STRATEGY DYNAMICS GROUP

The Blind Spots of CI Managers

And Other Barriers to Adding Strategic Value

by Jody Holtzman

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

STRATEGY DYNAMICS GROUP

The Blind Spots of CI Managers And Other Barriers to Adding Strategic Value

by Jody Holtzman

Introduction

Let's be blunt. Most competitive intelligence managers add little-to-no strategic value to their company's efforts to achieve competitive advantage. Let's be even more blunt. Most can't - - and never will. This may seem harsh, but the truth often is.

Let's be blunt. Most competitive intelligence managers add little-to-no strategic value. Let's be even more blunt. Most can't - - and never will.

Paradoxically, this is coincident with a broad recognition and admonishment throughout the CI community that CI managers *must* add strategic value, play a more direct role in support of senior management and their strategic decisions and, overall, contribute to a company's competitive position in the market.

This article addresses several obstacles to adding strategic value for CI managers and focuses on what are perhaps the least recognized obstacles - - *CI Blind Spots*.

Adding Strategic Value – What Is It?

Before we examine CI Bind Spots and other obstacles to adding strategic value, it might be helpful if we first define precisely what it is we claim is not being provided - - strategic value.

Competitive information, intelligence and/or market insight that adds strategic value does one thing: It supports and has impact on strategic and/or tactical decision-making.

By impacting strategic and/or tactical decision-making, competitive information, intelligence and/or market insight has the potential to positively influence a company's market position and/or its ability to achieve and sustain competitive advantage and/or strategic business objectives.

Strategic decision-making might involve competitive positioning decisions, market targeting, product and service development and launch, market entry/exit decisions, mergers, acquisitions and divestitures, etc. Information, intelligence or insight that supports strategic decision-making can be as simple as a specific bit

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

of information that is the missing piece of the decision-making puzzle. Or, it can be the product of significant human intelligence gathering, research and analysis. The common element is that it directly or indirectly supports and has impact on management decision-making.

Tactical decision-making might include pricing, distribution channel selection, capacity expansion/contraction decisions, changes in product/service features, production location decisions, advertising messaging, etc.

It is clear enough that CI that impacts strategic decision-making adds strategic value. But, it is important to note that competitive intelligence that impacts *tactical* decision-making also can add *strategic* value. The key is for those tactical decisions to be aligned with and have the goal of achieving the company's strategy and strategic business objectives, as illustrated in the Figure 1 below.

Competitive intelligence that impacts* tactical *decision-making also can add* strategic *value, provided those tactical decisions are aligned with and have the goal of achieving the company's strategy and strategic business objectives.

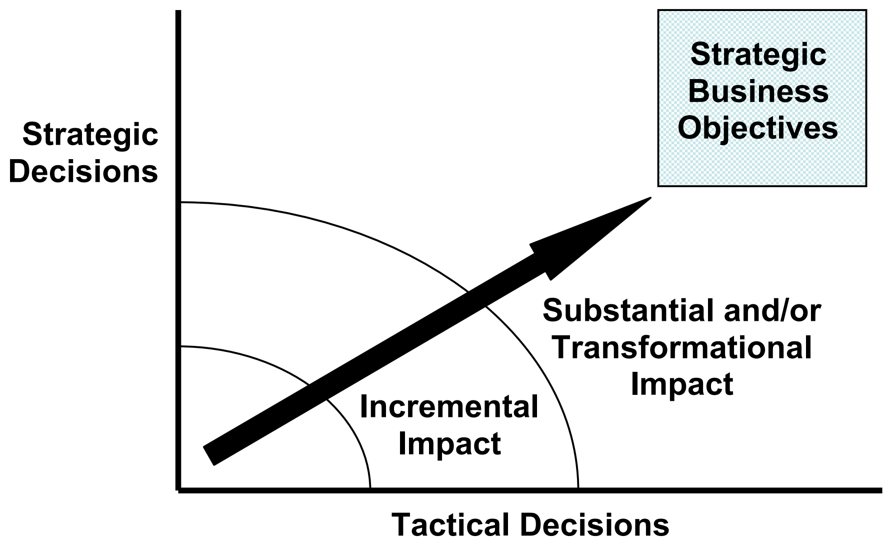

Figure 1

The positive conclusion to take away from the above is that strategic value can be added by CI managers and practitioners, regardless of the organizational location of their CI function, e.g., corporate strategic planning, marketing, market research, or business units. In addition, CI managers can add strategic value whether they come to their jobs with backgrounds in any of the disciplines that currently fill the CI function, including library sciences, government intelligence, market research, finance, business development, marketing or business strategy. The key is that CI managers have impact directly, or at least indirectly, upon strategic and/or tactical business decisions aimed at achieving the company's strategic business objectives.

However, despite the potential for CI managers with differing skill sets and professional backgrounds to add strategic value, there is also an organizational pre-condition for this to occur - - CI managers must have direct, or at least indirect, contact with senior management or other decision makers. To have influence, you must have a minimum level of visibility. Decision makers must be seeing and reading the CI manager's competitive briefs and reports. And, those reports must be addressing, in a timely and relevant manner, the decision maker's decision-making regarding their business objectives and strategic agenda.

It is an unfortunate reality for many CI managers that they have little direct contact with senior management and are removed from discussions about their company's decision-making agenda.

It is an unfortunate reality for many CI managers that they have little direct contact with senior management and are removed from discussions about their company's decision-making agenda. This may result from the organizational position of the CI unit and/or CI manager, which may institutionalize the separation of CI from the strategic and/or tactical decision-making of the company, thereby constraining the CI manager's ability to add strategic insight and value. Alternatively, the job definition and seniority level of the CI manager may be insufficient, thereby ensuring that any contact between CI managers and senior management is limited to the occasional elevator ride and hallway encounters to and from the restroom. There are tools and techniques for bridging this contact-gap, but those will be the focus of another article.

The Current Work of CI Managers – The Distraction of Competitor Profiling

Speak with almost any CI manager these days and you will find that they have finally accepted - - at least rhetorically - - the need to shine a light on senior management's business blind spots, i.e., unchallenged assumptions, corporate myths, and corporate taboos. This is broadly viewed as one of several responsibilities for any CI practitioner. Thank you Ben Gilad. And one key to exposing management's business blind spots is to monitor the competitive environment and assess the business implications of that evolving landscape.

But, how do most CI managers approach this responsibility to illuminate the competitive landscape and, thereby, management's business blind spots? And, why does this all too typical approach tend to create a barrier to shedding light on the opportunities and threats of the competitive environment, as well as management's blind spots? And why does this approach create a barrier to adding strategic value, and effectively communicating this insight?

In a nutshell, the common explanation is the undue weight given to creating competitive profiles and, more importantly, the typically narrow way these profiles are created and used.

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

More than any other single activity, CI practitioners create competitor profiles and conduct competitor benchmarking that attempts to shed light on just about every aspect of a competitor's strategy, goals and intentions, financial and market strengths and weaknesses, etc. The most recent SCIP survey on the use of CI analytical tools concludes that competitor profiling is the most widespread CI activity, conducted by 88.9% of CI practitioners. More often than not, this activity will fill the hours of a CI practitioner's time sheet. Unfortunately, CI practitioners often have time for little else, except when the CEO or another senior executive throws an ad hoc assignment over the transom and says, "It's due yesterday."

One might think that this external focus on the competition combined with a full-court-press-effort to address the needs of senior management as they arise, would successfully achieve key goals of the CI manager and establish a basis for good communications between the CI manager and senior executives. Unfortunately, this is not the case.

Equating competitor profiling with competitive intelligence is a principal cause of the CI manager's inability to add strategic value and help strengthen their company's competitiveness.

Equating competitor profiling with competitive intelligence is a principal cause of the CI manager's inability to add strategic value and help strengthen their company's competitiveness. Profiling competitors, when done in isolation, as is too often the case, does very little to shed any light on the path to achieving competitive advantage. In fact, this is often a major problem with benchmarking of any type. And, the underlying orientation that dictates this focus, combined with the usual emphasis on the external market and defensive early warning, together creates obstacles to effective communications with senior management.

For example, the narrow character of most competitor profiling which focuses on individual competitors, is an obstacle to seeing and conveying insight into the "big picture." The uni-dimensional focus on the external market can result in the ability of CI managers to discuss the capabilities, strengths and weaknesses of competitors with greater detailed knowledge than the capabilities, strengths and weaknesses of their own companies. And the focus on early warning and external risk mitigation can prevent CI managers from helping senior management identify and secure new business opportunities, and on top of that, may create an identity for the CI manager as the naysayer and "the one always crying wolf."

While CI managers seek to illuminate the competitive environment and its implications for the company, CI managers themselves, unfortunately, all too often are the victim and propagator of their own Blind Spots – *CI Blind Spots*. Overcoming CI Blind Spots is a key requirement if CI managers are to contribute, on an on-going basis, actionable competitive insight of strategic value.

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

CI Blind Spots

CI Blind Spots typically come in four flavors:

- *Philosophical Blind Spots*
- *Big Picture Blind Spots*
- *Internal Blind Spots*
- *Opportunity Blind Spots*

The result of any or all of these CI Blind Spots is an inability to contribute insights that help senior management steer the company to attain and sustain competitive advantage, which is the only justification for accruing the overhead cost of a CI function and staff. The result is a CI unit that has limited its ability to add strategic value.

The result of CI Blind Spots is an inability to contribute insights that help senior management steer the company to attain and sustain competitive advantage - - which is the only reason to accrue the overhead cost of a CI function and staff.

Philosophical Blind Spots

The principal Philosophical Blind Spot is the view that it isn't the job of the CI manager to address business implications, let alone make business and strategy recommendations and get involved in implementation. In some companies, this constraint is a holdover from traditional command and control management where it is viewed as management's job alone to discuss issues of strategic policy. In others it might reflect an organizational division of labor whereby the intelligence collection function is separate from the analysis function. When self-inflicted, this avoidance of venturing into the policy realm is often associated with the initial training of CI managers in areas of government intelligence, in which analysts are proscribed from venturing into the policy realm.

For a public example of this tendency to not move beyond raw intelligence to value-added intelligence, visit the August 6, 2001 Presidential Daily Brief on Osama bin Laden. When transferred to the corporate world, this type of "intelligence" amounts to an information dump ducking the CI manager's responsibility to lend insight into the most important, two-word question in the corporate world – so what? For example - - So what are the *implications* of this information for our business, our markets, our company, our strategy? One solution for ensuring that you add strategic value is to delve into these types of "so what" questions, once you have collected your information. Posing these questions and examining business implications is what helps transform the data into knowledge, information into intelligence, and intelligence into action.

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

Big Picture Blind Spots

Big Picture Blind Spots are, in one way, the most surprising Blind Spot. Because, despite the external focus of most CI managers, the result of Big Picture Blind Spots is to miss the market in its complex breadth and dynamic scope. But it is precisely the ability to paint and see that rich market tableau that can open a CI manager's eyes to the full reality of competitive opportunities and threats. And it is within that big-picture reality that strategy and tactics will evolve and management decisions will be made. The CI manager's ability to impact those decisions will be severely constrained without this larger market view and context.

Competitor profiles may serve the voyeuristic need to analytically undress key companies of interest, but this effort typically does little to advance the competitiveness of the company.

More often than not, Big Picture Blind Spots result from a narrow examination of competitors as presented through individual competitor profiles. Profiles may be developed for numerous direct, indirect and non-traditional competitors. But these analyses, at the end of the day, often are one-off examinations of individual companies that by definition cannot illuminate the dynamics of the competitive landscape within which business opportunities and threats are to be found. As such, while unto themselves these competitor profiles may serve the voyeuristic need to analytically undress key companies of interest, this effort does little to advance the competitiveness of the company, nor the potential value added by the CI function.

The solution is to move from *competitor* intelligence and analysis to *competitive* intelligence and analysis. The key is having an understanding and a testable point of view about the evolving competitive market environment and the complex of dynamic factors that will influence its evolution and, most importantly, the evolving character of customer demand.

The customer is often the Blind Spot within the Blind Spot. It is often the result of organizational and analytic silos that keep competitor analysis and customer analysis separate – the former in the CI unit and the latter in marketing and market research. Given that companies compete for sales *to customers*, you can't have a view of the competitive Big Picture, without the view and voice of the customer. And without the centrality of the customer in your competitive analysis, you cannot shed light on the strengths and weaknesses of competitors that are worth focusing on, nor the opportunities and threats lurking across the competitive landscape. The view, voice, needs and preferences of the customer are the single-most essential lens through which to assess your competitors and the competitive opportunities and threats facing your company. Without the customer, all of your company's other assets are irrelevant.

Without this big-picture context - - which is lacking in most competitor profiles - - most of what passes for "competitive intelligence" actually amounts to a series of static, rear-mirror snapshots of individual competitors. And, again, without this larger view, CI managers will have a weakened ability to impact *both* strategic and tactical decision-making.

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

Internal Blind Spots

Very often CI managers can tell you every detail about any given competitor. This is a clear benefit of doing all of those competitor profiles. However, CI managers often *cannot* tell you how their own companies compare to each competitor in the very areas that are key to top-line and bottom-line success, let alone sustained competitive advantage.

More broadly, CI managers – as well as senior management – often cannot answer the most important strategic question that sheds light on the key drivers of competitive advantage. That question is the following: Why should customers buy from your company and not its competitors?

CI managers often can discuss the capabilities, strengths and weaknesses of competitors with greater detailed knowledge than the capabilities, strengths and weaknesses of their own companies.

To answer this question you need to know your company as well as you know the competition and your customers. The reason CI managers are unable to answer this question is - - Internal Blind Spots.

Internal Blindpots are typically due to one or a combination of the following factors:

- A singular focus on competitors and the external market
- Ignorance of the company's comparative strengths and weaknesses
- Ignorance of the company's strategy and goals
- Ignorance of the CEO and senior management agenda, priorities and impending business decisions
- Internal political pressures to not shine a critical light inward.

One result of Internal Blind Spots is the inability to communicate with senior management. According to Forbes magazine, fifty percent of the CEOs of the largest companies in the U.S. have been there for their entire careers. If nothing else, they have deep knowledge and a definite viewpoint about their company. Without an understanding of the company's strategy and goals and the factors listed below that can influence its success, it is much more likely that CI managers will communicate "naïve" or "ignorant" statements, insights and recommendations, viewed as such by senor management because they lack any grounding in the real capabilities of the company. Do this a few times and your work will be regularly ignored, as it should. Now there's a career stopper.

The solution is that every CI manager must be fully knowledgeable about the range of elements that influence your company's ability to achieve sustained competitive advantage, and its comparative strengths and weaknesses that influence why customers should buy from your company and not your competitors, including such things as your company's:

- Positioning and value proposition
- Products and services
- R&D capabilities
- Innovation and experimentation capabilities

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

- Customer satisfaction and loyalty rankings and trends
- Brand image and brand equity
- Human and financial resources
- HR policies
- Financial metrics and track record

These elements and others provide a reference point for examining the competitive landscape, including conducting *comparative* competitor profiles that actually provide some strategic insight. This also provides the basis for discussing with senior management the "so what" questions your work must address in a way that is not dismissed out of hand, and more importantly adds strategic value.

Just because there is general market demand, does not make that market demand an opportunity for your company. If your company does not have the ability to pursue the "opportunity," it isn't an opportunity.

The degree to which CI managers have a strong understanding of the above internal factors also will shed light on another CI manager capability – the strength and breadth of your internal network across the company. Gaining a strong and evolving grasp of the above internal factors will reflect a CI capability that is not isolated in an analytic ivory tower.

Opportunity Blind Spots

Directly linked to Philosophical, Big Picture, and Internal Blind Spots, are Opportunity Blind Spots. If you have the first three, you certainly will have the fourth, for how can you identify new business opportunities if you don't illuminate the evolving market and the factors influencing its development, don't venture into the examination of business implications, nor understand and explore your company's comparative organizational strengths and weaknesses and, therefore, its ability to execute and successfully pursue new opportunities. Understanding these issues and aspects of the market's competitive dynamics are key to the very definition of a business opportunity.

Opportunity Blind Spots are typically the result of several factors:

- CI managers are focused on other CI activities, from doing competitor profiles to focusing on early warning alerts and risk management
- CI managers are not privy to senior management's strategic growth goals and targeted markets of opportunity
- CI managers have a lack of understanding of how to define and scope a business opportunity
- CI managers are philosophically blinded to seeing business opportunities

A key philosophical and institutional constraint to identifying business opportunities is the view of some CI managers and/or senior executives that the primary responsibility and focus of activity of the CI function and manager should be to provide "early warning" and ensure that senior management is prepared for competitive surprises. It is certainly true that this risk management function can be of key strategic value. What should not be open for debate is that a narrowly *defensive* focus on early warning regarding the intentions and actions of competitors, is a minimalist view of the potential strategic value that a CI manager can provide. Although an important weapon in a CI manager's arsenal, this defensive posture by itself does nothing to help achieve competitive advantage in the markets in which one's company competes. And, it positions the CI manager away from identifying new business opportunities.

Opportunity identification through a CI lens is the ultimate challenge to the CI manager's ability to synthesize and analyze the breadth and depth of information and insight he/she has captured about the evolving competitive market - - including competitors' intentions and actions - - and the plethora of factors influencing the market's future development.

Opportunity identification through a CI lens is the ultimate challenge to the CI manager's ability to synthesize and analyze the breadth and depth of information and insight he/she has captured about the evolving competitive market.

But, to identify "opportunities" that can be pursued also requires an understanding of your company's ability to act - - an understanding of its comparative organizational and market strengths and weaknesses. This is why Internal Blind Spots constrain the ability of a CI manager to help identify competitive opportunities that leverage their own company's sources of competitive advantage. Just because there is general market demand, does not make that market demand an opportunity for your company. Just because there is a company looking for an acquirer, doesn't make that an acquisition opportunity. If your company does not have the ability to pursue the "opportunity," it isn't an opportunity. The CI manager must know his/her own company's ability to act. Otherwise, recommendations to do so will be both wasted effort and an annoyance in the eyes of senior management.

For something to be a market opportunity requires the combination of at least the following factors:

- An unfulfilled market need, i.e., demand that is not being met by your competitors
- A capability to fulfill that demand with a differentiated product/service and value proposition on a sustained basis
- "Brand permission" of your customers to enter this market, and
- Alignment with senior management's strategy, business objectives and growth goals

One part of the solution for making opportunity identification a key part of the CI unit's activities is, first of all, to identify all of these factors, which must be present for the "opportunity" to be worthy of recognition and further exploration and consideration.

Another part of the solution for making opportunity identification a key part of the CI unit's activities, is to develop the ability to pull all of these factors together, map unfulfilled need against your competitors' and your own ability to fulfill that market need. And, assess the opportunity in light of management's goals and strategy. The CI manager that can help identify such opportunities will have clearly added strategic value - - and justified the overhead cost of his/her CI unit.

STRATEGY DYNAMICS GROUP | 21 Whitfield Terrace | New Rochelle NY 10801 | Tel: 914.576.5333
www.sdg-strategy.com

It is neither desirable nor necessary for the CI manager to do this on his/her own. In fact, the business case for pursuing a new potential business opportunity will be that much clearer and stronger to the degree that the CI manager is able to bring together practitioners from other functions - - e.g., marketing, finance, sales, business development, R&D - - to brainstorm and contribute their own unique insights. However, CI managers should play the central role in synthesizing these various views and insights in order to identify opportunities that withstand the forces of market competition.

Why Blind Spots?

To suggest that all too many CI managers have CI Blind Spots begs the question – why?

One common factor underlying big picture, internal and opportunity blind spots is a lack of understanding regarding senior management's competitive objectives. The other, is the missing lens of the customer.

Philosophical Blind Spots are consciously imposed constraints that proscribe the CI manager from venturing into the world of "so what." As such, they raise a legitimate debate regarding the proper role and responsibilities of a CI manager and function. The singular external focus on competitor profiling and early warning are additional causes of CI Blind Spots. But there are some additional underlying commonalities.

One commonality underlying Big Picture, Internal and Opportunity Blind Spots is a lack of understanding regarding senior management's competitive objectives, the strategy to achieve them, and the market and organizational assumptions that underlie those goals and strategy. In fact, an integrated understanding of these strategic factors provides an important lens through which to view the big picture, your company's internal capabilities, strengths and weaknesses, and the business opportunities that flow from these factors. This senior management perspective is essential even if all you do is competitor profiling!!

Another commonality are the analytic silos in which different pieces of the competitive puzzle are identified and evaluated, with CI left to monitor individual competitors rather than the competitive landscape in a comprehensive manner, and marketing or market research focused on "the customer." A comprehensive view of the competitive landscape is dependent on breaking down this artificial boundary. This is both an organizational and an analytic challenge. The use of the term "market intelligence" may convey this total competitive and market view and be helpful to this effort. This is important because, for the CI manager, more often than not, the centrality of the customer is missing from competitive analysis.

Overlaying all of these factors are behavioral and psychological issues that influence the particularity and scope of CI Blind Spots. Behavioral and psychological factors generally get expressed in management and/or CI practitioner biases, and in some instances arrogance. We've all seen examples of management bias and arrogance where competitors are not given due attention in the face of statements such as: "We're the best." "We have the best products and the smartest people." "We know our markets better than anyone."

The bias and/or arrogance of CI managers, on the other hand, may be displayed in a set of assumptions about the strategies and intentions of various competitors. If we're honest, we've all had the experience where we said something like, "I know that competitor so well, I can predict exactly what they're going to do." And we certainly have heard others express the same viewpoint. In these situations, evidence that supports our assumptions will be highly valued, whereas evidence is dismissed, often unconsciously, that does not neatly fit our mental model.

If we're honest, we've all had the experience where we said something like, "I know that competitor so well, I can predict exactly what they're going to do."

For CI managers to overcome their own biases and arrogance, as well as management's, requires the forced use of analytic tools that help question assumptions and points of view. I say "forced use" precisely because it is rare for anyone to purposely engage in an analytic exercise that questions that person's own thinking and assumptions. We might question someone else's thinking and assumptions, but rarely our own. By making the use of such tools a required exercise, the likelihood is greater that the CI manager might actually see through the fog of their own competitive mental models, assuming the evidence is there. Such tools, for example, should include competing hypothesis analysis and implications wheel analysis.

The use of a visual dashboard is one way that can help pull all of this together - - i.e., competitor profiles, a big-picture understanding of the market, a perspective on your own company's internal capabilities and the business opportunities that flow from all this. In looking at all of these factors as pieces of the competitive puzzle, you need to remember what it is you are competing for – customers. And the question that must continually be front-and-center, and that is illuminated by each of these competitive puzzle pieces, is: Why should customers buy products and/or services from your company and not your competitors?

The focus on this key question will provide strategic insight that is both actionable and utilizes your company's competitive advantage in pursuit of its most important asset – the customer. The answer to this question will come into focus as more pieces of the competitive puzzle are obtained – although, it is unreasonable to assume that the puzzle will ever be fully completed. In fact, CI managers must become comfortable with drawing conclusions under conditions of uncertainty. So, the more evidence you can marshal for competing hypotheses, viewpoints and conclusions, the stronger will be your likelihood of success.

Conclusion

> ***To provide strategic value consistently over time, and not just when you've been asked to find the missing piece of a particular decision-making puzzle, you must have the orientation of a "Chief Strategy Officer."***

Competitive intelligence that adds strategic value contributes to the competitiveness of the company. It does this by supporting executive-level strategic and tactical decision-making, and/or contributing to the achievement of the company's strategy and strengthening its competitive advantage. Even if the only CI activity you perform is tracking the competition and creating competitor profiles, you can provide strategic value.

But, to do so consistently over time and not just when you've been asked to find the missing piece of a particular decision-making puzzle, you must have the orientation of a "Chief Strategy Officer." You have to be intellectually curious about the entire competitive landscape and *all* of the factors that drive it, with the customer at the core. A fact-based point of view is required as to how this competitive environment, currently and its likely future trajectory, fits and will affect senior management's market objectives and strategy. And there is a need to understand your own company's ability to execute in the market. In other words, you need to have all the data and an ability to synthesize and analyze it -- an integrating mechanism that allows you to see both the trees and the strategic forest. The starting point is to keep front and center the question, "why should customers buy from your company and not its competitors?" That is a path to strategic value. And in confronting one's own CI Blind Spots, CI managers will be also more likely to help senior management confront their own. No small task. But nothing worth doing is.

Jody Holtzman is President of Strategy Dynamics Group, a strategy and competitive intelligence consulting firm specializing in helping clients achieve strategic business objectives by leveraging competitive differentiation. Prior to founding Strategy Dynamics Group, Jody was a Director of Global Strategy and Project Leader of the Market Intelligence Network of PricewaterhouseCoopers. He can be reached at 914-576-5333 or jholtzman@sdg-strategy.com.

This article benefited from the comments of Scott Leeb, Senior Director, Business Intelligence for The McGraw-Hill Companies, and Dr. John Prescott, Professor of Business Management at the University of Pennsylvania.