

# A CONCEPTUAL ANALYSIS OF THE ROLE OF COMPETITIVE INTELLIGENCE IN ZIMBABWE'S BANKING SECTOR

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## Abstract

This article aims to provide a conceptual framework and analysis of the role of competitive intelligence in Zimbabwe's banking sector. The article used literature and conceptual research approach. Literature review has shown the concept of competitive intelligence to be multidimensional, with a multitude of varying definitions, as well as multifaceted and fuzzy. The concept of competitive intelligence has been presented variously as a process, a function, a product or a mix of all three. Literature review has also shown numerous intelligence concepts that are linked to the concept of competitive intelligence. This article will increase the academic understanding and state of the concept of competitive intelligence in Zimbabwe's banking sector as well as assisting the entire banking sector.

**Key Words:** Competitive Intelligence; Zimbabwe; Banking Sector; Conceptual Analysis

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## 1. Introduction

Over the centuries businesses have strived to develop distinctive competencies to obtain competitive advantage and sustainable growth that cannot be matched by competitors (Porter, 1990). Today, companies are competing on the basis of what they know, how fast they learn it, and how well they use what they learn compared to the past, where access to physical resources such as capital, labour and materials were critical (Kahaner, 2003). It is what Herring (2003) calls knowledge-based competition. At the heart of this knowledge-based competition, lies (as the term suggest) knowledge and, even more important, intelligence. It has become important to understand the difference between information and knowledge. Rabbi Elazar ben Azaryah noted, "That where there is no understanding, there is no knowledge" (Kahaner, 2003:195). He further states that the difference between information and knowledge is rather a new concept, in corporations, that has been embraced by forward-thinking companies as the discipline of competitive intelligence (Kahaner, 2003).

Never before has the power of information been so important as today. As early as 1968, Drucker states that, knowledge has become the central economic resource (Barnes, 1996). Indeed, knowledge is now at the cutting edge of competition and goes a long way in influencing the very survival and growth of companies. Information is important in identifying one's current and possible competitors,

their strengths and weaknesses as well as the strategies they are likely to take on in the market place. All this information is not of much use if it is not in the hands of decision-makers who are able to handle it in the best possible way (Kahaner, 2003). Kahaner (1996) cites the following as reasons why banks need competitive intelligence (CI) now more than ever; (1) the pace of business is increasing rapidly, (2) information overload, (3) increased global competition from new competitors, (4) existing competition is becoming more aggressive, (5) political changes affect business quickly and forcefully, and (6) rapid technological change.

In addition, Zimbabwe's economic challenges have also resulted in the embracement of CI by banks. The following are some of the challenges: (a) persistent liquidity shortages; (b) low investment inflows; (c) rising credit default across most sectors; (d) slower rate of gross domestic product (GDP) growth; (e) transitory deposits – short term deposits, resulting in banks being reluctant to lend for the long tenures as demanded by bank customers; (f) limited inter-bank trading – has resulted in an uneven distribution of deposits favoring the bigger internationally owned banks; (g) lack of lender of last resort function – the central bank since it is not the issuer of the currency in use, it cannot act as a lender of last resort; (h) increases in troubled banks – as a total of six banks were loss making as of 2013; and (i) high cost of funds- that ranged from 0.18% to 11.03% as of 2013.

In today's fast-paced, high technology business environment, technological advances, competitor actions and inactions, customer and supplier intentions and behaviours, legislative activity and a host of other activities are among elements that compete for attention from bank managers on a daily basis. The ability to master all of the possible consequences of these activities directly affects the development, growth and quality of banks as well as the ability to sustain their growth. The key to any successful strategy is the ability to identify, develop and sustain a competitive advantage with reference to competitors (Porter, 1990).

The concept of CI is all about 'managing the entire competitive battlefield' (Fleisher & Bensoussan, 2003). What was true in Napoleon's time still holds true: "to be defeated is excusable, but to be surprised is unforgettable" (Rouach, 1996:8 cited in Bergeron and Hiller, 2002). Fleisher and Bensoussan (2003) claim that an organisation needs to know its own organisation, the competition, and the battlefield, and then be able to analyse and use this information in decision-making process to enhance and sustain its growth. The practice and role of CI has become more critical as competition intensifies due to increased technological developments, distribution improvements, the internet, and consumer sophistication as well as increasing information among other reasons.

CI in Zimbabwean banks has emerged out of the developments in the local market as well as in the global competitive markets. The purpose of this article is to provide a conceptual framework as well as an analysis of the role of the CI concept in Zimbabwe's banking sector. The remainder of this paper presents a brief literature review followed by the research methodology then a conceptual framework. The paper concludes by giving brief recommendations

## **2. Literature review**

The sections below provide a brief literature review of the CI concept that includes: definition of terms, kinds of CI, the CI process, brief background of the Zimbabwe banking sector, the evolution of CI, the evolution of CI in banks, as well as CI in Zimbabwe.

### **2.1 Competition**

Kahaner (2003) defines competition as the mainstay of capitalism that typically results in lower prices, better products, and more efficient service for consumers as well as keeping companies sharp and focused. According to Rabbi Joseph, "The jealousy of scribes [teachers] increases wisdom" (Kahaner, 2003:172) and the same principle apply in other fields as well. Hence the conclusion that competition is worthwhile only if the community and consumers are better for it and that competition for its own sake or to

deliberately injure another business was not permitted (Kahaner, 2003).

#### **2.1.1A parable about competition**

Rabbi Meir of Premishlan, Ukraine, who was one of the leading sages of the early 19<sup>th</sup> century is featured in this parable about how a person's mind can be clouded by competition that does not really exist. The story also addresses the need to have faith in God's abundance, a very important fact which when misunderstood leads to unethical business practices. A follower of Rabbi Meir complained to him about a man who had started a competing business and wanted the rabbi to tell him to close his shop because he felt that he was taking away his livelihood. The rabbi said to the man, have you ever observed how a horse behaves when he is led to a water hole? He begins to paw angrily at the water with his hooves. Only when the water is well-muddied and less tasty does he begin to drink. Why does the horse act this way? The rabbi answered because the horse sees his reflection in the water and thinks that another horse has come to drink his water. So he kicks and paws until he has 'chased away' the other horse. What the horse does not understand is that God has created enough water for all the horses [which principle if well understood will lead to ethical business practice as well as ethical CI] (Kahaner, 2003: 178). This parable tells us that no matter how intense the competitive environment might appear, there is always an ethical way for business survival that can only be seen or found through full embracement of CI.

#### **2.1.2 Who are your company's protectors?**

In this competitive age who then are considered to be the protectors of companies? This article presents a story about three Palestinian rabbis who were sent on a fact-finding mission to assess the state of education throughout the country. They came upon a town that did not seem to have any teachers, and they asked the townspeople to bring to them the protectors of that town. The townspeople brought forth the town's militia to which the rabbis told them that they were not the protectors of the town but actually the destroyers. The townspeople then asked the rabbis who, then, are the protectors of our town and the rabbis replied the teachers. This story illustrates that an educated workforce is a company's best defense against aggressive competitors and the vagaries of the marketplace. While many companies spend much of their resources protecting themselves from outside threats, they would be wiser to strengthen their market positions from within, through increased education of their workforce, that is, through investing in CI (Kahaner, 2003:189).

## 2.2 Definition of competitive intelligence

The concept of CI is multifaceted and fuzzy. CI is variously presented as a process, a function, a product, or a mix of all three (Gilad and Gilad, 1988). Adding to the confusion is the multitude of terms and varying definitions of the same terms (for examples of definitions, one needs to see Westney and Ghoshal, 1994; Fuld, 1995; McGonagle and Vella, 1998; Pollard, 1999; Fahey, 1999; and Fuld, 2000 cited in Bergeron and Hiller, 2002). CI is also called by many different terms such as corporate intelligence, marketing intelligence, strategic intelligence, tactical intelligence, social intelligence, competitor intelligence, technical intelligence and business intelligence (Bergeron and Hiller, 2002). Adding to the confusion is the multitude of varying definitions of the term.

This article adopted a definition by Pellissier and Nenzhelele (2013) who define CI, based on their comprehensive study of fifty varying definitions, as a process or practice that produces and disseminates actionable intelligence by planning, ethnically and legally collecting, processing and analyzing information from and about the internal and external or competitive environment in order to help decision-makers in decision-making and to provide a competitive advantage to the enterprise.

McGonagle and Vella (2002) bring in the use of public sources to develop data on competition, competitors, and the market environment. Public, in CI, means all information one can legally and ethically identify, locate, and then access (McGonagle and Vella, 2002). To understand CI, one must first clearly understand what is meant by “public”, that is, where the raw data one needs is located. “Public” in CI is not equivalent to published; it is a significantly broader concept (McGonagle and Vella, 2002). CI has become a very critical concept in business as Hillel states that, “one who does not increase his knowledge, decreases it”

(Kahaner, 2003:183). That is banks need to continuously increase their business, market environment, both internal and external as well as the regulatory framework knowledge.

The role and importance of CI can be equated to a story of a giant ship engine that failed. The ship’s owners tried one expert after another, but none of them could not figure out how to fix the engine until an old man who had been fixing ships since he was young was called. He carried a large bag of tools with him. After inspecting the engine carefully from top to bottom, with the two owners watching, the old man pulled out a small hammer and gently tapped something and instantly the engine was fixed. A week later, to the surprise of the owners, they received a USD10 000.00 invoice. So they wrote to the old man requesting an itemized bill. The old man sent a bill that reads:

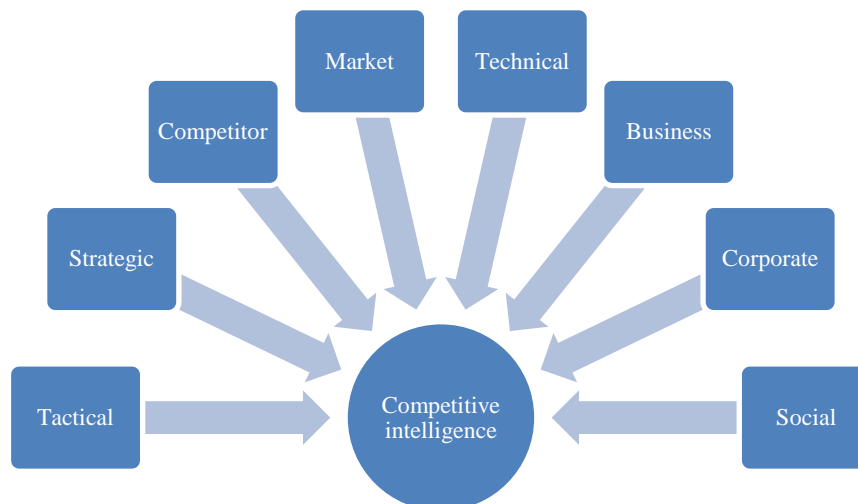
Tapping with a hammer USD2.00  
 Knowing where to tap USD9 998.00  
 Grand total USD10 000.00

By this one learns that effort is important, but knowing where to make an effort in life and in business decisions makes all the difference and that is CI.

## 2.3 What kinds of competitive intelligence are there?

Today, CI, as it is practiced, is often divided into different, but overlapping, types. Competitive intelligence covers numerous “sectors” of intelligence and some of them include: strategic, competitor, tactical, market, corporate, technical, social and business. Together, these sectors create total intelligence. The terms are simple, and communicate how the CI is intended to be used. They each share the common concept of where the data comes from and a common toolbox to help in its analysis. Figure 1 below shows the different kinds of CI.

Figure 1. Kinds of competitive intelligence

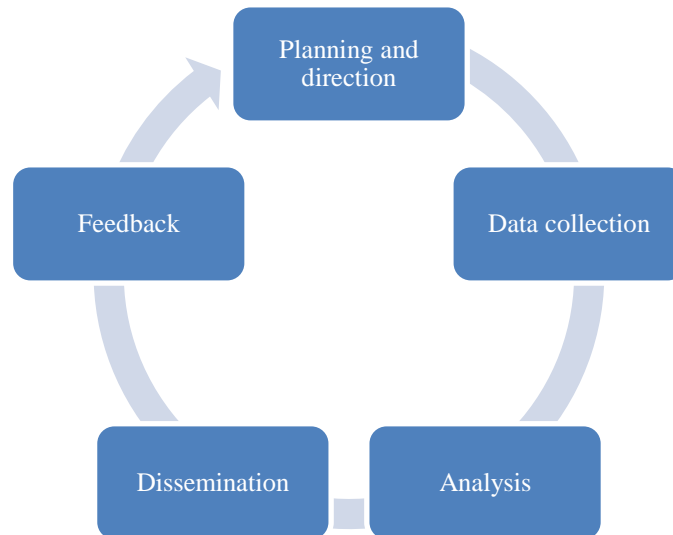


## 2.4 The competitive intelligence process

CI is both a process and a product (intelligence) (Gilad and Gilad, 1988). The process of CI is the action of gathering, analyzing, and applying information about products, competitors, suppliers, regulators, partners, and customers for tactical and

strategic planning needs of an organization (Kahaner, 1998). An effective CI process, according to the Strategic and Competitive Intelligence Professionals (SCIP), is run in a continuous cycle, called the CI cycle as shown in Figure 2 below.

Figure 2. The competitive intelligence cycle



SCIPs describes the CI cycle as the process by which raw information is acquired, gathered, transmitted, evaluated, analyzed and made available as finished intelligence for policymakers to use in decision-making and action (Bose, 2008). There are five phases which constitute this cycle as shown in figure 2 above:

- (1) Planning and direction;
- (2) Collection;
- (3) Analysis;
- (4) Dissemination; and
- (5) Feedback.

The first phase planning and direction – define the company’s requirements in terms of what information is needed? Why is it needed? When is it due? – is performed iteratively involving both the CI analysts and decision-makers. It involves working with decision-makers to discover their intelligence needs and then translating those needs into their specific intelligence requirements known as key intelligence topics (KITs) (Krizan, 1999; Weiss, 2002). KITs are those topics identified as being of greatest significance to an organization’s senior executives, and which provide purpose and direction for CI operations.

The collection activities include identification of all potential sources of information and then research and gather the right data legally and ethically from all available sources and put it in an ordered form. The analysis, a crucial step, involves analyzing collected data to identify patterns, relationships, or anomalies in it. In other words, it involves interpreting and

translating the collected raw data into “actionable intelligence” (Miller, 2001). Analysis encompasses a systematic examination of relevant data, information, and knowledge collected, for applicability or significance, and the transformation of the results into actionable intelligence that will improve planning and decision-making or will enable the development of strategies that offer a sustainable competitive advantage (Bose, 2008). The most profitable or beneficial analysis calls for creativity and insight; and ability to look beyond the obvious (Bose, 2008). Sometimes it is referred to as strategic analysis.

Dissemination, report and inform, is the finished product or the CI communicated back to the decision-makers in a format that is easily understood (Krizan, 1999; Miller, 2001). Often, dissemination or communication of the findings takes the form of a report, a dashboard, or a meeting (Bose, 2008). These findings are used as inputs to conduct further analyses such as competitor profiling, scenario planning, and scenario analysis. Feedback, evaluation, is the final phase in the cycle. Feedback activities involve measuring the impact of the intelligence that was provided to the decision-makers (Bose, 2008). Feedback activities therefore provide the analyst with important areas for continuous improvement or further investigation. The rewards from institutionalizing a CI program that follows the CI cycle are evident in many companies (Bose, 2008).

## 2.5 Brief background of the Zimbabwean banking sector

In Zimbabwe, the banking sector has gone through five distinct phases. Banks operated under semi command economy from 1980 to 1990. Bank viability and profitability were guaranteed and no bank failures were recorded. There was no dynamic and meaningful competition in the financial sector.

The period 1991 to 2000 represents the second phase in the development of the sector. This entailed the removal of market-segmentation and facilitated the entry of more institutions into the sector. This led to the entry into the market of several commercial banks, discount houses and later asset management companies. The liberalization was also designed to move the economy away from an inefficient and monopolistic private sector.

The period 2000 to 2004 represents the third phase. The influence of political factors has been felt since 2000. The main factor has been the land reform that started in year 2000. This created shifts in relations between the country, the international donor community and investors. This period also witnessed the imposition of targeted sanctions. This marked the beginning of the country's economic meltdown. The economic meltdown witnessed the collapse in the local currency and an unprecedented rise in inflation as well as the near collapse of the financial services sector. At the peak in January 2004, annual inflation reached 622.8% before dropping to 132.7% in December of 2004 (Gono, 2005). As a result the black market emerged and other unorthodox means of making profits by the banking sector though the profits short-lived because of the collapse of most banks (mainly locally owned banks) and the clampdown on the black market transactions by the central bank. This phase was also marked by an adverse macroeconomic environment, shift from core banking business to speculative transactions, poor corporate governance, risk management practices and insider dealing.

To enhance supervisory processes the central bank had to issue a number of guidelines such as corporate governance, risk management and special purpose vehicle, securitization and structured finance as a way of monitoring bank activities.

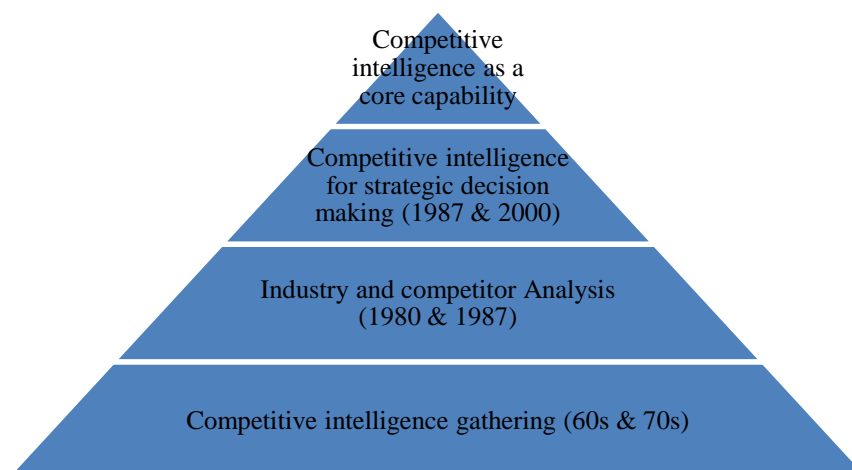
The financial crisis of 2004 to 2008 marked another phase, which is considered to be the fourth phase. The phase was marked by hyperinflation, the critical foreign exchange shortages, inadequate inputs and the general capacity underutilization across all major sectors of the economy. This period also witnessed the global financial crisis, which has been dubbed the worst since the 1930's (Gono, 2009). The country suffered bouts of cash shortages and witnessed the massive printing of cash by the central bank. Annual inflation reached 26 470.8% as of November 2007 (Gono, 2008). The banking sector also witnessed mandatory restructuring, non-performing loans, imposition of the management of curatorship in a number of banks. The period was also marked by political challenges after the disputed 2008 harmonised elections. This phase led to the fifth phase.

The period 2009 to current marked the fifth phase. This phase witnessed two major events which are; the liberalization of the exchange control policy framework (the multi-currency regime) and the unveiling of the inclusive government (Global Political Agreement). The phase witnessed the drop in annual inflation rate to a single digit, political stability and stable economic environment. The market remains illiquid due to lack of foreign direct investment (FDI), offshore credit facilities and portfolio investment inflows.

## 2.6 The evolution of competitive intelligence

Prescott (1995) wrote one of the first modern insights into the evolution of CI. He identified four stages in CI development as illustrated by Figure 3 below.

Figure 3. Stages in competitive intelligence evolution



CI gathering (CIG) (60s & 70s) - In the CIG stage of CI the key defining event was the book "competitive strategy" published by Michael Porter in 1980. Personnel involved in CI activities were located mostly in Library or Marketing departments and their primary skill was capability to find information. Despite the fact that organisations collected large amount of data, over gathered data rarely were applied some static analyses. Another important thing was represented by very weak connection between CI and decision-making process. Development of skills in information acquisition was the key issue of this stage.

Industry and competitor Analysis (1980 & 1987) - In this stage of CI, the key defining event was the founding of the society of CI professionals (SCIP). According to Prescott (1995), CI personnel switched from Library functions to Marketing and Planning functions. He explained that CI activities remained tactically oriented whereby the spy image began to evolve, and there was very little by way of quantitative data analysis (Prescott & Gibbons, 1995).

CI for strategic decision-making (1987 & 2000) - In this stage, Prescott established the CI review as the key defining event. This stage showed CI contributing to strategic decision-making that was built into dedicated formal units, either own or within their marketing or planning. Since then, CI activities have been oriented to both tactical and strategic decision-making and include qualitative and quantitative analysis. CI receives moderate attention from top management and is often a valuable

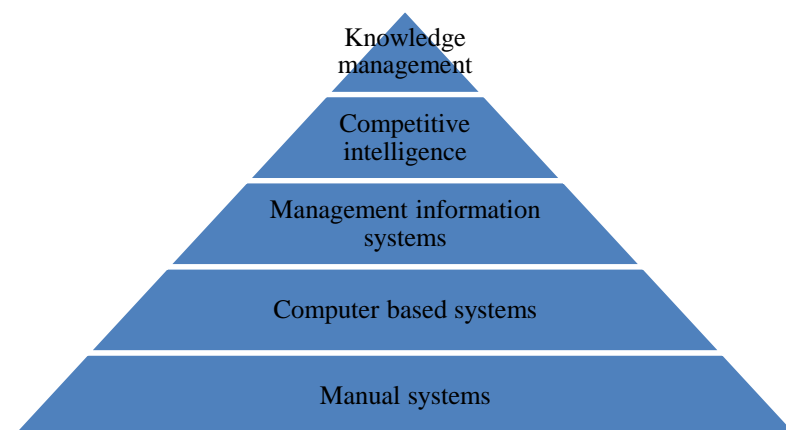
contributor to strategic decision-making (Prescott & Gibbons, 1995).

CI as a core capability - This represents the present stage in CI evolution. In this stage of CI the key defining event is represented by CI courses taught in Universities and Business Schools across the world. Personnel involved in CI activities are located mostly in CI units, Planning or Marketing. CI personnel applied qualitative analysis and information and knowledge over gathered data and this represent a raw material for decision making. Managing the parallel process, intelligence infrastructure for multinationals, CI as learning, as well as network analysis became the key issues of this stage.

## 2.7 The evolution of competitive intelligence in banks

Banks and financial institutions have over the years compiled huge amounts of business and customer data into large electronic repositories (Misra, 2007). This data has been always a liability as it was locked inside the repositories. To turn data into an asset, its inherent value needs to be extracted by unlocking, analysing and recognising its patterns. This is where CI plays a crucial role. CI became an important component in banks when banks began implementing information technology based strategies (Misra, 2007). CI has helped to improve products, enhance customer relationships, make better forecasts based on past trends, handle competition, manage risk and increase operational efficiency on the way to a healthier bottom line. Figure 4 below shows the developmental stages of CI in banks.

Figure 4. Evolution of competitive intelligence in banks



The manual system in banks was prevalent before the use of computers, when banking operations were small and limited mainly to branches (Misra, 2007). These systems involved the manual recording of branch transactions and the generation of rudimentary reports from manual ledgers, which were consolidated with those of other branches into a final

report for the bank as a whole. Here, CI was limited to simple reporting of banking transactions only.

As banks grew in size, channels and geographical footprints, their transactions jumped multifold. Manual reporting, which was time consuming, error prone and filled with redundancy, proved unequal to the task and made way for automated systems (computer-based systems) (Misra,



2007). Banks began to depend on technology to manage their huge volumes of data. With the introduction of computers in banks, branch-wise computerized reports, mostly Microsoft Excel spreadsheets were consolidated at bank level. However, these reports were not very comprehensive and were limited to banking transactions hence, their failure to fully support decision-making.

The search for higher decision support capability led to the introduction of management information systems (MIS), which are specialised techniques and tools used in a CI framework. These systems crunch simple banking data into comprehensive insights that guides key business decisions. Today, the scope of CI extends beyond mere reporting of banking transactions to other areas that impacts the banking business as a whole (Misra, 2007). CI techniques like data mining have helped banks to get a 360-degree view of data and drill it down extensively to make informed decisions. CI has led to knowledge management (KM) which has become a key component for decision-making.

The concept of KM concerns the creation of structures that combine the most advanced elements of technological resources and the indispensable input of human response and decision-making (Raisinghani, 2000). The globalization of the banking sector has forced bankers to be knowledge-based and be more efficient in managing knowledge. The importance of this function has been accentuated further by the global call to integrate the concepts of KM in banking operations. These concepts include knowledge creation, knowledge retention and knowledge sharing and more importantly, how each of these elements can be integrated in enhancing decision-making.

## **2.8 Competitive intelligence in Zimbabwe**

CI, as it is known today, is actually an amalgam of disciplines (Juhari and Stephens, 2006). Historical records reveal the important role that intelligence has played in the history of countries (Underwood, 2002). Accordingly, CI evolved from developments in economics, marketing, military theory, information science, and strategic management (Fuld, 1985; Helms, Etkin, and Morris, 2000; Prescott and Miller, 2001).

Intelligence issues are not alien to Zimbabwe as traditional chiefs have been recognised as custodians and fountains of knowledge as they made consultations with their council machinery or court system before taking any decision. CI in Zimbabwe has a long history that can be traced back to the way the ancestors lived although part of this history was not documented as it was passed through oral tradition. However, there is evidence on the ground through archeological activities to show how intelligence emanated. One is tempted to think that

intelligence in Zimbabwe dates even back to the construction of the great monuments like the Great Zimbabwe, by ancestors of the Shona people that started in the 11<sup>th</sup> century and continued until the 14<sup>th</sup> century, spanning an area of 722 hectares. Great Zimbabwe is considered the largest in Africa after the Egyptian pyramids (Beach, 1998). The way Great Zimbabwe was built with three distinct architectural groups known as the hill complex, the valley complex and the great enclosure tells the whole story behind the intelligence of the people who built the monuments. Garlake (2002) claims that Great Zimbabwe became a centre for trading which formed part of a trade network linked to Kilwa and extending as far as China. Intelligence can also be traced back to the way the ancestors administer their empires, to the Masvikiros, the rain-making activities at Njelele and Matonjeni at Matopos hill together with many other activities. Zimbabwe has also developed its own intelligence during and after its wars of liberation in 1896-1897 and 1966-1979 as traces of CI in many countries has been linked to the military (Juhari and Stephens, 2006). The above background together with international practices has helped companies to develop their own intelligence strategies for survival. Zimbabwe is considered to have the most effective and efficient intelligence unit in Africa although unauthenticated. However, more recent internal economic events had much impact towards the developed of CI in Zimbabwe.

The impact of the local financial crisis that started in 2003 as well as that of the global financial crisis of 2008 had far-reaching effects on the Zimbabwean financial services sector. This had much bearing on the embracement of CI by banks as a means for survival. The most evident impact of the crises was the declining demand for local and regional exports, depressed global commodity prices, job losses and currency dislocations.

The global financial crisis resulted in the decline in the level of international capital inflows as well as foreign aid as countries attempt to consolidate their financial positions. This, however, contributed to market-wide illiquidity and hampering effective financial intermediation by the banking sector, particularly, to the productive sectors of the economy (Gono, 2010). The banking institutions pursue strategic alliances and partnerships that enabled them to access foreign lines of credit and international capital markets. The year 2009 marked the liberalization of the foreign exchange control policy (the multi-currency regime) by the ministry of finance. This, however, intensified the already competitive environment in the absence of a lender of last resort as well as the absence of the interbank market. All these challenges together with the lost confidence and trust by depositors as a result of some bank failures, resulted in banks adopting survival strategies to compete in the market. Due to the fierce competition, especial for deposits, CI became a

prerequisite for banks to survive and those that survived did so because of CI.

However, the development of CI in the country has been hampered by the absence of organizations and associations such as the strategic and competitive intelligence professionals (SCIPs) that promotes the embracement of CI. The absence of such associations have resulted in the lack of conferences devoted to CI, little or no publication of books and articles dedicated to CI in Zimbabwe previously. However, of note has been an increase in the number of courses and degree programmes in intelligence and this include a masters degree in business intelligence that is being offered by Chinhoyi University of Technology. Bindura University of Science Education also offers a bachelor of commerce honours degree in financial intelligence as well as a diploma in intelligence and security.

However, a lot needs to be done to develop the concept of CI in Zimbabwe. There is need to introduce a number of CI programmes up to PhD level that target the academia as well as bank executives and to develop a SCIP chapter amongst other things.

### **3 Research Methodology**

This article, a literature and conceptual research, used a philosophical inquiry as a research design. The purpose of philosophical inquiry is to perform research using intellectual analysis to clarify meaning (Burns and Grove, 1993). The methods used in conceptual analysis are thinking and analytical comparisons with existing literature and knowledge (Pirttimäki, 2007). Lynham (2002:245) suggests that conceptual thinking and writing are the first steps in the theory development process and posited that the first step is to identify "the units of the theory, also known as the concepts of the theory." The purpose of this article is to provide a conceptual framework of CI's role in Zimbabwe's banking sector.

This article adopted the Wilsonian methods (1963/1987) of concept analysis (Wilson, 1963/1987). The purpose of concept analysis is to give meaning, develop, delineate, compare, classify, refine and validate concepts as well as develop measuring instruments (Botes, 2002). Concept analysis is an essential element of theory development and research (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). According to Rodgers and Knafl (1993:2), "in the literature on research methods, the conceptual basis for a study often is discussed as the hallmark of excellence in an investigation. In theory development literature, concepts are widely recognized as the 'building blocks' from which theories are constructed." Concepts are the basic building blocks of scientific knowledge or theoretical frameworks for any discipline. The strength of the theories that guide a discipline is dependent on the quality of the concept analysis (Botes, 2002). Conceptual frameworks, for

example, are needed for describing new phenomena or categorizing and organizing information (Pirttimäki, 2007). According to Emory (1985), precise analysis and definition are required before a phenomenon can be quantified or measured. Hence, exactly defined concepts are a necessary starting point for successful scientific research. Therefore, conceptual analysis is indispensable for any theory.

The methods of Wilson (1963/1987) are based on a philosophical design, a literature study and intellectual analysis without empirical (qualitative or quantitative) methods. The absence of empirical methods contributes partly to the limitations in the results of concept analysis by Wilson-derived methods (Gift (1997). It is, however, apparent that the major problem with the Wilsonian-derived methods is the absence of empirical methods that could provide triangulation and rigor to the analysis of concepts. To overcome the limitations of the Wilsonian methods, literature combined with quantitative and qualitative approaches can be employed in conducting a concept analysis (Botes, 2002) which is a future consideration.

### **4 A conceptual framework of the role of competitive intelligence in banks**

Summarily, studies have shown that the evolution and embracement of CI in Zimbabwe has led to the survival and growth of some banks. Figure 4 below shows a conceptual framework of the role of CI in banks. The conceptual framework was driven from the assets-processes-performance (APP) framework that was developed by Momaya and Ajitabh (2004).

Below is a discussion of some of the elements of the conceptual framework shown in Figure 5 below. Marketing analysis means the analytical activities in which banks engage in order to understand their revenue generation fundamentals. With a well-architected CI in the banking environment, marketing analysis helps banks in near real-time to see their current and long-term revenue trends and to understand the underlying drivers of revenue growth. With the help of appropriate tools, data about hundreds of millions of individual transactions is being mined to answer the fundamental marketing questions banks had. Armed with better information, banks have been more effective in attracting new customers, retaining profitable customers, and achieving a sustainable revenue portfolio. Furthermore, banks are now able to understand the relationship between channels and profitability and able to incentivise the use the more profitable channels. In general, it has been shown that one of the most profitable uses of CI in banks is in better understanding the relationship among customers, products or services, and revenue generation a notion supported by Williams and Williams (2010).

With the ability to sift through millions of detailed records about business transactions with



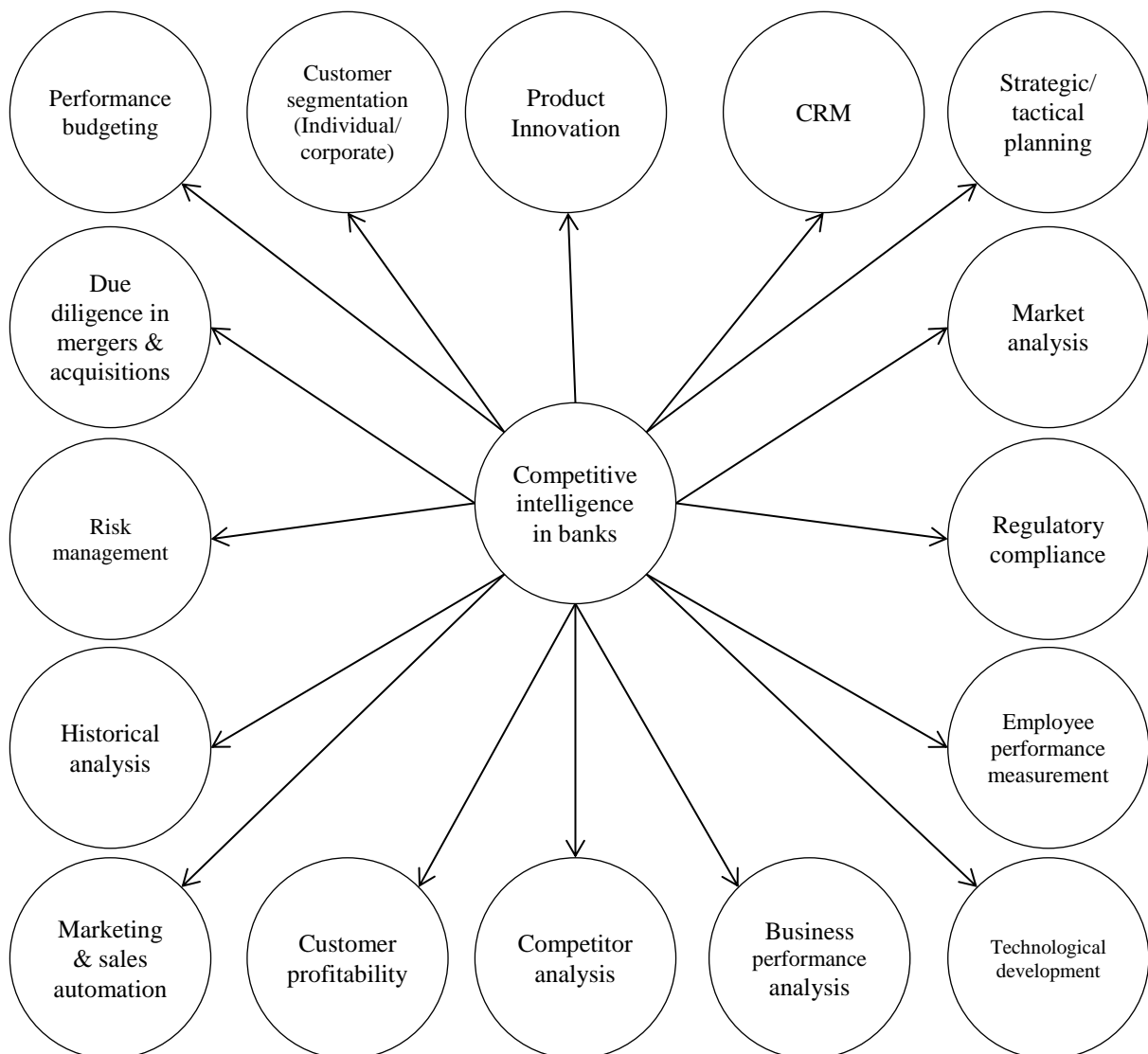
customers, banks have gained the ability to substantially extend the practice of customer segmentation. In the past, most bases for customer (market) segmentation were so-called a priori bases; that is, they were based on information one could know about customers as a group and in many cases without having any insight into individual customer's behaviour.

CI-driven market analysis and customer segmentation provides a much richer understanding of customers and what they value as input for advertising, direct marketing, and public relations (PR) campaigns, whether they are focused on product or service awareness, product education and positioning, brand building, countering rival campaigns, public image, or a call to purchase. Aside from effective presentation, advertising, direct marketing, and PR campaigns are about message, and CI provides an effective means of understanding the intended recipients of a given message. Further, CI provides the ability to measure the effectiveness of

advertising and direct marketing that is directed towards increased revenues.

Williams and Williams (2010) claim that customer relationship management (CRM) means different things to different people. To the vendors who coined the term, CRM is the packaged enterprise software they sell, which has both transactional and CI functionality relating to customers and to sales activities. For CI vendors, CRM means (among other things) pre-packaged software applications for analysing customer behaviour and sales force performance. This application is at the centre stage of CI in banking (Misra, 2007). It is difficult to assess whether it is driven by technology or business. Traditional or conservative banking business models especially Indian banking industry relied heavily on personal relationships that the bankers of yesteryears had with their customers. To that extent, 'relationship' in the present version of CRM is a misnomer.

**Figure 5.** Conceptual framework of role of competitive intelligence in banks



CRM is an industry term for the set of methodologies and tools that help an enterprise manage customer relationships in an organized way. It includes all business processes in sales, marketing, and service that touch the customer. CRM software tools have enabled banks to build databases about their customers that describes relationships in sufficient detail so that management, salespeople, people providing service, and even the customer can access information, match customer needs with product plans and offerings, remind customers of service requirements, check payment histories, and so on.

A CRM implementation consists of the following steps: Find customers; get to know them; communicate with them; ensure they get what they want (not what the bank offers); retain them regardless of profitability; make them profitable through cross-sell and up-sell; convert them into influencers; and strive continuously to increase their lifetime value for the bank.

The most crucial and also the most daunting task before banks is to create an enterprise wide repository with 'clean' data of the existing customers. It is well established that the cost of acquiring a new customer is far greater than that involved in retaining an existing one. Shifting the focus of the information from accounts tied to a branch, to unique customer identities requires a massive onetime effort. The task involves creating a unique customer identification number and removing the duplicates across products and branches. Technology has helped here but only in a limited way. The transition from a product-oriented business model to a customer-oriented one has not been an easy task for the banking industry. It is true of all the banks, Zimbabwean or otherwise. It is also true of all Zimbabwean banks; private, public, or foreign; and of whatever generation.

Theoretically, banks transform, distribute and trade financial risks in their role of a financial intermediary. However, the risk management discipline as it is known today has its roots in statistical techniques, which require historical data, both internal and external. Statistical models for measurement of various risks such as credit, market, and interest rate depend on the availability, accuracy and amount of historical data for their predictive power. Though most of this data gets generated out of banking transactions, it needs to be extracted, cleansed and transformed before it can be used in risk measurement models. Most of the risk management in Zimbabwe banking industry has been regulator driven.

Regulatory compliance requirements in the banking industry worldwide are on the increase. Basel II and III, anti-money laundering, Corporate Governance Guideline; Minimum Internal Audit Standards in Financial Institutions Guideline; Framework on the Relationship Between Bank Supervisors and Banks' External Auditors;

Accreditation of Credit Rating Agencies, Guideline; Risk Management Guideline; Risk Based Supervision Policy Framework Guideline; Special Purpose Vehicle, Securitisation & Structured Finance Guideline and Consolidated Supervision Policy Framework Guideline are some of the regulatory requirements for banks in Zimbabwe. All these regulatory requirements share one common feature – they are data-intensive. Some of these requirements are now quite stringent about the quality of reporting, making the chief executive officer (CEO) and the chief information officer (CIO) personally liable for the correctness of the reports. Regulatory reporting, therefore, requires a properly-audited data collection and collation process. However, all these CI applications cater for the needs of the top management in banks. But, line managers have a different set of CI requirements, which differ from those of the top management.

The degree to which strategy making is an interpretative, creative, and innovative process has a strong bearing on how well a bank is able to perform in the face of increased environment challenge and complexity. High-performing banks tend to collect CI from many media when environmental uncertainty is high, and they do not have a limited scanning pattern (Daft, Sormunen, and Parks, 1988). It is possible to link the performance of a bank with its level of CI (Babber and Rai, 1993). A bank that collects and utilises CI is more likely to also become a high performer. On the contrary, banks that use whatever CI they can easily come across through the media are likely to be mediocre performers at best. This is because high performers will have an eye on the market, gathering information on a continuous basis and scanning many players simultaneously (Babber and Rai, 1993). They therefore limit their levels of uncertainty and are capable of taking advantage of changes in the competitive environment. However, it is erroneous to assume that this practice yields results instantly. CI is a culture that has to be embraced, learned and practised in order to be used regularly and efficiently.

Today's increasingly competitive business environment places tremendous pressure on banks. They need to thoroughly understand the major activities, policies and technology that influence marketing activities. In addition, banks need to be able to predict or forecast what the next major development is and prepare to take advantage of it faster, cheaper and better than their competitors. This calls for a depth of understanding of the market landscape. This knowledge must be coupled with that of market trends, technology, innovation and the regulatory framework. This market awareness often acts as a mirror for banks. When a competitor's threats and weaknesses are correctly analysed, banks will be forced to look inwards to their own loopholes and assess why they have not taken advantage of an opportunity that revealed the competitors' strength.

This reflection translates into a skills and capabilities audit that can only improve banks in the long-run.

Strategic planning generally consists of finding a match between the skills and capabilities of the firm and the demands of the market. The problem is that the market place is dynamic and so plans have to shift with the changing requirements of the market. This is where most banks lose out as they are not ready to invest time and effort necessary for this. To be precise, it is difficult to achieve strategic fit without actionable CI input. It is the information gathered by a continuous CI process that forms the raw material for strategic decisions that have a long-term impact in the performance of banks. Evidence suggests that CI activity leads to higher quality strategic plans (Ghoshal and Westney, 1991). Unfortunately, some banks fail to integrate CI into the planning process. One key reason appears to be a lack of awareness of the appropriate and relevant types of CI (Rhyne, 1985). Some banks fail to reap this benefit even with a CI system in place because they have not integrated CI into the planning process (Rhyne, 1985). CI-initiated strategic plans therefore need not only the expert CI knowledge but also management support.

Since many banks embraced the marketing concept, product and service quality has taken pre-eminence like never before. In recent years, much attention has been paid to product / service quality. It has focused on quality from the consumer's perspective and relative to other offerings in the market (Buzzell and Bradley, 1985). It is inevitable that when information from a competitor is gathered and analysed, banks benchmark themselves against a better player in the market. Aspects of the competitors' supplier relations, production, technology, marketing and consumer response thus translate into relevant specific targets for banks. If this is acted upon, it cannot fail to result in improved products and service quality. Hence, it can be anticipated that CI activity would be directly linked to increased product/service quality.

## **5 Recommendations and areas for further research**

This article provides the following recommendations that will enhance the role of CI in the entire banking sector as well as in other sectors of the economy.

CI should assist management in developing and reviewing its strategies. These reviews should be ongoing considering the dynamism of the operating environment as well as helping to alert top management on important issues not on the agenda. In the same way the Jewish sages kept turning over the Talmud to find new answers, businesses very often find that the solution to a gnawing business problem is right in front of them if they continue to turn it over (Kahaner, 2003). This is why CI is very critical in championing the organisational strategy.

Companies must invest much in their workforce's education especially in CI. Companies should as well partner with universities to offer CI degrees and courses to their employees like what Delta Wire did in the early 1980s when it arranged a three-year program through the local community college and Mississippi State University that covered everything from basic reading and math skills to statistical process control. By the early 1990s, the company not only enjoyed low turnover and 20 percent growth in employment, but received awards for quality from its largest customers (Kahaner, 2003). Kahaner (2003) states that an educated workforce is a company's best defense against aggressive competitors and the vagaries of the marketplace. While many companies spend much of their resources protecting themselves from outside threats, they would be wiser to strengthen their market positions and growth strategy from within, through increased education of their workforce [in CI] (Kahaner, 2003). Companies should also embrace the idea that continuous education is the key to survival during highly competitive times as Hillel says in Kahaner (2003:183), "One who does not increase his knowledge, decreases it." Hillel continued the thought by saying: "He who does not study undermines his right to life" (Kahaner, 2003:188). This shows how important continuous education is for organizational survival in a competitive environment.

According to the Jewish business ethics, the first question an individual is asked in the afterlife at the final judgment is: "Were you honest in your business dealings?" (Babylonian Talmud, Shabbat 31a). Hence, the importance of conducting ethical business dealings as well as ethical CI.

This article also recommends the establishment of a SCIPs Chapter in Zimbabwe. A SCIPs Chapter will go a long-way towards the development and full embracement of CI by many organizations in general and banks in particular considering the dynamism and sensitivity associated with the banking sector as well as the intensity of competition in the global financial market environment. The embracement of CI will assist banks in sustaining their growth path as well as improving their competitive strategy and advantage in the global market.

The field of CI in the banking sector is rich in potential future research opportunities. Commentators, bankers and consultants alike are continuously searching for better way of doing things. For the same reason the subject continues to provide a rich field for future research on almost every element thereof. Some of the current topics that could provide both research stimulation and academic value might include; CI positioning in banks, ethical CI and the Talmud/Torah. The Talmud/Torah is proving to be a rich source of business strategies and knowledge/wisdom for success.

## 6 Conclusion

The purpose of this article was to provide a conceptual framework as well as an analysis of the role of the CI concept in Zimbabwe's banking sector. It was found that although CI was multifaceted, fuzzy and multidimensional with a multitude of varying definitions; its role in banking sector was critical and irreplaceable. Its role has been in CRM, product innovation, market analysis, regulatory compliance, competitor analysis, customer profitability, risk management, due diligence in mergers and acquisitions as well as performance budgeting. It was also found that banks that embraced ethical CI achieved growth and competitive advantage. Hence, David Amalek's words of wisdom from the Psalmist (Psalms 15) that describes some of the attributes of a virtuous individual, as the basis for embracing ethical CI, as follows:

God, Who may sojourn in Your tent? Who may dwell upon Your holy mountain? One who walks in total integrity, does what is right, and speaks the truth from his heart. One who has no slander on his tongue, who has done his fellow human no evil nor cast disgrace upon his close one....Whoever does these things shall never falter or be toppled (Psalms 15).

The Psalmist also assures those who have "clean hands and a pure heart" that they will be able to ascend the "mountain of the Lord and stand in His holy place" (Psalms 24:3-4).

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