

Researching the Gap in Small and Medium Enterprise Competitor Study Practices

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Abstract

This paper contributes to an understanding of the importance of competitor study practices by SMEs. In doing so, the study relates to possible improvements in decision making, strategy planning, strategy development and competitive advantage in business, and how this competitor analysis practice has long been disregarded by firms. Since the mid-1980s global competition has increased, and competitor analysis practices have seen a fast growth in predominantly multinational, large organisations. This growth of competitor study practices has even resulted in an entirely new business discipline: “competitive intelligence.” Although the importance of SMEs for the global economy is increasing, they are shown to be slow to pick up, apply or exploit the potential benefits of competitor analysis for their organisations. As a result, SMEs may lose their international and domestic market shares to large organisations. For their survival, SMEs will therefore have to find ways to start competitor analysis practices themselves. This paper interrelates past research about the current status of competitor analysis practices by large, medium and small firms, concluding that there are serious gaps in the academic research about the relationship between competitor analysis and business success (which can be defined as ‘a company achieving its predefined objectives’) of all companies, and particularly in SMEs. The paper concludes with reasons why researching this knowledge gap is necessary for both academicians and managers in SMEs, outlining how this research should be undertaken, and where and how the research outcomes should be published.

Introduction

In the 21st century, competition is fiercer than ever before. World growth has slowed, markets have matured and the only way for many companies to grow is at the expense of their competition (Caudron, 1994). Particularly SMEs are facing an increased competition from international-scale enterprises both at home

and abroad in the global economic environment. (Yeh-Yun Lin, 1998). These SMEs experience the increased 'external' uncertainty greater than large firms, primarily because of their lack of power in the marketplace. Large firms are more likely to have a range of customers and products or services and to have greater resources. SMEs however, because of the restricted range of their products and services, are more 'exposed' to changes in the marketplace (Westhead and Storey, 1996). SMEs are vulnerable. On the one hand, SMEs are competing with numerous domestic and international players for a share of their market; on the other hand, SMEs lack know how and resources. SMEs, which have active competitors, cannot afford to focus on their own strategies and objectives only. They should consider studying the company characteristics and the market position of their active and dangerous competitors. With this acquired knowledge of their competitors, SMEs can increase their market shares without running head-on into unexpected, unknown and strong competitors on the same market. As a consequence, the efficiency of the SMEs' decision-making, the strategy development process, the competitive advantage and ultimately the revenues will improve. SMEs may also lack a basis of sufficient customers, increasing the effect of external uncertainty. Long (2000) studied the business and management of practice of starting SMEs, and stated that these SMEs should know where to go in carrying out its strategic intent, and that '*knowing the competition is as important as knowing where the mines are in a battlefield and what kinds are being used*'.

Limitation of the study and future studies

Hardly any academic research into the relationship between competitor study practices and business success by all companies has been undertaken, and particularly SME research in this area is lacking. Academic research, both theoretical and practical, in the vital area of competitor analysis practices by SMEs, and its direct relationship with an improved decision-making, strategic planning, strategy development, competitive advantage and ultimately success, survival or failure of SMEs, is as non-existent as it is necessary now. This may be the new research agenda. First, the current competitor study practices in SMEs will have to be surveyed, searching for areas of improvement in both the quality and the process structure of the generated intelligence. Second, practice cases of other SMEs, already using competitor study practices, will have to be analysed. Then, the solutions of the second category will be used to formulate the areas of improvement in the current competitor analysis practices of SMEs, coming to

conclusions and recommendations. For academicians, these conclusions and recommendations should increase their knowledge of the relationship between competitor analysis practices and the decision-making process in SMEs. A first step for the managers in SMEs is to understand what competitor analysis is and how they may use this practice to improve their business opportunities and their market shares.

However, one of the limitations of this study is that the potential usefulness of formal competitive intelligence practices for SMEs has yet to be proven. Furthermore, hardly anything is known regarding the current SME competitor study practices. Nevertheless, it is possible that the conclusions and recommendations of the research should provide the SMEs' managers with an understanding of the potential benefits of competitor analysis, and initiate a discussion process how competitor study practices should be best undertaken in SMEs and possibly implementation processes. Finally, a key element is that both academicians and managers in SMEs will have to be made aware of the possible benefits of competitor study practices for the success of SMEs and its relevance as a research area.

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