PUTTING COMPETITIVE BACK IN COMPETITIVE INTELLIGENCE: ORGANIZATIONAL SUCCESS FACTORS

Nat Brooks, Strategy Shapers LLC

I was always interested in competition because in every job I ever held, the ultimate measuring stick was how we were doing versus competitors. But I knew nothing about competitive intelligence in the spring of 2000. I was a manager of financial analysis for Procter & Gamble's (P&G) baby diaper business, a multi-billion dollar global operation, a proud business that had "invented" and grown rich on disposable baby diapers (nappies), starting in the 1960s. In many markets, the brand Pampers was synonymous with diapers … as in "I use that other brand of pampers".

And that was the problem: The other brand, Huggies, made by arch rival Kimberly-Clark (K-C), had been besting Pampers for nearly a decade. Huggies had taken market share leadership in the United States and was expanding rapidly in other high growth countries. K-C had introduced highly profitable training pants, which grew the category and extended consumer's purchase life cycle. And they were bullish. K-C's CEO Wayne Sanders was famously quoted in Forbes Magazine, saying, "Every morning I look in the mirror and ask how can I beat the hell out of P&G."(August 25, 1997)

By both internal and external measurements, P&G's diaper business had been consistently destroying shareholder value. Whether you added the figures using EVA, ROIC or P&G's internal TSR method, the company had spent enormous sums on capital and marketing to, at best, stay even through the 1990s. The Pampers brand had produced essentially no returns on billions of investment.

The mood within the business was not good. Desperation and fear roamed the hallways. Everyone sought answers that would turn the ship around. The attitude that developed around competition proved particularly unhealthy. To P&G personnel, K-C had evolved from merely a strong and capable rival into some mythological monster. It somehow knew our thoughts, owned all the crucial technologies, and controlled the attitudes and decisions of our customers.

A new business unit president and comptroller were brought in and they immediately recognized the need for better competitive insight. That's when I entered the field of competitive intelligence. I took on the work of competitor analysis as part my financial analysis responsibilities in early 2000. By 2002, I had put together a competitive intelligence organization that supported all of P&G's paper businesses (i.e., Always, Tampax, Bounty, Charmin, Puffs). From our success in the paper business, in 2005 I was chosen to lead competitive intelligence for all of P&G.

Last May in Philadelphia I shared with you some of the lessons from my time leading competitive intelligence at P&G. In this piece, I'll give you these lessons in more concrete terms. I want you to understand how I learned them and how you might apply the lessons to your business.

COMPETITIVE INTELLIGENCE IS ABOUT WINNING

At first glance this seems obvious, but more often than not I think this point gets lost in discussions about process and technique. It's also forgotten in conversations about professional relevance, whether we're being strategic or receiving sufficient management attention. Yet I see this statement as THE core principal, crucial to determining the other questions about what to do, how to do it and, ultimately, determining the value of competitive intelligence to the firm.

Not long after I started doing competitor analysis for the diaper business, I read a lot of the literature on competitive intelligence and talked to other CI practitioners inside P&G. Soon I was designing processes and working on the typical "request for resources". I thought if we could just build an organization, we could analyze every issue and answer every question.

My mistake was viewing competitive intelligence as a question and answer process, where I had little stake in the question (that was top management's responsibility) but wanted lots of resources to produce the answer. So I drew charts and wrote excellent justifications for funding projects and assigning personnel. My boss, the business unit comptroller, said "great … let's take it up the line."

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Thankfully, the business unit president, Mark Ketchum, saved me from myself. During an early meeting, he looked at the charts and diagrams, pushed them back across the desk, and said "Nat, that's all great, but that's not what I want … what I want is for you to tell me how to beat Kimberly-Clark."

Mark simply and eloquently put purpose before process. He set the terms for success. He made the work relevant. And he put competitive intelligence in the business of asking the questions, not merely producing answers.

Generically, every intelligence team shares this common purpose: helping their organization figure out how to win. What I learned was that building a successful, respected and impactful competitive intelligence team has to start with defining and understanding that purpose.

I realize "winning" can inspire unhealthy connotations, from sounding too tactical to focusing only on zero sum outcomes. Of course it is much more than this. But you need to play a role in defining what winning means. You need to write it down and then bounce it off both your bosses and your colleagues.

By doing this, you then naturally start to consider the trends and forces that are working either for or against your organization. Flesh out what winning means (or perhaps needs to mean) and you start uncovering the threats and opportunities your competitive intelligence activities must address.

COMPETITIVE INTELLIGENCE HAPPENS WITH OR WITHOUT YOU

One of the greatest delusions we suffer in the profession is telling ourselves that such-in-such company has no intelligence program. While it may not be "formal" –trust me— intelligence is happening. And it's been happening since the dawn of time. Competition is and remains the crucial measuring stick of performance in nearly every organization. So all managers and employees are at some level, in some department, and during some process, asking questions about what competitors are up to or how they will react to the firm's plans and actions.

SIDEBAR: PORTER'S 5 FORCES – MY ENDURING FRIEND

After competitive intelligence became my full time responsibility in the diaper business, one of the first projects I did was conduct an industry analysis, just as Ben Gilad taught us at ACI. I didn't do a full-blown write-up. I simply sat down on a Sunday afternoon and sketched the diagram, listing out the influencing factors of each force and scoring them. Then I identified the factors that made the industry attractive or unattractive. And finally I wrote down what I thought the biggest change drivers were and when they might show up. Later on I did some research and analysis to validate my conclusions; for instance using stock price multiples on suppliers, rivals and customers to show how the marketplace ranked the industry. But that was it.

That simple analysis generated some remarkable insights. First and foremost, it helped us see that the diaper business was an exceedingly attractive one. Incumbent firms made all the money, barriers to entry were high, and global economic growth was bringing millions of potential new consumers into the market. The analysis gave us confidence and brought our perception of many of the competitive rivalry problems we were experiencing down to earth.

This piece of paper accompanied me to more lunch dates than you can imagine. It was a topic of conversation in my regular one-on-ones with my boss. It was filled with creases and scribbles, but it was always with me. And it became the master plan for our competitive intelligence work … our operating theme.

Surprisingly, this bootleg intelligence can often be very good. But most of the time it suffers from a lack of rigor and poor methods or approaches. I found that making peace with this fact was essential to building and improving our intelligence capability once I started formalizing the effort within P&G's diaper business.

In all organizations, even the smallest ones, individuals are doing intelligence work of one kind or another. If the work is good, you want to find these people and partner with them. If the work isn't good, you have to find them! Not simply to shut them down (although that might be the case), but often to help them. Whether by challenging the work, rolling up your sleeves to help out, or simply teaching skills, converting poor intelligence products to good ones is a huge way to win support and score early victories. Validating and elevating bootleg intelligence builds both credibility and enthusiasm.

Another reason to infiltrate and win over bootleg competitive intelligence is to help you break down those erroneous myths or legends that managers often accumulate concerning their competition … not to mention dreaded "blind spots". When I started doing competitive intelligence within P&G's diaper business, the prevailing belief was that Kimberly-Clark's investment and various advantages in nonwoven technology created a veritable doomsday machine. Some research and development leaders had the view that for any product improvement P&G might try, K-C could copy it and produce it more cheaply … and then sell it with better marketing! Here was myth that had morphed into a self-defeating attitude and outlook.

Culture change is hard work, especially when you are challenging beliefs that generate (or harm) organizational *esprit de corps* or the ability to galvanize action. When you partner with and improve bootleg intelligence work, this helps more people to see through the myths faster. When a myth, legend or blind spot is uncovered more collaboratively, it generates enormous energy and uptake across the organization.

SOME ORGANIZATIONAL PRINCIPLES THAT WORKED

Once Mark Ketchum freed me to design competitive intelligence that served the purpose of the business -- and once I made peace with and started to co-opt bootleg CI – the next big question was how to bring order to the chaos. Where should I focus my time and effort that would deliver immediate and, hopefully, sustaining value?

Well, undeniably, we engaged in numerous trials and many errors. But a few principles worked well then and continued to create value as my career as a competitive intelligence leader progressed:

1. Adopt an operating theme instead of Key Intelligence Topics.
2. Don't get lost in the process.
3. Deliver intelligence at the point of decision.
4. Favor the tactical to be strategic.
5. Package competitive intelligence deliverables as branded products.
6. Make intelligence everyone's business.

Adopt an operating theme instead of key intelligence topics

First, keep the end in mind at all times. I did this by periodically brushing off and updating my industry analysis (see sidebar) and player positions. Further, whenever I could, I talked about them with my leadership.

This effort caused me to shy away from soliciting Key Intelligence Topics (KITs), asking leaders what concerned them, or what issues they wanted studied. Developing KITs seemed at odds with the lean, proactive, and ownership culture that characterized P&G at the time, an organization marked by frequent rotation of mid and top level managers. To me, the very nature of the process smacks of a dog asking his master to throw balls to fetch, which was certainly at odds with the mission Mark Ketchum gave me.

Instead, we collaborated with leadership to establish an overall operating theme, one that put the business plan in context with the threats and opportunities that surrounded it. We then used this theme to guide how competitive intelligence would help the organization navigate its way through these issues to achieve its broader objectives, i.e., help it win!

Don't get lost in the process

Second, we viewed – properly I believe – competitive intelligence processes and techniques as simply the menu. We picked the tools required for the tasks at hand. And we assiduously avoided being drawn in by the attractiveness of some new tool or approach unless its value was self-evident and immediate.

Put simply, if the tool or process required special skills (“experts”) or resources (money), we avoided it. We favored hard work, personal creativity, and resourcefulness. This approach was driven by my personal experience with other departments and support functions that promised great results from some shiny new bauble if only the company would invest in it. Far too often the results were less than advertised and those departments ended up in disarray or worse. I had come to believe that senior managers don’t deserve to be sold process when what they need is results, especially for something as fundamental as competitive intelligence.

Deliver intelligence at the point of decision

Third, we sought to align competitive intelligence work to those decision processes and cycles which already existed in the business. Whether it was the annual budget or other periodic resource allocation activities, we aimed to produce intelligence that supported these exercises.

The problem is that in many organizations a manager’s ability to influence business direction is tied to these processes. They are the “official” times when the organization is supposed to make the big decisions. If an excellent intelligence analysis falls on a manager’s desk outside the window of one these processes, the likelihood that it will lead to action is seriously diminished.

Favor the tactical to be strategic

Next, we sought to solve the tactical problems facing the business. A good argument can be made (and a lot of money spent) on whether to fix a business’s strategy or its tactics first. But at the time we started reinvigorating competitive intelligence in P&G’s diaper business, such argument would have been a luxury. When you are losing battles, you don’t typically get to choose a new battlefield -- you need to start winning in order to gain such right of maneuver.

We needed to win battles. That meant developing intelligence on the competitor’s supply chain, cost structure, product performance, and selling and promotion schemes. The intelligence that could strengthen existing business plans.

Only by starting with a tactical focus (but within the context of our larger operating theme) did we gain the right to talk about and influence strategy in the longer term. When the business began winning again then the competitive intelligence team started delving into projects that supported strategic questions. We started to look at market analysis, demographics and technology trends. We started to look at long term resource allocation. We started to get involved with new product and category opportunities.

Package intelligence deliverables as branded products

Another key for our competitive intelligence group at P&G was to package its work as distinct products and brand them. Whether a piece of written work, a periodic forecast, a presentation or facilitated event, we gave it a name … even an acronym. Over time, if the work had impact, these brand names and acronyms entered the parlance of the larger organization.

We saw this happen with our war gaming program, our intranet portal, and later with our early warning efforts. The acronyms held strong brand identities that traveled to the far reaches of a global enterprise. And they became management currency, proof that the right questions were being asked and answered before plans moved forward.

You can certainly imagine that branding intelligence had unique benefit in a marketing-laden culture like P&G, but don’t dismiss this approach for your business. Branding gives a mere phrase or word the power to carry considerable meaning. While this is helpful to growing your competitive intelligence program, it’s crucial to sustaining it!

Brands are sticky and they last. They create an environment where a senior vice-president will call and ask “can you do another of those ABC exercises” or “we need you to set up PDQ on the widget business.” When competitive intelligence customers know it by its products and brands more so than by its personalities, they actually attach greater value to it. The product or brand becomes a required element of how the organization manages the business. This significantly increases the chances they’ll continue to invest in it long after you and your team move on. (And, by the way, branding is fun.)

Make competitive intelligence everyone's business

As you might have guessed from my discussion of bootleg competitive intelligence, a final key to our success at P&G was to make it everyone's business. We lived the old cliché that 80% of what an organization needs to know is already somewhere inside the walls.

We invited people into the process and tried to connect the pipes wherever it seemed logical and appropriate. If competitive diaper absorption tests were being conducted in key markets, we got on the distribution list for the results. We formed a monthly "working group" of managers from different functions who simply shared stories, anecdotes and their experiences with competition. We presented simple competitor profiles to sales meetings (no one had ever done that before) and, as a result, conscripted a dozen sales managers as potential eyes and ears for competitive market activity. Most importantly, the good information we picked up we passed on to senior management, and giving recognition to the provider further validated the overall intelligence effort.

In an organization of several thousand, we enrolled hundreds of individuals in our mission. We weren't trying to create a service desk to capture every competitive rumor or pet theory. Rather we were creating relationships, inviting hallway conversations, and identifying individuals who would be willing to help out when we called on them. In a word, we were networking.

While the motive for this networking effort was selfish – obtaining free assistance and support for our intelligence work— it produced a valuable side effect. It helped the organization to focus externally and put customers, consumers and competitors top of mind, ahead of work problems, departmental priorities and internal politics. By sharing our insights, shrinking the reputation of our competitors, and asking hard questions about how the market would react to P&G plans, we were spreading confidence and optimism. We were getting people to focus on the prize again and helping them more honestly assess the price of winning it.

INTELLIGENCE MAKES THE DIFFERENCE

By the time my role expanded in late 2001 to cover all of P&G's paper businesses, the turnaround of the diaper business was well in hand. As the old saying goes, success has a thousand mothers, so competitive intelligence certainly can't take all the credit. But no doubt we were a key piece of the magic that changed the course of the business. For instance, we conducted a major study of Kimberly-Clark's innovation capability that shattered numerous myths and legends. Of nine initial P&G hypotheses about K-C, we proved eight were wrong beyond a shadow of a doubt. While a shocking result to many R&D personnel (and painful) this effort was key to restoring confidence in P&G's ability to lead innovation.

We conducted exhaustive cost benchmarking that broke the myth that Kimberly-Clark's vertical integration in nonwoven technology gave them a massive cost advantage. Instead, we showed management that K-C's profit structure was largely the result of the high price mix of their product offerings. This helped convince leadership of the strategic value of reentering the training pants category.

Our cost benchmarking also revealed that P&G had lost a crucial manufacturing through-put advantage. In a case of classic intelligence gumshoe work, we crawled all over a pallet of competitive product at a warehouse club store, reading sequential code dates on packages. Analysis of the code date array showed K-C line speeds 30% higher than anyone assumed. This finding had huge ramifications. It further diminished the supposed value of K-C's vertical integration. It also provided management with the needed confidence to push forward with a $1 billion re-capitalization of the business's manufacturing operations.

Finally, extensive war gaming caused our product teams to rethink their go-to-market tactics and improve marketing choices. These exercises helped us confront our own predictability and turn it to an advantage. For instance, we had a habit of telling our product plans in exhaustive detail to our customers 12 to 18 months prior to bringing them to market. By acknowledging that whatever we told customers was quickly being telegraphed to competitors, we learned to either hold back certain details or intentionally change elements of marketing plans in the final months leading up to execution. This achieved the desired result of depriving competitors of extra time to plan a response. In several instances, their advertising and promotional countermoves missed so wide of the mark as to actually help P&G plans be more effective.

Competitive intelligence enabled moves in the diaper business in 2000 and early 2001 helped usher in a decade of business success. The company recovered lost market share, restored price premiums, and began a steady expansion of the diaper business into emerging markets. By 2012, Pampers became P&G's first $10 Billion brand.

FINAL THOUGHTS

Leading Competitive Intelligence at P&G was an enormous privilege and great fun. My personal success and the success of P&G's intelligence program were built around very simple principles (too often learned the hard way): stay focused on winning; work hard and be creative; be collaborative and inclusive; brand your best products and approaches.

But the true essence of our success came from the fact that we never tried to separate or elevate competitive intelligence from the mission of P&G as a company. If anything, we tried to be the most passionate, can-do players on the team. We were first and foremost servants to the cause of growing the business of a great firm.

If you can do this in your organization, you too will be successful. Questions of competitive intelligence relevance, sustainability and ROI will fade away as you find yourself helping call the plays that will allow your firm to win market share, grow sales and improve profitability.

[**Editor's Note:** Nat Brooks was a keynote speaker at the SCIP 2012 International Conference in Philadelphia.]

The Principal of Strategy Shapers LLC, Nat Brooks spent 25 years at Procter & Gamble in various finance, strategy and operating roles. From 2005 until 2012 Nat built Procter & Gamble's corporate Competitive Intelligence organization, which today is an 850 member global community of practice responsible for competitive analysis, early warning, technology intelligence and strategic options development. Nat is a recognized leader in competitive strategy in the consumer packaged goods industry and was a member of P&G's prestigious CFO Circle. During his time at P&G, Nat also mentored competitive and market intelligence leaders at such firms as Newell Rubbermaid, Cintas, Brown-Forman and Pella Window. Nat is a member of SCIP, is Chair emeritus The Conference Board's Competitive Intelligence Council, and an Advisory Board member of the Fuld-Gilad-Herring Academy of Competitive Intelligence.

Reach Nat at NatBrooks@strategyshapers.com