

Countering Competitive Urban Legends

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We've all heard them. "Urban legends" are a sort of modern folklore consisting of stories often thought to be true but that, in reality, are usually false, exaggerated, distorted, or sensationalized. I'm sure you've heard the one about unsuspecting business travellers being anaesthetized and then waking up to find that a kidney had been harvested for surgical transplant.

For the most part, urban legends are harmless fun. But many can take on a life of their own and cause those reading or hearing them to think, just for a moment, that maybe if I'm at an ATM and sense danger, I can enter my PIN in reverse and summon the police.

Managers can hold similar myths, stereotypes, and distortions about competitors, industry conditions, or other business matters. It's hard for executives, especially those who have been in the same industry or with the same company for most of their careers, not to develop deep-seated beliefs about their business environment. There's always one competitor more aggressive and hungry than you are, or another competitor that certainly has a more favourable cost structure, or a supplier set to go out of business at any moment. These competitive urban legends are endemic to almost every company, and become reinforced over time as more executives buy into them.

Countering Competitive Legends

Confronting your company's urban legends with credible evidence may be the right course of action, but doing so can be fraught with risks. If your company is like most, the more deeply held and incontrovertible the urban legend, the more powerful and influential are the executives who espouse it. Challenging their perspective can be dangerous if not done in a logical and systematic manner.

Entering into a debate with a powerful executive places your credibility on the line. Losing such a battle can create personal and career casualties, and harm the overall perception and acceptance of competitive intelligence inside your organization. Still, when approached carefully and thoughtfully, confronting competitive urban legends is a better course of action than turning a blind eye to them.

Consider the following hypothetical example. A computer services firm found itself continually surprised by the actions of a set of competitors its managers thought they knew well. The competitors were underbidding the company for the provision of networking, systems integration, and other technical services performed for the company's clients. The company was also pricing well out of sync with client expectations. In some cases, it underbid competitors when price did not turn out to be a prevailing decision factor for the customer. In others, it was increasingly losing bids

on prices that were too high, sometimes submitting bids 20% higher than those from other competitors. Senior management scratched their collective heads. How in the world could this be happening? Confusion reigned.

During this competitive conundrum, the company's competitive intelligence team began to hear statements made by management that seemed to be unfounded:

- "Our competitors are bidding on projects as loss leaders just to establish relationships with desired customers."
- "Competitors can't be lowering their costs by locating their developers and technical staff offshore -- doing so would complicate services delivery and cause customers to lose confidence."
- "That competitor is in trouble; it's losing money and is desperate for new revenue to avoid having to undergo a significant restructuring later."

Collected evidence did not suggest that competitors were adopting a loss leader approach. Furthermore, credible evidence indicated that a competitor was adopting a significant offshore strategy. And the competitor in alleged financial difficulty? No evidence indicated anything of the kind.

Furthermore, the competitive intelligence team worried that these perceptions not only clouded management's ability to take action to correct the company's sales decline, but also paralyzed management from taking any action at all. Strategy and sales meetings became exercises in frustration, with managers citing their company's misaligned sales approach but remaining at a loss as to what to do about it.

Analyze Internal Urban Legends

For each competitive urban legend, the competitive intelligence team identified a set of intelligence requirements that, when fulfilled, would give them the evidence required to objectively and logically evaluate the truthfulness of each legend. Using this list of intelligence requirements, the team gathered published-source and human intelligence. They divided the collected data and information into two sets: one that refuted the legends, and one that supported them.

The challenge then became how to successfully (and safely) inform management that several of its competitive perceptions were no longer valid. Most competitive intelligence practitioners focus on the work behind collecting and evaluating information to create practicable intelligence, and sometimes give short shrift to thinking through a communications strategy. In this case, when you have to deliver intelligence that you know is at odds with your management's prevailing beliefs about the competition, carefully consider the means by which you deliver that message to your decision makers.

The Management Briefing

In most cases, subtlety does not work.

When calling management perceptions into question, a direct approach usually works best. In this case, the competitive intelligence team first acknowledged the prevailing competitive perceptions, and then arrayed evidence both for and against the perceptions so management could see exactly how the analysts came to their conclusions regarding whether the legends were true. To get their point across, the team presented management's distorted perceptions directly back to them, labeling them "urban myths." In doing so, the competitive intelligence team established that a main purpose of the briefing was to call out, and refute, some of management's beliefs.

In the management briefing, the competitive intelligence team clearly showed the pieces of evidence that supported the competitive urban legends and those that did not. For each legend, the briefing came down on one side or the other, designating a legend as a valid judgment or as an obsolete view of the competitive environment. For validated hypotheses, the competitive intelligence briefing addressed the implications of each for the computer services company's sales and pricing strategy, and highlighted future circumstances that could change this rationale.

Communicating the competitive intelligence team's assessment that discounted some of management's incorrect urban legends was harder. The team stuck very closely to the evidence they presented and, in essence, allowed management to see for itself that their beliefs were no longer valid. Then, for each refuted hypothesis, the team offered alternative assessments that reconciled observed competitive behavior with the evidence collected and the unfavorable results of the recent lost sales.

For each alternative assessment, the team discussed the implications to the computer services company. They also reviewed a corresponding set of intelligence indicators that the team would continue to monitor with an eye toward warning management about future circumstances that could change these new conclusions.

Provide an Ongoing Review

Once you've completed your first urban legend analysis, what's next? Like most competitive intelligence that management receives, a one-time report or briefing is not enough. To effectively prompt management to at least acknowledge that their competitive perceptions could be in error, competitive intelligence teams need a communications strategy that stresses a constant and ongoing review of prevailing hypotheses.

Consider delivering a quarterly update that confronts the competitive urban legends, offers new evidence that either supports or refutes them, and extends your analytic line. Informal reinforcement of your analysis is essential. Listen for comments by executives that are indicative of old, discounted perceptions. Find opportunities to reinforce your analysis that calls such perceptions into question. Urban legend analysis is not about aiming for one grand deliverable, but for finding opportunities to challenge and correct any distorted competitive assumptions on a continuous basis.

To be sure, confronting -- and ultimately changing -- management's perspective on the competition is difficult, even when that perspective is out of date or based on assumptions and evidence that no longer hold true. Instead of ascribing to and

reinforcing those perceptions, a better competitive intelligence strategy is to confront them head on, using inductive, hypothesis-based analysis. Remove debilitating perceptions from management's mindset that cloud effective decision making. This will take time and persistence, but the benefits to your organization and your competitive intelligence program can be profound.

This summary was drawn from a longer article written by Kenneth Sawka of Outward Insights. It first appeared in Competitive Intelligence Magazine (Vol. 10, No. 1, Jan.-Feb. 2007). To read the entire piece, see www.scip.org

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