

Your Company's New Foray into Competitive Intelligence: Factors for Success

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So, you've decided to start a competitive intelligence function at your company. Congratulations. Today's hyper-competitive environment requires your company to better understand its competition and the competitive forces that affect its success. And by creating a competitive intelligence function at your company, you have joined the ranks of many other organizations. By some accounts, more than seven in ten U.S. companies claim to have an organized system for delivering intelligence to decision-makers (Outward Insights 2005).

Despite the rising numbers of companies that started and managed competitive intelligence (CI) programs over the past decade, many business leaders still misunderstand the concept, especially those who have just approved the design and implementation of one for their organization. Before you dive into the wealth of advice and knowledge available concerning the steps necessary to define, develop, implement, and use an intelligence function, let me first offer some insights about what to expect and what not to expect from your program.

DECISION SUPPORT

First, an intelligence function is not an information function. Let me say that again. CI is **not** an information function. The last thing any company needs is a new program or initiative that generates and delivers more information.

In a survey of middle managers in large U.S. and U.K. companies by the consulting firm Accenture, more than half of the respondents said they regularly lack valuable information because it cannot be found within their organization (*Information Week*, 2007). Unfortunately, once these managers actually receive the information they want, half claim that this information ultimately provides no value to them. Clearly, anything that generates more information is the last thing these managers – and, likely, your company – needs.

For your new CI function to succeed at a time when more than 800 megabytes of information is produced each year for every person in the world, management must perceive the function as a **decision-support** resource (IDC 2007). The function's goal is not to pump more information on competitors and competitive forces to your decision-

makers, but to offer judgments, insights, and analysis that managers can use to make better decisions.

If you accept this premise -- many executives do not and choose to call their information aggregating function a CI program -- it carries significant implications for defining the parameters of your function, how you implement and staff it, and how you and your company's decision-makers use it. Effective CI systems have each intelligence function (planning and management, published-source research, human intelligence collection, analysis, and dissemination) represented by the skills its staff possess, and the additional resources upon which the CI system draws.

STRATEGIC AND TACTICAL

From day one, your company's management must view the new CI function as a key resource for better decision-making. This means defining its scope to provide advice regarding the strategies and decisions most important for your organization's competitive success.

These decisions can be tactical, such as whether to respond to a competitor's price move, or to reallocate sales resources to penetrate a particular customer segment. Or they can be strategic, such as whether to proceed with an acquisition or to target new overseas markets for entry and development. These decisions are not supported by summaries of historical facts and trends. Instead they require an intelligence function that delivers forward looking opinions and insights about the players that make up markets and industries, and the structure and behavior of those industries.

For a new CI function to deliver this type of support, its staff must have direct access to the decision-makers they will serve. Good CI teams are not buried three or more management layers down from their ultimate customers, nor are they integrated with other related functions like market research or information services. Instead, they have a direct or near-direct reporting relationship to their internal clients.

CI teams must have the ability to reach out beyond their direct reporting structure to support the decisions of managers who can benefit from the insights intelligence provides. In addition, these teams require members who have a distinctive set of professional qualities, defined by the unique methodologies for information gathering and analysis.

RESOURCES

Good CI functions must also have adequate resources to deliver the required judgments, insights, and analysis that support their management's decisions. You simply cannot ask one or more individuals to "take responsibility for the company's competitive intelligence" without providing them

with the budget and resources for professional development, outsourced research, and technology tools. No manager would launch a new market research or brand management function with no budget and no resources; why should a new intelligence function be any different?

The most significant resource decision a company's managers make for their new CI function is how to staff it. For a program to provide effective decision-support, it must contain individuals who:

- Build internal CI awareness and develop internal and external human information networks.
- Know how to look for information that has intelligence relevance.
- Analyze information to extract insights, meaning, implications, and forecasts.
- Communicate results so intelligence consumers can easily factor those intelligence insights into their decisions, plans, and strategies.

When you look at these staffing requirements, it is highly unlikely a single person can sustain such capabilities long term. While one individual can launch the function, this person needs to outsource some aspects of the intelligence operation. Over time, successful intelligence functions typically develop small staffs of full time intelligence analysts who have the various skills and capabilities a program requires to deliver tangible benefits.

MANAGEMENT INVESTMENT

Last and perhaps most important, for a new intelligence function to succeed its clients -- the managers who make the decisions that affect the company's competitive success -- must commit to using it. If your decision-makers simply assign a research task to the new team or accept a proactively produced report about a competitor's new marketing strategy with a promise to read it later, competitive intelligence will not succeed as a viable function. Both the CI practitioners and customers share the responsibility of its success.

What exactly does this mean? For CI practitioners, it means producing deliverables (reports, briefings, conversations, and other forms of content) predominately containing an analyst's own unique conclusions, judgments, and implications drawn from available information. Any person expecting their job to solely consist of researching and then summarizing available published information on an industry and its players will not succeed as part of a new CI team.

For managers and decision-makers, it means partnering with the CI team to define needs and projects, and being receptive to the delivery and utilization of the intelligence

SIDEBAR 1: REASONS FOR FAILURE

1. Managers do not work with the CI team to appropriately define their questions, and do not link those questions to decisions, strategies, plans, and actions they are considering or pursuing. As a result, the function delivers answers to the wrong set of questions.

2. The CI team delivers intelligence that lacks insights, judgments, conclusions, forecasts, and implications. Their 'intelligence' is a compilation or summary of information gleaned from other sources. It does not include the original thoughts and perspective that develops from disciplined analysis.

3. Decision-makers maintain an arms-length relationship with the CI function. They do not discuss and debate the intelligence findings, include CI staff in strategy development, and provide feedback on their satisfaction with the intelligence they receive. They rarely say what they actually did with the delivered intelligence.

insights. I have seen far too many situations where managers regularly "tasked" their intelligence function to address a particular question, and then had little or no further contact with them.

Defining an intelligence need or project requires managers to invest considerable time working with their CI team to develop their key questions. They also must communicate the decisions, strategies, or discomfort that prompted them to ask the questions in the first place.

All clients must provide decision-based reasons for why they require the CI team to produce a particular piece of intelligence. Otherwise they are expressing a "nice to know" information need, not an action-based intelligence one. And once the team delivers the intelligence, managers must complete the intelligence cycle by considering the delivered insights and judgments, challenging those findings, and including the intelligence function in internal discussions about appropriate courses of action.

FAILURE AND SUCCESS

Simply put, intelligence functions fail for one or more of these three reasons (see Sidebar 1). Notice that two of the three primary reasons for intelligence system failure are caused by decision-makers, not intelligence providers.

The success of your company's new function rests primarily with its intelligence consumers. If they treat your

new asset as an information function, it almost certainly will not live up to their expectations. If they treat it as a valuable tool that helps your managers make decisions and implement strategies to improve the company's competitiveness, CI's prospects for success are bright.

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