Setting Up Early Warning Cooperatively

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When I started up our competitive intelligence (CI) operation at the newly formed Bell Atlantic, way before Verizon existed, I had no idea what "early warning" was. As I met our corporate and sales executives, I learned that they wanted "no surprises" from competitor or marketplace events.

I had a slow start, as there was no SCIP and I hadn't read much about competitive intelligence. Common sense and business savvy were my drivers. In the early days, I recall reading news about both our company and the competitors first in The Wall Street Journal or The Washington Post, and was very embarrassed about it.

I realized that I would have to buy tactical competitive intelligence from the consulting community since I hadn't yet developed relationships with our sales force. I knew this was a priority, but also that it would take time. (I have since found out that this is typical for a new competitive intelligence unit.) Relationships are the key to an effective early warning system, and despite all our technological innovation and ways to connect, human interaction is still the backbone of early warning, and human nature has changed very little over the years.

Within about two years, we developed an effective competitive intelligence operation at Bell Atlantic which included early warning, although we didn't call it that. It was just part of our process to have "no surprises" in our telecommunications area. Sales, marketing, product management, executives, and even legal were interested in what we shared, since most of our communication to them was event-driven competitive intelligence rather than a regularly published newsletter. Over time, we developed key source connections within and outside the company, and we monitored our competitors and the marketplace through several secondary sources as well.

START WITH A PLAN

All good competitive intelligence efforts start by creating a detailed plan. Ask yourself these questions:

- What do you plan to accomplish in your first year?
- Which competitors should you focus on?
- What are your strengths as a person or competitive intelligence team?
- What are your weaknesses?
- How do you build on your strengths, and who can help you where you are weak?

If you have the budget to hire another person, find one whose skills complement your own, and who communicates well. I was very fortunate to find such a person working in our government marketing area. Over five years, we worked together to build our competitive intelligence organization for commercial large business. Aside from being very smart and personable, she had a great mind for detail and made our deliverables look professional and succinct — areas where I was weak.

In my first year, I focused on learning as much as I could about the company's marketplace and our key competitors. I had an advantage over many individuals in a similar situation, since I had sold our products and services for several years and had in-depth sales and product training as well.

LEVERAGE YOUR RESOURCES

When I worked in sales, I developed an interest in tactical competitive intelligence, so I was assigned to train our local sales force about our key competitors. In my new competitive intelligence role I already had a good idea of what information and analysis the sales department would need to be successful, and filled in gaps by meeting and developing relationships with the various sales units throughout the company.

I started with sales because I knew some key salespeople in our organization and also knew that sales would be a key source for competitive information. Because trust takes time to develop, it took two years before we were connected with all of sales. But the sales organization was a key source of early warnings, and in fact their participation was invaluable over time.

Two key relationships with representatives of tactical industry consulting groups also proved invaluable. Before hiring them, I researched their reputations and asked others in my company about their experience with these groups. (These two individuals are still industry experts today, some 20 years later.) Both were very responsive to my needs, and we became trusted resources for each other. While I purchased tactical competitor reports from a consultant during the early days of our competitive intelligence operation, within several years I would receive the same type of information from our sales force on one of our key competitors.

USE BOTH PRIMARY AND SECONDARY SOURCES

While connecting with the right

SIDEBAR 1: ORGANIZING EARLY WARNING EFFORTS

1. **Monitor secondary resources** to keep up with general news, industry news, key competitor news, and emerging technology or competitors.
2. **Combine secondary and primary resources**, such as industry consulting firms' reports or blogs. These secondary sources often lead you directly to a primary resource.
3. **Identify primary resources within your company**, including the relevant documents they produce, their connections to external resources, and their willingness to share with you.
4. **Identify primary resources outside your company** who either work in your industry or have an interest in it and who are willing to share or whom you trust enough to hire for competitive intelligence projects.
5. **Identify key events**, both company and external, such as strategy planning meetings with cross-functional teams, sales rallies within your company, and key trade shows or conferences held externally.

people is essential, you also must use good secondary sources in a timely manner. Keeping up with the news is fairly simple now, with the monitoring capabilities of internet sources and blogs as well as the traditional database providers such as Factiva, Lexis-Nexis, and Dialog. At first, this can be very time-consuming, since there is far too much news and much of it is repetitive and inaccurate.

Early in developing the competitive intelligence process, I contacted our corporate librarian, who helped me manage the information overload. If you don't have a corporate librarian, automate or outsource news retrieval to a contracted information professional so you don't become bogged down in data collection.

Concurrently, identify what sources are the most insightful for your industry and buy their subscriptions, which often include some consulting hours with industry experts and/or some industry-specific trade shows. Industry consultants have great insight, and most clients don't effectively use the consulting hours that are included with their subscription. Consultants also helped me broaden my industry outlook beyond the one that prevailed in our company, especially in the early days. In my field, the key industry sources for strategic competitor data and marketplace trends were Gartner Group, IDC, Yankee Group, and Link. These connections were particularly important when I was starting our competitive intelligence unit, as I was weak in strategic industry knowledge.

ORGANIZE EARLY WARNING

When organizing your early warning efforts, consider five specific areas (see sidebar 1). I've already covered the first two areas earlier in this article, so now I will focus on the last three. I started with the sales group at Bell Atlantic because I was comfortable reaching out to sales and I knew they would be one of the best sources of competitive information. However, I would have been more effective had I organized a plan early on to identify individuals across other disciplines within the company on the basis of their connections to external resources and their willingness to share information.

LOOK INTERNALLY

As you assess the effectiveness of your contacts, take into account their knowledge of competitive intelligence. Many people in your contact network — who work outside of marketing, product development, sales, or strategic planning — might not have a clear understanding of what competitive information is valuable to you. They might be hearing good competitive information from their sources and not realize this is what you're looking for. Make an effort to discuss with them how important competitive intelligence is to the company and how they can help gather it.

One company I worked with had just experienced a competitor surprise that left it with a large amount of inventory that it could no longer sell.

SIDEBAR 2: INTERNAL COMPETITIVE INTELLIGENCE SOURCES BY FUNCTIONAL AREA

- Marketing: Direct and Indirect Sales, Customer Service, Sales Support, Marketing Research, Customer Insight, Contracts
- Executives: Strategic Planning, Executive Management Team, Investor Relations, Corporate Marketing
- Product Development: Research & Development, Product Management, Engineering, Other Technical Professionals
- Factory Production: Production Planning, Environmental, Shipping/ Distribution, Quality Control, Purchasing, Customer Interfacing
- Logistics: Transportation, Supply Chain, Warehouse Management, Distribution Centers

This surprise affected every division in the company, from sales through the supply chain. The company's logistics director analyzed how badly the company was affected by this lack of knowledge and determined what the company would have done differently had it had advance knowledge of the competitor's product enhancement. We used a cross-functional team to fully develop the story from several disciplines. This was an example the team could use to sell the value of competitive intelligence, even to factory workers.

When developing a competitive intelligence process, have representation from every functional area in your company, starting with the "low-hanging fruit" — those areas that have a good understanding of competitive intelligence, and perhaps do it already as part of their job, such as sales. Sidebar 2 lists some of the key areas to target in a manufacturing company. Marketing, executives, and product development categories should have a better understanding of competitive intelligence, while factory production and logistics will need some more explanation, since CI is typically not part of their job.

LOOK EXTERNALLY

Although it is popularly quoted that 80 percent of what you need to know about the competition resides in your company, when I was a competitive intelligence practitioner I received some of my best information from sources outside of my company. People who work outside your company can offer a different perspective as well as additional unique information.

External contacts can help your company be more competitive through partnerships, alliances, mergers and innovation. Sometimes the ideas for innovation come from outside sources such as your alliance partners, customers, or suppliers. Many companies use competitive intelligence consultants to help with collection work, especially at trade shows. Sidebar 3 lists some external sources that you might tap into, depending on your industry.

BUILD NETWORKS

For early warning, not only do you want to be connected directly with individuals from various functional areas within your company, you also want to form cross-functional teams to discuss strategy, the marketplace, innovation, and the competition. If you work for a national or global company, meet with people across geographies who work in competitive intelligence, even part time, to cross-pollinate your knowledge of the competitive landscape. One company's Asia-Pacific regional competitive intelligence team meets face to face periodically, and they have a very high level of information exchange. Many of the companies I consider best in class have developed such networks.

SIDEBAR 3: SOME EXTERNAL INFORMATION SOURCES

- Customers
- Suppliers
- Alliance partners
- Industry and financial consultants
- Trade show or industry association members
- Industry or marketplace reporters from trade journals, magazines, or the web
- Newspaper reporters
- University professors or researchers in your trade
- Technical experts
- Futurists and think tanks
- Labor unions
- Regulators
- Advertising firms
- Recruiters and job placement professionals
- Competitive intelligence consultants

What internal company meetings do you need to attend to build your network? For example, we attended sales functions to provide a current view of the competitive landscape, as well as gain face-to-face exposure with sales. We connected with individuals in sales by providing this service, and also were regularly updated about their major concerns. And we received many competitor tips at these meetings or shortly thereafter.

Depending on your industry, trade shows can be a gold mine of competitor and market information, including trends, strategies, new products, and services. Nowhere else do you have a better opportunity to collect from multiple information sources — the focus of trade shows is selling, marketing, and sharing information among many attendees, whether exhibiting or presenting.

If you pick the right trade show, attendees include your competitors, industry consultants, and industry reporters. The connections you make and the information you collect at trade shows can form a key element in your early warning system. Trade shows are my favorite example of cooperative competitive intelligence.

CONSISTENTLY CONNECT BACK TO YOUR SOURCES

Create regular communication mechanisms with your key users and sources of competitive information. Find out how they would like you to contact them and how they would like to communicate with you. Perhaps the two biggest reasons people end relationships is they don't maintain connections, and when one person changes jobs, they lose contact. The other reason is lack of reciprocity. If this information-sharing relationship is primarily a one-way flow, it will weaken over time until it ends.

Determine if your key networking partners are satisfied with the support and opportunities that you are giving them. If they aren't, ask them how you

can improve your quality of support. On the flip side, make it a point to take their referrals and information leads seriously, and report back to your networking partners how you used their information. This acknowledges your appreciation of the effort it takes to make a referral or provide a competitive intelligence lead.

Organize your users and sources of competitive intelligence in a contact database, and create a reminder system to keep you cultivating these relationships, one at a time. Failure to regularly maintain and update an electronic database of contacts can weaken your ability to keep your early warning contacts fresh and productive. It takes discipline to keep in touch with people. It also takes discipline to keep reaching out for new contacts.

Recognize the motivation behind each of your relationships and manage them accordingly. This is the art of building an early warning system. No one but you can decide who in your network is worth maintaining connection with and how often you need to stay in touch. Only you can figure out the composition of your network and build it based on what's still missing.

Do you have too many connections in sales at the expense of connections in product development? You have only so much time, so you need to connect smartly with the right people both inside and outside of your company. If you are persistent and focused, people will remember you when they have good competitive information, whether it concerns product innovation, a new competitor, or a change in management at a key competitor. This is really the heart of an early warning system: two-way communication.

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that Dominant could significantly lower its overall banking costs, including the costs of the new niche health insurance services. In addition, the bank ownership created an environment that significantly enhanced Dominant's ability to introduce new health insurance products. Fourth, since Dominant already had one of the lowest cost structures in the industry, these low costs could benefit the health insurance division. For example, these low costs could create pricing flexibility.

We also determined that Dominant's health care division had access to the following oranges from other divisions:

- Specialty networks and products
- Transaction processing services
- Internet portals for consumers, providers, and employers
- Cross-selling on individual business unit websites

CREATING VALUABLE COMPETITIVE INTELLIGENCE IS NOT ALWAYS SEXY

To arrive at the above conclusions, we performed the tedious but highly valuable exercise of cataloging all products and services provided by Dominant's health insurance division. We then traced them backward to see if they originated from the health insurance division or if the health insurance division obtained them from another division. This work involved considerable primary and secondary research. This effort resulted in a detailed map indicating which major Dominant resources and capabilities were housed in what divisions and which of these divisions provided resources or capabilities to the health insurance division. This map also showed us that the health insurance division was supplying valuable resources to three other divisions in Dominant's conglomerate.

LESSONS LEARNED

Initially, our top-down approach that examined a number of oranges made Stat Health Insurance uncomfortable, because it wasn't a conglomerate and it was hungry for the results of the apples-to-apples SWOT analysis. However, our apples-and-oranges analysis revealed several critical success factors of Dominant's health insurance division that might otherwise have been overlooked. This apples-and-oranges analytical work expanded everyone's view of Dominant's resources and success factors as a health insurance competitor.

[Editor's note: This is Allen's last *Analyst's Corner* column. We appreciate the insightful, focused, and analytical columns he has contributed to this publication.]

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