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a newsletter on practical strategic thinking and action
issue #29: the only information that matters

editor's message

The title of our newsletter this month comes from Peter Drucker who reminded us of the importance of external information in ensuring your company's future success. In Strategic Thinking, we look at the power of competitive intelligence and in Strategic Action, we'll offer some ideas on where to look for this kind of information. In Industry Snapshot, we share a recent information experience in an M&A situation, and the Reading List reviews *Thinking for a Living* by Tom Davenport.

strategic thinking

The Power of Competitive Intelligence

I recently met a woman who has become a strategic leader in her company by creating a very practically-oriented competitive intelligence program. She started at the grass roots level, doing primary research in new markets that her company was trying to penetrate. Over time, her team has grown and her profile has risen to the point where she is leading monthly discussions of strategic challenges with the executive committee. Her information about the marketplace is so powerful that it has earned her a seat at the senior management table.

As I spoke with her, I was reminded of one of Peter Drucker's frequent statements—the only information that really matters comes from outside the corporation (see Ch. 3 of *Managing in the Next Society*). Like many of his ideas, it's deceiving in its simplicity. It's actually a revolutionary statement, challenging our concept of management information.

Today's Chief Information Officer manages "information technology" that is almost 100% focused on internal information. While we don't want to eliminate this valuable source of information, it is ultimately market movements, technological changes, evolving customer needs, and competitive environments that are critical in determining the fate of most companies. External information is the best way to ride, rather than be drowned by the waves of change in your environment.

Spend some time creating a competitive information discipline. Think about the relative investment. What do you think the ROI is on the small competitive information effort led by our contact above versus the return on all the information systems at her company? What would the return be to your company's results (and maybe your career!) if you were to increase your understanding of your market?

-Mary Adams (adams@trekconsulting.com)

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strategic action

Improving Your Competitive Intelligence

It doesn't take a huge effort to build a better flow of external information. The Internet provides access to all sorts of competitive information, some of which is available for purchase, but much is free. Systems can be set up to detect changes on competitors' and customers' websites, or notify you of press releases from industry players. You can even set up a "Google Alert" (<http://www.google.com/alerts>) for your own company name, as well as competitors and customers. Compared with research efforts fifteen years ago, the ease of getting quality information is almost ridiculous. Some other options for developing better outside information might include:

- Buying data about competitors and customers—from any one of the many companies that make this their business.
- Developing your own data—you can survey clients and market experts or use your customer service communications to gather new information about changing markets. Think about your website, your phone centers, or any other point of outside contact.
- Finding ways to look beyond your present markets—participate in industry gatherings, attend presentations, and read as much as possible, always with an eye to how this could affect your business. For more on this idea, see the Industry Spotlight below.
- Engaging in strategic conversations—we are big believers in talking with people outside the company as a way of sensing an industry's direction, new developments, and others' impressions of your strengths and weaknesses. These conversations also flatter the people with whom you conduct them, prompting them to become closer strategic partners. For more on this approach, read Issue 13 of Trekking (<http://www.trekconsulting.com/Publications/Newsletter/Issue13/Issue13.html#action>).

After receiving data from all these sources, many companies set up distribution networks internally to share the information. This may be done via dashboards, where statistics are involved (e.g., semi-conductor chip prices), or with intranets and blogs to share feedback. Whatever way you choose, the best way to start is to keep it simple—just take on a few small projects that have a direct impact on business units and take it from there.

In our teaching and speaking, we often use a presentation that shows the "cone of silence" used in the 1960's television show *Get Smart*. Without external information, you and your management team are limited to your own ideas. Lift the cone, open the windows, and let the fresh external information refresh your thinking.

- *Michael Oleksak* (oleksak@trekconsulting.com)

industry snapshot

A Difference of Perspectives

A few years ago, it was pointed out to us that corporate and professional investors approach their due diligence in very different ways. Management teams tend to look at internal information—financial, sales and operational reports—while professional investors spend most of their time soliciting the opinion of external experts that understand the company and the business opportunity.

We just lived through this contrast in a recent negotiation. We sat next to one of our clients in conversations with a potential corporate acquirer from within the industry that had expressed interest in buying their company. Our client has a compelling business with a unique market position. But the point person on the other side of the table spent most of his time merging our client's contracted sales backlog into his internal report format. We spent several conference calls just hashing through these numbers. That's okay, but that's all there was. No questions about the client's business model, target market, customer relationships...well, you get the picture. It probably won't surprise you that the deal didn't happen.

It's easy to read about a situation like this and dismiss it. You think, "I would be smarter" (we'll give you the benefit of the doubt on that). But the point is that we all tend to get very caught up in our own view of the world and try very hard to fit the facts into it, rather than learning and adapting according to what we see.

reading list

Thinking for a Living

By Thomas Davenport

This book addresses one of the greatest management challenges of our times: organizing and leading knowledge workers. I actually read this book awhile back and decided not to review it. The book didn't meet my initial expectations. It spends most of the time trying to present models that can be used for understanding and managing knowledge work. It even ends each chapter with a list of "Recommendations for Getting Results from Knowledge Workers." It addresses many of the pieces of the puzzle without trying to put them together with an overall theory.

However, in retrospect, we decided to share this book with you because the truth is that it's too early in the game for any of us to have all the answers. In the end, this book does help by trying to create some concrete models (e.g., the identification of four types of knowledge work depending on the complexity of the work and the need for collaboration). It also takes a stab at laying out the basics of knowledge work processes, the need for networks and learning, and how to create a



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physical and technology environment to support effective management of knowledge workers. If you have to manage knowledge workers today and cannot wait for the final theories to be formulated, this book will help improve your thinking.

For more on this book, visit the author's web site (<http://www.tomdavenport.com/>).

announcements

This summer, Trek did research on innovation via interviews with Chief Innovation Officers at leading edge companies. In the coming weeks, we will be publishing a report based on this research. In next month's issue of Trekking we will provide a highlight of the results and give you access to the full report.

about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the road-blocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.