

# Countering Competitive Urban Legends

## Helping Management Overcome False Competitive Perceptions

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We've all heard them. "Urban legends" are a sort of modern folklore consisting of stories often thought to be true but that, in reality, are usually false, exaggerated, distorted, or sensationalized. I'm sure you've heard the one about unsuspecting business travelers being anaesthetized and then waking up to find that a kidney had been harvested for surgical transplant. Or, how about the woman who used XYZ-brand cold remedy nasal spray and then lost her sense of smell?

For the most part, urban legends are harmless fun. But many can take on a life of their own and cause readers to think, just for a moment, that maybe if I'm at an ATM and sense danger, I can enter my PIN in reverse and summon the police.

The same can be said for the myths, stereotypes, and distortions that managers hold about competitors, industry conditions, or other business matters. It's hard for executives, especially those who have been in the same industry or with the same company for most of their careers, not to develop deep-seated beliefs about their business environment. There's

always one competitor more aggressive and hungry than you are, or another competitor that certainly has a more favorable cost structure, or a supplier set to go out of business at any moment. These competitive urban legends are endemic to almost every company, and become reinforced over time as more executives buy into them.

Despite their distortions, competitive urban legends actually can serve a beneficial purpose. Even though they are often imprecise, they create a starting point for competitive understanding. They also provide an important point of reference for executives to think about and assess the behaviors of competitors and other industry participants. In some cases, they can even serve as a proxy for actual competitor behaviors, today or in the future.

### **DOWNSIDE TO COMPETITIVE URBAN LEGENDS**

When left unchecked for too long, however, competitive urban legends can be more harmful than helpful. When executives place too much stock in grossly incorrect beliefs

or perceptions of competitors, companies may adopt an incorrect basis for competitive strategy that can lead to bad decisions and misaligned resources. Deeply held incorrect beliefs about competitors can blind an organization to the emergence of new competitive threats, or to fundamental shifts in industry structures and relationships.

Furthermore, the impact of long-held competitive urban legends on competitive intelligence practitioners can be severe. Over time, competitive intelligence analysts—despite the importance of adopting an objective, unbiased mindset toward credible data—can lend credence to prevailing but incorrect competitor perceptions. This is especially true in organizations where particular senior managers' viewpoints are widely accepted, or where external information is selectively recognized and believed. Intelligence analysis itself can become clouded by these legends and lose its objectivity.

## COUNTERING COMPETITIVE LEGENDS

What, then, can competitive intelligence analysts do to counter prevailing competitive urban legends? You have three options. First, you can defer to the managers who espouse them, under the presumption that they know best because of their extensive expertise and business knowledge. Second, in an attempt to curry favor with influential managers, you can look for ways to support and reinforce competitive urban legends by selectively picking data that support their prevailing assumptions, even if you suspect they are wrong. Third, you can confront the competitive urban legends head on, providing evidence-based analysis to point out the flaws and inconsistencies in the legends' perspectives.

Clearly, confronting your company's urban legends with credible evidence is the right course of action. But doing so can be fraught with risks. If your company is like most, the more deeply held and incontrovertible the urban legend, the more powerful and influential are the executives who espouse it. Challenging their perspective can be dangerous if not done in a logical and systematic manner.

Entering into a debate with a powerful executive places your credibility on the line. Losing such a battle can create personal and career casualties, and harm the overall perception and acceptance of competitive intelligence inside your organization. Still, when approached carefully and thoughtfully, confronting competitive urban legends is a better course of action than turning a blind eye to them.

## A COMPETITIVE CONUNDRUM

Consider the following hypothetical example. A computer services firm found itself continually surprised by the actions of a set of competitors its managers thought they knew well. The competitors were underbidding the company for the provision of networking, systems integration, and

other technical services performed for the company's clients.

The company was also pricing well out of sync with client expectations. In some cases, it underbid competitors when price did not turn out to be a prevailing decision factor for the customer. In others, it was increasingly losing bids on prices that were too high, sometimes submitting bids 20 percent higher than those from other competitors.

Senior management scratched their collective heads. How in the world could this be happening? Confusion reigned.

During this competitive conundrum, the company's competitive intelligence team began to hear statements made by management that seemed to be unfounded:

- “Our competitors are bidding on projects as loss leaders just to establish relationships with desired customers.”
- “Competitors can't be lowering their costs by locating their developers and technical staff offshore—doing so would complicate services delivery and cause customers to lose confidence.”
- “That competitor is in trouble; it's losing money and is desperate for new revenue to avoid having to undergo a significant restructuring later.”

The competitive intelligence team sensed a disconnect between the competitive reality—consistent competitor sales success against the computer services company—and management's perceptions of its competitive set. Collected evidence did not suggest that competitors were adopting a loss leader approach. Furthermore, credible evidence indicated that a competitor was adopting a significant offshore strategy. And the competitor in alleged financial difficulty? No evidence indicated anything of the kind.

Furthermore, the competitive intelligence team worried that these perceptions not only clouded management's ability to take action to correct the company's sales decline, but also paralyzed management from taking any action at all. Strategy and sales meetings became exercises in frustration, with managers citing their company's misaligned sales approach but remaining at a loss as to what to do about it.

## ANALYZE INTERNAL URBAN LEGENDS

The solution? The competitive intelligence team analyzed managers' perceptions about their competition and, with solid evidence, either reinforced or put to rest the prevailing competitive urban legends. The team members accumulated management's statements and other evidence of their competitive perceptions and developed a set of five competitive urban legends. They then treated the legends as hypotheses, and, through inductive reasoning and targeted intelligence collection, assessed available evidence to draw conclusions about the veracity of each of the five legends.

### **SIDEBAR: STEP-BY-STEP GUIDE TO CONFRONTING COMPETITIVE URBAN LEGENDS**

1. Listen for management statements that you suspect are invalid. Group them into a set of competitive urban legends that serve as hypotheses for further testing.
2. For each legend, determine the information you require to adequately and objectively assess each one. Develop a collection plan that links to that requirements set.
3. For each legend, array relevant evidence into two columns: evidence that supports the legend and evidence that refutes it. Examine the columns and make a call one way or the other.
4. For validated legends, assess and determine the implications they carry for your company and for the future circumstances or events that could call the legend into question.
5. For refuted legends, try to come up with alternatives. Determine what conclusions the evidence leads you to, and identify clearly how your new line of reasoning departs from the old stereotype. For each, determine implications and future game-changers.
6. Determine your communications strategy. Decide how you will communicate your assessments to management, considering format, venue, and frequency. Listen for continued management statements that suggest executives may still ascribe to old legends, and find opportunities to correct them.

For each competitive urban legend, the competitive intelligence team identified a set of intelligence requirements that, when fulfilled, would give them the evidence required to objectively and logically evaluate the truthfulness of each legend. Using this list of intelligence requirements, the team gathered published-source and human intelligence. They divided the collected data and information into two sets: one that refuted the legends, and one that supported them.

### **DEVELOP A COMMUNICATIONS STRATEGY**

Through a careful evaluation of the collected evidence, the competitive intelligence team confirmed the validity of some of the legends, and refuted the others. The challenge now became how to successfully (and safely) inform management that several of its competitive perceptions were no longer valid.

Most competitive intelligence practitioners focus on the work behind collecting and evaluating information to create practicable intelligence, and sometimes give short shrift to thinking through a communications strategy. In this case, when you have to deliver intelligence that you know is at odds with your management's prevailing beliefs about the competition, carefully consider the means by which you deliver that message to your decision makers.

### **THE MANAGEMENT BRIEFING**

In most cases, subtlety does not work. When calling management perceptions into question, a direct approach usually works best. In this case, the competitive intelligence team first acknowledged the prevailing competitive perceptions, and then arrayed evidence both for and against the perceptions so management could see exactly how the analysts came to their conclusions regarding whether the legends were true. To get their point across, the team presented management's distorted perceptions directly back to them, labeling them "urban myths." In doing so, the CI team established that a main purpose of the briefing was to call out, and refute, some of management's beliefs.

In the management briefing, the competitive intelligence team clearly showed the pieces of evidence that supported the competitive urban legends and those that did not. For each legend, the briefing came down on one side or the other, designating a legend as a valid judgment or as an obsolete view of the competitive environment. For validated hypotheses, the competitive intelligence briefing addressed the implications of each for the computer services company's sales and pricing strategy, and highlighted future circumstances that could change this rationale.

Communicating the competitive intelligence team's assessment that discounted some of management's incorrect urban legends was harder. The team stuck very closely to the evidence they presented and, in essence, allowed management to see for itself that their beliefs were no longer valid. Then, for each disconfirmed hypothesis, the team offered alternative assessments that reconciled observed competitive behavior with the evidence collected and the unfavorable results of the recent lost sales. For each alternative assessment, the team discussed the implications to the computer services company. They also reviewed a corresponding set of intelligence indicators that the team would continue to monitor with an eye toward warning management about future circumstances that could change these new conclusions.

### **AN IMPROVED DECISION FRAMEWORK**

You would think that competitive urban legend analysis, when done well, would immediately purge those distorted views of the competition from management's psyche and create for decision makers a more credible framework

within which to evaluate competitor behavior. Sadly, in most situations this is not the case. Instead, the benefits of confronting incorrect management perceptions of the competition can be subtler.

First and foremost, confronting competitive urban legends can gradually make management more receptive to future intelligence assessments that address controversial or complex topics. By demonstrating that you followed a disciplined, evidence-based approach to evaluate prevailing conventional wisdoms, you increase management's confidence in you and in the competitive intelligence process. You also give them reassurance that your future assessments will incorporate the same degree of rigor. Even if some managers don't initially agree with your competitive urban legend analysis, this activity allows them to become better intelligence consumers in the future.

Second, following this technique can help develop enhanced early warning analysis. Although refuting incorrect competitive assumptions may not immediately align your intelligence consumers with your point of view, it will at least raise awareness of some of the inconsistencies present in management's competitive mindset. After this, a competitive intelligence team can extend its analysis and argument with a series of early warning reports that communicate new competitor developments and illustrate how they reinforce your new analytical line. This should assist management's movement toward a more valid competitive viewpoint.

Third, competitive urban myth analysis opens management—and competitive intelligence practitioners—to new lines of reasoning, new competitive hypotheses, and more creative analysis. Shaking off old and obsolete perceptions of competitors frees you to more creatively assess both new behavior exhibited by existing competitors and the plans and intentions of new players. Old stereotypes can ossify analysis; without them, you become more attuned to new possibilities and explanations of competitor intent. In turn, management can consider a wider range of decision options than might otherwise have been the case.

Once you've completed your first urban legend analysis, what's next? Like most competitive intelligence that management receives, a one-time report or briefing is not enough. To effectively prompt management to at least acknowledge that their competitive perceptions could be in error, competitive intelligence teams need a communications strategy that stresses a constant and ongoing review of prevailing hypotheses.

## PROVIDE AN ONGOING REVIEW

Consider delivering a quarterly update that confronts the competitive urban legends, offers new evidence that either supports or refutes them, and extends your analytic line. Informal reinforcement of your analysis is essential. Listen for comments by executives that are indicative of old, discounted perceptions. Find opportunities to reinforce your analysis that calls such perceptions into question. Urban legend analysis is not about aiming for one grand deliverable, but for finding opportunities to challenge and correct any distorted competitive assumptions on a continuous basis.

To be sure, confronting—and ultimately changing—management's perspective on the competition is difficult, even when that perspective is out of date or based on assumptions and evidence that no longer hold true. Instead of ascribing to and reinforcing those perceptions, a better competitive intelligence strategy is to confront them head on, using inductive, hypothesis-based analysis. Remove debilitating perceptions from management's mindset that cloud effective decision making. This will take time and persistence, but the benefits to your organization and your competitive intelligence program can be profound.

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