

EPISODE 10

## Competitive Intelligence and Strategy

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Hi it's Rob Llewellyn here and welcome to episode ten of transformation management. Thank you so much for joining me today. As always, I'm going to do my best to help you get better equipped to manage and lead transformation.

Gone are the days when competitive strategy required physical assets, lots of people, and significant capital. And gone are the days when you could steer a business on gut feel and hunches. Because data is the new driver of the best firms, and authentic digital economy leaders know this.

Being acutely aware of the competition these days is very different to what many CEOs are accustomed to from their past. In the digital economy, competitive intelligence is very strategic in nature as it assembles information to create an accurate prediction of future market conditions. It includes technological breakthroughs that will underpin the rise of completely new and powerful business models.

Back in the day, established incumbents used to compete largely against one another. They knew each other extremely well and had all been around for many years. It was almost as if every industry had its own institution of competitors. Each CEO often had a pretty good handle on what their peers were doing strategically. And despite the fact that many people find it hard to let go of their old beliefs, those institutions are gradually losing their grip on the dominance they enjoyed in the past.

Strategy is, and has for many years, been about shaping the future, and how companies attain desirable ends with their available means. But how companies attain their desirable ends is changing dramatically and if companies don't leverage digital to do this, they might as well close down early.

Business success these days requires leaders to look at competitive strategy through a new lens. Many of the books and tactics that worked well in the past are now missing key components of the economy that we live in – which is digital technology and the new business models it enables.

These days we see start-ups with no physical assets, few people and limited capital disrupting entire industries. CEOs are faced with the challenge of protecting their backyards from start-ups and incumbents while simultaneously developing strategies that will give rise to their growth for the next two years or so.

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Competitive strategy has been around for generations, but until early adopters such as Amazon started showing us a new way, competitive strategy didn't involve digital. In the digital economy, competitive strategy is now heavily dependent upon technology. If it's not, then it's likely to be an ageing strategy, with its days numbered.

Firm's need to proactively hunt down potential disruptors, no matter how small or insignificant they might look right now. It's important not to limit competitive intelligence efforts to looking at predictable competitors. Look for disruptive innovators!

A key strategic decision around digital business transformation is whether to attack or defend, or to combine elements of both. To ensure this decision is an informed one, it's important to know or anticipate what the threats and opportunities are, or might be in the future, which makes new competitive intelligence more vital than ever for CEOs. Because the threats are not typically coming from their well known competitors, and the last thing a CEO wants is to be told that their customers are defecting to the offerings of a small start-up run by a group of twenty five year olds on the other side of the planet, that didn't exist until last year.

Conscientious decision-makers know that competitive intelligence enables smart decision-making, and competitive intelligence is a prerequisite to remaining competitive in the face of disruption. It's a CEO's way of seeing what others are offering or plan to offer in their market, and to anticipate how the competition might respond to their competitive moves. And without being able to anticipate how breakthrough technologies will be used to acquire customers in your market, companies won't be equipped to make informed decisions.

Competitive intelligence is an awareness of forces and factors outside of a company's own four walls, which could impact business. These are influences such as competitors, suppliers, technology trends and customers - to name a few.

Markets have shifted up gears into new ultra-fast pace, which means that many traditional competitive intelligence programmes are out of date and perhaps even deluding leaders into thinking they're sitting comfortably with little to worry about.

All companies are affected by external forces and factors and so it's vital to understand them as best we can. And companies that don't arm themselves with the right type of digital economy intelligence are already finding themselves being surprised - often too late in the day. Because often their customers will have already started jumping ship and telling the world about the new players and their superior offerings.

While many companies will claim they collect competitive intelligence, often that means outdated scraps of information that are completely disconnected from the company's overall strategy. It's even been reported that almost half of competitive analysis doesn't impact the decisions of leaders.

It's quite possible that your company's transformation for the digital economy should also include an up-to-date competitive intelligence programme. One that enables leaders to make bold decisions based on reliable data.

The likes of Amazon are consistently entering new markets. The big question is, which

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industry will Amazon, Google or other tech-powerhouse enter next? So what competitive intelligence do you have on the disruption that is being prepared for your industry? – either by the tech powerhouses or unknown start-ups.

No CEO can afford to turn a blind eye to the hidden intelligence that can expose both the opportunities and threats that require tactical and strategic responses.

Competitive Intelligence involves the collection and analysis of information to anticipate competitive activity, to see past market disruptions and interpret events. Because whether you want to admit it or not, regardless of the industry you're in, your competitors are out there. Some visible, many not, others embryonic.

At a basic level, competitive intelligence can be broken into two main types:

Tactical competitive intelligence, which addresses the shorter-term and provides input into issues such as capturing market share or increasing revenues.

And strategic competitive intelligence, which addresses longer-term issues such as key risks and opportunities facing the business.

Using new competitive intelligence tools and techniques, along with a process to collect, analyse, disseminate, and interpret data is vital - to acquire both tactical and strategic intelligence that can then be acted upon.

Little known start-ups now disrupt markets at unprecedented speed and steal customers from under the noses of established global companies, and often they take incumbents by surprise - throwing them off balance in a just a matter of months. And often it's not only one start-up stealing market share. In some industries, thousands of start-ups eat into the profits of established organisations and trigger a "death by a thousands cuts" effect, as they eat away at markets once dominated by big firms.

Then there are the tech powerhouses like Amazon and Google that are venturing into new industries, and as hyperscale businesses, they pose a serious threat to incumbents. These hyperscale businesses enjoy unprecedented operating leverage, which pales what traditional businesses can achieve into insignificance. Innovation and digital is at the heart of what they do, whereas many incumbents are only recently beginning to dabble in these new competencies.

Digitisation lowers entry barriers, causing age-old boundaries between industries to get taken down. This allows established incumbents in other industries to gate-crash new markets. Even very small companies that might never reach scale, can steal small segments of customers from incumbents.

The integration of breakthrough technologies such as IoT and AI are enabling the birth of new business models that will render existing ones antiquated, and yet many firms still know little about the opportunities and threats this presents, as they focus largely on technology upgrades and creating a better version of what they've always done in the past.

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It's clear that the nature of competition that companies need to look out for is very different from what it used to be. It's far less obvious – which makes competitive intelligence even more important, and using competitive intelligence to leverage technical innovations is vital for survival.

Knowing who your competition is or could be, is key to defining your short, medium and long term strategy, which in turn gives you more control over your future. The alternative is letting the competition disrupt your market and then being left to react as best you can to what could have been an avoidable crisis. This is why competitive intelligence is such an essential component in developing strategy.

But competitive intelligence must be acted upon. All too often companies acquire competitive intelligence but fail to act on it. If Motorola, Polaroid, Nokia and others had acted upon competitive intelligence, perhaps things might have been different for them. But their leaders thought they knew better.

So, should you cooperate with your competition? Should you compete with them, attack them or even buy them? You can only respond to these questions with informed decisions when you have the right level of competitive intelligence in front of you.

While most companies can find substantial information about their obvious competitors online, it's important to understand that competitive intelligence in the digital economy goes way beyond merely trawling the Internet for information.

Don't wait for a powerhouse like Amazon to make a move on your industry. Acquire the competitive intelligence you need – before it's too late.

Because when considering competitive strategy, leaders need to be asking questions such as;

“How will emerging technology change the business we are in and the customers we make money from?”

“How will it allow us to raise customer expectations and differentiate us from the competition?”

And “What are our “short-term, mid-term, and long-term aspirations?”

To be competitive in the digital economy, companies need more than traditional business models. Corporate strategy needs to embody digital – not treat it as an add-on to the business. Unfortunately, many companies have ventured into digital transformation in this manner, treating it in the way that it treats traditional IT. Because not all companies have the luxury of a CEO who sees digital as being integral to strategy.

What's more, strategy can no longer be a fixed game-plan. Strategy formulation needs to embrace an approach that adjusts to rapidly changing conditions. It needs to be able to evolve so that a company doesn't miss out on opportunities or create gaps for disruptors to attack.

Start building your strategic early warning capability. It might just be the capability that saves



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you from the invisible disruptor you know nothing about yet!

I appreciate you listening, and here's a quote to finish off the day from Michael Porter.

“Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.”

How is your company planning to leverage competitive intelligence and technology to be different and create new value for its customers?

I hope you enjoyed this episode. Thanks for listening - Take care and I'll catch you in the next episode of transformation management. Bye.