Hanna El-Muhtaseb

The Implementation of Competitor Intelligence

Conceptual Foundations and Empirical Analyses

Rainer Hampp Verlag

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The Implementation of Competitor Intelligence: Conceptual Foundations and Empirical Analyses

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Competitor Intelligence (CI), a well-established practitioner field, is crucial to the long-term performance of any company in today's globalized economy. While the practical managerial importance of CI is high, it has received less recognition in academic circles. By providing an in-depth analysis of current practitioner views on CI, this book aims to redress the balance. It determines that managers who understand the markets as networks view and utilize its implications in their daily decision-making should see CI and the information they gain from this in a different light: suggesting opportunities for cooperation with competitors rather than confrontation. Whether via mergers and acquisitions or joint ventures, the book posits this change to a more cooperative mindset as a potential first step towards improving the use of insights gained through CI. This change in mindset would be particularly useful in cases where managers apply the framework of facilitators or challenges associated with implementing a global CI system also introduced in this book, which shows that setting up such a system not only requires considerable financial, human, informational and organizational resources but also necessitates thorough planning and preparation prior to any implementation as well as constant commitment from top management once it is in place. While this framework provides the set up to help managers implement a sound CI system on an organizational level, the book also considers the style in which CI is managed. It is shown that the style chosen can determine both the effectiveness of CI implementation and its outcomes. The book builds upon this finding by developing a taxonomy to help support managers in selecting the right CI implementation style so they can achieve the desired outcomes.

Key words: Competitor Analysis, Competitor Intelligence,
Competitive Intelligence, Global B2B Marketing,

Competitor Orientation, Competitive Intelligence Implementation

Hanna El-Muhtaseb graduated from Middlesex University (London, UK) with a BA Honours in Business and from the University of Bamberg (Germany) with a B.Sc. in Business Administration in 2011. She later received an MA with distinction from the University of Westminster (London, UK) in 2012 followed by an M.Sc. in Business Administration from the University of Bamberg (Germany) in 2014. In 2018 she successfully completed her doctoral thesis at the University of Bamberg (Germany) – investigating the implementation of competitor intelligence with a focus on the creation of conceptual foundations and empirical analyses.

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Conceptual Foundations and Empirical Analyses

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"Now the reason the enlightened prince and the wise general conquer the enemy whenever they move, and their achievements surpass those of ordinary men, is foreknowledge."

- Sun Tzu (1963)¹

Bamberg, 10 May 2018

Hanna El-Muhtaseb

Quotation from The Art of War by Sun Tzu (translated by Griffith, 1963).

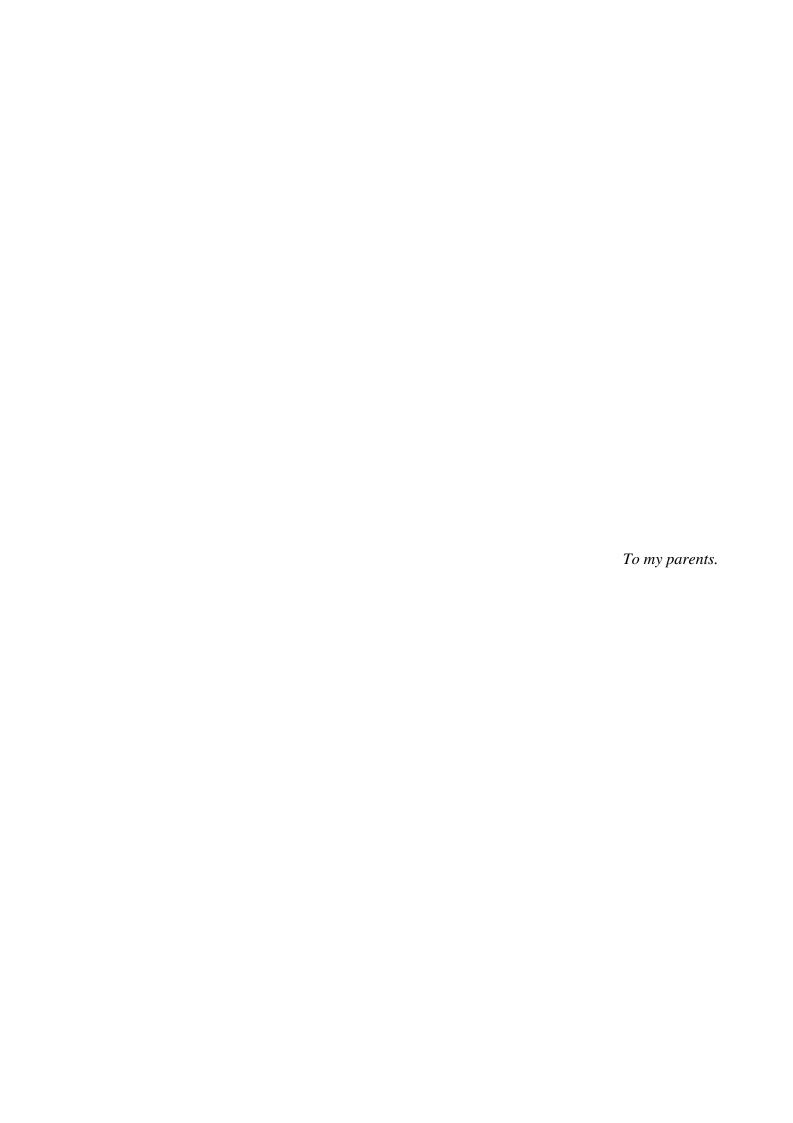


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LIST OF ABBREVIATIONS

ALM..... Average linkage method

ANOVA Analysis of variance

BU Business unit

B2B Business-to-business

B2C Business-to-consumer

cf. Compare

CI..... Competitor intelligence

CLM..... Complete linkage method

E..... CI Expert

ECJ..... European Court of Justice

ECLI..... European Case Law Identifier

ECN..... European Competition Network

EEA..... European Economic Area

e.g. exempli gratia

et al. et alii, et aliae, et alia

etc. et cetera

EU European Union

f Female

fsQCA Fuzzy set qualitative comparative analysis

GKAM Global key account manager

G&W1991..... Ghoshal and Westney (1991)

HQ..... Headquarter

I Interviewee

JV Joint venture

m..... Male

MaN Markets as networks

MM...... Marketing manager

MNC...... Multi-national corporations

MK Marketing

M&A Mergers & acquisitions

NCA National competition authority

PM..... Product management

XII List of abbreviations

PRM Product manager

RPA..... Rational planning approach

R&D..... Research and development

S Sales employee

Sa..... Sales

SCIP Strategic and Competitive Intelligence Professionals

SP/CS Classical competitive strategy view

SM...... Sales and marketing manager

SME Small and medium enterprises

SSCI Social Science Citation Index

TEU..... Treaty on European Union

TFEU...... Treaty on the Functioning of the European Union

vs. versus

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I INTRODUCTION

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I-1 General introduction to competitor intelligence (CI)²

"Only the paranoid survive"

- Andrew S. Grove (1998)

or

"Scientia Potentia Est"

Francis Bacon (1561–1626)

While the Latin aphorism that *knowledge is power* is commonly attributed to Sir Francis Bacon, its validity extends back to the beginnings of time: a validity that has never rung more true than today. Advantages gained through knowledge are important within politics, warfare, and especially in business, where "knowledge has become the central economic resource" (Drucker, 1968, p. 40).

Developments such as "privatization; deregulation; liberalization; global marketing; periods of economic recession and reduced product and service differentiation" (West, 1999, p. 143) create increasingly fierce competition within markets. Multi-national corporations (MNCs) as well as small and medium sized enterprises (SMEs) face low cost competition from Asian markets and top-notch competitors from all over the world. As a result of this growing competition, companies are forced to take action in order to retain their competitive edge and stay ahead of the competition. This increasingly dynamic environment can only be mastered through superior information, which is the basis for the organization's fast and effective adaptation to external changes. Adapting to these changes is crucial if the company is to survive.

The implications of globalization and digitalization mean that the importance of knowledge continues to grow, leading to increasingly dynamic and international market places (Badr, 2003), as well as considerable data challenges. Of course such challenges also bring with them a number of opportunities, but in order to anticipate and master these challenges, and to be in a position to successfully exploit any opportunities that may arise, it is necessary to secure sustainable competitive advantage. Companies that rise to the challenge employ CI for making strategy (Kassam, 2005), as CI is "recognized as a primary tool in achieving competitive advantage" (Rowatt, 2005, p. 31). Clearly then, CI is the cornerstone of remaining competitive over the long term.

Today CI is needed more than ever. There are several reasons for this, including the rapid pace of business (e.g. Pole, Madsen, & Dishman, 2000), information overload (e.g. Kahaner, 1997), new global competitors (e.g. Even-Shoshan, 2002), the increased aggressiveness of existing competitors (e.g. Caudron, 1994) and political upheaval resulting from stricter antitrust regulations (Albors-Llorens, 2006).

² The term competitor intelligence and the abbreviation thereof CI will be used interchangeably throughout this dissertation.

Acknowledging the importance of gaining information on competitor activities is not a new phenomenon in business; indeed in the pursuit of gaining competitive advantage both Porter (1980) and Fuld (1985) stated the importance of analysing competitors at a very early stage in the development of the literature. Thus understanding the competitive environment (Day & Wensley, 1983; Dolan, 1981) based on the ability to make effective use of gathered CI (Maltz & Kohli, 1996) determines whether a company operates successfully on the market.

CI, a well-established practitioner field, is crucial for the long-term performance of any company in the globalized dynamic buyer markets of the 21st century (Kahaner, 1997). That said, the practical implications and importance of CI are clear to practitioners, foremost as an integral part of strategic analysis (Lim, 2013). In order to survive and indeed thrive, organizations need to know, understand and foresee their competitor's actions. A competitor's future actions can be anticipated through intelligence on the market structure and its competitive behaviour (Deshpandé & Gatingon, 1994). Only then can a strategy, which leads to sustainable competitive advantage, be implemented.

While the practical managerial importance of CI is high, it "is not yet an established and well-recognized academic field or discipline with accepted theory" (Fahey, 2012a, p. 158). Moreover, the practice is primarily concerned with how CI is conducted. Theory, however, that is attempting to explain why these coherences exist, continues to be lacking (Fahey, 2012a, pp. 161–162). Also, the majority of research is "conceptual and anecdotal" (Ahearne, Lam, Hayati, & Kraus, 2013, p. 37) rather than empirical, and where empirical research does exist it is mainly of a qualitative nature. Research should aid practitioners with substantial theories and foster the understanding of why and how CI must be conducted. Successful implementation, effective conduct and continuous improvement of CI can only be achieved through an interplay of academic research and practitioner "trial and error".

For all intents and purposes this has been neglected within a scientific context. The few research papers that do exist are primarily of a conceptual nature with very few empirical exceptions. Hence, a number of literature gaps can be identified:

- First, in terms of terminology, the field lacks a unanimous definition of CI, just as the distinction of CI to other concepts remains unclear.
- Second, few theoretical concepts based on empirical research exist in the field. The majority
 of research is either conceptual or qualitative in nature; indeed quantitative approaches are
 practically non-existent.
- Third, in the main the existing literature provides practitioner guidelines on how to conduct CI; analysis of why these measures need to be taken is lacking.
- Fourth, the implementation of CI lacks conceptual foundations and thorough empirical analysis.
- Fifth, to date the long-postulated claim of a direct interdependence between CI and competitive advantage has not been empirically established, which means the real meaningfulness of CI conduct has not been answered.

• Finally, strictly enforced antitrust regulations cause further hindrance to the field of CI; to date no research has been undertaken on what the implications of European antitrust law are for practitioners. Indeed the business literature continues to neglect the limiting aspects of the law and the high fines which can be imposed during the conduct of CI.

In an attempt to address these deficiencies this dissertation is based both on quantitative and qualitative research. The case study focuses on analysing the actual implementation of CI in a corporate environment and its prerequisites, facilitators and challenges. Based upon this first step, the study then presents a quantitative research project during which the results from the qualitative phase are combined with elements of implementation frameworks from other fields in marketing to gain insights into the same elementary questions related to CI implementation, but on a larger scale. Altogether, the aim is to add systematic insights into companies' CI activities through empirical research that, to the best of the author's knowledge, does not exist in a similar approach so far.

I-2 Defining CI

"Unless we can agree on the meaning of a word in the context of a discussion, it is difficult to find much value in a discussion that centers on the word."

- Barndt (1994, p. 19)

I-2.1 Terminology

A clear construct definition is vital for communication among researchers as well as practitioners (Menditto, Patriarca, & Magnusson, 2007). Sometimes even the most basic terms prove to be difficult to define and CI, competitive intelligence and the constructs surrounding these are certainly no exception. Yet while CI is not a new phenomenon in business, utilized as strategic business tool to enhance a firms competitiveness for 50 years (e.g. Cleland & King, 1975; Furash, 1959; Montgomery & Weinberg, 1979; Pearce, 1976; Porter, 1980; Rothschild, 1979), there are numerous definitions of competitive intelligence and CI meaning there continues to be a lack of one, universally-accepted definition (Brody, 2008; Fahey, 2012b; Hussey & Jenster, 1999; Pellissier & Nenzhelele, 2013; Wright & Calof, 2006). The truth of the matter is that the research community has no common understanding of the term, just as academics and practitioners find no agreement (Wright & Calof, 2006). As a consequence then, it seems to be easier to describe what CI is not, rather than what it actually is (Fuld, 1995) so, a clear definition for CI remains elusive (e.g. Attanasio, 1988a; Chochrek, 1994; Langabeer, 1999), and scholars still see a need to discuss and define its scope more precisely (e.g. Ketchen, Snow, & Street, 2004; Lim, 2013).

Profound theoretical concepts behind the construct of CI are scarce, as it is a relatively new academic research field (Calof & Wright, 2008; Pelsmacker et al., 2005) with limited available literature (Calof & Wright, 2008; Walker, 1994; Wright, 2010; Wright, Pickton, & Callow, 2002). It therefore lacks "burgeoning streams of research, noted researchers and visibility in recognized academic (peer-reviewed) outlets" (Fahey, 2012b, p. 158). The little literature that does exist has mainly been published in the Journal of Competitive Intelligence and Management (JCIM) and the Competitive Intelligence Review (CIR), both distributed by the Society of Competitive Intelligence Professionals (SCIP)³ (Calof & Wright, 2008; Søilen, 2013) and neither ranked under the SSCI index.

The discourse within the literature about the distinction between competitive intelligence & CI (Badr, 2003) has resulted in three types of operationalization approaches:

• First, in the US literature, competitive intelligence and CI have primarily been used as synonyms of each other, i.e. implying that the terms can be used interchangeably (e.g. Bernhardt, 1996, 1999; Brock, 1984; Cleland & King, 1975; Ettorre, 1995; Jaworski,

³ CIR was solely dedicated to CI from 1990 but discontinued in 2001, thereafter taken up by the JCIM. Both journals cover all aspects of CI with an emphasis on practical applications, however, primarily through conceptual research with the occasional descriptive empiric.

Macinnis, & Kohli, 2002; Peyrot, Childs, van Doren, & Allen, 2002; Pinkerton, 1994; Prior, 1998; Taylor, 1992; Weiss, 2002; Zinkhan & Gelb, 1985).

- Secondly, CI has been defined as one part of the larger construct of competitive intelligence (Babbar & Rai, 1993; Barndt, 1994; Cobb, 2003; Dishman & Calof, 2008; Gardner, 1984; Gilad, 1994; Wright et al., 2002), or CI as one outcome of competitive intelligence (Benjamin, 1979).
- Finally, it is thought that the original concept of CI derived from Porter (1980), later on developed into the broader term of competitive intelligence within the English-language literature. Nowadays, competitive intelligence must then be understood as an advancement of the original CI (Lux, 2002), as the evaluation into the origins of the constructs will show in Sections I-2.3 and I-2.4.

Besides arguing about the interplay and distinction of competitive intelligence and CI, some authors define competitive intelligence and CI as a process (Barber, 1991; Bernhardt, 1999); others however define it as a state (Babbar & Rai, 1993; Benjamin, 1979; Luecal & Dahl, 1995) or as a combination of both process and state (Bernhardt, 1994; Bernhardt, 1996). Most definitions stress that competitive intelligence and CI involves data and information that can be transformed into intelligence through analysis (e.g. Fuld, 1995). They formulate components of competitor analysis systems (Chen, 1996; Keiser, 1987; Porac & Thomas, 1990; Tsai, Su, & Chen, 2011), as well as recommendations concerning the competitive intelligence process.

Authors also take different views on what or who constitutes a competitor. Some authors focus on existing and currently emerging actors (e.g., Porac & Thomas, 1990; Porter, 2004; Tsai, Su, & Chen, 2011), while others include also less predictable yet potential future competitors (Fahey, 2012; Francis, Sawka, & Herring, 1995; Montgomery & Weinberg, 1979).

Empirical research studying the implementation of competitive intelligence in firms suggests that both the state as well as the process aspects of competitive intelligence and CI influence business unit performance (Jaworski et al., 2002).⁴ Conceptual articles are either concerned with specific challenges of information gathering (Barber, 1991), environmental scanning (Babbar & Rai, 1993; Lim, Sharkey, & Kim, 1996), practical implications of competitive intelligence (Leonard, 1990), competitive intelligence understanding within the literature (Prescott, 1995), or the global implications of competitive intelligence (Prescott & Gibbons, 1991). Some authors also extend the scope of competitive intelligence and posit that nations can also gain competitive advantage from competitive intelligence (Prescott, 1992).

In sum then, it is clear the literature encompasses many different perspectives on Competitive Intelligence. Neither the arguments advanced by respective authors nor available empirical evidence allow for the designation of one of these perspectives to be superior to others *per se*.

No consistent definition exists for either the CI or competitive intelligence construct, which is a clear gap in the literature. Thus the following discussion will first analyse and distinguish their

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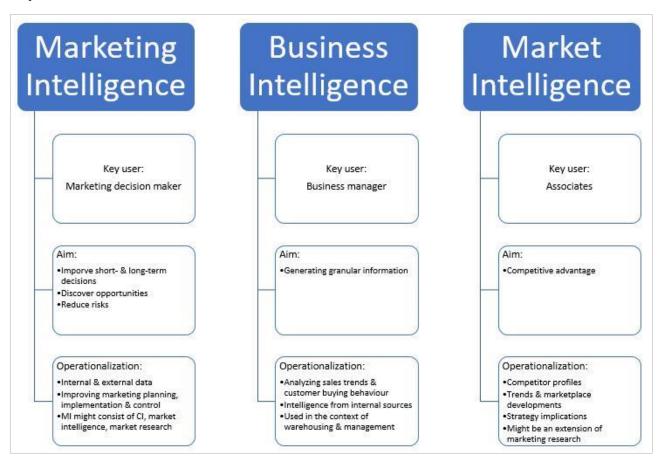
The term business unit and the abbreviation thereof BU will be used interchangeably throughout this dissertation.

constructs. This will establish the basis with which to determine the origins of CI and Competitive Intelligence, and will be followed by a comprehensive review of current definitions within the literature, where differences and similarities will be demonstrated. This then leads to a clear distinction between the seemingly intertwined concepts. Part I closes with the determination of a comprehensive competitive intelligence definition and the introduction of a new and self-created CI definition based on the key literature and the case study research. These definitions will then guide the research that follows in this study.

I-2.2 Related concepts of CI

The concept of CI is closely related to different, but sometimes overlapping concepts (Brody, 2008). Depending on the author's perspective, these constructs are either defined as synonyms of competitive intelligence or presented as differing constructs. In the following, the concepts of marketing intelligence, business intelligence, market intelligence and counterintelligence are discussed and differentiated from CI. An initial overview of the key content of these constructs is shown in Figure 1 below.

Figure 1
Key content of CI-related constructs (source: author)



Many of these terms cover a wider range of business actions. However, all concepts share a similar data source where the data comes from and address the competitive landscape of a company (McGonagle & Vella, 2012; Wright & Calof, 2006). Most of the intelligence activities can be linked to organizational decision-making and can provide support in the development of a company's overall marketing strategy (Calof & Wright, 2008).

First, marketing intelligence (MI) – also utilized as a synonym for competitive intelligence (Pinkerton, 1994, p. 24) – is most comprehensively defined as "a continuing and interacting structure of people, equipment, and procedures to gather, sort, analyze and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control" (Tan & Ahmed, 1999, p. 298). Trim and Lee (2008) add that marketing intelligence systems can be used to discover opportunities in the market environment to identify possible partnerships and to reduce risks. This combined with the CI practitioners' knowledge of rivals' strategies can support strategic activities. Huster (2005) emphasizes that marketing intelligence aims at generating and evaluating data from inside and outside the company, incorporating information on one's own organization, competitors, markets as well as customers, to develop improved short-term and long-term decisions. Thereby, marketing intelligence combines CI, market intelligence and marketing research (Guarda, Santos, Pinto, Silva, & Lourenço, 2012). CI is more qualitative in nature dealing with potential competitive developments. The quantitatively-oriented marketing research on the other hand focuses on real time and historic data (McGonagle & Vella, 2012). Liu and Wang (2008) support a contrasting opinion, however, namely that Competitive Intelligence, including competitor, market and customer intelligence, can be used by generic decision-makers, whereas marketing intelligence is generally used by marketing decision-makers. Therefore, competitive intelligence is superordinate to marketing intelligence.

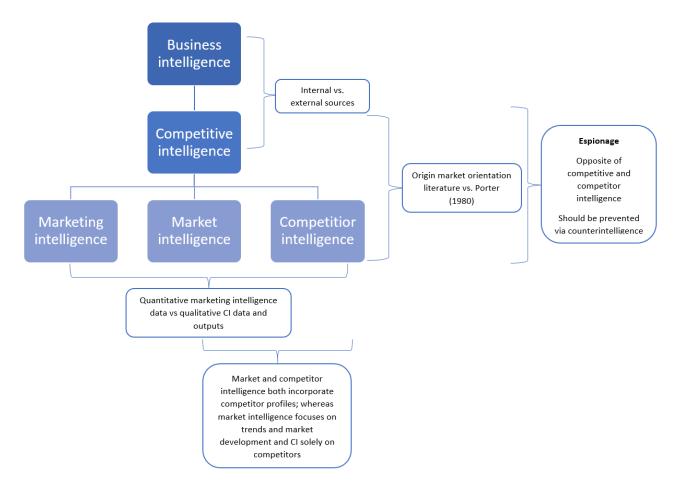
Second, business intelligence (BI), another concept that is often compared to CI, can be defined as "the type of granular information that line of business managers seek as they analyse sales trends, customer buying habits and other key performance metrics of an organization" (McGeever, 2000). There is no consistent opinion in which way business intelligence is related to CI. Some authors use business intelligence as a synonym for competitive intelligence (Bernhardt, 1996; Simmons, 1997; Wright & Calof, 2006), especially in the US literature, which also uses competitive intelligence and CI interchangeably (e.g. Prior, 1998; Vedder, Vanecek, Guynes, & Cappel, 1999). Others claim the constructs differ; e.g. BI incorporates several functions, with competitive intelligence among them (Badr, 2003), or it is used as an umbrella term (e.g. Bartes, 2012; Buchda, 2007; Jourdan, Rainer, & Marshall, 2008; Wright & Roy, 1999): "business intelligence, with its broader perspective, targets developments beyond the current competitors and the immediate industry to anticipate significant marketplace changes" (Frates & Sharp, 2005, p. 18). Others distinguish BI as obtaining intelligence from internal sources, whereas CI uses information gained from the external environment (e.g. Bose, 2008; Britt, 2006; Gray, 2010). McGonagle and Vella (2012) state that, in general, BI is used in combination with data warehousing and management. Where BI either stands for the software used in data management, the data mining process or the output of the former (Negash, 2004).

Third, Tan and Ahmed (1999, p. 298) identify **market intelligence** as a synonym for CI: "[...] knowing what their competitors are up to and staying one-step ahead." Yet, several authors distinguish between the two concepts. Kotler and Armstrong (2010) view the concept of market intelligence as a number of activities used by officers to gain everyday information on relevant marketing developments. McGonagle and Vella (2012) describe market intelligence or tactical intelligence as being focused on the very current and latest developments in the marketplace. CI on the other hand is mainly used in strategically-oriented business units. Hedin, Vaarnas, and Vanhalla (2007) state that market intelligence systematically identifies trends in defined markets and key players in these territories within a limited time frame of up to five years. Outcomes of the market intelligence process include strategy implications on market attractiveness, market sizes and shares, information on M&A activities, industry landscape and competitor profiles. Walle (1999) adds to the understanding of market intelligence by holding that it is an extension of the marketing research direction.

Finally, it is important to keep in mind that the concepts introduced above focus on the gathering of information to aid decision-making within the organization, meaning they must be clearly differentiated from **industrial espionage** (Sawka, 1996), which is the "clandestine collection of information by companies and individuals against their competitors" (Porteous, 1994; Sandilands, 2005, p. 81). In order to prevent industrial espionage and protect the organization against internal and external threats organizations must engage in activities to protect against other companies' CI actions (Ettorre, 1995; Gray, 2010); namely **counterintelligence** which are "activities which are concerned with identifying and counteracting the threat to security posed by hostile intelligence services or organizations or by individuals engaged in espionage, sabotage, or subversion" (Nolan, 1995, p. 50). Lauria (2008, p. 29) defines counterintelligence as "[p]roactive measures taken to prevent access to vital information that ultimately results in a competitive advantage." Trim and Lee (2008) suggest that companies should install several security programmes which analyse known and anticipated possible threats. Therefore, marketing intelligence managers, marketing strategists and CI managers have to cooperate closely with the legal division and external legal advisors to keep track of those who attempt to obtain vital information and as a result cause damage to the firm.

Overall, competitive intelligence and CI are surrounded by a variety of related constructs that either describe the same concept or try to differentiate one concept from the other. Assuming that all constructs are separate entities with differing content, tasks and aims, the operationalization of their relations may be as shown in Figure 2 below.

Figure 2 Conceptualization of competitive intelligence, CI and related constructs (source: author)



Authors do not agree on a common definition of the mentioned constructs, neither has a common understanding been established of when constructs differ, or how they are distinguishable from one another. This diversity could be interpreted as an indicator for the assumption that neither competitive intelligence nor CI concept definitions have yet stabilized. In order to gain a better understanding of the constructs, an analysis into the origin of competitive intelligence and CI will be conducted in the following sections. A systematic literature review was conducted in Part II to identify existing definitions as described in Part I. The analysis is a synchronic examination of existing competitive intelligence and CI definitions as well as related constructs thereof. It explores competitive intelligence and CI within the English-language literature between 1980 and 2016. For the following discussion of the origin and meaning of competitive intelligence and CI, it is important to note that a distinction between these two constructs is assumed.

I-2.3 Origin and definition of competitive intelligence

In order to detect the origin of a concept, one can either look at the meaning of the individual words or go back in the literature at the point of origin. Employing the first approach one would exemplarily analyse the deeper meaning of intelligence first (Giese, 2002; Herring, 2002). The

intelligence construct is mainly defined via the argument that there is data and information, which can be transformed into intelligence through analysis (Fuld, 1995). Dishman and Calof (2008) introduce the concept and history of intelligence in detail while others also discuss effective intelligence (e.g. Bernhardt, 1999). Here the second approach, namely determining the point of origin, was employed.

The origin of the term competitive intelligence within the marketing literature can be traced back to the introduction of market orientation (MO). MO was introduced by Kohli and Jaworski (1990, p. 3) as a behavioural concept which "refers to the organization wide generation, dissemination, and responsiveness to market intelligence." Narver and Slater (1990, p. 21) on the other hand hold MO to be an organizational culture that "consists of three behavioral components - customer orientation, competitor orientation, and interfunctional coordination." Yet despite the differentiation in focus, there is common ground here in that both constructs need market intelligence for a company to become market-oriented.

The concept places the use of market intelligence as the central focus in outperforming others, i.e. an organization which gathers, communicates and acts upon market intelligence will most likely outperform others (Wren, Souder, & Berkowitz, 2000). Research has determined that MO can even lead to superior performance (Jaworski & Kohli, 1993) within a stable market environment and low competition yet even so the costs may exceed the benefits (Kohli & Jaworski, 1990):

"The orientation is useful only if the benefits it affords exceed the cost of those resources. Hence, under conditions of limited competition, stable market preferences, technologically turbulent industries, and booming economies, a market orientation may not be related strongly to business performance." (Kohli & Jaworski, 1990, p. 15)

The previously established link between MO and competition has, among others, been researched in the context of competitive environment (Appiah-Adu, 1998; Qu & Ennew, 2003), competitive strength (Augusto & Coelho, 2009; O'Cass & Ngo, 2007), and competitive strategy (Akimova, 2000). The quintessence of these studies is that competition has a clear influence on MO which influences the organizational competitiveness (Liao, Chang, Wu, & Katrichis, 2011).

Hence, market intelligence is the prerequisite for informed decision-making and the market orientation of an organization. Therefore, it can be assumed that competitive intelligence is either an outcome of MO (Rapp, Agnihotri, & Baker, 2011) or a part thereof (Deshpandé & Farley, 1998). In later years the concept of competitive intelligence witnessed further development via the introduction of exemplarily salesperson competitive intelligence (Ahearne et al., 2013; Mariadoss, Milewicz, Lee, & Sahaym, 2014). This implied that different levels of competitive intelligence exist, i.e. competitive intelligence on both an individual and corporate level.

Now that the origin of competitive intelligence within the MO literature has been established, it is possible to provide a review of existing definitions in the marketing and management literature compared to existing practitioner views. This can be seen in Table 1 below.