Impact Strategic Decisions with Competitive Intelligence

By Ellen Naylor

Before your competitive intelligence analysis can impact strategic decisions, your company's executives must know and respect you. One of the key ways is to publicize, publicize, publicize, and do good work!

The first step in this process is to make sure your company's executives know who you are, and hear or experience positive feedback about your work. This is a major issue in many companies – some executives often feel that they know all the competitive parameters, so they don't sponsor competitive intelligence (CI) units or efforts. They often assume that CI is just research, too tactical in nature, and does not impact revenue. Some CI practitioners have the executives' attention, but for the wrong function: quick data collection, often in the fire drill mode, with no analysis or effect on key decisions.

KEEPING AWARENESS ALIVE

Once you move past the initial needs assessment stage, a competitive intelligence professional needs to produce work that impacts the company's bottom line. To help identify which projects to concentrate on, make presentations about who you are and what you do at company events such as sales rallies, sales meetings, executive retreats, marketing meetings, strategic sessions, financial planning sessions, or legal briefings. Include samples of recently delivered projects. Other venues include web presentations, company intranet announcements, and targeted emails.

You empower your competitive intelligence network by both whom and what you know. One-on-one meetings, whether on the phone or in-person, provide personal exposure and allow you to learn what is going on in the company. These meetings also provide targeted examples on how your CI efforts can be valued.

In addition to continually publicizing who you are and reminding your CI network of your value, reach out to new users and sources of competitive intelligence. A CI logo goes a long way toward brand identity, as do short, crisp deliverables that include lengthier back up for those who have the need to dig deeper.

STRATEGIC COMPETITIVE INTELLIGENCE

Do you know if you actually produce strategic competitive intelligence? Ask yourself: does my analysis influence strategic marketing decisions or am I called in after the decision is made and asked for reaffirmation? Targeted competitor and market analysis support strategic decisions to:

- buy versus in-house development
- buy a company, subsidiary, or product line
- introduce a new product/service
- replace a product with an upgrade.
- add significant features to a product or service
- reposition products/services
- push products into new markets (consumer, B to B, geography)
- look for a buyer for your company or part of your company
- identify new target markets or applications for the same products or services

Once you have increased your visibility and gained the trust of executives by producing effective deliverables, your CI group will support more key initiatives. This additional demand requires you to make more focused decisions about how to spend your time and resources.

HASTE MAKES WASTE

While it is tempting to accept any and all strategic marketing projects, this is not necessarily the best approach. The original request may ask for data or analysis that doesn't support current decisions. As with any other request, first find out if the project is actionable or if it's a dead end initiative – probe and identify the requestor's ultimate goal. By probing, you can identify what they REALLY are looking for, how it's going to be used, who is the audience, and especially, what they know and don't know already.

The potential competitive intelligence client may also have unrealistic expectations about what you can research and analyze, and how quickly you can turn it around. Work

TABLE 1: CHART YOUR PEOPLE RESOURCES

Name Contact Info	I=Internal E=External	Position	Why
Joe/Ph/Email	I-VP Sales	Supports	Sell more
Mary/Ph/Email	E-Gartner	Supportive Analysis	Better market position
Phil/Ph/Email	I-VP R&D	Against	Weak technology
John/Ph/Email	I-Board Member	Against	Prefers Company X
Most of Board	I-Board	Supports	Good product mix

on setting realistic expectations and get up-front agreement about what will be delivered and when. Here are some questions to ask about the project:

- Has the requester really done her homework?
- What is the bottom line?
- What is the vision and spirit behind this initiative?
- What would be the cost in time and money to deliver this initiative?
- What steps will be required to achieve this marketing goal?
- What will be the economic value and cost to implement this initiative?
- What research is needed to help make a smart decision?
- What is the timeframe for a decision?
- What is the fit with the company's culture, product mix, or markets?
- Will implementing this solution compromise existing revenue or margins?
- Who will be affected by this initiative? Sales, marketing, distribution channels, executives? How?
- Will people lose jobs once this initiative is implemented?
- Who are the proponents and opponents of this initiative? Why?
- What are the internal and external obstacles against this initiative?
- Can your company overcome the economic cost and people obstacles to support this initiative?

Quickly identify your role in supporting this project, and determine its priority compared to the other projects you already have on your schedule. Will this initiative improve your company's competitiveness? Are there too many political or structural obstacles for this initiative to be implemented at your company?

Always identify and discretely connect (either directly or indirectly) with key opponents of the initiative. Learn why they oppose it, since they might be right! If you think the initiative's opponents are wrong, understand their line of reasoning and how you might be able to overcome their objections. You may also find out that the opponents carry more clout in your company than does your requester. It's better to find this out sooner than later so you can decide how to deal with the politics before sinking too much time into data gathering and analysis.

PARTICIPATING IN A STRATEGIC CI INITIATIVE

Let's assume you've decided (or are volunteered) to take on a strategic initiative: it's time to get to work. We'll assume you have access to the secondary research you need to support this initiative, so we'll focus on primary intelligence gathering.

Identify your list of stakeholders both inside and outside the company, and connect with the most influential ones first. Consider the categories in Table 1 to identify these people resources.

Organize the people you identify based on how strongly they will support or oppose the initiative, and how powerful their influence is on company decision-making. Chart your people resources based on name, internal/external, position for and against, and why.

ACQUISITION – CASE STUDY

As a competitive intelligence practitioner in a telecommunications company, I was asked to help support an initiative to acquire the installed base of a voice communications provider. We were losing sales in voice communications due to limitations in our product lines. At the time, regulatory constraints prevented us from manufacturing our own voice communications products, so an acquisition was our only choice. I was to build a case for the company to support this acquisition, and identify the obstacles.

Our company's board was considering two candidates. Company C's system was technically challenging to install, maintain, and repair and our crews would need to be re-trained to accommodate this architecture. Company B's system would require little training for our crews, since the system architecture was similar to the other systems they already serviced. Company A had the largest share of market, but was currently not for sale.

The company also needed to consider how the acquisition of Company B would improve our competitiveness against both Companies A and C, since Companies A, B, and C had a combined share of over 60% in the US voice communications market.

The company had considered acquiring Company B's installed base several times, but for various reasons the negotiations had stalled. Preliminary analysis identified three parties who would be most influential in this strategic decision: our board of directors, sales, and marketing. Each

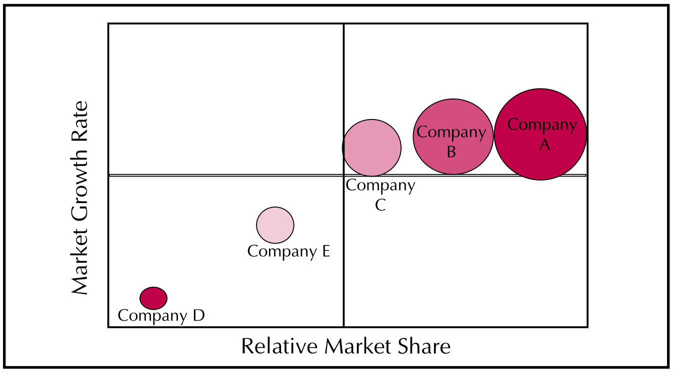

Figure 1: Telco presentation - BCG

had its own perspective on the acquisition and its own opinion on the eventual success of this acquisition. The acquisition would ultimately be decided by our board of directors.

Both our commercial and government sales divisions favored acquiring Company B. They believed that we would win more business, since Company B's voice communications systems were a strong and familiar name in the industry, they provided great customer service, and their pricing was very competitive. In addition, our major customer, the US government, favored Company B's voice communications system, so this acquisition could also increase our success rate in winning bids, and possibly win back some old business over time.

We already marketed Company D's system, which was technically impressive, but priced higher than all the competitor's systems. Company D's system never won on price, a key decision-making factor in sales to government accounts. Additionally, Company D was a small, new player in the industry and lacked brand recognition.

As is often the case, I had only a few days to prepare my analysis. Marketing supported the acquisition of Company B, particularly two senior marketing executives who knew the make-up and politics of our board members. All influential board members favored Company B except for one, who had been a linchpin in previous board decisions. This individual favored Company C because he felt that Company C's voice communications systems were technically superior to Company B's, and he believed customers were most influenced by technology when making their buying decision.

With this information in hand, I connected with a consultant who tracked the voice communications industry full-time. First we discussed strategy and what visuals the board would prefer to accompany our analysis. We learned that they liked the Boston Consulting Group's (BCG) market share analysis, so we started with an industry make-up of relevant players using this tool.

Figure 1 clearly showed that Companies A, B and C dominated voice communications. Both Companies B and C were good candidates, although Company B had a larger market share than did Company C. The BCG analysis tool also conveyed the relative weakness of the systems we were marketing from Companies D and E.

Our next step was to identify the features of the three companies. To keep it simple, we limited ourselves to seven features that illustrated their basic differences (see Table 2). To be more compelling, we made these comparisons from a customer's point of view. These comparisons addressed the strengths that our dissenting board member claimed for Company C but also illustrated some of the weaknesses that he was not previously aware of.

The analysis supported the dissenting board member showing that customers were very impressed with Company C's technical features. But since Company C's architecture differed from the other systems on the market, our installation, maintenance, and repair crews would have to be specially trained to support it, an additional time and money expense.

Customers highly valued Company B's reliability and good service, which were perceived as average for Company C. With this presentation, the dissenting board member realized that his reasons for acquiring Company C were not accurate from a customer's perspective.

The case for acquiring Company B became even stronger when we weighed the seven features according to our customers' preferences (see Table 3). Our dissenting board member changed his mind when shown that customers' buying decisions were swayed not by technology but by service and reliability, the strengths of Company B, not Company C. Lastly, our analysis was presented in such a way that the dissenting board member could change his mind with dignity.

OPPORTUNITY ANALYSIS – CASE STUDY

Often when the research indicates a "no go" decision, there is little need to present findings using specific presentation tools. The conclusions alone will kill the initiative. This next example illustrates a go/no-go situation.

A company wanted to determine if there was a market for the by-product of one of their manufacturing processes. At the time they were paying to have this by-product

TABLE 2: TELCO FEATURE ANALYSIS

	Company A	Company C	Company B
Features	***	***	***
Technology	***	***	**
Price	***	***	***
Service	***	**	***
Engineering Support	***	**	***
Reliability	***	**	***
Partners	N/A	***	N/A

disposed of, and wanted to determine if cement producers could benefit from mixing some of this by-product into their cement mixture. This by-product was very inexpensive and could result in a more durable cement mixture, resisting both destruction from salt and contraction and expansion due to weather changes. It was thought that companies producing cement for roads, bridges, or garages—especially in cooler climates—would value this product.

Research identified several other manufacturing processes that created a similar by-product, some of a better quality, others worse. Regardless of by-product quality, these companies were already in the marketplace and had established distribution channels. We concluded that there wasn't room for another competitor, since there appeared to be a glut of suppliers with similar by-products. A government source also confirmed that this was a very low-margin business with more supply than demand, where buyers dictated the quality of the by-product they bought and the timing of their purchase.

The market information itself drove the no-go decision. This decision saved the company millions of dollars, since they were in the process of negotiating 10-year deals to supply some of the major industry players with this product, which would have been very costly to exit.

MARKET EXPANSION – CASE STUDY

The company was facing the prospect of decreased revenues due to new competition as a result of deregulation in the state where they were the incumbent utility company. The company was seeking alternate sources of revenue from expansion into existing markets, such as commercial heating, ventilation, and air conditioning (HVAC).

The company was already a player in the HVAC residential market, but this market required a higher level of responsiveness in emergency situations to maintain this business, and the systems were more complex to install and service. The company was not a strong residential HVAC competitor, and potential commercial customers were likely to resent the perceived "big utility" culture and service.

Industry experts indicated that the utility's brand was not compatible with the in-house development of a commercial HVAC initiative. In addition, the company's culture was too slow and conservative to develop an in-house initiative. We considered the issues of cross-training and the cost to bring a commercial initiative to the marketplace, and concluded that the appropriate response would be to acquire a commercial HVAC company in this state.

Research indicated fifteen possible candidates for acquisition. With the help of local industry experts, we narrowed the list down to four. Two of these companies had already been acquired by competitive utility companies with a national HVAC presence, and one company had been acquired by another competitor.

TABLE 3: TELCO FEATURES, CUSTOMER WEIGHTING

		Company A	Company C	Company B
Features	4	***	***	***
Technology	6	***	***	**
Price	3	***	***	***
Service	1	***	**	***
Engineering Support	5	***	**	***
Reliability	2	***	**	***
Partners	7	N/A	***	N/A

The last company had an excellent reputation, but it had no cash flow problems, so the utility company's major value proposition, cash flow, was a nonstarter. That company was also a proud community leader, and would not be likely to welcome acquisition. As expected, when the utility company approached this prospect, they were not interested. The utility company had waited too long to gain entrance to the local commercial HVAC industry.

SUMMARY

If you want your CI unit to be in a position to affect strategic decisions, make sure your company executives know and respect you. To help your company be more proactive and innovative, you need to be aware of its marketing strategy and share information, analysis, and contacts to help your executives move the company forward.

Recognize that not all the analysis you provide will support the direction your company's decision-makers may want to take. In the opportunity analysis case study, the company really had wanted to market its by-product to cement producers, and the research indicated that they would lose a fortune.

As CI professionals, we want to be in the forefront, affecting strategy. Our role is a delicate balancing act.

Ellen Naylor, founder of Business Intelligence Source, has been a CI practitioner and consultant for more than 20 years. Her services range from developing a BI process, conducting win/loss or trade show analysis, and training workshops. Her latest practice, Cooperative Intelligence, helps CI professionals become more effective in networking and communicating with people—the backbone of any successful CI operation. She lives at 9,000 feet in the Colorado Rocky Mountains with her husband, Rodgers, and Cocoa, the cat.