

**IMPACT OF COMPETITIVE INTELLIGENCE ON PERFORMANCE OF OLD
MUTUAL KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for an academic award in any other institution of higher learning.

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D61/8488/2006

This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this research project to my family. I thank God for the blessing that you are.

ABSTRACT

The study sought to establish the competitive intelligence practices adopted by Old Mutual Kenya. Competitive intelligence is the act of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization. Competitive Intelligence (CI) is both a process and a product. The study used an interview guide to collect primary data. The interview guide was administered to the respondents who are middle level managers in the organization. This study sought to identify the link between best practices of competitive intelligence and performance for greater profitability of Old Mutual Kenya. The study found out that Old Mutual Kenya employs new market intelligence, product differentiation intelligence, technological intelligence and strategic alliances intelligence as competitive intelligence practices. In the findings, it was established that new market intelligence applied in the firm concentrated on the 4Ps (price, place promotion and product). The study also found out that Old Mutual Kenya involves its clients in the process of designing new products in order to come up with products that can be well consumed by the market. It was also found out that technology is the most integral part of their business and having a smart system ensures efficiency, cost reduction and increases profitability in their firm. In the study, it was also found out that Old Mutual Kenya has acquired some financial institutions and merged with other providers to spread the risks and maximize profitability. This study concludes that the competitive intelligence practices adopted by Old Mutual Kenya go hand in hand in improving efficiency, increasing the market share and there after increasing the profitability of the firm. This study recommends the adoption of competitive intelligence practices in the financial sector.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Brandenburger & Nalebuff, 2006). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Cobb, 2003). This definition focuses attention on the difference between dissemination of widely available information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence, which is a perspective on developments and events, aimed at yielding a competitive edge.

Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of a competitor analysis is to develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place. Competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company (Aaker, 1998).

A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it

from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself (Achrol & Kotler, 1999).

Following demutualization in 1999, Old Mutual Kenya needed to reassess its security requirements in the insurance industry. However, with high number of security companies operating in Kenya, a security service provider that was both reputable and able to counter current and future threats to the company was required. Old Mutual Kenya appointed Zero Foundation to consult on the project and conducted a vulnerability assessment of the premises, personnel and information resources. Based on this assessment, the security audit determined areas for improvement and a comprehensive competitive intelligence report identified current and future threats to Old Mutual Kenya's operations. Zero Foundation has since conducted periodic reviews of the performance of the service provider to ensure compliance with its contractual obligations.

1.1.1 Competitive Intelligence

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Brandenburger & Nalebuff, 2006). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

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about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors.

Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. The objectives of a competitive intelligence will often involve issues such as: the manufacturing capabilities of the competitor; analysis of alliances and/or joint ventures entered into by competitors; the competitor's future plans and strategies for specific markets, or product lines; reasons behind changes in the corporate or business unit strategy, et cetera (Achrol & Kotler, 1999).

1.1.2 Organization performance

Performance is a measure of the change of the financial state of an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization. Since the perception of these outcomes is contextual, the measures used to represent performance are selected based upon the circumstances of the organization(s) being observed. The measures selected represent the outcomes achieved, either good or bad.

The concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Alchian and Demsetz, 1972; Barney, 2002; Jensen and Meckling, 1976; Simon, 1976). Performance is a multi-dimensional construct, which permits value to be created on differing dimensions (Cameron, 1986; Dess & Robinson, 1984; Murphy, Traylor, & Hill, 1996; Steers, 1975). It is also possible to conceive of multiple measures of the value created. This fact is supported by the number of different dependent measures that have been used to measure organizational performance in research studies (Brush and Vanderwerf, 1992; Murphy et al., 1996). Overall organizational performance has been both hypothesized to be and empirically demonstrated to be a multidimensional construct in a number of studies. However, there is no agreement on what the different dimensions of overall organizational performance are, or on how they should be measured.

Brush and Vanderwerf (1992) found that the most frequently used measures of performance were changes in sales, organizational survival, changes in number of employees, and

profitability. Multiple objective measures were much more frequently employed than were subjective or perceptual measures of performance. It is clear that the different measures of overall organizational performance used do not represent the same construct.

This study will adopt profitability as the measure for organization performance. Increasing profitability involves determining the areas of a financial strategy that are working and the ones that need improvement. Understanding the key factors determining profitability assists managers in developing an effective strategy for their company. The key factors that determine profitability include sales, pricing, expenses and cost of staying in business among others.

1.1.3 Impact of CI on organization performance

Competitive intelligence is a business tool that helps organizations in the process of strategic management and increasing business performance through enhancing knowledge, internal communications and strategic plans quality. Competitive intelligence (CI) has become increasingly important for profit organizations as the level and intensity of competition has increased in recent years. CI is shown to be concerned with threats to existing levels of profit and opportunities for increasing them. With increasing competition, firms undertake various activities to counter performance declines. Companies which employ competitive intelligence, in response to environmental changes and develop new capabilities that will help them to achieve higher performance will be more successful (Montes, Moreno and Fernandez, 2004).

An important issue is the selection of projects that can assist managers in decision-making (Prescott and Smith, 1989). Greater dissemination of CI increases the flow of information on competitors such that information uncertainty is reduced. The information-processing view of the firm theorizes that a firm's chosen strategies exert a significant impact on the information requirements of its decision-makers (Galbraith, 1970; 1977). Using this theoretical foundation, Rogers, Miller and Judge (1999) found that information needs and analysis was dictated by competitive strategy.

Old Mutual Kenya has identified itself with the differentiation strategy. Accordingly, pursuing a differentiation strategy, CI efforts at Old Mutual Kenya are focused on exploiting new opportunities, as in new products, markets and customers. In executing the differentiation

strategy, Old Mutual Kenya is aware of its competitors' positions and anticipates their potential for change. A firm's competitive strategy impacts the relationship between planning and organizational performance (Kotler & Armstrong, 1999). With the aid of a differentiation strategy, at Old Mutual Kenya, information is disseminated to decision-makers within the firm and is better able to achieve distinctive offerings in the market.

1.1.4 The Financial Sector in Kenya

The Kenyan financial sector comprises of banking, insurance, capital markets, pension schemes and quasi-banking institutions such as: savings and credit cooperative societies (SACCOs); microfinance institutions (MFIs); building societies, Kenya post office savings bank (KPOSB); development finance institutions; (DFIs) and informal financial services such as rotating savings and credit associations (ROSCAs). Financial intermediation in Kenya has continued to record high growth rates due to increased lending as reflected by the rise in domestic credit backed by significant financial innovation.

The more than 40 banks banking sector is dominated by five large banks which account for the bulky of deposits. The remaining banks are small and have limited outreach. This has reduced competition and resulted in high cost of credit. Further given the low penetration of the formal financial services, investing in microfinance institutions, banks and SACCO's would have a considerable potential to address the large remaining demand for financial services by the large section of population that is unbanked.

Kenya envisions to have a vibrant and globally competitive financial industry that will not only create jobs but also to promote high levels of saving to finance overall investment needs. Financial services are expected to play critical in the next 18 or so years by providing better intermediation between saving and investments. Kenya is under-insured with penetration level of about 1 % of GDP. This signifies the necessity of having an insurance sector that can add more to the economic development of the country therefore a huge potential for the insurance business in Kenya.

According to Delloite East Africa (2012), information from East Africa shows that insurance firms lost kshs.405 billion (USD 48.3 million) to fraud in the year 2012 mainly due to insider

collusion (DEA, 2012). According to the Banking Fraud Investigations Unit (BFIU), insurance firms in Kenya lost sh. 27 million through fraud in 2011 (BFIU, 2011). About 50 cases of fraud are reported every month going by the 2010 official crime statistics and on average Ksh500m is lost by firms monthly (RoK, 2011). The Association of Kenya Insurers (AKI) reported that in 2009, a total of Kshs900 Million was stolen through fraud (AKI, 2009). The benchmark for growth of loans in Kenya is between 16% and 20% but reports from the Association of Kenya Insurers shows that the annual rate is at 10% (AKI, 2013). This, according to Insurance Regulatory Authority (IRA) (2013) shows a decline of between 6% - 10%. Would lack of competitive intelligence be the cause of this?

1.1.5 Old Mutual Kenya

Old Mutual Kenya is a wholly owned subsidiary of Old Mutual plc, an international financial services company, with expanding operations in life assurance, asset management, banking and general insurance. Old Mutual Kenya (OMK), is part of the long-term savings and investment business of Old Mutual plc, started doing business in Kenya in the late 1920's.

The Old Mutual Group is an international long-term savings, protection and investment business, founded in South Africa in 1845 and operates primarily under the Old Mutual and Skandia brands, in Africa, Europe, the Americas and Asia. Old Mutual plc helps over 15 million customers achieve their financial goals in 33 countries. Old Mutual plc is listed on the London Stock Exchange and Johannesburg Stock Exchange, among others. Old Mutual group commands approximately Kshs1, 655 billion worth of assets internationally (www.oldmutual.co.ke).

In the year ended 31 December 2012, the group reported adjusted operating profit before tax of £1.6 billion and had £262 billion of funds under management. Old Mutual Plc remains a strong brand, well capitalized and operates worldwide in 40 countries employing 50,000 people in insurance, asset management and banking. The focus of Old Mutual Plc continues to be capital and liquidity management, streamlining the portfolios of the businesses, growing the long term insurance and saving business, driving operational efficiencies and growing the African businesses (Oyuke, 2013).

In Kenya, Old Mutual is the biggest player in the Nairobi Stock Exchange. In terms of composition, the company is made up of four operations namely, Old mutual life assurance company, old mutual investment services, old mutual asset managers and old mutual securities. The variety of products offers a wide array of choices tailored to suit the needs of the Kenyan investor. Old Mutual Kenya firmly believes in the hope of a better future and will avoid all behavior that may steer away from the common goal. Old Mutual Kenya will stay focused on customers and communities, allowing mutual respect and caring to chart the way forward - A genuine friend, in times of need and in times of wealth (Ombati, 2011).

Old Mutual Kenya recently launched a 'state of the art cloud computing retail system'. This has notably improved efficiency and has redefined the customer experience. The company is also on a path to launch innovative products which will increase access to new markets and new customers who previously would not have been able to access or afford financial savings and protection solutions. The growth of the Asset management side of the business continues and Old mutual asset managers (OMAM) have been selected as one of the 6 Fund Managers to manage the national social security funds (NSSF) (Oyuke, 2013).

Old Mutual Kenya has also entered into a strategic partnership with Faulu Kenya with Faulu selling a controlling stake to Old mutual Kenya before the end of 2013. Faulu Kenya is a leading deposit taking micro finance company in Kenya, offering financial solutions for micro, small and medium enterprises and we see numerous opportunities in this venture. Old Mutual Kenya and the kenya national jua kali cooperative sacco have launched a product that aims to help Kenyans in the robust informal sector access affordable insurance services. The launch of the heshima mpango poa plan follows the signing earlier this month of a partnership between Old Mutual kenya and the national jua kali sacco, to avail insurance services at the lowest possible premiums to millions of Kenyans in the informal sector. Old Mutual Kenya will act as the underwriter to the low-premium service that targets every Kenyan regardless of their social status. The new product was based on months of research and an understanding on how the Jua Kali sector operates.

1.2 Research Problem

Competitive intelligence is undertaken by corporate intelligence officers, and is considered a necessary activity vis-à-vis the formulation and implementation of marketing plans. Security related threats (the acts of counterfeiters, fraudsters and terrorists) need to be identified and dealt with, if the marketing objectives of the organization are to be realized (Margulis & Pekár, 2000). Old Mutual Kenya, whose insurance business in Kenya has faltered in recent years owing to intense competition, made the acquisition using a part of a Sh4.5 billion cache the group had set aside for new expansion across Africa. The aim of competitive intelligence is management and reduction of risk, create useful knowledge, safety information and use of shared information (Priporas et al, 2005). Companies that use a competitive intelligence program, has better understanding of the competitive landscape (Vedder et al, 1999), and with moving toward a wise strategies, they develop programs to increase their competitive advantage (Wright & Calof, 2006).

However, in spite of the fact that CI is being more recognized among company managers, it remains poorly studied in the academic literature (Wright, Pickton and Callow, 2002). Prescott and Smith (1995) noted in their survey of practices that most organizations tend to view CI as more or less an extension of the sales and marketing functions and that the marketing department should have the responsibility of looking over CI activities. Lackman et al. (2000) observed similar results in their own surveys. However, some organizations seem to have developed their CI activities more than the average organization.

In Kenya, only two studies have been done on competitive intelligence. Muiva (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than insurance firms. This is despite the fact that the insurance sector in Kenya is facing many challenges posed by the competitive environment in the industry. Despite the adoption of this competitive intelligence there is no study that has been done on industry as well as Old Mutual Kenya to date.

This study therefore seeks to fill the existing knowledge gap by carrying out an investigation of competitive intelligence practices for greater profitability in the insurance industry the case of Old Mutual Kenya. This research will help Old Mutual Kenya to remain competitive and profitable amidst the current stiff competition witnessed in the insurance sector. The study sought to answer the following questions:

- I. What are the competitive intelligence practices at Old Mutual Kenya?
- II. What is the impact of competitive intelligence on the performance of Old Mutual Kenya?

1.3 Research Objective

- I. Identify competitive intelligence practices at Old Mutual Kenya.
- II. Establish the impact of competitive intelligence practices on performance of Old Mutual Kenya.

1.4 Value of the Study

The study is important not only to Old Mutual Kenya managers but also other managers in the insurance sector and to larger extent managers of other industries. It will help them understand the importance of competitive intelligence and how different firms can achieve competitive edge. The study will also help other managers know the methods used in gathering and applying competitive intelligence, which will help them improve their management styles.

To the policy makers, the findings provide information as to the impact of competitive intelligence on performance and make recommendations on the possible measures to be pursued, and the policy implications of those measures geared to the adoption of competitive intelligence in organizations and hence improve performance.

The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who will undertake the same topic in their studies. The study will highlight other important relationships that require further research; this may be in the areas of relationships between intelligence and firm's performance for greater profitability.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review, competitive intelligence.

2.2 Theoretical Perspective

As firms are led to utilize information and knowledge in a complex environment, they often do not act on their own. Besides, alliances between direct competitors set the trend. Indeed, horizontal inter-firm ties have grown in the shape of mergers-acquisitions, partnerships, agreements, and mostly alliances. In the face of the increasing number of strategic alliances, it is advisable to shed light on this type of tie.

Although competition strategies first aim at strategic decision making (Brandenburger & Nalebuff, 2006), adopting a competitive state of mind is not enough: it is important to manage this strategy. Admittedly, this modern strategic model supports the exchange of tacit and non tacit knowledge and information, but it can present gaps regarding the channeling of informational flows and of the decision-making process, as well at the alliance level (inter-organizational) as at the partner level (intra-organizational). Indeed, the strong propensity of competitors to exchange information makes it difficult to control information flows (Prescott, and Bhardwaj, 1995). It can disrupt the decision-making process and ultimately, the ability of the network to make the right decision at the right time. The publications on competition turn out to rarely tackle the informational aspect.

Now, competitive intelligence has the main function of controlling information and knowledge, whether it is within an organization or in a network of organizations. In his report, (Martre 1994) refers three times to the increasingly complex modes of competition characterized by the cooperation-competition relationships to which companies must adapt. He thus recommends using competitive intelligence in order to help firms adjust their strategy to the new paradigm of

competition. (Bengtsson and Kock, 2000) state that competition leads to collaboration and competitive intelligence.

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, Aliouat (2006) deduced the principle of the strategic balancing according to which a technological alliance generates paradoxes and lives by its paradoxes. An alliance wavers between multiple antagonistic poles that represent cooperation and competition. This gives room to various configurations of alliances, which disappear only if the alliance swings towards a majority of poles of confrontation. Competitive intelligence programme should focus on the management-needs identification process and a number of companies have achieved this (for example, Motorola, Merck and NutraSweet). Herring (1999) applied the key intelligence topics (KIT) process in order to identify and prioritize the key intelligence needs of senior management and the organization itself. This ensured that intelligence operations were effective and appropriate intelligence was produced. Herring's (1999) approach is useful because it allows corporate intelligence staff to identify strategic issues and as a result senior management can ensure that actionable intelligence results. The other advantages are that an early warning system can be put in place and this will allow potential threats to be identified; and further, key players can be identified and monitored (Herring, 1999).

Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations. Porter's, (Porter, 1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another has sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of the absence of conceptual building blocks supporting his value system theory. Scholars have since developed theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998). Empirical research by Blenkhorn and Fleisher, (2007) suggests that the generic strategy framework could be improved by viewing cost, differentiation and focus as three dimensions of strategic positioning rather than

as three distinct strategies. The idea that pursuing multiple sources of competitive advantage is both viable and desirable has also been supported by other researchers (Wright, Pickton and Callow, (2002). Thus, the research in strategic management following from Porter (Porter 1980; Porter 1985) does not provide unequivocal support for Porter's original formulation.

Although many firms pursuing cost and differentiation simultaneously may become stuck in the middle, there is clear evidence to suggest that at least some firms have been successful in achieving superior economic performance by pursuing both advantages. It is commonly suggested that information strategy planning must not be isolated from strategic business thinking (Davenport, 2000). Rather, information strategy has to be mutually aligned with business strategy. On the one hand, business strategy places requirements on the information strategy. On the other hand, information technology may enable new ways of doing business which must be considered in the information strategy. Thus, a thorough analysis of the organization's business strategy is necessary. Most authors claim that it is not sufficient to only know the business strategy (Rockar, 2004). Instead, they call for an in-depth understanding of the assumptions (internal strengths and weaknesses, external chances and risks, in particular) underlying the proposed business strategy. Good background information on critical success factors, environmental challenges, resulting opportunities and threats as well as internal strengths and weaknesses are necessary to assess the possible effects of alternative information strategies on the overall business strategy (Rockar, 2004).

In the process of exploring the basic differences between management approaches and applying a host of new methods and techniques, many firms have been redefining the very nature of their businesses (Powell and Allgaier, 1998). Over the past decade two main methods for implementing organization change worldwide are widely known as Total Quality Management (TQM) and Business Process Reengineering (BPR). BPR differs from TQM in two important respects. First, while TQM is focused on continuous improvement, an incremental performance improvement approach, reengineering was founded on the premise that significant corporate performance improvement requires discontinuous improvement – breaking away from the outdated rules and fundamental assumptions that underlie operations. With BPR, rather than simply eliminating steps or tasks in a process, the value of the whole process itself is questioned (Fleisher and Craig, 2003).

2.3 Competitive Intelligence (CI)

The term competitive intelligence is used in various contexts, and it is generally agreed that competitive intelligence is an all-embracing term that has a strategic dimension associated with it (Wright et al., 2002). Indeed, competitive intelligence can be viewed as a “process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets” (Cobb, 2003). Competitive intelligence officers contribute to the strategic intelligence process in a number of ways. For example, Blenkhorn and Fleisher (2007) state that a strategic intelligence system is about identifying what information is relevant and actionable” and not just about the production of data.

According to Breeding (2000), intelligence is the product of collection, evaluation, analysis, integration, and interpretation of all available information that may affect the survival and success of the company. Well-interpreted information, provided by a properly designed intelligence function, can be immediately significant in the planning of corporate policy in all of its fields of operations. Stated in both operational and organizational terms, the main purpose of intelligence is to help the chief executive officer fulfill his wide ranging responsibilities. Tan and Ahmed (1999) adopt more of a strategic intelligence perspective and state that intelligence is 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.

2.4 Competitive Intelligence Products

Competitive Intelligence products focus on external sources of information to develop clients’ organizational requirements. These products address education and training, information collection, and applied analysis for clients at operational and management levels. Old Mutual Kenya’s Competitive Intelligence application keeps clients well-informed and prepared to react to challenges they may face from actions and projected-actions of competitors in the market. Products play several roles for the organization. They help maintain growth and thereby protect

the interests of investors, employees, suppliers of the organization. New products help keep the firm competitive in a changing market (Patrick, 1997). The consequences of product development have a direct impact on competitiveness. They mean the difference between falling behind a leading competitor in the marketplace and being the competitor who provides leadership, compelling others to meet similar standards (Wheelwright and Clark, 1995).

2.5 Competitive Intelligence Processes

One of the most effective market research strategies, generally referred to as competitive intelligence, is based on the gathering, analysis, and application of business information about a company's rivals. A successful competitive intelligence process requires attention to cultural issues, facilitated by technology to ease knowledge sharing. There are four steps in the competitive intelligence process: Identify the intelligence needs of key decision makers across the firm; Collect information from secondary and primary sources; Analyze information and upgrade it to intelligence and Disseminate intelligence to decision makers (Tan and Ahmed, 1999).

Since CI is an expensive undertaking, it is critical to identify what is already known about rivals, what gaps in information exist, and then from that base, to identify specifically what the CI process is intended to learn. The key to strategic competitive intelligence is having enough knowledge about competitors to predict what they are likely to do next (Skyrme, 1989). A thorough and honest evaluation of existing data collection strategies generally points the way to what should be culled, what needs further development, and what is missing from the CI program. When a CI plan has been carefully designed and conducted, its value increases over time. Intelligence should be stored in a manner that permits and tracks appropriate access, fosters data mining and data integration, and ensures consistent security processes (Pole, Madsen and Dishman, 2000).

2.6 Competitive Intelligence Practices and Performance

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 and Craig, 2003). A time-based competitive tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well (Skyrme, 1989). Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months. Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can cooperate with other products. Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Marceau and Sawka, 2001). Early studies have argued that product intelligence was valuable from a conceptual perspective; increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (McCord, 2002). In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Davis, 1984). It has also been shown that highly diversified firms have less market power in their respective markets than

more focused firms (Pole, Madsen and Dishman, 2000). Product intelligence has been found to be negatively related to firm value (Kahaner, 1997) and to occur in firms with less managerial and shareholder equity ownership (Groom and David, 2001). Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits (Trim, 2004). In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production (Klein et al., 1978). Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence (Pepper, 2001), but the relatedness in product intelligence.

Prescott and Gibbons (1996) assert that competitive intelligence requires a process of co-evolution between technology and cultural perspectives. Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Porter, 1980). Often, banks experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Coelho and Easingwood, (2003). Hammer (1990) stresses that organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banks traditional lack of resources usually results in a compromise situation (Mei and Nie, 2008). It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

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. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty. Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the

unpredictability of consumer purchasing behaviour. Strategic alliances are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind (Hay and Morris, 1979). Competitive uncertainty pushes firms to enter into alliances to limit competitive interdependence by limiting the number of competitors.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that were used in the collection of data pertinent in answering the research question. It is divided into research design, data collection and data analysis methods.

3.2 Research Design

This research problem was best studied through the use of a case study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. Since this study sought to identify the link between best practices of competitive intelligence and performance of Old Mutual Kenya, a case study design was deemed the best design to fulfill the objectives of the study.

3.3 Data Collection

The study used primary data to be collected using an interview guide. The interview guide included both structured and unstructured questions. The unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing any information (Baars and Kemper, 2008).

The interview guide was self-administered by the researcher to respondents who were middle level managers involved in strategic planning and product development at Old Mutual Kenya. The researcher felt that self administered interview guides were a particularly suitable method due to the increased response rate of this method (Saunders et al., 2007), minimize variation in data collection procedures and ensure consistency as well as the eventual necessity to clarify complicated questions.

3.4 Data Analysis

Data was analyzed using content analysis and results were presented in prose form. According to Thompson Reuters, (2012), content analysis is a widely used qualitative research technique. Rather than being a single method, current applications of content analysis show three distinct approaches: conventional, directed, or summative. All three approaches are used to interpret meaning from the content of text data and, hence, adhere to the naturalistic paradigm. The major differences among the approaches are coding schemes, origins of codes, and threats to trustworthiness. In conventional content analysis, coding categories are derived directly from the text data. With a directed approach, analysis starts with a theory or relevant research findings as guidance for initial codes. A summative content analysis involves counting and comparisons, usually of keywords or content, followed by the interpretation of the underlying context.

Data was analyzed using content analysis and specifically the conventional content analysis approach. This approach was the best for this research since the interview guide was self administered to only four respondents and this ensured that clarity was provided and that data collected was systematic. The findings were presented in various subsections as they appeared on the interview guide and these were then used to summarize responses for analysis and comparisons.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented to investigate competitive intelligence practices adopted by Old Mutual Kenya limited. The data was gathered exclusively from the interview guide as the research instrument. The respondents were middle level managers involved in strategic planning and product development at Old Mutual Kenya and they have been employees of the company for more than five years. The interview guide was designed in line with the objectives of the study.

4.2 Findings of the study

According to the findings, all the respondents reported that Old Mutual Kenya uses competitive intelligence practices which include the new market intelligence, product differentiation intelligence, technological intelligence and strategic alliance intelligence to help them acquire competitive edge and be a one stop shop for financial solutions for their customers.

The respondents reported that the practices they adopt the most include product differentiations, acquisitions and mergers, partnerships and most importantly the use of a cloud based core system that ensures availability and centralization of business information. One finding to note also is that, the respondents reported that to Old Mutual Kenya, research and development is one area that time and effort has been expanded on as well as working closely with existing customers to continuously keep tab on their feedback which is then taken in consideration during product development.

4.3 Discussions

4.3.1 New market Intelligence

The study found out that Old Mutual Kenya employs new market intelligence as a competitive intelligence practice. It was established that the firm concentrated on the 4Ps of the marketing mix, which are price, place, promotion and product with most emphasis on pricing and product.

According to the findings in the literature review, the study found that market intelligence, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. The study also sought to establish the effectiveness of market segmentation in creating market competitive intelligence for greater profitability. From the results, all respondents felt that market segmentation was very effective in creating competitive intelligence for greater profitability.

4.3.2 Product Differentiation Intelligence

The findings revealed that product differentiation intelligences employed were such as involving customers in product development through focus group discussions, aligning products with customer needs, customer relationship management and customer service, customer satisfaction survey, introduction of new products based on customer needs, launching and reviewing of existing products to make them more competitive, provision of products to suit different target markets and branding of products which achieves customer satisfaction.

4.3.3 Technology Intelligences employed by the firm

Technology intelligences used by the firm were such as acquisition of a smart system that ensures efficiency and one that is dependable and user friendly and brings about coordination between the different departments. Most respondents also noted that products are integrated with new technology and the end product is one that responds to technology advancement. And also, customer relationship is done on a whole new level that guarantees customer satisfaction.

In the earlier findings, the study also established that it is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organizations that can

combine customer value innovation (kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

On these findings however, the respondents highlighted on the challenges they face in implementation of technological intelligence at Old Mutual Kenya. Among the challenges cited were movements from legacy systems to current trendy technological developments, a lot of time is taken to test and train the users to a status that all will be conversant with the new technology and can fully utilize it and also the cost implications.

4.3.4 Strategic Alliance Intelligence

According to the results, the strategic alliance intelligences noted were mergers and acquisitions of other firms for instance, Old Mutual Kenya acquired Reliable securities stock brokerage firm and also acquired a leading stake at Faulu kenya. The respondents also noted that Old Mutual Kenya has partnered with the network providers, safaricom and Airtel in the mpesa and Zap services so that their clients can make payments with ease. The reasons as to why such acquisitions and mergers are formed, the respondents noted, are to expand product offering, to neutralize competition and to increase the market share.

On the benefits of strategic alliances, respondents felt that there is the reduction of external environment uncertainty. Other benefits stated were such as cost of investment is minimal and also it takes advantage of already available expertise (years of experience). The study findings concur with the literature review. Burgers et al. (1993) study found that strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The findings on the benefits of strategic alliance in the reduction of internal uncertainty also concur with Burge et al (1993) study.

On the question of the main challenges facing Old Mutual Kenya in adoption of the strategic alliance intelligence practice, the study found that the challenges were such as initial positioning of the firm as microfinance hinders free penetration to the corporate market, high costs in adoption of technology including training costs, coping with corporate culture differences after acquisition, lack of adequately trained/skilled personnel in some divisions, failure to prioritize on competitive intelligence, too many things happening at the same time, interdependency on other

players for support and enhancing innovation after roll out of product. Other challenges were such as diverse category of customers over the entire spectrum, changing customer needs, high expectations by customers, challenges in getting right instructions, copy-cats in the market, poorly laid down legal and ethical practices in the financial sector, focus on market acceptance of products unknown in the industry and also industrial espionage.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to identify the competitive intelligence practices at Old mutual Kenya and to establish their impact on performance of the firm.

5.2 Summary of the Findings

The study aimed to investigate competitive intelligence practices adopted by Old Mutual Kenya. From the findings, the study found that there was a positive but weak relationship between the dependent variable and the independent variables. Of all the four independent variables, technology intelligence had the highest relationship with the firm's profitability followed by product differentiation intelligence. New market intelligence had the weakest, while strategic alliance intelligence came third.

The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in market intelligence practice will lead to decrease in profitability. This could be possible in the short run because market intelligence does not contribute directly and immediately to profitability. Market intelligence was identified as more of a cost in the short run because it involves trying to understand and interpret the factors in the operating environment and how the same impacts on the firm's performance. The full benefits of market intelligence would more often than not be realized in the long term as compared to the other three independent variables studied. An increase in product intelligence will lead to an increase in profitability; an increase in technology intelligence will lead to an increase in profitability while an increase in strategic alliance practice will lead to an increase in profitability. This infers that technology intelligence contributed more to the profitability of the firm.

5.3 Conclusions

This study concludes that Old Mutual Kenya uses competitive intelligence practices which include the new market intelligence, product differentiation intelligence, technological intelligence and strategic alliance intelligence to help them acquire competitive edge and be a one stop shop for financial solutions for their customers.

The study also concludes that the new markets intelligence practices employed by Old Mutual Kenya to impact on their profitability were market segmentation and the firm concentrated on the 4Ps of the marketing mix, which are price, place, promotion and product with most emphasis on pricing and product

The study also concludes that the product differentiation intelligences employed were such as involving customers in product development through focus group discussions, aligning products with customer needs, customer relationship management and customer service, customer satisfaction survey, introduction of new products based on customer needs, launching and reviewing of existing products to make them more competitive, provision of products to suit different target markets and branding of products which achieves customer satisfaction.

The technology intelligence practices that impact on profitability adopted by Old Mutual Kenya limited included the acquisition of a smart system that ensured efficiency and one that was dependable and user friendly and brought about coordination between the different departments. Also if products are integrated with new technology then the end product would be the one that responds to technology advancement.

Also to conclude, the strategic alliance intelligence practices for greater profitability adopted by Old Mutual Kenya were mergers and acquisitions of other firms. The strategic alliances were crucial to the performance of the firm because they enabled leveraging off each other's knowledge leading to market share expansion and management of the competition and penetration to the financial market.

The lesson learnt from this research is that competitive intelligence research is an excellent way for gathering large volumes of information which can then be analyzed in order to form a picture

of the past and current market. Applying this analysis can give clues as to where the market is headed.

The study finally concludes that competitive intelligence is more suited to providing a truly predictive view of the market. By talking directly to competitors, suppliers, regulators and even customers, competitive intelligence is able to provide insight into what the groups are actually planning to do, rather than relying on predictions based on historical data.

5.4 Recommendations for policy and practice

This study highly recommends the adoption of competitive intelligence practices in the financial sector. Clearly notable as the researcher interacted with the respondents was the impact of technology intelligence to the firm which has led to huge levels of automation, cost reduction and efficiency enabling the firm to almost deal seamlessly with their large client base of over 5 million customers. In applying competitive intelligence in both Old Mutual Kenya and the rest of the financial sector, the four main competitive intelligence practices that should be considered for greater profitability are new market intelligence, product differentiation intelligence, technology intelligence and strategic alliance intelligence.

As found in the earlier studies, the study also recommends that competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share, profitably and consistently from specific competitors to the company. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized manner can lead to deterioration of the firm's profitability and ultimately the failure of the firm itself.

5.5 Limitation of the study

One limitation of the research on competitive intelligence however, is that the sample size is generally too small to be considered "statistically significant", which means that while the information is very useful in determining the specific actions of a company, it is not effective for

determining group opinion. Also while it is very effective at communicating the current state of the market, it is less effective for providing insight into the future market.

On the methodology used, the limitations are that, content analysis is time consuming, poses reliability and validity problem and it can be challenged as too subjective.

5.6 Recommendations for further studies

This study, like others, ends with an appeal for more research. Both relatively straightforward work and more complex tasks lie ahead. The former has researched on the competitive intelligence practices adopted by Old Mutual Kenya, a company in the financial sector, and the practices included were new market intelligence, product differentiation intelligence, technological intelligence and strategic alliance intelligence. Further research could recognize the value of different types of intelligences. Competitor insight is one important type of intelligence but other types of study can be just as valuable.

Future research could also be conducted in order for organizations to be up to speed with the evolving times. Competitive intelligence is done in order to keep an organization ahead of the competition and to obtain first mover advantage over competitors. But because of the fast changing times, technology and diversity, the purposes of competitive intelligence are also constantly evolving. In order to keep up with this, more and more studies need to be done to help companies to grow.

Today businesses operate in a world in which information is more readily and publicly available, thanks to the development of the internet. Information on market trends, legislation, customers, suppliers, competitors, distributors, product development and almost every other conceivable topic is available at the click of a mouse. Search engines, online libraries, company websites and other sources provide information in an increasingly plentiful, easy to find, and easy to digest way. Even traditional forms of information provision such as libraries and publications are moving online. All in all, information providers are responding to customer demand by making more and more information available not only online, but also in a searchable format. More studies are recommended and should be availed online for accessibility and broad coverage in order to benefit all the users of information.

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APPENDIX: Interview Guide

IMPACT OF COMPETITIVE INTELLIGENCE ON PERFORMANCE OF OLD MUTUAL KENYA

Section A: Background Information

- 1. Position at Old mutual Kenya?
- 2. How long have you been in the insurance industry?

Section B: Competitive Intelligence (CI) Practices Adopted by Old mutual Kenya

- 3. What are the competitive intelligence practices adopted by Old mutual Kenya?
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- 4. How do these practices affect the competition in the industry?
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- 5. In your own opinion what can you say should be done about the competitive intelligence practices at Old mutual Kenya to ensure the company stays ahead of the other service providers?.....
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Section C: New Market Intelligence

6. What New Market Intelligence insights are used by marketing and sales managers to hone their marketing efforts?

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7. What time horizon does market intelligence have and how is it usually measured?

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8. What is market intelligence concerned with and how does it best serve chosen markets?

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9. What are some of competing activities involved in the new market intelligence competitive practice?

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Section D: Product Differentiation Intelligence

10. What set of economic benefits is corporate strategy associated with product differentiation intelligence?

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11. What makes product differentiation intelligence valuable from a conceptual perspective?

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12. What makes product differentiation intelligence to be negatively related to firm value?

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Section E: Technological Intelligence

13. What is the significant influence of technological intelligence exerted on the ability to innovate?

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14. What are the challenges faced in implementation of technological intelligence at Old mutual Kenya?

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15. What are the possible solutions to the challenges of implementation at Old mutual Kenya?

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16. Does Old mutual Kenya combine customer value innovation with technological intelligence?

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Section F: Strategic Alliances Intelligence

17. Why are strategic alliances intelligence formed?

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18. What are the benefits associated with strategic alliances intelligence?

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19. What pushes firms to employ the strategic alliances intelligence and why?

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