

TEC

AN INTERNATIONAL ORGANIZATION OF CEOS

RESOURCE PRESENTATION SUMMARY

INFORMATION: THE NEW COMPETITIVE EDGE

HERBERT MEYER

INTRODUCTION

To an airplane pilot, radar is a management tool with one explicit function: to look at the environment through which the plane is moving and notify the pilot of anything unusual before he would otherwise see it. The pilot also has an instrument panel which tells him what is going on inside the plane. The instrument panel is an internal management tool.

Radar is an external management tool. It spots the patterns sooner than the pilot would otherwise see them and in plenty of time for him to take action. Radar doesn't tell the pilot what to do; it merely informs him of what is going on outside the plane.

A business is like an airplane, and the CEO is the pilot. Your management information system is like the instrument panel on the plane. It tells you what is going on inside your business. What is your radar? What management tool do you use to scan the external environment in which you operate your business? Unfortunately, most businesses don't have radar.

Business intelligence is radar for business. It is designed to let you see things in time to take appropriate action. It doesn't tell you what to do, but it gives you information before you would otherwise see it so you can be proactive instead of reactive.

For intelligence to be useful, you have to determine what information is relevant to your corporate objectives. That is a long, difficult process. You have to:

- Decide what information is relevant.
- Go out and get the information.
- Figure out what the information means to your organization.
- Distribute it to the right people at the right time.

Strategic planning as a management tool was borrowed from the military immediately following WWII. Intelligence was developed by the CIA, and now it too is being appropriated by business as a useful management tool.

Intelligence is NOT industrial espionage, which is illegal, immoral and stupid. Intelligence is the analytic use of information as a competitive advantage.

STEP 1: DECIDING WHAT YOU NEED TO KNOW

When using intelligence as a management tool, first determine what you need to know about. In other words, create an intelligence profile that lists the kinds of information that is relevant to your business. Most companies never do this in any form.

There are several categories of information you need to know about. If you're flying a plane, you need to know about other flying objects, topographical features, and weather patterns. In a corporation, the categories are:

- Competitors
- Customers
- Suppliers
- Markets
- Key trends in science, technology, economics, and politics

These five areas represent the range of things going on outside your window that you need to monitor. How do you monitor them?

COMPETITORS: First, determine who you are competing against. This is an interesting process because the answers aren't always obvious and executives within the company often don't agree on the answers.

Once you've determined your competitors, pick the biggest one and ask what you need to know about them. You can't know everything, so focus on the things that are relevant to your business. You want to know their:

- Strategy
- Financial health
- Strategic alliances
- Key personnel
- New products or services
- Product or service line extensions
- Pricing strategy

- Advertising and PR budget
- Perception of the future

It's critical to know your competitor's perception of the marketplace. It may be right or wrong, but they make decisions based on that perception, and you need to know how they think. The more you understand their perceptions, the more of an edge you will have.

CUSTOMERS: If you're in retail, your customers represent a very broad base. But for most companies, the majority of your business comes from a few key customers. You will want to know the same things about them as you do your competitors. If a key customer goes down the drain, they can take you with them. So watch your customers as closely as you do your competition.

SUPPLIERS: A supplier is anyone who brings stuff in the door that is necessary for what you do that goes out the door. Gather the same information as you do for customers and competition.

MARKETS: There is no such thing any more as a local company. Whether NAFTA passes or not, it is already a global marketplace. You have to know what is going on and be ready to compete against the world. In many cases, the little companies are doing the exporting. Keep a close eye on the Mideast, Asia, Latin America, and the Pacific Rim.

SCIENCE, TECHNOLOGY, ECONOMICS AND POLITICS: We are currently living through the second scientific revolution. The first occurred in 1500-1700 and basically separated Western civilization from the rest of the world. The revolution today is in almost every field, but particularly in genetics, artificial intelligence, and earth sciences. Those three fields will drive the major changes for the next 20 years.

An important trend in business, one which is a direct result of technology, is that the company that does you in won't be on your competitor list. Instead, they will come from way out in left field with a brand new technology and completely do away with your market. For example, typewriters didn't go out of business because somebody made a better typewriter. They lost their market because of personal computers. Companies with new technology will put you out of business. You have to closely watch those fields of science and technology that are relevant to your business.

It used to be that if you did everything right, you did okay. Today, you are at the mercy of political and economic forces beyond your control. You could be doing everything right and get wiped out overnight by a foreign exchange fluctuation, a new OSHA or environmental regulation, or a Saddam Hussein who starts a war. You can't change these factors, but if you can see them coming you can deal with them better. Identify the political and economic issues which affect your company the most and closely monitor them.

INTELLIGENCE PROFILE: Take all this information and customize it into an intelligence profile that tells you what you need to know about what is relevant to your business. This is an interesting process to do with your management team because they will all have different perceptions about what is relevant. The process also forces you to know where you are going because if you don't know where you're going you can't know what information will be relevant.

STEP 2: GETTING THE INFORMATION

Today, it is possible to get virtually all the information you've identified as being relevant to your company. Open source public information is available to provide 97% of any corporate profile.

In business, you can get information internally and externally. People are a tremendous source of intelligence, but they have to be trained to get the information to the right person at the right time. Intelligence failures rarely happen because of technology. It's usually because somebody was sitting on the information and didn't get it to the right person at the right time.

Intelligence failures happen because your people have the information but they don't know that you need to know it. When you have an intelligence profile, they know what you need to know. Your own people are a great source of intelligence as long as they know what it is you need to know. Your people always know more about the competition than you think they do.

Today, almost all of the information available to the public - books, newspapers, magazines, etc. - is available electronically. And the software you need to access it is now commercially available. The software can read through text very quickly and screen it for the information you want. You can set up a system that reaches out electronically and pulls in all the information you need to know.

This is not artificial intelligence. The software works by breaking down the English language into about 500,000 word roots. For example, there are about 50-60 words that relate to the word "power." There are another 50-60 words that relate to the word "struggle." You can ask the software to see if there are any power struggles going on in a certain company. The program zips through text, and if there is any intersection between words in the first category and words in the second, it will pop up the article for you. (This software is unbelievably fast. It can read the Bible in two seconds.)

Many companies are using this software to ask questions like, "Are my competitors making any investments in Eastern Europe?" They tell the program who their competitors are; the software then scans through the text; and if any of their competitors are doing anything in Eastern Europe, it pops it right up. This is very powerful information that wasn't previously available.

Sitting in your hotel room with a laptop computer, you can now have access to almost any

information you need to know. That's a real change in the nature of information. If you aren't using this kind of technology now, you should be. The world of information has changed so much that there are now two kinds of companies: those with radar and those without. You can't afford to be one that is without.

STEP 3: ASKING "SO WHAT?"

Now that you have all the information, what does it mean to your business? "So what?" is probably the least asked question in business today. You have to ask that question, otherwise your intelligence is useless. Information in and of itself does you no good. It's knowing how it relates to your business that helps you make better decisions.

Because you are so busy, it takes all your time to know about your business and industry. But *you also need to know about what is going on outside your industry. It helps to pay attention to consumer and business trends in general and then ask how these trends apply to your business.*

For example, consumer product companies are beginning to focus on the post-baby boomers and the seniors as separate markets with separate products. By knowing these trends you can gain insight into opportunities for your business, especially if you are in the consumer products business. No matter what your business, intelligence will give you the insights to move in the right directions for you company and your industry.

The real key to business intelligence is answering the question, "What does this mean to us?" The mark of a good intelligence officer is to be able to spot the pattern with the fewest possible facts. More and more, businesses must be able to do this, but you can't do it unless you have the raw information. American businesses put a lot of time and effort into managing people, but very little into managing information. Business intelligence can give you a real competitive edge.

STEP 4: DISTRIBUTING THE INFORMATION

In terms of distributing information, the big companies replicate what is done in Washington, D.C. Each day, the president and five other top officials get a daily update from the CIA. This report is handcarried under guard to each official and then returned under guard to the CIA. Obviously, you don't have to make yours top secret. The point is to make a daily report that goes to senior management and tells them what they need to know. You can do it electronically, on paper, or in person.

You can assign someone to be "intelligence chief" in your company and put them in charge of distributing the information. This person is responsible for watching the system and letting you know when things relevant to your profile pop up. They could report to you daily, weekly, or

on some other regular interval.

Many American companies are starting to see the value of having an intelligence chief. The person is usually somebody already on staff; someone who is bright and thinks in terms of trends, new ideas and where things are going. The position can be full or part time, but you are too busy to do it yourself. Assign it to somebody in your company.

Many companies use an intelligence briefing, which is much like a regular staff meeting except it's run by the intelligence chief. He gives a regular report on what competitors, customers, suppliers, etc. are up to. Once you start this type of meeting, people will be eager to contribute to it.

The one caveat to all this is you have to want to hear the information. Too many chief executives, in politics and in business, don't want to hear the intelligence. Intelligence is often mean stuff. You have to want to hear the truth, whether you like it or not. Intelligence is also about asking the right questions at the right time.

Intelligence is also a touchy tool because in many ways it evaluates what your company is currently doing. Intelligence tells you that the real world is not necessarily what you want it to be. You have to use intelligence to constantly assess what business you are in and where your industry and market are going.

Good intelligence allows you to be proactive, to make the first move before your competitor even knows you are making it. If you can act on intelligence first, your competitor has to respond to you. When you're on the offensive, you have the edge. But it's one or the other. You are either acting first or responding to your competitor. Intelligence can be used defensively, but it's much more effective offensively.

Information is very cheap these days. The largest Fortune 500 companies spend about \$3,000 a month on this type of process. For smaller companies, it's much less. That's a minimal investment when you are considering multi-million dollar decisions.

To manage a company well in the 90's, you have to manage information. That means more than having an MIS system or department. MIS is like the control panel on an airplane. It's great for internal information. But you need more; you need the radar that tells you what is going on externally. That's the function of business intelligence.

BUILDING THE INTELLIGENCE SYSTEM

To build the system, first develop the profile of what you need to know, and then program it into the software. Next, access companies (through modem) that provide information electronically by dialing into their on-line systems. It's a simple matter of dialing a number and accessing a "private doorway" which is available only to authorized people in your company.

At this point, the software comes on your screen with your profile built in. You can then ask questions about various trends, industries, competitors - whatever you are looking for. If the program finds anything, it brings it up on your screen. That's your intelligence system; that's your radar.

It's cheap, simple and effective. You don't need your own software or technical person. Instead, you contract with a company to host the hardware and software and all you do is dial into the program. There is no technology on your end. You're already spending time and *money to access information, but you're probably not doing it in an efficient manner.* Intelligence allows you to do it in an organized, efficient, cost-effective manner.

One good use for intelligence is to ask what is the worst thing that could happen to your company. Usually, it's not one simple thing that will kill your business; it's a whole series of events. The idea is to create a list of indicators and put someone (most likely your intelligence chief) in charge of watching that list. That will give you plenty of advance warning if things start to go down the drain. The worst thing in the world is to be surprised.

Intelligence is not just one more thing on your plate to manage, you are already doing it in a haphazard way. You might as well approach it in an organized, systematic manner. It is an intellectual skill that needs to be developed. It is a way of working and a way of thinking that is becoming more important each day. It is a business skill that will separate the winners from the losers. It does cost money to implement, but if done properly, it will pay for itself, and much more.

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HERBERT E. MEYER

Herbert E. Meyer is founder and chairman of Real-World Intelligence, Inc. a Washington-based company that designs and installs business intelligence systems for corporations and other private sector groups throughout the world. These business intelligence systems are based on the model outlined by Meyer in his book, *Real-World Intelligence*. Meyer is also co-founder of LOOKOUT POINT, an online service that provides insight and strategic information to the business world. During the Reagan administration, Meyer served as special assistant to the director of Central Intelligence and vice chairman of the CIA's National Intelligence Council. Meyer has also served as associate editor of *Fortune*.

Real World Intelligence
P.O. Box 2089
Friday Harbor, WA 98250
(360)378-3908 • (360)378-3912 fax

TEC
5469 Kearny Villa Road, Suite 101 • San Diego, CA 92123
(619)627-4050 • (619)627-0769 fax