the respondents. Section B: Competitive situation referred to how intense competition is in the business environment and how companies cope with changes in the business environment. The more specific CI questions in Section C: CI implementation in companies attempted to extract information on how CI is practised by the corresponding companies; the duration of CI activity, how much time is spent on different CI activities, the location of CI in the corporate structure, the different types of information collected and the sources of information used. The full questionnaire can be obtained from the authors upon request.

The questionnaire was sent as an attachment via email to CI professionals in Brazil and it was accompanied by a covering letter to all identified respondents. The completed questionnaires had to be returned by email to the researchers. The questionnaire was translated into Portuguese and of the 33 questionnaires emailed, 23 were completed representing a response rate of 69.7 per cent.

5.1 FINDINGS

5.1.1 Demographic data

The gender of the respondents was almost equal (53.8% male and 46.2% female) while 84.6 per cent of the respondents were younger than 50 years. Although the majority of the respondents only had a bachelors degree, the majority were in either the top management or senior/middle management level of their companies (69.2%). The majority of the respondents (76.9%) were employed by companies with more than 500 employees. With regard to industries, the majority of the companies were in the manufacturing industry (30.7%).

5.1.2 Competitive situation

Only 23 per cent of the respondents indicated that competition is very intense in Brazil, while 46.1 per cent of the respondents indicated that they cope above average with changes in the external environment. This is an indication that currently CI practitioners in Brazil do not realise the importance of scanning the environment as an early-warning tool to adapt strategies. A formal CI function exists at only 15.4 per cent of the companies and none of the companies had had a CI function for more than five years.

5.1.3 CI activities

With regard to the five most important CI activities implemented by the companies, 85 per cent of the respondents strongly agreed that they evaluate the reliability and accuracy of information, while 61.5 per cent of the respondents strongly agreed that the CI function assists to quantify/qualify strategic choices. The majority of the respondents (85%) agreed that their staff members always report back on competitor actions (see Figure 1). The use of CI activities for decision-making was not one of the five most important CI activities and this finding correlates with the findings of Paletta (2013:59) that Brazilian companies do not use CI for decision-making, CI execution is fragmented and that Brazilian companies focus predominantly on their internal environment at the expense of the external competitive environment.

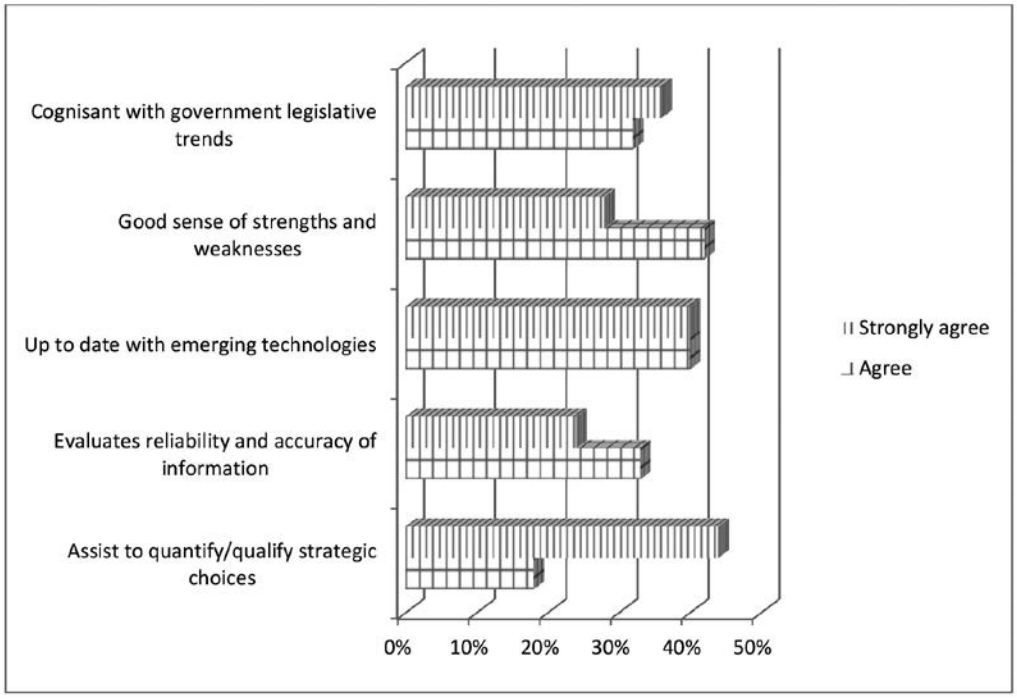

Figure 1 Five most CI activities used

5.1.4 Use of secondary sources

The respondents identified promotional material, information on regulatory bodies and sales forecasts as the most important secondary sources they used (see Figure 2). It was interesting to note that 31 per cent of the respondents never use corporate annual reports or survey summaries (38%).

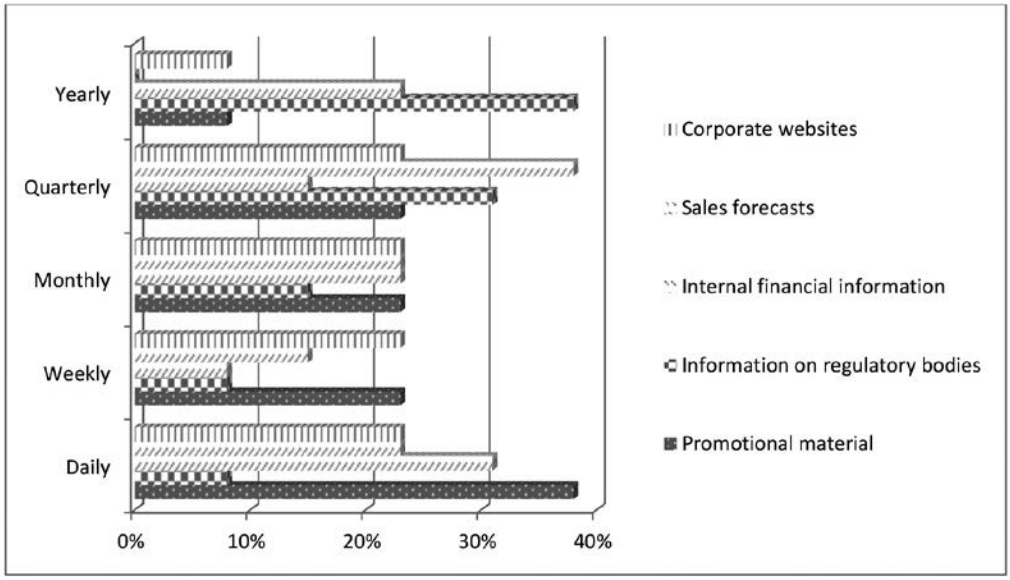

Figure 2: Five most important secondary sources used

5.1.5 Use of primary sources

The most important primary sources used by organisations in Brazil are direct customer feedback, suppliers and analysis of competitors' feedback (see Figure 3). This finding correlates with the findings of Libis (2005:241) that there is abundant access to primary research but that the credibility of the sources is questionable. The respondents, therefore, prefer to collect their own information directly from customers.

5.1.6 Analytical methods or models used

The majority of organisations in Brazil (61.5%) use competitor analysis and 46.2 per cent of them use SWOT analysis and Customer Segmentation Analysis to a great extent, while only 30.7 per cent of the organisations use Financial Ratio and Statement Analysis to a very great extent (see Figure 4). This indicates that companies in Brazil do not use sophisticated analytical techniques and this finding confirms the finding by Baranauskas (1998:41) that Brazilian companies focus on the collection of information. The majority of respondents do not analyse the information which correlates with the finding of Libis (2005:248) and indicates that the situation has not improved since 2005.

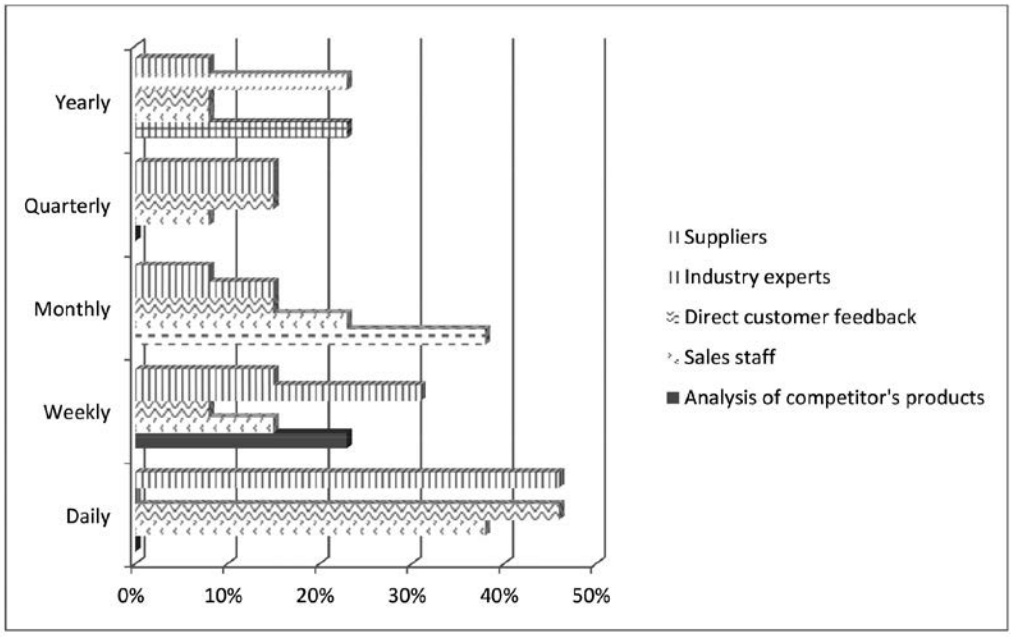

Figure 3: Five most important primary sources used

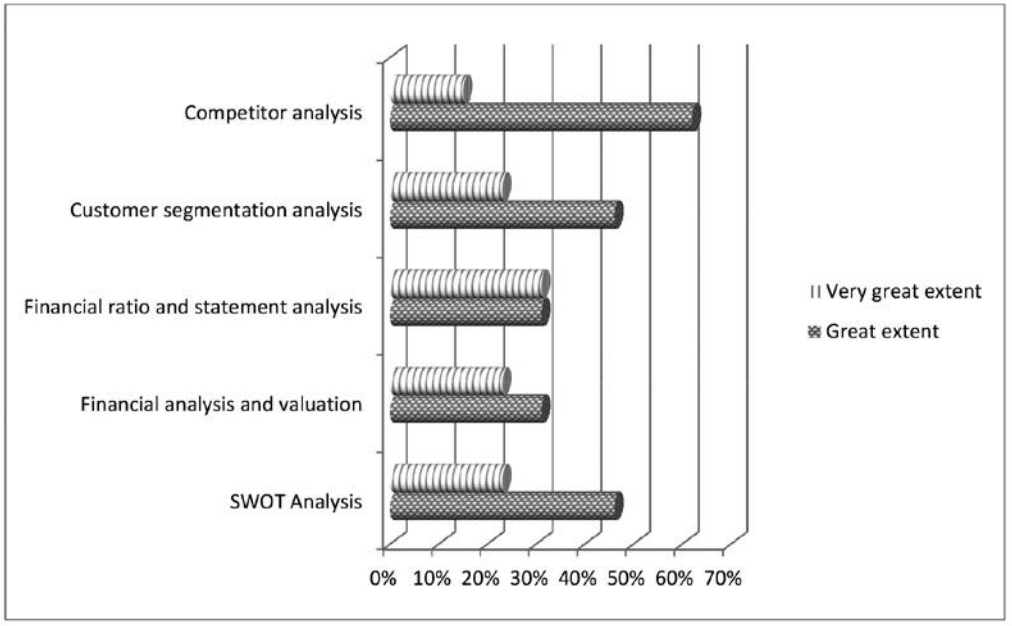

Figure 4: Analytical methods or models used to a great extent

5.1.7 Methods used to distribute and present CI findings

The majority of the respondents (46.2%) use email and customer/competitor/supplier profiles to a great extent to distribute CI findings. Reports and market and industry audits are used by 31 per cent of the respondents to a great extent. Presentations are used by 23 per cent of the respondents to a great extent, while 30.8 per cent of the respondents use it to a very great extent (see Figure 5).

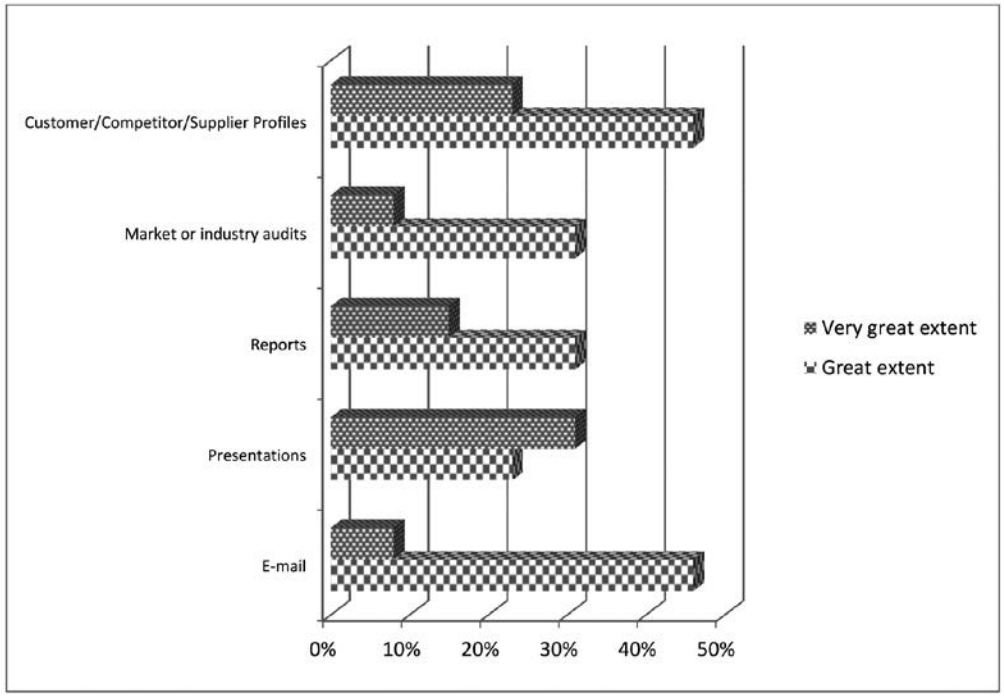

Figure 5: Five most important methods used to distribute and present CI findings

To summarise the analysis of the findings it can be stated that few Brazilian companies do have a formal CI function and that they do not use sophisticated techniques to analyse the data.

6 CONCLUSION AND RECOMMENDATIONS

The research project was undertaken to determine the current state of CI activities in Brazil. CI as an endeavour within companies has grown in response to the need for understanding and becoming accustomed to business complexities. Globalisation as a primary economic phenomenon compels a country to be competitive and the purpose of the research was to determine whether companies in Brazil use CI to

improve their competitiveness. In terms of the state of CI in Brazil, the study found that the respondents use a predominantly ad hoc CI approach. Only a limited number of companies in Brazil recognise the importance of a CI unit and did not indicate the use of CI for decision-making as one of the five most important CI activities. Few companies have centralised CI units. CI should assist senior management to develop and review a set of key intelligence needs. In order to provide direction to the CI function in these companies, it is important that they should interview management on a regular basis. According to the survey conducted, the respondents do not use sophisticated techniques such as blind-spot analysis and scenario analysis to analyse CI information. The use of these techniques as early warning signals is very important to get a head-start on competitive companies in the global economy. The CI function in companies in Brazil should thus evolve from 'providing just the facts' (reactive) to being 'a key component of company strategy' (proactive). Brazilian companies should develop integrated and comprehensive CI processes that are linked to strategic planning systems.

It is recommended that companies in Brazil should seek to engage proactively with the global environment by revising their strategic priorities. It is, therefore, evident that companies in Brazil need to redress some critical competitiveness issues, most notably the establishment of the CI function as a strategic tool. Without a CI strategy, companies will find it difficult to position themselves in the global marketplace. A challenge for Brazilian companies is to build an appropriate CI infrastructure with an active formal CI community and to focus more on CI education and research. It would appear that the future of CI in Brazil is unlikely to change drastically unless greater resources are committed to educate companies about the use and value of CI to their businesses. The country needs to continue the growth of its export markets and a critical aspect of this is to have relevant competitive information. With new global competitors, such as China, more formal processes of collecting, disseminating and using CI will become necessary.

A limitation of the research is that a small sample was used and further research which includes a larger sample will have to be conducted. Although the survey cannot be regarded as fully representative of all Brazilian companies, it reflects a general picture with regard to monitoring the external business environment in the country. In the light of the world-wide interest in CI in developing countries, and the desire to understand how Brazil can improve its competitiveness, the hope is expressed that the Brazilian government will in future create an environment which will facilitate the competitiveness of companies and encourage long-term sustainability.

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