

## A SAFE AND STABLE BUSINESS ENVIRONMENT THROUGH COMPETITIVE INTELLIGENCE

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### Abstract

*We note, therefore, that one of the notable problems we are currently facing is of an economic nature, of major importance, with real possibilities to destabilize local, national or international security. If a state has enough leverage to cushion the bad impact of sudden changes / threats, a private company can not do the same. At the same time, a weak management leads to the bankruptcy and disappearance of a firm on the market, which can not happen with a state (in the sense that it can go bankrupt but does not disappear, and the economic crisis turns into a political one), as Barry Buzan et al. State (2010, pp. 154-160).*

*From another perspective, however, one of the principles of economic security is that we go into any analysis on the assumption that economic agents work more competitively on an uncertain market. It goes without saying that in the economic environment we can not speak of perfect safety and balance. So uncertainty increases competitiveness, stimulates creative spirit, analytical and predictive capabilities.*

*The aim of this contribution is to investigate the capacity of the business environment to absorb shocks and to set sustainable goals translated into its agenda setting. After the economic crisis of 2008-2014, the vast majority of business have assessed their mechanism of equilibrium bringing forward a new strategy to deal with complex macro-systemic problems.*

**Keywords:** *business environment, competitive intelligence, business competition, economic forecasts, information.*

### Introduction

With the dissolution of U.R.S.S. and the Communist Bloc, the outlook of the international economy is rapidly changing. If until 1989

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we were dealing with two large blocks: the capitalist and the communist one, fundamentally different and with no major economic exchanges except with each other, the beginning of the '90s comes with major changes. Liberalization of markets (including capital markets), emergence and development of new markets, reorganization of customs tariffs, all these have led to the need of giving greater importance to economic security. The interdependence of states now depends on their ability to co-operate, to exchange and to influence each other from an eminently economic perspective. They understand that their security now also depends on the domestic economic environment, the trade relations it carries out, but also the international situation or state of affairs. It is important to note here that one of the incipient arguments of European integration was the joining of the heavy industries of coal, steel, nuclear, and the replacement of independence with the interdependence of states in this regard.

The *Global Risks Report 2018*, an annual study published by the World Economic Forum, globally examines studies and identifies the risks that humanity faces in the coming year. The latest report, dated January 2018 (which emerged from the Davos-Switzerland meeting, having as the central theme of debates: *Creating a Shared Future in a Fractured World*), identifies a heightened risk in the following areas:

- a) Persistence of social and economic inequalities.
- b) Political tensions at national and international level.
- c) Environmental hazards.
- d) Cyber-vulnerabilities

We note, therefore, that one of the notable problems we are currently facing is of an economic nature, of major importance, with real possibilities to destabilize local, national or international security. If a state has enough leverage to cushion the bad impact of sudden changes / threats, a private company can not do the same. At the same time, a weak management leads to the bankruptcy and disappearance of a firm on the market, which can not happen with a state (in the sense that it can go bankrupt but does not disappear, and the economic crisis turns into a political one), as Barry Buzan et al. State (2010, pp. 154-160).

From another perspective, however, one of the principles of economic security is that we go into any analysis on the assumption that economic agents work more competitively on an uncertain market. It goes without saying that in the economic environment we can not speak of perfect safety and balance. So uncertainty increases competitiveness, stimulates creative spirit, analytical and predictive capabilities.

### **The European Vision**

For the period 2021-2027, the European Commission foresaw a doubling of the budget for the social sector, entrepreneurship and sustainable infrastructure. Based on the recommendations of a high-level expert group, the Commission has also established a roadmap to promote the role of funding in delivering a sustainable economy that achieves its environmental and social goals. The *Sustainable Financing Action Plan (2019)* and subsequent legislative proposals will help investors make informed investment decisions on the basis of clear criteria defining what a sustainable investment is. This plan should facilitate the intensification and expansion of wider investments in sustainable projects both in the EU and globally, as well as stimulate investors to withdraw from non-sustainable investments.

A significant percentage of all enterprises present within the European Union is represented by SMEs (small and medium-sized enterprises) and micro-enterprises. In this respect, the *Small Business Act*, communicated by the European Commission, aims to promote entrepreneurship, ease access to finance and the single European market.

This act, although not binding, has received the support of the European Parliament and provides a guideline and direction for the European business environment.

Europe's economic growth and jobs depend on its ability to support the growth of enterprises. Entrepreneurship creates new companies, opens up new markets, and nurtures new skills. The most important sources of employment in the EU are Small and Medium-sized Enterprises (SMEs). The Commission's objective is to encourage

people to become entrepreneurs and also make it easier for them to set up and grow their businesses (*The Small Business Act*).

This program requires a set of principles, very important for business development:

- “Create an environment where entrepreneurs and family businesses can thrive and where entrepreneurship is rewarded;
- Ensure that honest entrepreneurs who have gone bankrupt can quickly benefit from second chance;
- Adapting public intervention to the needs of SMEs: facilitating SME participation in public procurement and better access to state aid for SMEs;
- Facilitating SMEs' access to finance and developing a legal and commercial environment that promotes the punctuality of payments on commercial transactions;
- Allows SMEs to transform environmental challenges into opportunities;
- Encourage and support SMEs to benefit from market growth”.

(*The Small Business Act*)

At the same time, in terms of facilitating access to finance, there is the *COSME* program (“Europe's program for small and medium-sized enterprises”). This one occurred due to the fact that access to finance remains one of the fundamental problems. “It helps businesses to access markets in the EU and beyond. It funds the Enterprise Europe Network that helps SMEs find business and technology partners, and understand EU legislation; the *Your Europe Business portal* that provides practical information on doing business within Europe. It also finances a number of IPR (Intellectual property rights) SME Helpdesks”. (*COSME* program)

*COSME* aims to help with mentoring and guidance programs for young entrepreneurs, especially those in Young, Woman, and Senior, who need more help and support in starting a new business. Launched in 2014 with a budget of € 2.3 million, this program aims to attract as many people as possible to the business environment, develop competitiveness and entrepreneurship.

Approximately 23 million SMEs have generated more than € 3.5 billion in 2015 as value added while also providing jobs for 90 million people, due to the emphasis on entrepreneurship, innovation and

sustainable economic development. There is, therefore, a growing interest in the European Union in terms of business environment and its development. An improvement in public information and access to information is needed in terms of business environment, the role and involvement of the European Union, its processes and its mechanisms.

There is a need for constant adaptation of small and medium-sized firms to enter new markets, but also to maintain and grow steadily. In addition to funding, European Union programs also offer know-how that is so useful in starting a business. Emphasis is placed on innovation and entrepreneurship, sustainable development and encouragement of the initiative.

Business creativity is rewarded by profit, which is ultimately the goal of everyone starting a business. But beyond profit, one must bear in mind the role of these firms in reducing unemployment by hiring staff, training and qualification.

It is desirable to make a transition from the Administrator level to the Entrepreneur level (an upgrade). If the former only deals with accounting, financial and reporting data, the latter must first of all have vision, critical thinking and developed analytical spirit; to make informed decisions, with a large number of data available.

### **Developing the business environment in Romania**

In order for the business environment to grow and develop, it is necessary that as many companies as possible adapt to the new technologies (this does not simply mean adopting them, but understanding their impact – whether positive or negative); work based on strategies, on plans related to budgets and performance criteria.

At national level, we can find the *Association of Business Intelligence Specialists (ASIA)* – a non-profit entity in Romania set up to develop the Business & Competitive Intelligence field, thus contributing to increasing the competitiveness of companies in our country.

At the international level, the *Strategic and Competitive Intelligence Professionals (SCIP)* is a global nonprofit membership of industry experts, academia and government who come together to build and share strategic intelligence, research decision-support tools, processes and analytical capabilities. “Established in 1986, today SCIP

has chapters around the world, with individual members in nations around the globe. In addition, SCIP has alliance partnerships with independent affiliate organizations in many countries. Specifically, SCIP provides education and networking opportunities for business professionals working in the rapidly growing field of competitive intelligence (the legal and ethical collection and analysis of information regarding the capabilities, vulnerabilities, and intentions of business competitors). Many SCIP members have backgrounds in marketing, strategy, market research, strategic analysis, science and technology, data science, economics". (See more on <http://www.cichina.org/18site/10site/Organizer.htm> or <https://www.scip.org>)

Thus, working methods in the CI are very complex and comprise many areas of activity, bringing together experts from several areas of expertise, from finance to statistics, marketing, or leadership. The necessity of staging and planning work is essential. We are not just talking about a simple data collection (this is essentially the easiest thing to achieve), the transformation of these data, the way we can understand them for our own benefit; it brings added value and long-term advantage.

If CI is used only as a source of information, the company manages to keep up-to-date with what's happening around it. But the ultimate goal is not this, but helping the company to build long-term forecasts and plans, becoming a leader, a trailblazer, not a mere follower. Ideal is to achieve a long-term competitive advantage, stability and continuous development. As Adriean Pirlog (2013) states: "*Security should play a tangible role in the development policies of any business and should be taken into account when establishing budgets for risk and security strategies. The field of security requires a complex approach that goes beyond the dichotomical way that considers the relationship between defenders vs. real or virtual attackers.*"

It is very common for companies to use the method of setting up the main competitor (s) and continuing the fight with them. It is obvious that in a world of globalization, easy access to information, permanent change, this method is obsolete. Vigilance and strategic planning help to quickly identify vulnerabilities and ideally turn them

into opportunities; the key to success is a response time as low as possible.

According to the National Trade Register Office, the number of radiated companies (which cease activity) is on the increase. (See more on <http://www.onrc.ro/index.php/ro>) From the chart below, we notice that the number of firms that cease to work is rising. If in 2014 there are 52,387 radiated companies, the number increases to 53,603 in the following year, while in 2016 the growth is even higher (about 24%), accounting for 66,687 enterprises. However, according to the same source, only the first half of 2018 (January-July) registered 82,060 new firms.

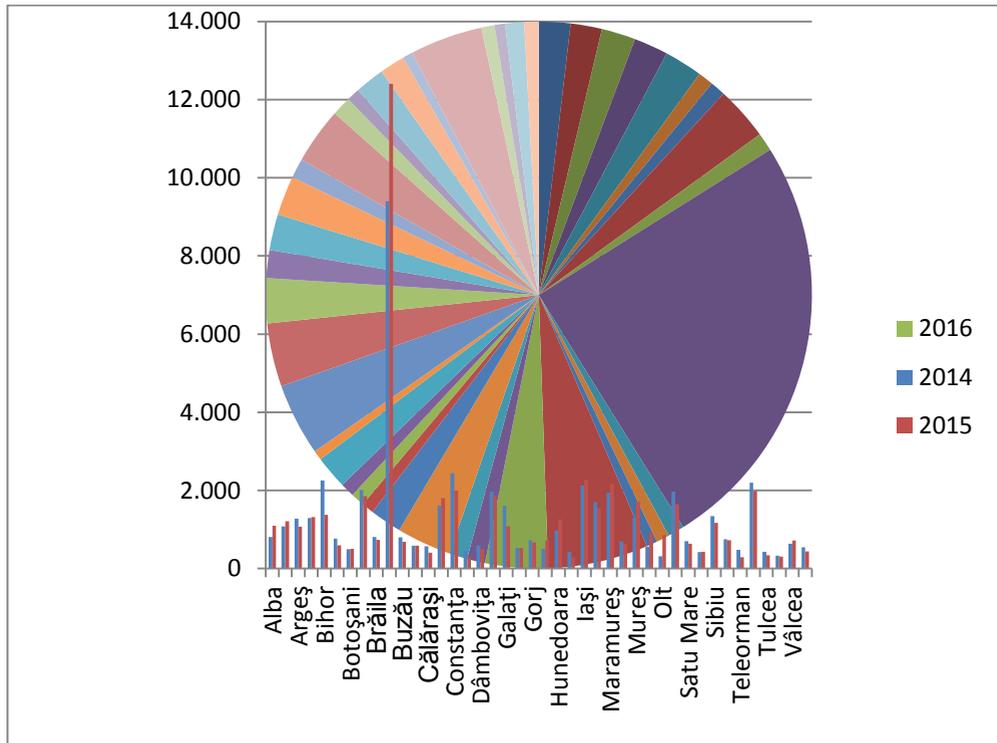


Table no. 1: Statistics on the number of legal persons, radiated between 2014 and 2016, at the county level (Source: the author' idea)

Considering the decrease in the number of active market operators, the tightening of credit conditions in general, the increasing difficulties and risks for starting a business, the Government of Romania adopts an emergency ordinance to stimulate the establishment of new small and medium-sized enterprises called the Start-up Nation Program. It aims to encourage and help the start-up entrepreneurs by offering a maximum amount of 200,000 lei/beneficiary, representing 100% of the eligible expenditure, up to a maximum of 10,000 small and medium-sized enterprises fulfilling the eligibility conditions. At the end of 2017, there were 8,444 signed financing agreements (out of over 19,000 sent files). (See more on <https://start-up.ro>) The interest shown in these program shows that Romanians are interested in becoming entrepreneurs and have business ideas, and the support received from the state motivates and encourages them.

An attempt to boost and revitalize the business environment in our country is therefore noticed. But we can not fail to notice the fluctuation within the Romanian entrepreneurial environment, which may indicate instability, inconsistency or lack of vision. Designing a detailed business plan and strategy is now mandatory.

Douglas Bernhardt, economic and CI analyst, said in his paper *“How to Acquire and Use Corporate Intelligence and Counter-Intelligence”* (2003, pp. 87-90): *“the strategy that is not based on intelligence is not a strategy but a guess”*.

### **Managing vulnerabilities and threats through Competitive Intelligence**

Robert K. Merton, a renowned American sociologist, speaks in his work *“The Matthew Effect in Science”* (1968, pp. 56-63) about the crucial importance of having an initial advantage and how it can be a determining factor in a person's career. The distinguished professor uses an example from the academia, namely, an eminent scientist will get more credit for his work than a lesser known one, even if the work done is the same, and this spiral tends to perpetuate and is difficult, if not impossible, the roles to be reversed (the succes attracts succes and defeat brings defeat).

By extrapolating, we can see the impact of Matthew's<sup>1</sup> effect on the economy as well. It is easier for a powerful multinational company to cope with market fluctuations and find ways to adapt than a small local business. A company operating in several countries at the same time will be able to understand faster the dynamics of capital markets find new financial markets and take priority over acquisitions and mergers.

Nevertheless, national firms may come out of the spiral of the above-mentioned effect, take advantage of multinationals and progress. We can see an example in this respect even on the Romanian market: the entry of foreign firms on the domestic market after 1989 brought about the creation of a competitive framework, new technology, and know-how and capital infusion through foreign direct investments.

At the same time, companies operating on the territory of several countries (even continents) may have problems maintaining their profits continuously. It is possible that the same product may not be marketed in the same form on all markets due to cultural, religious differences, etc.

Neither survival on a market in a certain area is easy and does not come from itself, nor the penetration of new markets and the identification of new competition. Under these conditions, how do companies manage the vulnerabilities they face, meet challenges and resist threats? In this sense, the best performing method of work belongs to the field of Competitive Intelligence.

Company managers do not lack statistical or economic data, etc.; the difficulty consists in analyzing and linking a large number of data, indicators, news, open sources, and based on these, formulating relevant analyzes, forecasts and solutions.

Christopher Murphy in "Competitive Intelligence. Gathering, Analyzing and Putting it to Work" (2005) states that "(...) *any factor that imposes a risk to opportunities or profitability is entrusted to the CI department*". By extrapolating, an analysis of CI experts is useful in avoiding any sensitive / problematic situations that may arise and the

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<sup>1</sup> The name originates from the Gospel after Matthew, in the Bible: "For to everyone who has, more shall be given, and he will have an abundance; but from the one who does not have, even what he does have shall be taken away".

scope of this activity goes beyond the strictly economic sphere. The activity of CI should not be confused with espionage. The latter belongs rather to the state and not to the private environment. Competitiveness through information is one within the limits of legality and ethical principles.<sup>2</sup>

Chris West, in the “Competitive Intelligence” (2001, pp. 222-228), proposes a way of working for the CI activity by targeting a division into four broad categories of information gathering and analysis:

- A. Who are the competitors? (Current or future),**
- B. Competitors' Profiles (Current or Future, Potential),**
- C. Interpretation of data, D. Counter-intelligence.**

A. Studying competition is no longer an exclusive domain of the marketing department. By reducing to essence, all firms compete with each other in the sense that they want a bigger share of consumer revenue. Otherwise, competitors can be at the product level (all companies selling the same products), at industry level (the same product class), or at a wider level, all products or services that meet the same needs. (Kotler, 2000)

B. Compiling detailed profiles of competitors involves collecting a large number of data. A record shall be made out for each of them containing data on:

- “Organization: company structure, headquarters, divisions, production locations, shareholders etc.;
- Financial performance: consolidated key financial performance data;
- Products: product types, raw materials, supplies, new products in testing etc.;
- Production: production capacity, production level, technologies and licenses;

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<sup>2</sup> In the US, “The Economic Espionage and Protection of Proprietary Information Act” has taken out the offense of violating the business secret and the one of stealing private information from under the jurisdiction of the local and state authorities and passed them under the jurisdiction of the federal authorities. There is no equivalent of this law in Romania’s legislation nor in the European Union’s law. However, there are more laws that incriminate the economic espionage.

- Suppliers: who are suppliers of raw materials or equipment?
- Sales and customer base: characteristics and qualifications of the sales force, role of the sales staff, volume and value of sales, sales by applications, sales fluctuation;
- After-sales follow-up: technical support, qualification and number of employees on technical support, response time to requests etc.;
- Distribution: main distributors and distribution channels, fleet, endowments;
- Marketing: direct marketing, advertising, used media, sales promotion, target market segments etc.;
- Website: e-business, hyperlinks to other sites, number of visitors;
- Prices and discounts: price positioning and discount structure;
- Partnerships: joint ventures, licenses, affiliations;
- Export / Overseas subsidiaries: export sales-exports value, overseas locations and activities” (West, 2001, pp. 222-228).

C. All of the above-mentioned information gathering is in vain if the third stage, namely the data interpretation is not performed properly. The data above, put together, must tell us things that we can not tell otherwise, any weaknesses or strengths. We can infer plans or even competitors' strategy, new products or technologies, new market entry etc.

D. *“If the CI field entails obtaining information about the business field in the beneficiary's domain of interest, the CCI is supposed to ensure its own security against external attempts to obtain information that would be further transformed into intelligence. The CCI wants to ensure the physical security, the security of documents, of informatics and communications systems.”* (Medar, 2012)

Data protection is achieved by limiting their transmission; for example, although very important to the company, an annual activity report should not be readable by suppliers or collaborators, not even by seasonal employees.

The method outlined above is a simplistic one, a starting point for the work of a CI specialist; at the same time, it can also be done

inside the company without asking for outside help. Moreover, given the rapid and constant evolution of the business environment, these data are mandatory to be known no matter how big or small a company is, how new or how innovative it is.

## Conclusions

The lack of certainty faced by business actors and its fluctuation make the need for an adapted, stable and well-established strategy indispensable. Every department in the company offers the manager data and statistical situations, performance indicators, but for an overall view more needs to be done. Experts in Competitive Intelligence come with something extra: capitalizing on raw data, and an objective understanding of these.

CI specialists work with a wide range of data, with different representations and considerations, from collecting them to turning them into intelligence, this last stage being the most difficult but most important. Generic data is filtered out by sifting relevant information, moving from quantitative to qualitative.

Developing the business environment implies, for economic actors, an intrinsic development, an update to the economic realities of the era of digitization. In order to achieve their goals and make profit, companies feel the need for forecasts and opinions about the future instead of mere information about current or past situations.

Companies must constantly adapt to what customers want and, of course, to new competitors' strategies. Whatever the objectives of an economic agent are (profit growth, higher market share, technological benefits etc.), the essence is survival and development on a competitive market, getting a bigger market share and bringing added value on the niche where it is being operated.

Particularly important to consider, is the socio-cultural element, which can be defined as "*the totality of attitudes, values, norms of conduct, behaviors and demographic trends characteristic of a given geographical area*" (Dima, 2000, p. 74). Companies with high goals, coherent and harmoniously developed principles and strategies help to create an efficient competitive business environment and the latter to develop the socio-cultural environment in which they operate.

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