The Competitive Intelligence Activity of Immigrant Entrepreneurs in South Africa

Olawale Fatoki

Department of Business Management, Turfloop Campus, University of Limpopo, Limpopo Province, South Africa

Telephone (Office): 00927 015 268 3897, E-mail: Olawale.fatoki@ul.ac.za

KEYWORDS Immigrant Entrepreneurs. Competitive Intelligence. South Africa

ABSTRACT The objective of the study was to investigate empirically the competitive intelligence activity of immigrant-owned businesses in South Africa. Immigrant-owned businesses in South Africa face severe competitive pressures. Competitive intelligence is one of the ways to gain and sustain competitive advantage. Data was collected through the use of self-administered questionnaire in a survey. Data analysis included descriptive statistics and the T-test. The results indicate that immigrant entrepreneurs have a good attitude towards competitive intelligence. However, there is no formalised competitive intelligence gathering process. Recommendations on how to improve the competitive intelligence process are suggested.

INTRODUCTION

Pendleton et al. (2006) point out that South Africa is a rainbow nation composed of various racial groups from all facets of the earth. Following independence in 1994, an increasing number of immigrants migrated to South Africa from other African countries and from other continents. Bogan and Darity (2008) note that entrepreneurship can provide immigrants with work and income as immigrants find it difficult to enter into the labour markets. Thus, immigrants can become a significant driving force in the creation of new businesses and the reduction of South Africa’s high rate of unemployment currently estimated at 25.6% (Statistics South Africa 2013). Kalitanyi and Visser (2010) find that immigrant entrepreneurship is one of the ways to reduce the high unemployment rate in South Africa. Gebre et al. (2011) and Tengeh et al. (2012) find that immigrant entrepreneurship creates opportunities that have important implications for the South African economy. By creating employment, immigrant entrepreneurship can be one of the ways to reduce poverty, inequality and stimulate economic growth in South Africa.

According to Tengeh et al. (2012), most immigrant businesses can be regarded as small businesses and are mainly in the retail and service sectors. Adeniran and Johnston (2011) note that despite the highlighted importance of the small business sector, it is estimated that the failure rate of small businesses in general in South Africa is between 70% and 80%. Problems encountered by small businesses are numerous and can be described amongst others as being environmental, financial, managerial and intense competition. Weeks and Benade (2008) and Phillip (2010) point out that small businesses (including immigrant-owned businesses) in South Africa face high level of competition. Consequently, small businesses face the constraint of entering and staying in a highly competitive market. This may negatively impact on their profitability and sustainability.

Mollayaaghobi and Badiee (2011) and Pellissier and Nenzhelele (2013) explain that in today’s competitive business environment, organizations must adapt to their surroundings in order to survive and prosper. As competition increases and technology evolves, firms are increasingly turning to competitive intelligence (CI) to provide insight into competitors’ strategies and customers’ needs. Obtaining sufficient CI is a critical factor in helping business managers gain and maintain competitive advantages. Thus firm owners need to comprehend key intelligence properties of their own organization, of their competitors, and of the environment in which they operate. Increasing pressures from competitors and changing customer needs require businesses to constantly evaluate and change strategic goals. According to Prior (2007), CI is more important for small businesses than large businesses. For small businesses to succeed in the competitive and turbulent business environment, they have to be constantly aware of competitors’ action. Salles (2006) and Pirittimaki (2007)...
point out that CI is not only used as a defensive tool to ward off perceived threats and changes but also as a proactive management tool for uncovering new business opportunities, trends, and weak signals in the business environment. CI is critical for a firm’s capacity to successfully introduce new products, processes and services. The objective of CI is to provide competitive advantage and superior firm performance (Zangoueinezhad and Moshabaki 2008). This suggests that competitive intelligence is critical to the survival and growth of immigrant-owned businesses in South Africa.

A thorough review of the literature on immigrant entrepreneurship in South Africa (Kalitanyi and Visser 2010; Tengeh et al. 2012; Radipere 2013) and literature on the use of competitive intelligence by firms in South Africa (DuToit and Muller 2004; De Pelsmacker et al. 2005; Venter and Tustin 2009; Pellissier and Nenzhelele (2013) revealed that no study has investigated empirically the competitive intelligence activity of immigrant entrepreneurs in South Africa.

Objectives of the Study

The small business sector is very competitive in South Africa. High level of competition is one of the causes of the high failure rate in the small business sector in South Africa. CI is important to firm survival and growth. In addition, immigrant entrepreneurship is one of the ways to improve the low levels of entrepreneurship in South Africa. The survival and growth of immigrant-owned businesses are critical to employment creation and poverty reduction in South Africa. The objectives of the study are:

- To determine the attitude towards CI by immigrant-owned businesses
- To assess the use of CI by immigrant-owned businesses
- To determine the responsibility for CI in immigrant-owned businesses
- To investigate the perception of the effectiveness of CI by immigrant-owned businesses
- To investigate if there are significant differences in CI activity of immigrant-owned businesses with respect to gender, level of education and industry (sector).

This study will be of significance to immigrant entrepreneurs and small business officials that provide assistance to the small business sector in South Africa. The rest of the paper is organised as follows.

Literature Review

The seminal work on organisational environment by Duncan (1972) describes the environment as the totality of the physical and social factors that are taken directly into consideration in the decision-making process of an organisation. The environment is divided into the internal and the external environment. The internal environment comprises of the relevant physical and social factors within the boundaries of the organisation that are taken into consideration in the decision-making process of the organisation. The external environment consists of the physical and social factors outside the boundaries of the organisation that are taken into consideration in the decision-making process. Components of the internal environment include organisational personnel component, organisational functional and staff unit component and organisational level component (that is, organisational objectives and goals). Components of the external environment include customer component, supplier component, competitor component, social-political component and technological component.

Shih et al. (2010) points out in today’s competitive business environment, organisations must adapt to their surroundings in order to survive and prosper. CI is a critical factor in helping business managers gain and maintain competitive advantages. The term CI does not have a universally accepted definition. Tarraf (2005) points out that there is no universally agreed definition of CI that includes the scope of all functions and processes associated with it. Rouach and Santi (2001) define CI having the following characteristics “an art of collecting, processing and storing information to be made available to people at all levels of the firm to help shape its future and protect it against current competitive threat: it should be legal and respect codes of ethics: it involves a transfer of knowledge from the environment to the organisation within established rules”. Thus CI tracks the activity of direct and indirect competitors in a range of fields such as general business activity, business development, strategy and tactics. CI is a kind of radar screen spotting new opportunities or helping to avert disasters, enabling
the firm to observe its environment. It also empowers the firm in monitoring its own development. CI helps firm owner/manager to be informed about crucial data and information that may impact on the firm.

Miller (2001) describes CI as “a systematic and ethical program for gathering, analysing, and managing information that can affect a company’s plans, decisions, and operations. CI enables senior managers in companies of all sizes to make informed decisions about everything from marketing, research and development, and investing tactics to long-term business strategies”.

The Society of Competitive Intelligence Professionals (SCIP) (2007) gives the definition of CI as “a necessary, ethical business discipline for decision making based on understanding the competitive environment”. Tarraf (2005) points out that CI activity is “aimed at monitoring the activity of competitors, current and potential including partners and allies with the information gathered covering all types of competitor activity such as sales and marketing and research and development. CI also involves the processing and analysis of information gathered as well as the storage and communication of such information”.

CI includes market intelligence, competitor intelligence and technological intelligence. According to Louw and Venter (2006), CI should focus on competitors and complimentors, customers and distribution channels, suppliers, economic environment, technological environment and industry regulators and legislation. Wright et al. (2002) add the concept of the critical success factors (CSF) to the definition of competitive intelligence. CSFs are the elements that are necessary for an organization or project to achieve its mission. CSFs represent those managerial or enterprise area, that must be given special and continual attention to bring about high performance (Shehu and Akintoye 2009). CI is the strategic process of identifying, understanding and using the CSFs to achieve firm objectives. Critical to all these definitions is that CI is not only about competitors or competitor intelligence. It is a value-added concept that associates competitor intelligence with strategic planning.

Mugo et al. (2012) summarise the use of CI to include competitors’ assessment and tracking, early warnings of opportunities and threats, support for strategic planning and implementation and support of strategic decision-making. In addition, CI is very useful in strategic, competitor, tactical and technical planning. Strategic intelligence is CI supporting strategic future-oriented, decision-making. The focus of competitor intelligence is on competitors, their capabilities, current activities, plans, and intentions. Tactical intelligence focuses on the very current activities in the marketplace. Technical intelligence helps to identify and exploit opportunities resulting from technical and scientific changes as well as to identify and respond to threats from such changes (McGonagle and Vella 2012).

According to Pfeffer and Salancik (1978), the Resource Dependency Theory (RBT) argues that resources are a critical or important part of an organisation’s operation. RDT focuses on how the external resources of organizations affect the behaviour of the organization. The resources one organization needs are thus often in the hand of other organizations. Resources include all assets, capabilities, organisational process firm attributes and firm information knowledge used by a firm to conceive and implement strategies. CI can be used to improve the information knowledge of an organisation (Kraaijenbrink et al. 2011). Mugo et al. (2012) note that the basis for CI revolves around decisions made by managers about the positioning of a business to maximise the value of the capabilities that distinguish it from its competitors. Failure to collect, analyse and act upon competitive information in an organized fashion can lead to the failure of the firm.

Louw and Venter (2006) point out that one of the key strategic processes of any organisation is to constantly scan the external environment. CI includes environmental scanning. Garg et al. (2003), Abebe et al. (2010) and Zhang et al. (2011) find that environmental scanning positively impacts on firm performance. Higher-performing firms are characterized by more frequent scanning and by careful tailoring of scanning to perceived strategic uncertainty compared to chief executives in lower-performing firms.

**RESEARCH METHODOLOGY**

The survey was conducted in the Johannesburg Central Business District in Gauteng province, South Africa. The empirical approach con-
sists of data collection through the use of self-administered questionnaire in a survey. Because of the difficulty of obtaining the population of immigrant-owned businesses in the study area, convenience sampling and the snowball sampling methods were used. According to Cooper and Schindler (2003), convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Snowball sampling method is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. The questionnaires were given to the owners of the business to complete. Five-point Likert scale questions ranging from “strongly disagree (1)” “strongly agree 5” were used to measure the attitudes, use, responsibility and effectiveness of CI. This is consistent with similar literature on CI such as Venter and Tustin (2009) and Pellissier and Nenzhelele (2013). A pilot study was conducted on the survey instrument used in this research with twenty immigrant entrepreneurs in order to ensure face and content validity. The pilot study led to some modifications to the questionnaire. Owners were assured of confidentiality with regard to the data collected. Data analysis included descriptive statistics and t-test. The Cronbach’s alpha was used to measure reliability.

RESULTS AND DISCUSSION

Biographical Information

302 questionnaires were distributed and 129 returned. The response rate was 42.7%. Table 1 depicts the biographical information of the respondents. Most of the respondents are males, with post-matric qualifications, in the 31-40 age bracket and in the retail sector.

Attitude Towards CI

Three questions adapted from the literature on competitive intelligence were used to measure attitude towards CI. The first question “I believe undertaken a CI Analysis will help me to run my business” has a mean of 4.56 which indicates that most of the respondents are in agreement with the statement. The second question “I believe implementing a CI system will help to improve the performance of my business” has a mean of 4.62 and the third question “I believe monitoring my competitors would improve my strategic decision making has a mean of 4.44. The results indicate that most of the respondents agree that the implementation of a CI system will improve the performance of their business. In addition, the results indicate that most of the respondents agree that CI will be useful in making long-term strategic decisions for their business. The results show that immigrant entrepreneurs have a good attitude towards CI. In addition, the study investigated if there are significant differences in the means with respect to gender, sector and level of education. Sector is a firm attribute while gender and level of education are entrepreneurs’ attributes. The mean results indicate small differences in the attitudes toward competitive intelligence. Male respondents with post matric qualifications in the retail sector have higher means than respondents that are female with matric and below and education and in the service sector. The t-test results however do not indicate any significant differences. The results are consistent with the findings of Louw and Venter (2006) that one of the key strategic processes of any organisation is to constantly scan the external environment. Competitive intelligence is the body of knowledge on how to collect and use intelligence. In addition,
Garg et al. (2003), Abebe et al. (2010) and Zhang et al. (2011) find that environmental scanning and competitor analysis which are major parts of CI positively impact on firm performance (See Table 2).

**Use of CI by Immigrant Entrepreneurs**

Table 3 depicts the summary of descriptive statistics for the use of CI by immigrant entrepreneurs. The results indicate that immigrant entrepreneurs use CI mainly for competitor analysis especially competitor prices. In addition most of the respondents agree that they use CI for strategic decisions. The T-test results do not indicate any significant differences in the mean scores with respect to gender, level of education and sector. The results are consistent with Pellissier and Nenzhelele (2013) that small enterprises practice and make use of CI for both competitor analysis and strategic decisions. The use of CI includes competitors’ assessment and tracking, early warnings of opportunities and threats, support for strategic planning and implementation and support of strategic decision-making.

**Formalised CI Process**

Table 4 depicts the results on the gathering of CI by immigrant entrepreneurs. The results indicate that immigrant entrepreneurs do not have a formalised competitive intelligence process (explain process). This suggests that the
collection of CI information is being done in a haphazard manner without any formal process. The t-test results do not indicate any significant differences in the mean scores with respect to gender, level of education and sector. In addition, most of the respondents do not have a computerised CI function. Maguire et al. (2007) explain that computerised support for CI can assist in the CI process. There are CI software packages that businesses can use to improve the effectiveness of the CI process.

Responsibility for CI

The results indicate that while the owners of the business do gather CI information, other members of staff also assist in the gathering of CI information. For respondents without any employee, obviously it is only the owner that is responsible for CI. However, for respondents with employees, the gathering of CI information is a combined process of both the owner and the employees. The use of outside people to help gather CI information is extremely limited. The T-test results do not indicate any significant differences in the mean scores with respect to gender, level of education and sector (See Table 5).

Effectiveness of CI System

Table 6 depicts the results of the effectiveness of the CI system. The results indicate that most respondents (mean of 2.01) are not satisfied with their current intelligence system. In addition, most of the respondents do not agree that their intelligence system is highly effective. This could be attributed that there is no formalised CI gathering process.

CONCLUSION

Immigrant-owned businesses are very important to employment and poverty reduction in South Africa. It is estimated that the failure rate of small businesses in general in South Africa is between 70% and 80%. Problems encountered by small businesses are numerous and can be described amongst others as being environmental, financial, managerial and intense competition. In today’s competitive business environment, organizations must adapt to their surroundings in order to survive and prosper. Obtaining sufficient CI is a critical factor in helping business managers gain and maintain competitive advantages and the achievement of superior business performance. The objective of this study is to investigate the CI activity of immigrant entrepreneurs in South Africa. There results indicate a generally good attitude towards CI by immigrant entrepreneurs. There is the positive perception that CI can help in improving business performance and in making strategic decisions. The results indicate that immigrant entrepreneurs use CI mainly for competitor analysis especially competitor prices. In addition, most of the respondents agree that they use CI for strategic decisions. However, there is little or

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>Gender sig.</th>
<th>Sector sig.</th>
<th>Education sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The owner of the business is alone in gathering CI</td>
<td>2.82</td>
<td>1.101</td>
<td>0.26</td>
<td>0.41</td>
<td>0.19</td>
</tr>
<tr>
<td>All members of staff are involved in gathering CI</td>
<td>3.96</td>
<td>0.899</td>
<td>0.31</td>
<td>0.27</td>
<td>0.23</td>
</tr>
<tr>
<td>My business hires people or other businesses to collect information on our behalf.</td>
<td>1.15</td>
<td>1.018</td>
<td>0.34</td>
<td>0.27</td>
<td>0.21</td>
</tr>
<tr>
<td>Sig. 0.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>Gender sig.</th>
<th>Sector sig.</th>
<th>Education sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am satisfied with our current intelligence system.</td>
<td>2.01</td>
<td>0.726</td>
<td>0.23</td>
<td>0.41</td>
<td>0.27</td>
</tr>
<tr>
<td>I would rate our intelligence system as being highly effective.</td>
<td>2.03</td>
<td>0.619</td>
<td>0.21</td>
<td>0.37</td>
<td>0.19</td>
</tr>
<tr>
<td>Sig. 0.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
no formalised CI system. The collection of CI information is being done in a haphazard manner without any formal process. The gathering of CI information is a combined process of both the owner and the employees. The use of outside people to help gather CI information is extremely limited. The results do not indicate any significant differences in firm attribute (sector) and entrepreneurs’ attributes (gender and level of education). In addition, there is a weak level of satisfaction with the present CI system.

RECOMMENDATIONS

There is the need to create proper and formal CI structure with the support of firm owners. It is important to get the cooperation of members of staff and understand that CI is a company-wide activity and not only for the owners. Training by firm owners and staff on how to gather and use CI is important. Organisations responsible for small business development in South Africa should make conscious effort to recognise immigrant entrepreneurs as a specific target group. Immigrant entrepreneurs, in addition, there are software packages that can be purchased by entrepreneurs that can assist with the gathering of CI. Thus, Internet access is critical. The reward system of immigrant entrepreneurs should recognise employees that help to gather CI. A process of information dissemination by employees should be organised, that is, weekly meetings so that infor-mation gathered through CI can become useful to immigrant entrepreneurs. Furthermore, immigrant entrepreneurs must attend trade shows and exhibitions where they can meet customers and competitors.

REFERENCES


