International Journal of Advanced Research in Statistics Management and Finance | IJARSMF
p-ISSN: 2315-8409 | e-ISSN: 2354-1644
Volume 7, Number 1 June, 2019

Competitive Intelligence and Sustainable Competitive Advantage of Selected Insurance Companies in Nigeria

[1]**Muritala, A. S. &** [2]**Ajetunmobi, O. A**
Department of Business Administration & Marketing,
Babcock University, Ilishan-Remo, Ogun State, Nigeria

Abstract

This paper investigated competitive intelligence and sustainable competitive advantage of selected insurance firms in Nigeria. Survey research design was engaged for the study. The population of the study comprises 3,439 administrators and experts in the thirty-six selected insurance companies that have their headquarters in Lagos-State, Nigeria. Stratified random sampling method was employed. Data was collected via questionnaire and analysed using Pearson moment correlation coefficient. Results showed that competitive intelligence had a positive relationship with competitive advantage of selected insurance firms in Nigeria.This study recommends that managers and directors of insurance companies equip their organisations with new marketing and information systems to enable them use market opportunities which will give them an edge over their competitors.

Keywords*: Open System Theory, Insurance industry, Organisational performance, Process innovation and Technological intelligence*

Corresponding Author: **Muritala, A. S.**

Background to the Study

In the 21st century, companies are faced with a progressively competitive environment that makes it difficult to keep a continued competitive advantage (Nenzhelele & Pellissier, 2014). Therefore, to live in such a marketplace, they must monitor business environment, collect knowledgeable information, and make precise and instant decisions when confronted with different opportunities and market threats. Competitive advantage is obtained when an organisation develops or acquires a set of attributes (or execution actions) that allow it to outperform its competitors (Wang, 2014). In other words, competitive advantage is shown, when activities of a given organisation are more profitable than those of its market competitors or when it outperforms them as regards other significant result of activities (Huff, Floyed, Sherman, & Terjensen, 2009). Therefore, attaining a sustainable competitive advantage requires an extensive knowledge of competitive advantage by firms. Competitive intelligence (CI) is a process in which actionable intelligence is made and issued through planning, legal and ethical information gathering in the competitive environment, information processing and analysis to help decision making and develop competitive advantages in organization (Pellissier & Nenzhelele, 2013). In other words, this intelligence portrays a comprehensive image of present and future nature of competition in the marketplace for managers to make more informed decisions.

Recently, there has been a growing need for CI practice in the insurance industry, because most players in the industry are continuously confronted with complex, vague and changing environment characterized by unclear organizational boundaries (Ahmad, Adel, & Shimakal, 2015). Therefore, in today's unpredictable economy, companies resort to CI as a way of building and maintaining competitive edge.

Insurance companies, which used to be unconscious of market research, have changed their outlook to include CI (Johns & Van Doren, 2010). The insurance industry, from all indication plays a vital role in Nigeria economic development as well as in the problem of risk management in Nigeria. It is very obvious that majority of the public who are ignorant of the contributions made by the insurance industry have more faith in the banking and other financial institution, but these people forget the fact that the banking institution acknowledges the significant contribution of insurance companies to the development of the economy of the nation. In recent years, extensive measures have been taken to improve this industry in Nigeria. Such measures include legal and regulatory development, no premium no cover, recapitalisation in some of insurance fields and encouragement of foreign companies to enter domestic market.

As a result of influx of foreign insurers, with great financial, experiential and technological resources into the insurance sector in Nigeria, this makes it difficult for the domestic insurance companies to compete effectively in the industry. For instance, some global insurers such as Old Mutual, Prudential and Sanlam are taking strategic positions through the acquisition of local insurance companies. Another important issue is lack of employees' motivation in state-run companies, which is mainly provoked by different system of job promotion, payments, and remuneration in state-run and private companies.

Finally, considering the aforementioned issues and a host of other reasons, domestic insurance companies in Nigeria should compete with the foreign insurance companies to regain its proper portfolio share and redeem the trust of insured entities covered by this company. Therefore, the main goal of this research is to explore the relationship between competitive intelligence and creating sustainable competitive advantage in Nigeria Insurance companies.

Literature Review

Competitive intelligence

Competitive intelligence signifies having knowledge and foreknowledge of the whole business environment that may result in effective decision making (Sharp, 2009). Competitive intelligence is a process in which an organization collects information about competitors and competitive environment to be used in planning and decision makings with the aim of performance improvement (Wright, Fleisher & Madden (2008). According to Kotler & Keller (2009), competitive intelligence is a process that improves planning and decision making through gaining information from competitors and industrial environment. Also, Correia & Santo (2010) presented the same definitions that corroborates the definition given by Kotler & Keller.

Jones & Van Doren (2010) presented four main advantages for competitive intelligence in service oriented businesses: differentiation, preparation of integrated marketing communication plan, pre-sale of ideas to target audiences, and creation of validity for the company. Competitive intelligence comprises market intelligence, technological intelligence, competitor intelligence, strategic alliance intelligence and social intelligence.

Market Intelligence

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher 2003).

Technological Intelligence

Technology intelligence enables a firm to respond to threats from, as well as to identify and exploit opportunities resulting from technological and scientific changes. It focussed on technological trends and scientific breakthroughs and help to develop information on opportunities as well as threats for the firm (McGonagle & Vella, 2002). This type of competitive intelligence, support innovation strategies as well as research and development, and has become a growth area within competitive intelligence (Correia& Santo, 2010).

Strategic Alliances Intelligence

Burgers et al. (1993) defined a strategic alliance as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm's resources with one or more other firms. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance.

Social Intelligence

Ford and Tisak (1983) defined social intelligence in terms of behavioral outcomes and were successful in supporting a distinct domain of social intelligence. They defined social intelligence as "one's ability to accomplish relevant objectives in specific social settings". More recently, Goleman's (2006) definition divides social intelligence into two broad categories: social awareness and social facility. He defined social awareness as "what we sense about others" and defined social facility as "what we then do with that awareness" (Dong, et al. 2008).

Competitive Advantage

According to Barney (1991), a firm possessing a competitive advantage when it executes a value creating strategy which is not concurrently being put into effect by any existing or prospective competitor; the latter is also incapable of replicating the benefits of this strategy. According to RBV theory firms internationalise for reasons relate to the bundle of resources that a manager uses to create value resources which are valuable, inimitable, unique and difficult to duplicate can gain competitive advantage (Wernerfelt, 1984). A firm's own capacity to efficiently exploit its own competitive advantages supporting the decision making process of penetrating into a new foreign market (Hamel & Prahalad, 1990).

Barney (1995) in a further refinement of his definition cited that the value, rareness and limit ability of its resources and capabilities are dependent on a firm's competitive advantage potential. In this study, competitive advantage is referred as a value creating a strategy t which enables the internationalization of SMEs. The principal competitive advantage is the top management's ability to understand the process by which the knowledge-bases of SMEs are extended and altered into core competencies liberating the firm to create and control emerging opportunities (Chelliah, Sulaiman & Yusliza, 2010).Moreover, when an organisation gains or exploits attributes and resources that permit it to surpass its competitors by offering customers a greater value, competitive advantage is said to have occurred (Huang et al., 2012).

Competitive advantage constitutes a key concept in strategy field discussed by Michael Porter. As early as 1980, it was referred to as "competitive strategy", but later it was replaced by "competitive advantage". Thus, identification of resources reflects a key issue in strategic management of companies (Barney, 1991). Equally, the resource-oriented model of Hill & Jones (2014) discusses four factors that help development and maintenance of competitive advantage. Each of these factors are derived from distinctive qualifications of the company. In fact, these are "general" distinctive qualifications of a company that allow the provision of more distinctive products tailored to customer's demands, and reduction of costs (Hill & Jones, 2014). The main dimensions of competitive advantage are:

1. Efficiency: In broad sense of the word, efficiency refers to the ratio of output to input. Here, input is used to mean the force of insurance and management of issuing and compensations of insurance fields. Also, output refers to a company's services such as insurance and payment of compensations. In most companies, efficiency is measured through evaluating employees' productivity. This helps a company achieve competitive advantage through costs saving (Hill & Jones, 2014).

2. Quality: There is no comprehensive definition for quality, but most researchers argue that quality is defined by customers, which is the satisfaction derived from buying insurance or obtaining compensation fee, and can improve the competitive edge of services (Reed, Lemak, & Mero, 2000).
3. Innovation: Hill & Jones (2014) assert that innovation is the art of creating a new process and product which encompasses product innovation and process innovation. Innovation is a key factor in achieving sustainable competitive advantage. Khajeheian (2014) explains innovation as a competence building factor, and Hill & Jones (2014) argue that Innovation gives unique advantages to companies that is inimitable by competitors.
4. Responsiveness to customers: Customers are the core of a business (Alharthi, 2012). Therefore, high level of responsiveness requires a company to identify and fulfil customers, and as a result the perceived value of customers would bring competitive advantage for company. Customer satisfaction can be achieved through high quality, product innovation and personalized products and services for satisfying the unique demands of customers. This dimension results in loyalty (Hill & Jones, 2014).

Empirical Review

Competitive Intelligence and Competitive Advantage

Auxiliadora & Dumke (2007) developed a competitive intelligent system to improve management and modernize competitive market in Brazil. The study identified the main components of intelligence necessary for achieving competitive advantage. According to results, the designed model of this study could contribute to the survival of health insurance companies in Brazil by providing intelligent information and proper decision-makings under different circumstances. Similarly, Pellissier & Kruger (2011) studied the effect of strategic intelligence (business intelligence, competitive intelligence, and knowledge management) on identifying threats and opportunities in universal market, maintaining competition, and creating innovation and advantage for an organization. According to findings, there were differences in intelligence strategies (competitive intelligence) of small and large organizations, but as a whole, intelligence strategy offered a proper framework for macro decision-makers.

Bulley, Baku, & Allan (2014)investigated the role of competitive intelligence in organizations, explored its intensity and complexity, and determined the importance of information gained through competitive intelligence of organization. According to findings, this company had utilized formal and informal methods of producing intelligence information in R&D unit of XYZ Company, with most respondents believing that competitive intelligence played a critical role in their organization. Also, intelligence needs were identified by managers. The findings of this study corroborates an earlier study by, Rezai-dolatabadi, Zeinali, & Shekarchi-Zadeh, (2011), where they developed a model that studied the effect of competitive intelligence and its components on competitive advantage of scientific companies in Isfahan, Iran. Results of the study show that the application of a competitive intelligence plan gave companies competitive advantage over their competitors and insured their survival. In other words, planning and focussing, collecting, analysing, sharing and evaluating information improved the competitive power of company in achieving top positions in the market.

Nematizadeh, Adab & Hezarkhani (2013) examined the effect of competitive intelligence in a descriptive study in which data was gathered via questionnaires distributed among 114 agents of Iran Insurance Co. in Kermanshah, Iran. Results revealed a significant relationship between competitive intelligence and insurance products sale in these agent companies. Agents also asserted that knowledge of competitors was integral to competitive intelligence. Similarly, Hamidizadeh, Roosta, Lajevardi, & Mohamadian (2014), developed a dynamic competitive intelligence model to achieve sustainable competitive advantage in Insurance Industry during 2008- 2013. In this study, the effective factors of competitive intelligence in Insurance Industry were described and confirmed. Results showed that managers were aware of competitive intelligence dimensions such a; employees› training, employees' communicative skills and loyalty to company, among others.

Theoretical Review

Open system theory

This study is anchored on open systems theory which was initially developed by Karl Ludwig von Bertanlanffy (1956), a biologist. It defines the concept of a system as one, where "all systems are characterized by a combination of parts whose relations make them interdependent". In other words, it explains that organizations are strongly influenced by their environment.

In relation to competitive intelligence in the Insurance industry, Open system theory therefore, explains how organizations interact with their environment through competitive intelligence to collect data about stakeholders in the insurance industry in Nigeria (i.e. competitors, customers, suppliers, government etc.) and analyse such data in order to improve products and services that meet or even exceed customers' expectations. The open-systems theory assumes that all firms involve multiple subsystems, each of which obtains inputs from other subsystems and turns them into outputs for use by other subsystems.

Presently, organizations exist in competitive global environments where there is strong competition for resources, markets, skilled employees and innovations. At the same time, many organizations confront environments that are unpredictable and complex. Organizational environments are multifaceted and can be categorized in the following way: the competitors, customers, the technological sector, the regulatory sector, the economic sector, and the socio-cultural sector. Therefore, the relevance of this theory to the study is that organizations are highly engaged with their environments. Organizations import capability from the environment. This capability can be achieved by obtaining the information needed to transform that capability into desired outputs through competitive intelligence. The implication here is that this will enable insurance companies in Nigeria to develop characteristics and perform processes that will allow them to adapt to constraints, threats, and opportunities.

Methodology

The study adopted survey research design. The population of study comprised thirty-six (36) selected top insurance companies operating in Nigeria as at July, 2018.The study population for this study was 3,439, when traced on Krejcie and Morgan (1970) random sample table; it produced a sample size of 641 at 3.5 margin of error. The attrition rate of 30% was added to the sample size; hence, the result of the addition produced a new sample size of 834. The instrument for this study was a well-structured survey questionnaire. The items in the research instrument were self-developed by the researcher guided by the literature. The instrument was used to collect data on competitive intelligence factor as the independent variable, competitive advantage as the dependent variable. The study adopted the closed-ended questions using the modified six (6) Likert scale type.

The reliability of the questionnaire was tested using the Cronbach's Alpha correlation coefficient with the aid of Statistical Package for Social Sciences (SPSS) software version 22 and Cronbach's coefficient of 0.7 and above was considered adequate for a newly developed questionnaire as recommended by Nunnally (1978). The instrument is considered reliable because, the Cronbach alpha values of its scales were above 0.7. The Cronbach's alpha results range from 0.733 to 0.923. Pearson correlation coefficient was used to analyse the data collected. The Pearson correlation coefficient provides strength of linear relationship between dependent and independent variables in the study.

X = Independent Variable
Y = Dependent Variable
Where:
X = Competitive Intelligence (CI)
Y = Competitive Advantage (CA)

Where:

$X = (x_1, x_2, x_3, x_4, x_5)$
x_1 = Market Intelligence (MI)
x_2 = Technological Intelligence (TI)
x_3 = Competitor Intelligence (CMI)
x_4 = Strategic Alliance Intelligence (SAI)
x_5 = Social Intelligence (SI)
CA= f (MI, TI, CMI, SAI, SI) ---------------------------- (1)

Data Analysis

H_0: Competitive intelligence has no significant relationship withc ompetitive advantage of selected insurance firms in Nigeria.

The hypothesis was tested using Pearson's Product Moment Correlation coefficient (*r*). The data for competitive intelligence was created by summing responses of all items for market intelligence, technological intelligence, competitor intelligence, strategic alliance intelligence, and social intelligence, while data of competitive advantage was created by summing responses of all items for the variable. The results of the *r* Pearson's correlations are presented in Table 1.

Table 1: The Relationship between Competitive intelligence and Competitive Advantage

	CA	MI	TI	CI	TI	SI
CA	1					
MI	0.794**	1				
TI	0.773**	0.787**	1			
CI	.0714**	0.739**	0.745**	1		
SAI	0.742**	0.785**	0.842**	0.756**	1	
SI	.0771**	0.776**	0.858**	0.724**	0.824**	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Key

CA = Competitive Advantage
MI = Market Intelligence
CI = Competitor Intelligence
SAI = Strategic Alliance Intelligence
TI = Technology Intelligence
SI = Social Intelligence

Table 1 show the results of the relationship between competitive intelligence and competitive advantage. According to the results in Table 1, positive and strong correlation was shown between market intelligence and competitive advantage (r=0.794, p<0.01). This implies that an increase in emphasis on market intelligence in the insurance firm resulted in an increase in competitive advantage to the tune of 79.4%. The results also show that technological intelligence displayed a positive and strong correlation with competitive advantage (r=0.773, p<0.01). This implies that increased use of technological intelligence increased competitive advantage of Insurance firms in Nigeria. Results further show that competitor intelligence presented a strong positive correlation with competitive advantage (r=0.714, p<0.01). This shows that for insurance companies in Nigeria, competitive advantage could be associated with increase in competitor intelligence. Furthermore, there was a positive and strong correlation between strategic alliance intelligence and competitive advantage (r=0.742, p<0.01), and social intelligence displayed strong positive correlation with competitive advantage (r=0.771, p<0.01). Generally, there is positive, strong and significant relationship between the components of competitive intelligence and competitive advantage. In the results, the highest correlation was observed between market intelligence and competitive advantage, relative to the other variables. Hence, the null hypothesis five (H_{05}) which states that competitive intelligence has no significant relationship with competitive advantage of selected insurance firms in Nigeria was rejected.

Conclusion and Recommendation

The study concluded that competitive intelligence dimensions (competitor intelligence, strategic alliance intelligence and social intelligence) had strong relationship with competitive advantage of selected insurance companies in Nigeria. The study recommends that managers and directors of insurance companies equip their organisations with new marketing and information systems to enable them use market opportunities which will give them an edge over their competitors.

Future research may be conducted on companies that are not in the insurance industry, but that belonged to the financial industry. Such studies could enrich knowledge on variables in the evaluation of competitive intelligence and organizational performance within the financial services industry.

References

Ahmad, B., Adel, S., & Shimakal, A. (2015). The relationship between organizational learning and competitive intelligence on small and medium industries in the city of Kermanshah. *Interdisciplinary Journal of Contemporary Research in Business*, *4* (6), 348-359.

Alharthi, S. Z. (2012). Towards a sustainable competitive advantage. *International Journal of Business Research and Development (IJBRD), 1* (1), 17-31.

Auxiliadora, N. M. M., & Dumke, M. D. (2007). A model for analyzing the competitive strategy of health plan insurers using a system of competitive intelligence. *The TQM Magazine, 19*(3), 206-216.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management, 17* (99).

Barney, J. B. 1995. The resource-based theory of the firm. *Organizational Science, 7*: 469.

Bulley, C. A., Baku, K. F., Allan, M. M. (2014). Competitive intelligence information: A key business success factor. *Journal of Management and Sustainability, 4* (2), 82-91.

Burgers, W.P., Hill, C.W.L., and Kim, W.C. (1993). *A theory of global strategic Alliance*, McGraw Hill, NY.

Chelliah, S., Sulaiman, M. & Yusliza, M. (2010). Internationalization and Performance: Small and Medium Enterprises (SMEs) in Malaysia. *International Journal of Business and Management. 5* (10). 5539-5552

Correia, A. & Santos, M. & (2010). Paper accepted for presentation at the ECKM 2010- 11th *European conference on knowledge management*, 2-3

Fleisher, C. (2003). Using open source data in developing competitive and marketing intelligence. *European Journal of Marketing, 42* (7/8), 852-866.

Ford, M. E., & Tisak, M. S. (1983). A further search for social intelligence. *Journal of Educational Psychology, 75*(2), 196-206.

Goleman, D. (2006). *Social intelligence: The new science of human relationships*. New York: Bantam Books.

Hamidizadeh, M. R., Roosta, A., Lajevardi, J., & Mohamadian, M. (2014). Providing a model for achieving sustainable competitive advantage based on competitive intelligence in insurance industry and evaluating affecting indices and dimensions. *Asian Journal of Research in Marketing, 3*(2), 220-233.

Hill, C. W., & Jones, G. R. (2014). *Strategic management theory: An integrated approach* (9th Ed.). Canada: Cengage Learning.

Huff, A.S., Floyed, S.W., Sherman, H.D. & Terjensen, S. 2009. *Strategic Management. Logic and Action. Crawfordsville*: John Wiley & Sons.

Johns, P., & Van Doren, D. C. (2010). Competitive intelligence in service marketing: A new approach with practical application. *Marketing Intelligence & Planning, 28*(5), 551-570.

Keller, K., & Kotler, P. (2012), *Marketing Management* (14 Ed.). Prentice – Hall.

Khajeheian, D. (2014). A Perspective on Media Entrepreneurship Policy: Globalization Of Knowledge And Opportunities For Developing Economies. *Journal of Globalization Studies, 5*(2), 174-187.

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement, 30*(3), 607-610.

Nematizadeh, S., Adab, H., & Hezarkhani, H. (2013). *The effect of competitive intelligence on insurance products sale, the case of Iran insurance company agents in Kermanshah. Master's thesis*. Iran: Islamic Azad University. (in Persian).

Pellissier, R. &Kruger, J. P. (2011). A study of strategic intelligence as a strategic management tool in the long-term insurance industry in South Africa. *European Business Review, 23* (6), 609-631.

McGonagle, J.J., & Vella, C.M. (2002), *Proactive Intelligence: What is Competitive intelligence and why should you care about it*? Springer-Verlag: London.

Nenzhelele, T., & Pellissier, R. (2013). Towards a universal definition of competitive intelligence. *South African Journal of Information Management, 15*(2), 1-15

Nunnally, J. C. (*1978*). *Psychometric theory (*2nd Edition*).* New York: McGraw-Hill

Prahalad, C.K. and Hamel, G. (1990). The Core Competence of the Corporation. Harvard *Business Review, 79*-91.

Reed, R., Lemak, D. J., & Mero, N. P. (2000). Total quality management and sustainable competitive advantage. *Journal of Quality Management, 5*(1), 5-26.

Rezai-dolatabadi, H., Zeinali, Z., & Shekarchi-Zadeh, Z. (2011). Studying the effect of competitive intelligence on developing competitive advantage. *Business management outlook, 10*(5), 9-25.

Sharp, S. (2009). *Competitive intelligence advantage: how to minimize risk, avoid surprises, and grow your business in a changing wo*rld. John Wiley & Sons.

Wang, H., L. Long, A. Kumar, W. Wang, J.-K.E. Schemm, M. Zhao, G.A. Vecchi, T.E. LaRow, Y.-K. Lim, S.D. Schubert, D.A. Shaevitz, S.J. Camargo, N. Henderson, D.Y. Kim, J.A. Jonas, & K.J.E. Walsh, 2014: How well do global climate models simulate the variability of Atlantic tropical cyclones associated with ENSO? **27** (15), 5673-5692.

Wernerfelt, B. 'An information based theory of microeconomics and its consequences for corporate strategy', Unpublished Dissertrrtion, Harvard University, Graduate School of Business Administration, 1977.

Wright, S., Fleisher, C.S., & Madden, E. (2008). Characteristics of competitive intelligence practice in R&D driven firms: Evidence from UK pharmaceutical industry. *European Business Research Forum (EBRF) Finland*.